



2012 Living Our Values Corporate Social Responsibility Report

PDF Format



This is Marathon Oil Corporation's first CSR report released 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 2012 CSR report, please visit:

http://www.marathonoil.com/Social_Responsibility/Reporting/

ABOUT THIS REPORT

Marathon Oil Corporation's 2012 Living Our Values Corporate Social Responsibility Report illustrates our efforts to advance our non-financial 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, honesty and integrity, corporate citizenship and a high performance team culture – through our business endeavors.

This report reflects Marathon Oil's first full year as an independent international energy company, following the 2011 spin-off of our refining, marketing and transportation businesses. Unless otherwise stated, all 2011 and 2012 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) and the [Athabasca Oil Sands Project \(AOSP\)](#) 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 the International Petroleum Industry Environmental Conservation Association ([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 \(GRI\) G3.1 Sustainability Reporting Guidelines](#). We include quantitative and qualitative metrics to provide relevant and meaningful information about our operations and non-financial 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 [2012 Annual Report on Form 10-K](#).

Content Determination

To prepare this report, Company managers identified and prioritized the issues 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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Safe Harbor Statement

This Corporate Social Responsibility Report contains forward-looking statements with respect to anticipated exploration activity in Gabon and the Kurdistan Region of Iraq, production forecasts for the Eagle Ford, Bakken and Oklahoma Resource Basin resource plays, planned infrastructure improvements in the Eagle Ford and Bakken operating areas, planned capital, investment and exploration expenditures in the Eagle Ford resource play, planned GHG emission reduction efforts, expected levels of carbon dioxide removal related to the Quest Carbon Capture and Sequestration (“CCS”) project and water management efficiency initiatives. Factors

that could affect anticipated exploration activity in Gabon and the Kurdistan Region of Iraq, production forecasts for the Eagle Ford, Bakken and Oklahoma Resource Basin resource plays, and planned infrastructure improvements in the Eagle Ford and Bakken operating areas include pricing, supply and demand for liquid hydrocarbons and natural gas, the amount of capital available for exploration and development, regulatory constraints, timing of commencing production from new wells, drilling rig availability, availability of materials and labor, other risks associated with construction projects, unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response thereto, and other geological, operating and economic considerations. Factors that could affect achieving the planned GHG emission reduction efforts and water management efficiency initiatives include asset acquisitions or dispositions, new regulatory constraints, potential success of pilot programs, the timing of planned infrastructure improvements, and other operating and economic considerations. The expected levels of carbon dioxide removal related to the CCS project and the planned capital, investment and exploration expenditures in the Eagle Ford resource play are based on current expectations, good faith estimates and projections and are not guarantees of future performance. The foregoing factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements. In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, Marathon Oil Corporation has included in its Annual Report on Form 10-K for the year ended December 31, 2012, and subsequent Forms 10-Q and 8-K, cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements. Copies of these reports are available at www.marathonoil.com or by contacting Marathon Oil's Investor Relations Office at +1 713-296-4171. The Company assumes no obligation to update the information in this report.

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MARATHON OIL AT A GLANCE



Marathon Oil Corporation (NYSE: MRO) is an independent international exploration and production 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 Exploration and Production (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 is continuing to build a sustainable exploration and production business by expanding our global resource base and addressing the social, environmental and economic challenges that come with growth.

We are pleased to provide this Living Our Values Corporate Social Responsibility (CSR) Report on the CSR efforts that supported Marathon Oil's business success in 2012. It was our first full year as an independent international energy company after spinning off our refining, marketing and transportation businesses in 2011. Over the past several years, we have built strong positions in premier unconventional resource plays in the U.S.; begun exploratory work in the [Kurdistan Region of Iraq](#); re-entered Gabon where we will target deepwater exploration prospects; and entered Kenya and Ethiopia for the first time to explore promising resource basins. At the same time, we continue to responsibly develop and maximize the potential of our base assets around the world.

Throughout this period, Marathon Oil has maintained our unwavering commitment to living our long-standing values of health and safety, environmental stewardship, honesty and integrity, corporate citizenship and a high performance team culture. In fact, I believe these core values have reinforced our ability to execute our business strategy, act on opportunities, engage constructively with stakeholders and build shareholder value.

These values also underpin our commitment to share the benefits of oil and gas development with the broader communities where we operate. One way we can do this is by being responsible neighbors and stewards of safety, resources and the environment. This is how we will maintain our license to operate; the trust of the public, our communities and employees; and the confidence of our shareholders, business partners and regulators.

Why We Report

Marathon Oil also recognizes our responsibility to keep [stakeholders](#) informed of our performance on governance, workplace, environmental and social issues, along with our financial and operating results. Many stakeholders consider non-financial performance to be a key indicator of sustainability, and we have reported on our efforts for many years. We believe that communicating our challenges, risks and progress builds trust in our capabilities. Reporting also holds us accountable for identifying, managing and mitigating the potential impacts of our operations to the extent possible, and drives continuous improvement.

While in the past our reports have been available in print and digitally, this year we are moving to a digital-only format that allows us to expand our reporting. We have also adopted [eight corporate-level commitments](#) covering governance, society, environment and workplace, instead of setting goals at the corporate level. Going forward, our local operations are responsible for implementing local programs to fulfill the commitments, including setting measurable goals to drive improvement. We believe this is the best way to have a positive impact in our communities.

From a personal perspective, I am proud of the way Marathon Oil approaches challenges and the solutions we develop. We work alongside industry partners, government agencies, nongovernmental organizations, local citizens and others to resolve a wide variety of issues. For example, in 2012, these collaborations led to establishing the South Texas Energy and Economic Roundtable (STEER) to address issues related to the development of the [Eagle Ford Shale](#).

Safety and environmental protection are ongoing stakeholder concerns and business issues we are addressing. We strengthened our capabilities for reporting and tracking safety, environmental and reliability events in 2012, with a focus on leading indicators to improve health, environment, safety and security performance. We reduced the amount of fresh water used in our South Texas Eagle Ford Shale operations through process changes, recycling and using a different hydraulic fracturing fluid mixture. Work continued to reduce air emissions, truck traffic and other impacts of shale development in the Eagle Ford and the Bakken Shale play in North Dakota, and we will use

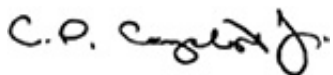
lessons learned to reduce our footprint in other unconventional plays.

How We Will Drive Sustainability

In addition to proactively managing community and operational issues, Marathon Oil is taking steps to remain competitive and structured for success. To drive profitable growth, we must have an effective, efficient workforce. In 2013, we initiated an organizational study to identify and remove obstacles that prevent our workforce from creating greater value for shareholders. This study has executive and senior leadership involvement with guidance from a third party. I look forward to implementing recommendations resulting from this study that will help strengthen our high performance team and facilitate our continued success.

Marathon Oil wants to deliver economic progress and make a lasting, positive difference in communities where we operate. This means we will have to be a safe, clean operator, collaborate with stakeholders and uphold the highest integrity in all our business dealings. We will need highly skilled employees with the tools and technologies to actively contribute to growing the Company. We will require the financial capacity to invest in continuing growth, maintaining existing assets and creating shareholder value. Marathon Oil will also need to remain transparent about all aspects of our business to meet the expectations of our external shareholders. On behalf of the employees and Board of Directors of Marathon Oil, thank you for giving us the opportunity to update you on our CSR progress.

Sincerely,

A handwritten signature in black ink, appearing to read "C.P. Cazalot Jr.", with a stylized flourish at the end.

Clarence P. Cazalot Jr.
Chairman, President and CEO

PERFORMANCE SUMMARY

Corporate Social Responsibility Performance Highlights			
	2012	2011	Change
Fatalities (Employee and Contractor Workforce)	0	0	0.0%
Global Safety Performance – Total Recordable Incident Rate (TRIR)	0.66	0.56	17.9%
Social Investments – Philanthropic and Sustainable (million dollars)	\$29.8	\$25.0	19.2%
Global Greenhouse Gas Emissions (million tonnes CO ₂ e) ^{a, b, c}	4.92	4.08	20.6%
Global Greenhouse Gas Intensity (tonnes CO ₂ e on a weighted basis/production) ^{a, b, c}	22.9	20.2	13.8%
Energy Use (trillion BTU) ^c	69.0	50.3	37.2%
Global Fluid Spills – Number ^d	84	89	-5.6%
Global Fluid Spills – Total Volume of Fluid Spilled (barrels) ^d	4,664	1,107	321.3%
Employees – Minorities as a Percentage of Workforce (U.S.) ^{e, f, g}	19.9%	19.3%	3.1%
Employees – Females as a Percentage of Workforce (Global) ^e	27.0%	26.9%	0.4%

a Greenhouse Gas (GHG) carbon dioxide equivalent (CO₂e) 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 new U.S. EPA reporting requirements.

c Some data updated due to improved methodologies, 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 U.S. Equal Employment Opportunity Commission statistics.

g Two or more races. As defined by the U.S. Equal Employment Opportunity Commission.

Financial and Operating Highlights (dollars in millions, except per share data) ^a		
Category	2012	2011
Total Revenues and Other Income	\$ 16,222	\$ 15,282
Income from Operations	6,332	4,813
Income from Continuing Operations	1,582	1,707
Income from Discontinued Operations	—	1,239
Net Income	1,582	2,946
Income from Continuing Operations Per Common Share – Diluted ^a	\$ 2.23	\$ 2.39
Discontinued Operations Per Common Share – Diluted ^a	—	1.74
Net Income Per Common Share – Diluted	\$ 2.23	\$ 4.13
Long-term Debt ^b	6,512	4,674
Stockholders' Equity ^b	18,283	17,159
Total Assets ^b	35,306	31,371
Capital Expenditures ^{c, d}	5,131	3,399
Dividends Paid	480	567
Income Tax Expense on Continuing Operations	4,531	2,720
Average Daily Net Sales:		
North America Exploration and Production Segment (mboed) ^d	166	130
International Exploration and Production Segment (mboed) ^{d, e}	266	233
LNG (mtp) ^f	6,290	7,086
Methanol (mtp) ^f	1,298	1,282
Oil Sands Mining Segment Synthetic Crude (mbbld)	47	43
Net Proved Reserves: ^b		
Liquid Hydrocarbon, Natural Gas and Synthetic Crude Oil Reserves (mmbbl) ^b	2,017	1,800

Number of Employees ^b	3,367	3,322
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a Our downstream business was spun-off on June 30, 2011, and has been reported as discontinued operations in 2011.

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 15 and 16 mmcf in the years ended December 31, 2012 and 2011, respectively.

f Includes natural gas acquired for injection and subsequent resale of 5 and 6 mmcf in the years ended December 31, 2012 and 2011, respectively.

CSR IN CONTEXT

Now positioned as a major independent exploration and production company, a smaller yet still global enterprise, Marathon Oil Corporation persists in our longstanding tradition of continuous improvement and adherence to our central tenet, Living Our Values.

Insofar as our Board and management are concerned, no objectives are more important than this Company's corporate social responsibility. Yes, optimizing our shareholders' economic value is our principal mission. But paramount, too, is our stewardship of Marathon Oil's non-financial values, particularly as they define our environmental, safety, workplace and community responsibilities. These are uppermost in the minds and everyday efforts of all who are associated with the Marathon Oil heritage and brand.

Yet new geographies and technologies present us with considerable challenges. To permit more expansive review of how we are responding, this report is presented for the first time in a digital format. But just as with everything else that is "new" at Marathon Oil, the substance, we trust you will agree, is consistent with Marathon Oil's history and ethics.

There has been an organizational transition, too, in how the Company addresses corporate social responsibility. Rather than being principally the province of a stand-alone department, our extensive work in this field is being [embedded into local operations](#) around the globe. This evolution, we believe, more deeply engages Marathon Oil people throughout all aspects of our CSR work, and permits their more rapid identification, and enhanced execution, of initiatives.

You will note herein the significant steps taken to examine, almost exhaustively, aspects of our undertakings to ensure we are genuinely living our values. How disparate elements of the Company's operations can do so – in a focused, nimble, ethical, innovative and socially responsible manner – is evidenced, for example, in the organizational study and the review of standards and policies.

On behalf of all the Company's stakeholders, the Board asks:

- What are the practical manifestations that reflect how the Company is truly living our values?
- How are we specifically meeting health, safety, environmental, social and political challenges – some likely recurring, many inevitably 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?

In each of our detailed responses, we further inquire, "Could, should and how might we do more?"

As unconventional resource plays have become more central to the Company's deployments and future, replies to these questions demand thinking anew. There are, admittedly, real and perceived hazards. Education in new technologies, training in new skills, preemptive measures in day-to-day work, and communications with new neighbors are all essential.

To evaluate how we live up to the rhetoric, we have adopted performance metrics we believe to be appropriate and meaningful. They are reviewed annually by senior management and our Board, and we welcome the studied consideration of such objectives and performance by all the Company's constituencies. That is fundamental to our continued improvement and accountability.

The responsibility is far greater than merely earning our license to operate. Living Our Values is central to why and how we operate.

Demand for our products is increasing. Meanwhile, the conditions under which this demand can be satisfied, while

meeting externally mandated and internally desired standards, are ever more difficult. In so many ways, this business is tougher than ever before.

Yet today's Marathon Oil Corporation continues to be committed to corporate social responsibility. Therein lie not only commercial advantages, but also enormous possibilities for model corporate citizenship within our industry and throughout the communities in which we operate.

Seizing those opportunities in an exemplary fashion, as we trust is demonstrated in this report, is the heart of Living Our Values.

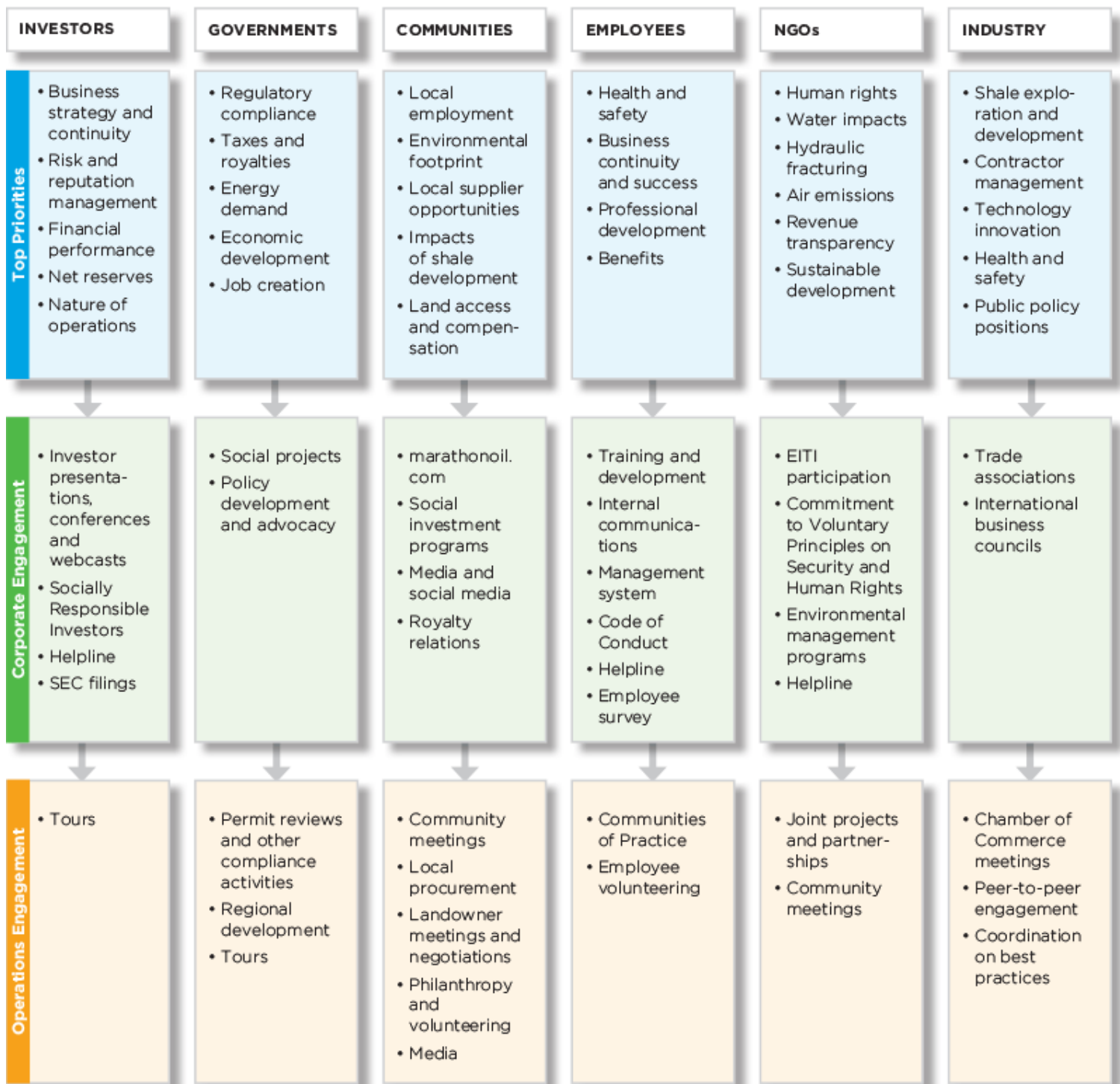


Philip Lader
Chairman, HES&CR Committee
Marathon Oil Corporation Board of Directors

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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 the Company's 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 non-financial risks raised through research or stakeholder feedback. The most significant are reported in our [2012 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, transportation capacity constraints, competition, taxation and stockholder concerns.

Global Performance System

To oversee health, environment, safety and security (HES&S) performance, we use the risk-based Global Performance System (GPS) designed around the "plan-do-check-adjust" framework.

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, [corporate responsibility](#) 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 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 drive consistency across the Company by setting expectations for organizational performance. 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 senior management.

CORPORATE COMMITMENTS

Marathon Oil adopted 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 2012 and primary activities for 2013 are also denoted below.

	Commitments	2012 Progress	2013 Focus
Governance	Participate in the public policy process and maintain employee awareness on issues relevant to our company and industry.	<ul style="list-style-type: none"> • Played pivotal role in the formation of the South Texas Energy and Economic Roundtable (STEER) in Eagle Ford, to serve as an industry liaison with local communities. • Enhanced employee education programs on key issues such as hydraulic fracturing and taxation. • Worked with the Bureau of Land Management, Environmental Protection Agency, several tribes and industry to address drilling permit approval delays in North Dakota. 	<ul style="list-style-type: none"> • Continue promoting state regulation and enforcement of oil and gas operations. • Continue enhancing employee education programs on key issues. • Actively participate in legislative and regulatory processes at all levels of government where we have operations.
	Conduct our business with high standards for responsible operations, business ethics and integrity, corporate governance and transparency.	<ul style="list-style-type: none"> • Held major drills in the U.S. and Equatorial Guinea to be prepared for aggressive emergency response to oil spills, natural disasters, evacuations and other emergencies. • Improved deepwater source control capabilities worldwide. • Continued participation in the EITI to support and encourage transparency initiatives in countries where we have operations. • Took action to ensure that our Code of Business Conduct is current with best practices. • Provided live ethics training to employees, contractors, new employees and new supervisors with material tailored for roles. • Investigated, and took appropriate action on, ethical matters reported through Help Line and other channels. 	<ul style="list-style-type: none"> • Continue implementing measures to make contractors more accountable for complying with Company ethics and integrity policies and processes. • Conduct live, facilitated training on an updated standard to prevent corruption and ensure compliance with applicable laws. • Implement measures to ensure accountability for financial regulatory compliance.

	Commitments	2012 Progress	2013 Focus
	Work with stakeholders to understand how our operations impact local communities.	<ul style="list-style-type: none"> • Engaged stakeholders on road safety, water management, air emissions, shale development, capacity building and other impacts. • Built a playground in the Mirawa area of the 	<ul style="list-style-type: none"> • Continue ongoing efforts to increase the percentage of national employees in the Equatorial Guinea workforce toward a goal of 70+ percent.

	<ul style="list-style-type: none"> • Kurdistan Region of Iraq to mitigate potential oilfield-related traffic risk to children. • Provided funding for public safety, local security and safe driving initiatives in Eagle Ford Shale. • Implemented projects for education, capacity building and community assistance in Equatorial Guinea. • Strengthened programs for national workforces in Equatorial Guinea and the Kurdistan Region of Iraq. 	<ul style="list-style-type: none"> • Build capacity in Equatorial Guinea and the Kurdistan Region of Iraq by training and developing national employees. • Implement a community safety plan during drilling activities in the Mirawa area of the Kurdistan Region of Iraq. • Establish a Community Involvement Community of Practice.
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"> • Developed an Integrated Education Funding Model to bring sharper focus to our education grants. • Initiated social projects in the Kurdistan Region of Iraq to improve infrastructure and educational and community social institutions. • Created a partnership to find alternative water sources for wildlife inside the McCullough Peaks Wild Horse Herd Management Area in Wyoming. • Partnered with the American Heart Association to provide cardiopulmonary resuscitation awareness training to more than 3,700 employees and contractors worldwide. 	<ul style="list-style-type: none"> • Work with school districts and community colleges in our Eagle Ford asset to pilot an integrated education model to determine its effectiveness. • Award scholarships for up to seven Kurdistan high school students to attend Texas A&M University. • Commit \$3 million to the MD Anderson Moon Shots program to accelerate the end of eight major cancers. • Support Houston conservation programs including a tree seedling farm and education center, and restoration of a historically significant park. • Continue Marathon Oil UK support of a community project to increase safety awareness in schools.
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.	<ul style="list-style-type: none"> • Conducted risk assessment for new non-operated positions in Gabon, Ethiopia and Kenya, and monitored risks associated with ongoing operations. • Ensured proper vetting and annual training of security personnel. • Provided human rights training in the Kurdistan Region of Iraq. • Provided grievance mechanisms for reporting and investigating concerns and incidents. • Transitioned oversight of security and human rights to corporate security to improve planning and tracking under the HES&S management system. 	<ul style="list-style-type: none"> • Conduct a gap analysis of existing security and human rights activities to ensure compliance with best practices. • Conduct risk assessments for new-country entries and monitor risks associated with ongoing operations. • Continue to ensure proper vetting and annual training of security personnel.

Commitments		2012 Progress	2013 Focus
Environment	Reduce spills and releases, minimize wastes, and promote water management, conservation and biodiversity.	<ul style="list-style-type: none"> • Reported water management practices to Carbon Disclosure Project (CDP) Water Disclosure Project. • Implemented strategies in the Eagle Ford for using non-fresh water, recycling produced water and using central water collection facilities. Completed two water recycling pilot projects. • Pursued alternative water sources and reviewed available technology to enable water reuse in fracturing operations. • Made a final investment decision to proceed with the Quest Carbon Capture and Sequestration (CCS) project. • Registered 578 wells with www.fracfocus.org through December 2012. • Activated membership in the nonprofit Wildlife Habitat Council (WHC) to promote wildlife habitat, biodiversity and conservation education. 	<ul style="list-style-type: none"> • Develop a consolidated Environmental Management Program Standard to promote consistent programs and facilitate reporting. • Continue addressing concerns associated with hydraulic fracturing. • Continue voluntary reporting of fracturing fluid components for all wells drilled and hydraulically fractured in the U.S. in www.fracfocus.org registry. • Internally report and investigate every spill.

Commitments		2012 Progress	2013 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"> • Implemented a new Event Reporting and Management Standard to drive more effective risk management and use of leading indicators. • Conducted hazard assessments for higher risk facilities to improve safety. • Reviewed and revised "Life Critical" Standards and aligned with OGP life saving rules. • Used North Sea expertise on Gulf of Mexico platform to improve process safety. • Established personal and occupational health services in offices and field operations in the Kurdistan Region of Iraq. 	<ul style="list-style-type: none"> • Share ideas and solutions worldwide through a Safety Community of Practice and lessons learned process. • Implement Synergi software to improve consistency in event reporting and corrective action tracking. • Launch improved voluntary Wellness Program. • Establish a Medical Community of Practice.
	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"> • Conducted first employee engagement survey as an independent exploration and production company. • Minority employees in the U.S. increased as a percentage of workforce, and worldwide approximately 30 percent of professionals and almost 19 percent of supervisors and managers were women. • Six women served on our senior management team, and two on our Board 	<ul style="list-style-type: none"> • Reinforce areas of organizational strength and address areas for improvement identified in 2012 employee survey. • Continue to attend industry conferences and use online social networking tools to recruit high quality candidates. • Implement recommendations from organizational study to remain

of Directors.

- Revamped our [recruiting program](#) to grow our candidate pool.
- Employees and contractors reported more than 194,000 hours of training and development in our learning management system.
- Continued to use knowledge sharing tools, [Communities of Practice](#) and mentoring for petrotechnical employee career development.
- Provided [targeted training](#) and development programs for Eagle Ford, Bakken, Norway, UK, the Kurdistan Region of Iraq and Equatorial Guinea.

competitive and create greater value for shareholders.

- As we execute our significant growth plan in the Eagle Ford, continue to train and develop employees and contractors to improve safety and operational performance.

GOVERNANCE



Ethics and integrity are the foundational values that underpin everything we do and how we do it, and foster a culture of honesty in all our business dealings. Marathon Oil's commitment is to uphold high standards for the responsible management of our operations, business ethics and integrity, corporate governance and transparency. We participate in the public policy process and maintain employee awareness on relevant issues to ensure the Company has a voice in decisions that affect our business, industry, communities where we live and operate, and shareholders.

Management Approach

As the Company's ultimate decision-making body, the Board of Directors is accountable for our commitment to 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 roles and responsibilities, new director selection, planning and oversight, compensation, and 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 2012, seven of eight directors qualified as independent and two directors (25 percent of Board members) were women. Marathon Oil President and CEO Clarence P. Cazalot Jr. served as the chairman and the only management member of the Board of Directors.

To maintain an independent board, the [Corporate Governance and Nominating Committee](#) is responsible for screening and evaluating director candidates, 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 strategic direction, structure, assets, corporate finance, governance, ethics and issues affecting our activities.

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 and sets forth stock ownership guidelines in the Corporate Governance Principles. The [Compensation Committee](#) reviews the executive compensation program which is intended to motivate long-term organizational and individual performance aligned with corporate goals and the long-term best interests of Marathon Oil

shareholders. 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. It is also based on qualitative metrics for organizational and strategic performance and individual performance. In our first full year as an independent exploration and production company, performance-related compensation outcomes for 2012 included annual cash bonus payments above target levels and performance unit payouts at target. Details of executive compensation are available in [Marathon Oil's 2013 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.

Rule of Law

Marathon Oil respects local laws and promotes the principles of justice, fairness and equality wherever we operate. Where appropriate, we encourage local authorities to observe rule of law. 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 and help prevent unintentional reputational issues and other risks.

To maintain our high standards, we are strengthening measures to ensure that members of our large contractor workforce conduct themselves in a manner that is consistent with our Code and ethics and integrity policies and procedures. We have increased contractor training sessions around ethics and business conduct and enhanced access to our policies, procedures and expectations on a password-protected contractor website. When allegations of contractor or employee misconduct are received through the Business Integrity Office, [Integrity Helpline](#) or other channels, we conduct a thorough and complete investigation. In 2012, Marathon Oil terminated several contractors and employees who did not comply with our ethics and integrity requirements.

We remain committed to transparent payments to host governments. We continue to participate in the [Extractive Industries Transparency Initiative \(EITI\)](#) and offer implementation assistance to countries where we operate. Marathon Oil is engaged in the development of transparency disclosures as required by the Dodd-Frank Act for payments to foreign governments and to the U.S. government as they relate to oil and gas extractive activities. Other regulatory activities are progressing including the finalization of the European Directive that will apply to European Union incorporated companies as well as non-European Union companies that have a listing in the European Union.

Marathon Oil has a commitment 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.

BUSINESS ETHICS

Marathon Oil's assistant general counsel for administration, compliance, privacy 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 ethics policies and strategic direction, 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 Board of Directors approved Code updates and revisions in 2012 that ensure we are applying best practices and that our employees understand our expectations.

Marathon Oil 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. We provided live ethics training to approximately 1,000 employees and contractors in Houston and field offices in 2012, with material tailored for new employees and supervisors. We also revised our online system used by employees to complete their mandatory annual Code certification process.

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 Company does not allow 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.

100%
OF EMPLOYEES

rated ethics and integrity as Marathon Oil's greatest strength in our 2012 employee engagement survey, which is consistent with past surveys. Almost 100 percent of survey respondents indicated that the Company's executive management sends a clear message that unethical behavior is not tolerated.

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. Additional measures to prevent bribery and corruption include a Meals, Gifts and Entertainment Standard and Whistleblower Policy.

To further prevent corruption, Marathon Oil prohibits “facilitating or expediting” payments (which are allowed under the FCPA) throughout its operations, except in the event that human health and safety are at risk. If such payments are made to protect human health and safety, we require that the payments are recorded accurately and fairly in the Company’s financial books and reported to Corporate Security and Law as soon as possible.

Annual anti-corruption compliance training is mandatory for all exempt employees whose job responsibilities include operations in countries that are not in the Organization for Economic Cooperation and Development (OECD) or otherwise involve anti-corruption compliance. Employees who transfer outside the U.S. receive additional training. The Company held 90 anti-corruption sessions attended by 1,398 participants in 2012.

90
**ANTI-CORRUPTION
SESSIONS**
attended by 1,398
participants in 2012

The comprehensive annual anti-corruption compliance audit program covers our operations outside of the U.S. and outside-operated interests in non-OECD countries. In 2012, Marathon Oil assessed entities in Equatorial Guinea, Indonesia, the Kurdistan Region of Iraq and Libya for corruption risk.

In 2013, Marathon Oil is updating our anti-corruption compliance standard to incorporate new developments in FCPA law based on current guidance from the United States Department of Justice and U.S. Securities and Exchange Commission. We will conduct live, facilitated training on the revised anti-corruption standard as part of the annual anti-corruption training program for employees in 2013.

TRANSPARENCY OF PAYMENTS

Marathon Oil believes 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 2012, activities progressed to further the EITI reporting process in the U.S. Marathon Oil continues to work with Equatorial Guinea on capacity-building efforts for transparency.

In addition, we are monitoring transparency developments related to Dodd-Frank financial reform legislation in the U.S. and active transparency initiatives in the European Union and within EITI.

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PUBLIC POLICY AND POLITICAL CONTRIBUTIONS



Marathon Oil promotes sound, fact-based public policies that encourage responsible energy development, allow us to contribute to economic progress and build a sustainable business. We believe that the finest minds and a collaborative spirit are 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 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 and state legislative and regulatory agencies on issues affecting our significant holdings in unconventional resource plays. 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.

Managing Shale Development Impacts

Based on our experience in the North Dakota Bakken Shale, the Company is engaged in multi-stakeholder initiatives to proactively manage the benefits and challenges of rapid growth in the Eagle Ford Shale play. 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 \(STEER\)](#) as a link between the industry and South Texas communities. STEER is working to effectively maximize opportunities in a responsible and collaborative way.

In addition, Marathon Oil's regional vice president over South Texas operations participated on the Railroad Commission of Texas Eagle Ford Shale Task Force. The commission formed this multi-stakeholder group to open lines of communication among all parties, provide recommendations and advisements for responsible development and promote the economic benefits of the Eagle Ford. A [report](#) was issued by the task force in March 2013. The Company also hosted the Texas House of Representatives Energy Caucus on a tour of our Eagle Ford

operations, including a hydraulic fracturing site.

Because Marathon Oil operates in the Gulf of Mexico and on tribal lands in some states, we work with U.S. federal agencies on permitting and other issues. For example, in 2012 we worked with the Bureau of Land Management (BLM), the Environmental Protection Agency (EPA), several tribes and industry to address delays in drilling permit approvals in the Bakken Shale. Through the North Dakota Petroleum Council, industry provided funding that allowed the BLM to hire additional staff to review permit applications and issue permits in a timely manner. This enables oil companies to drill on tribal lands and pay royalties that benefit the tribes.

Employee Awareness

Given the focus on our industry, we believe it is imperative for Marathon Oil employees to understand our public policy positions. Our commitment is to maintain employee awareness on relevant issues so our workforce can be knowledgeable, effective advocates for our Company and industry. We held informational sessions on hydraulic fracturing, taxation and other issues in our Houston office and made them available on video to field offices in 2012. Additional information on key topics was accessible on our internal website.

Political Contributions

In 2012, Marathon Oil contributed \$10,500, 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 2012, MEPAC donated approximately \$323,200 to 246 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.

*UTSA Economic Study

EMERGENCY PREPAREDNESS AND RESPONSE CAPABILITIES



Good governance includes conducting 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. Marathon Oil maintains comprehensive preparedness and response capabilities, even as our operations continue expanding. Events that present a risk to the Company 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.

When an emergency situation arises, Marathon Oil's ability to respond aggressively and in cooperation with all relevant stakeholders is based on:

- Maintaining 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.
- Maintaining a network of response contractors and consultants.
- Conducting annual training, drills and exercises with government agencies and key stakeholders.
- Participating in industry associations to share lessons learned and drive improvements.
- Maintaining a corporate Emergency Preparedness Group with professionals dedicated to full-time preparedness training, drills and industry participation.

2012 Emergency Preparedness Drills

To ensure readiness, the Company is honing our skills for handling larger incidents. As part of our emergency preparedness and response programs, Marathon Oil held our annual CERT exercise in April 2012. The exercise focused on coordinating an effective deepwater source control response in the Gulf of Mexico, addressing associated offshore and near shore oil spill response requirements, and using the unified command process in an area command structure for overall coordination.

The exercise involved more than 500 participants from the [Helix Well Containment Group \(HWCG\)](#) and three prospective member companies, as well as 65 state and federal agency employees. The United States Coast Guard used the exercise as its annual Preparedness for Response Exercise Program for the Houston/Galveston sector. Implementing the Company's Oil Spill Response Plans and the HWCG Well Containment Plan ensured representation from all common equipment and service providers, industry, government, vendors, oil spill removal organizations and other resources.

Marathon Oil's 2012 international CERT exercise was held at the Punta Europa complex in Malabo, Equatorial Guinea. Members of the Company's international, regional and local emergency response teams conducted the drill in the newly designated Joint Emergency Operations Center.

In 2013, every Marathon Oil asset will conduct an emergency drill with its region-level response team. In the U.S., the CERT drill will center on the Eagle Ford asset and involve multiple command centers, the Environmental

Protection Agency and state regulatory agencies. Our international response team will conduct a drill in Rotterdam, The Netherlands, simulating a midstream incident with participation of a shipping company and the Netherlands Coastguard.

Deepwater Source Control Capabilities

In 2012, Marathon Oil continued to improve our deepwater source control capabilities. We hold memberships in many response organizations, such as [Oil Spill Response Limited \(OSRL\)](#) and [Clean Gulf Associates \(CGA\)](#). 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 is a charter member of the [International Association of Oil & Gas Producers \(OGP\)](#) Subsea Well Response Project, an international deepwater source control project modeled after the HWCG. OSRL formed Oil Spill Response 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.

Industry Response Associations

We participate in the oil spill working groups of the American Petroleum Institute (API) and the International Petroleum Industry Environmental Conservation Association (IPIECA). Through membership in these associations, Marathon Oil participates in the regulatory process and technical development process 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.

CORPORATE SOCIAL RESPONSIBILITY OVERSIGHT



Marathon Oil has a Health, Environment, Safety and Corporate Responsibility (HES&CR) Committee 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.

Reporting to this Board committee is the [Health, Environment, Safety and Security \(HES&S\) Management Committee](#) comprising operations and corporate support function officers. This committee provides executive direction on the HES&S policy, strategy and performance reviews, and maintains awareness of legislative and regulatory activities that could impact the Company's performance.

Corporate social responsibility (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.

In 2012, the CSR function was integrated into the corporate HES&S organization to better incorporate CSR processes and activities 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 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 HES&S, which subsequently evaluates execution of CSR activities in the auditing process.

Marathon Oil's [Corporate Responsibility policy](#) includes 12 principles that continue our commitment to our values, complement the Code of Business Conduct and drive continual 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, continual improvement and communication.

SECURING PEOPLE, PROPERTY AND INFORMATION ASSETS



To protect employees, contractors and assets, Marathon Oil provides security risk assessments, loss prevention strategies, standardized training for all new security personnel and site security for all facilities worldwide.

In 2012, we continued strengthening security practices and addressed emerging concerns in key assets like the Eagle Ford Shale in South Texas and the Bakken Shale in North Dakota, where we have an expanding workforce and increased pace of work. Corporate Security, Law and Human Resources collaborated to create threat assessment teams to prevent workplace issues from escalating.

Evacuation Capabilities and Travel Security

Outside of North America, Corporate Security assisted assets and operations to improve security crisis management skills, particularly in high and moderate risk locations. This included distributing a template for evacuation plans that was adopted for local use in these operations and conducting security incident response training in the Kurdistan Region of Iraq.

Based on lessons learned in past temporary employee evacuations, Marathon Oil maintains a corporate emergency evacuation plan and process to increase preparedness and align resources for a response. We have contracted with a third party to provide evacuation services on a global basis if needed.

In 2012, Corporate Security replaced our travel checklist with a formal travel security program that proactively provides computer-based training, pre-departure briefings and informational materials. Employees traveling to countries where we have non-operated assets have access to a full suite of journey management tools and emergency assistance. Corporate Security also added a strategic research and analysis program to improve our understanding of potential security issues.

Securing Computer-Based Information Systems

Marathon Oil considers information to be a critical strategic asset and provides solid controls to maintain the integrity and reliability of our computer-based information systems. We take a three-pronged approach to secure information assets encompassing governance and policy, technology, and education and awareness. Governance includes regular risk assessments, internal audits and external reviews of our security measures. We educate employees about their roles and responsibilities in understanding information classifications and security requirements and encourage a security mindset for Company and personal information. To raise awareness, we

hold learning sessions, provide a website on information security and take other measures.

Marathon Oil continues to improve our security strategy to prevent, detect and respond to cyber threats and protect information behind or outside our corporate firewall. In addition, we are enhancing our business continuity plans related to cyber-interruptions. Marathon Oil views strong security and controls as a method to accelerate our business because they protect valuable corporate information assets, facilities and public and environmental safety.

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We live by our values and strive to be a positive influence in communities. Marathon Oil fosters constructive working relationships, builds alliances to address social issues and emphasizes local capabilities to sustain social development projects.

Management Approach

Marathon Oil recognizes that we operate with the support of many communities in countries around the world. We fulfill our commitments to communities and society through stakeholder engagement, collaborative partnerships, and ongoing monitoring and evaluation to understand our operational impacts. This includes a risk assessment process aimed at identifying potential risks and impacts before and during our operational activities. Engagement and assessment inform our understanding of potential social and economic concerns, priorities and existing issues.

Progress on Our Commitments

Marathon Oil's commitment is to work with stakeholders to understand how our operations impact local communities. Our 2012 activities focused primarily on identifying infrastructure stress throughout our operating areas and engaging stakeholders to alleviate the issues.

In the [Eagle Ford Shale](#), we hosted community open houses and played a leading role in forming the [South Texas Energy and Economic Roundtable \(STEER\)](#). This organization is a one-stop educational resource and serves as a liaison between the oil and natural gas industry, local officials, regional stakeholders, media and residents in South Texas. In 2013, we will continue to participate in STEER and establish a process to internally share best practices and lessons learned in community outreach across our assets.

The Company completed several projects to benefit communities near our operations in the [Kurdistan Region of Iraq](#) in 2012. Our activities in 2013 target education and community safety.

We also are committed to partnering with community organizations to develop and support projects that address existing social issues related to education, health and the environment. Based on our experiences, we developed an [Integrated Education Funding Model](#) to ensure our educational grants are effective in improving student performance. In 2013, we are working with school districts and community colleges in the Eagle Ford area to pilot this model to determine next steps.

Our [Bioko Island Malaria Control Project \(BIMCP\)](#), launched in 2003 and led in collaboration with the government of Equatorial Guinea, continues to be a significant social project for Marathon Oil. When we entered Equatorial Guinea, malaria was a major cause of death in children on Bioko Island. As a result of the BIMCP, the prevalence of infection in children ages 2 to 15 has been reduced by 70 percent, under-5 mortality by all causes has declined by 64 percent and confirmed cases of malaria have declined by 72 percent.

To meet our commitments associated with [human rights](#), and as a member of the Voluntary Principles on Security

and Human Rights, Marathon Oil regularly conducts training in locations with identified human rights risks for operations and security personnel regarding the identification, management, and reporting of human rights incidents. For example, in 2012, we conducted human rights training in the Kurdistan Region of Iraq for Marathon Oil personnel, our security contractors and the public security forces (Oil Police Force) assigned to our area of operations.

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STAKEHOLDER ENGAGEMENT



We believe proactive, ongoing dialogue and effective relationships with individuals and groups that may have a stake in Marathon Oil projects or operations must be a core business activity. Our commitment is to work with [stakeholders](#) to understand how our operations impact local communities. Successful stakeholder engagement strengthens our ability to acquire new concessions, operate existing assets efficiently and avoid project delays. 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. Local project teams are encouraged to develop and implement formal stakeholder engagement programs to ensure consistent and transparent dialogue around our potential 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 2012, we engaged a variety of stakeholders on road safety, water management, air emissions, shale development, capacity building and other impacts.

Recognizing the significant potential benefits and impacts of [Eagle Ford Shale development in South Texas](#), Marathon Oil actively engaged with communities, industry and all levels of government. To respond to community concerns, we provided funding to support public safety, local security and a regional public awareness campaign on driving safety. The Company was represented on the Railroad Commission of Texas Eagle Ford Task Force and the South Texas Energy and Economic Roundtable (STEER).

Engagements also led to projects for education, capacity building and community assistance in [Equatorial Guinea](#). In the [Kurdistan Region of Iraq](#), we initiated social projects to drill water wells, repair roads, and improve education infrastructure and community social institutions. In 2013, the Company plans to implement a community safety plan during drilling activities in the Mirawa area of the Kurdistan Region of Iraq.

To strengthen local engagements, Marathon Oil employees involved in community outreach activities will form a Community of Practice in 2013. Goals include developing programs and efforts around common community issues and concerns, sharing best practices and information, and streamlining processes to increase efficiency. Initial plans are to review science, technology, engineering and math (STEM) and other education programs; local

community environmental initiatives; and alignment of outreach to address community issues.

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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 employ participatory consultation to enable local communities to organize and assess their own needs, and offer training, materials and support so ultimately they are able to manage social projects independently.

Philanthropy is a part of Marathon Oil's business and social investment strategies. Using

stakeholder data, we evaluate innovative nonprofit programs that align with our business goals, broad objectives and strategies. We support nonprofit organizations that focus on education and training, health and human services, and protecting and conserving natural resources, habitats and environments.

With our focus on education, Marathon Oil took steps in 2012 to ensure our grants are effective by developing an [Integrated Education Funding Model](#). It establishes the roles and responsibilities of all stakeholders in helping children succeed in school. In 2013, we are working with school districts and community colleges in our Eagle Ford asset to pilot the model and determine next steps.

Marathon Oil is committing \$3 million over a five-year period starting in 2013 to MD Anderson Cancer Center's Moon Shots Program. Our contribution will support efforts to accelerate the pace of converting scientific discoveries into clinical advances that reduce deaths from eight cancers.

The Company also funds a variety of conservation programs, including a [Trees For Houston](#) seedling farm and education center, and restoration of the historically significant Hermann Park in Houston. In Wyoming, we participate in collaborative projects to aid wildlife and livestock by improving habitat, improving surface water quality and availability, diversifying forage, controlling invasive species and otherwise protecting the state's unique [biodiversity](#). Our partners in Wyoming conservation projects in 2013 will include the National Wild Turkey Federation, Friends of a Legacy (FOAL), the Bureau of Land Management (BLM), The Nature Conservancy and the University of Wyoming.

Marathon Oil Social Investments by Giving Area

Total Social Investments: \$29.8 million*



* Total Philanthropic Giving: \$11.2 million in corporate giving and \$1.9 million in employee giving; Total Sustainable Investments: \$16.7 million.

CONTROLLING MALARIA IN EQUATORIAL GUINEA



Marathon Oil's primary strategic CSR project continues to be the Bioko Island Malaria Control Project (BIMCP) in [Equatorial Guinea \(EG\)](#). When we entered EG, malaria was a major cause of death in children on Bioko Island. Through stakeholder engagement, we learned that malaria adversely affected the health and wellbeing of communities. In 2003, Marathon Oil and our partners collaborated with the government of EG to launch this comprehensive community malaria control project on Bioko Island.

Now in its 10th year, the BIMCP is one of the most successful contemporary malaria control projects in the world and a model for public/private partnership development. Its integrated strategy focuses on controlling the mosquito vector using indoor residual spraying and insecticide treated bed nets. Other key interventions include improved malaria diagnosis and treatment; an integrated information, education and communication strategy; a robust monitoring and evaluation system; human resources development; and institutional capacity building.

Key metrics focusing on the program's human impact are the most noteworthy indicators of its success. From program inception through 2012, the prevalence of malaria infection in children ages 2 to 15 has been reduced by 70 percent and anemia has been reduced by 80 percent in the same age group. The all-cause under-5 mortality rate has been reduced by 64 percent since program inception. Reducing under-5 mortality is a worldwide public health target of the [United Nations' Millennium Development Goals \(MDG\)](#).

In addition, confirmed malaria cases declined by 72 percent from 2004 to 2011 as a result of BIMCP control measures. This has substantially lowered the economic burden on households on Bioko Island, reducing total out-of-pocket expenditures on drugs, laboratory tests and fees-for-service by an estimated \$3.4 million per year. While all on Bioko Island have realized these savings, the greatest benefit has accrued to households in the poorest 20 percent of income distribution. Malaria control on Bioko Island has not only improved the welfare of all residents, but has reinforced the government's poverty alleviation objectives.

The BIMCP is implemented by Medical Care Development International (MCDI), with funding from Marathon Oil, our partners (Noble Energy, SONAGAS and GEPetrol) and the government of Equatorial Guinea. This program is part of the EG National Malaria Control Program under the direction and management of the Ministry of Health and Social Welfare.

PARTNERING WITH A HEART-HEALTH NONPROFIT



Our health and human services focus is to educate 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 2012, we leveraged our partnership with the [American Heart Association](#) to raise awareness about cardiopulmonary resuscitation (CPR) to increase the likelihood of survival of a person in cardiac arrest.

[Marathon Oil distributed 3,700 CPR Anytime kits](#) to employees and some contractors worldwide and conducted live and/or videotaped CPR awareness sessions at quarterly safety meetings. The kits contain everything needed to learn basic CPR, automated external defibrillator (AED) skills and tactics for choking relief. Our HES&S employees in field offices were on hand to ensure proper focus and execution of the training. We continue to support the American Heart Association's Paul "Bear" Bryant Awards event that raises funds to fight heart disease and stroke, Go Red for Women campaign and other initiatives.

SAVING LIVES

"We were proud to partner with Marathon Oil Corporation, who is dedicated to supporting our mission of saving lives," said Myra Robinson, executive director for the American Heart Association. "Together, we have trained thousands of Marathon Oil employees and contractors and hundreds of community partners."

MITIGATING IMPACTS IN THE KURDISTAN REGION OF IRAQ



In 2013, we will reach the third anniversary of entering the [Kurdistan Region of Iraq](#). Marathon Oil has engaged with local leaders, government authorities and citizens throughout our operated blocks to introduce the Company, build relationships and share information about our activities.

We are committed to being transparent about our activities in communities where we operate to build understanding and safety awareness. We also want to understand local challenges. Developing community input in a consultative engagement process is driving programs that meet local needs, support strong communities and align with our values and business objectives.

Education efforts in 2012 included delivering backpacks with school supplies to almost 2,000 school children in the Harir and Safen areas and rebuilding a school damaged by severe weather. We built playgrounds in the Mirawa area to mitigate the potential risks of oilfield-related traffic on children. Among other projects, Marathon Oil repaired roads; drilled water wells; provided water for nomads; provided trees for city beautification; bought winter fodder for livestock; established green teams to clean villages and act as safety wardens; contributed to social institutions; and funded an adult education course.

In 2013, Marathon Oil and our co-venturer, Total, will sponsor the Kurdistan Merit Scholarship Program. Up to seven Kurdistan high school students will be selected to study in an oil and gas undergraduate program at Texas A&M University, known for excellence in educating oil and gas professionals. This is the first program to give high school students from the Kurdistan Region of Iraq scholarships to study at a university outside their region and the opportunity to return to become leaders in the oil and gas industry.

Marathon Oil will drill and test an exploration well in the Mirawa prospect of the Harir Block in mid-2013. We have developed a preparedness plan to prevent incidents and protect the community and rig workers in the event of an incident, and will share the plan with these stakeholders.

EDUCATION AND HEALTH CARE PROJECTS IN EQUATORIAL GUINEA



In 2012, we undertook social investment programs focused on education and health in Equatorial Guinea. These included the construction of two rural schools on Bioko Island and finalizing an upgrade to the national university's computer lab in Malabo by networking existing computers, bringing in new computers and monitors, and air conditioning the lab. We also refurbished a clinic to support public health and provided funding to a local theater group that raises HIV awareness and teaches prevention.

In its ninth year, Marathon Oil's [Books for Bioko program](#) continued to have a positive impact on primary and secondary students in seven schools on Bioko Island. Marathon Oil employees have raised nearly \$625,000 for school supplies and the Company has helped with logistics, transportation and distribution of donated goods. Several of the schools now provide night school for adults and we are identifying opportunities to help these adult learners and deepen our support of education on Bioko Island.

IMPROVING OUTCOMES FROM OUR EDUCATION FUNDING



Over the past five years, Marathon Oil has invested more than \$18 million in education initiatives at all levels. The goals of this [social investment](#) are to stimulate student interest in science, technology, engineering and mathematics (STEM) fields and to measurably increase the number of students who finish high school and continue their education at a two- or four-year college. Ideally, students who pursue STEM fields have the potential to become Marathon Oil employees.

We look for programs focused on developing critical skills, with an emphasis on STEM in primary and secondary school students. Many Marathon Oil locations also fund curriculum enhancements, Junior Achievement and similar programs. Through school partnerships, employees mentor and

tutor children to help them improve academic performance and test scores.

Despite our significant investment, we continue to face challenges determining if programs are driving positive, meaningful change in academic performance, graduation rates and interest in STEM fields. Identifying the most promising programs, benchmarking and measuring effectiveness are difficult. In addition, factors outside of our control, such as family and parental support and underlying social issues, can significantly impact the outcomes of educational programs.

Marathon Oil took steps in 2012 to ensure our grants are effective by developing an Integrated Education Funding Model that establishes the roles and responsibilities of all stakeholders in helping children succeed in school. Marathon Oil's role is to provide support in targeted areas such as financial assistance and volunteers for mentoring, tutoring, reading programs, career days and campus relations. The model also addresses the function of community organizations, parents, teachers, school districts, and prekindergarten schools through targeted four-year colleges and vocational/technical programs.

In 2013, we are working with school districts and community colleges in our Eagle Ford asset to pilot the model and determine next steps. The Eagle Ford Shale's dynamic environment will help us test our concept that social conditions and public health affect academic performance and that we need to look at these factors holistically to ensure that the projects we fund give students the best chance of success. This involves integration of new and current nonprofit partners that can provide measurable, sustainable results.

LOCAL CONTENT: WORKFORCE INTEGRATION



Marathon Oil aims to develop workforces that reflect our communities. Local hiring helps us build relationships and generates valuable social and economic contributions. For our Eagle Ford operations alone, we employ approximately 200 people and have provided work to an additional 2,200 contractors.

In some countries where Marathon Oil operates, we partner with host governments to develop national training and workforce integration programs. We provide educational and vocational opportunities through programs to build workforce capabilities, including providing National Merit Scholarships. In Equatorial Guinea and the Kurdistan Region of Iraq, national staff members receive on-the-job training and development to enhance their core skills.

To help build capacity in Equatorial Guinea, we provide learning opportunities for government employees. In 2012, six engineers from the Ministry of Mines Industry and Energy (MMIE) worked with Marathon Oil employees at our Punta Europa onshore gas plant and Alba Field offshore platform. Three MMIE engineers worked in our Houston corporate office. Their assignments included English language, technical and on-the-job training. All assignments include detailed learning objectives, a training plan and host mentoring. We continue to work with government ministries to coordinate projects that build capacity.

WORKFORCE INTEGRATION: NATIONALIZING OUR WORKFORCE IN EQUATORIAL GUINEA



Marathon Oil continues to increase the percentage of national employees in our [Equatorial Guinea](#) workforce toward a goal of 70+ percent. We are taking a systematic approach to nationalizing the workforce to meet our business goals and increase employee competency. Our approach includes recruitment, training, continuous development, succession planning and retention efforts. Over the past five years, we have seen an increasing number of Equatoguineans working in virtually all job categories.

We want our national employees to be successful and work continuously to increase their competencies to assume expatriate roles, while not compromising on our safety, production and reliability commitments.

Technical training for onshore and offshore technicians and mechanical, electrical and other crafts is the backbone of our competency system that leads to workforce nationalization. A primary source of technical workers is the Instituto Tecnológico Nacional de Hidrocarburos de Guinea Ecuatorial (ITNHGE), a collaborative technical training program supported by oil and gas companies in Equatorial Guinea. From 2010 through 2012, Marathon Oil hired 42 ITNHGE graduates.

We attract recruits for engineering, information technology and safety jobs by providing scholarships and internships. We have hired 12 graduates who attended the Universiti Teknologi Petronas, Texas A&M University and the University of South Carolina on Marathon Oil scholarships. Currently, we have 18 scholarship students enrolled in these universities who are expected to graduate through 2016.

Each year, we invite 10-12 interns studying engineering, information technology and supply chain at select universities to work on special projects or shadow an experienced employee. At the end of their internship, the students present their work and solutions to managers and supervisors from the sponsoring departments. Marathon Oil has hired a number of these interns as full-time employees in our operations in Equatorial Guinea.

To develop future leaders, Marathon Oil strives to promote from within our national employee ranks. We use competency maps to guide needed skills and activities, performance planning and work assignments, and provide coaching, feedback and formal leadership training.

In 2011 and 2012, 48 employees from Marathon E.G. Production Limited (MEGPL) graduated from our Leadership Skills Development Program. Participants attend approximately 90 hours of lectures and classes on

core and leadership development topics. They also work on case studies, complete reading assignments and class analyses, and attend career development sessions with their supervisors.

With the growing number of national employees in supervisory and managerial positions, MEGPL was able to sponsor the first supervisor development programs in Equatorial Guinea in 2012. Previously, employees traveled to Marathon Oil's corporate office in Houston to attend the week-long program. Bringing trainers to Equatorial Guinea allowed us to expose more national employees to the same high-quality instruction.

Continuous development is provided to increase competency. In 2012, 347 national employees attended English classes and 279 attended business skills classes. In addition, 24 employees completed international development assignments, primarily at our Houston corporate office, and classes around the world.

We will continue to make improvements to existing training, development and leadership programs, and add new programs as necessary to increase the capabilities of our national workforce.

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LOCAL CONTENT: PROCUREMENT



Marathon Oil seeks to work with suppliers that share our commitment to human rights, environmental stewardship, ethical business conduct and sound labor practices. We build these values into our relationships. Contracts address our expectations for compliance with all relevant export laws and regulations, including the U.S. FCPA, UK Bribery Act and other applicable anti-corruption laws.

To ensure the availability of operations-critical suppliers, Marathon Oil has a supplier risk-mitigation plan. The plan helps us maintain strong relationships, validate contracts and ensure we have adequate quality control procedures to address operations-related problems quickly and effectively.

We promote supplier participation that represents our diverse customer base, while assuring products and services are acquired competitively. Our supplier strategy includes capacity building, training, education, certification tracking and outreach.

In the U.S., we seek to grant business opportunities to Minority or Women Owned Business Enterprises (MWBs). In 2012, Marathon Oil spent approximately \$215 million on goods and services from MWBs in the U.S., including \$155 million with MWBs in the South Texas Eagle Ford region. In addition, in 2012, we spent approximately \$60 million with local content and American Indian suppliers.

Marathon Oil has ongoing programs to increase local content in Equatorial Guinea. We have procured furniture of increasing quality from local manufacturers using local wood and materials. The furniture was then used in local school and health projects. In 2012, we held a National Content Workshop with local companies to explain their opportunities to participate in the recently approved Alba Field compression project.

HUMAN RIGHTS

Marathon Oil strives to conduct our operations safely and responsibly, and to respect the human, cultural and legal rights of individuals and communities where we operate. We respect human rights within our workforce, across our value chain and throughout our business relationships. 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. Marathon Oil implements the Voluntary Principles in locations where we have operating responsibility and identified risks. We have developed specific implementation 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.

Our commitment is to provide human rights training courses in countries with identified human rights and security risks. Training is mandatory for Marathon Oil managers with security oversight responsibilities and for all security personnel. In 2012, Marathon Oil provided human rights training in the Kurdistan Region of Iraq for all Marathon Oil security personnel, contract security personnel and public security forces (Oil Police Force) assigned to Marathon Oil's area of operations.

Before entering new countries, we conduct 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. In 2012, Marathon Oil conducted risk assessments for new non-operated positions in Kenya, Ethiopia and Gabon.

Marathon Oil promotes awareness of security and human rights issues through involvement in the Voluntary Principles, participation in IPIECA and during routine meetings with host government public security officials.

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 non-governmental organizations (NGOs) to assist in the review and improvement of our program.

ADDRESSING CHALLENGES IN THE EAGLE FORD SHALE



Oil and gas booms like the ones under way in the [South Texas Eagle Ford](#) and [North Dakota Bakken](#) shales bring significant economic activity and jobs to communities and entire regions. They can also lead to social challenges associated with rapid population growth and increased industrial activity that can place strains on public services, infrastructure and the environment.

The Eagle Ford and Bakken shales, along with the [Oklahoma Resource Basins](#), form the core of Marathon Oil's growth assets. We expect these assets to account for more than 36 percent of our total global production by 2016, up from 21 percent in 2013. In the Eagle Ford alone, the Company plans to spend more than \$1.8 billion per year for the next five years developing these resources.

With our significant stake in these unconventional resources, Marathon Oil is addressing challenges while growing production. Being a responsible operator and steward of safety, resources and the environment helps us maintain our license to operate and aligns with our values.

Applying Lessons Learned

When we first acquired assets in the Eagle Ford in 2011, we benefited from lessons learned since entering the Bakken Shale in 2006. Marathon Oil began building relationships with stakeholders to collaboratively address issues such as road safety, public safety and job creation. We took the lead in forming the South Texas Energy and Economic Roundtable (STEER) that brings together the 11 largest Eagle Ford operators to tackle issues facing the region. Our regional vice president responsible for our South Texas operations participated on the Railroad Commission of Texas Eagle Ford Shale Task Force that released a [report](#) in March 2013. We also hosted the Texas House of Representatives Energy Caucus on a tour of our Eagle Ford operations, including a hydraulic fracturing site.

We knew from our experience in the Bakken Shale that oilfield truck traffic can cause congestion and increase the risk of traffic accidents, and that distracted driving can exacerbate these issues. In response to road safety concerns in South Texas, in 2012 we contributed to a [public service campaign](#) encouraging drivers to sign a national pledge to prevent distracted driving.

As a result of the influx of people into South Texas, county judges requested additional state law enforcement presence to patrol roadways and help to prevent crime. With hotel rooms in high demand, visiting troopers were forced to book rooms in San Antonio and make long commutes to the Eagle Ford that reduced their time available

to patrol. Marathon Oil donated to the Karnes County Department of Public Safety Trooper Hotel Fund to offset hotel expenses, giving troopers more time on the ground in communities.

Marathon Oil's employment in the region has gone from zero to approximately 200 employees and more than 2,200 contractors since our entry. We provide targeted training and competency development for field operators to ensure they have the skills to operate our assets safely. In addition, our \$60,000 grant to Coastal Bend Community College's Petroleum Industries Training Program is preparing individuals for jobs in oil and gas operations and providing continuing education for those already employed in the industry.

As a long-time supporter of education, Marathon Oil is exploring innovative programs to strengthen elementary math and science education. We are working with Eagle Ford school districts and community colleges to pilot an innovative [Integrated Education Funding Model](#). The Eagle Ford Shale's dynamic environment will help us test our concept that social conditions and public health affect academic performance and that we need to look at these factors holistically to ensure that the projects we fund give students the best chance of success.

Minimizing Our Footprint

One of our challenges in the Eagle Ford is to reduce our environmental footprint, particularly the amount of water we use in our operations. [Hydraulic fracturing](#) operations (fracking) that make it possible to produce oil and gas from shale involve pumping a mixture of water, sand and chemicals into the formation. We have reduced the amount of water we use by changing to a polymer gel mix fracking fluid and making simple process changes. We use fresh water only when there is not enough non-potable water available, and as a result, approximately 85 percent of the water we used during 2012 was categorized as non-fresh.

Through water recycling, Marathon Oil is cutting fresh water and total water use further, which also reduces the number of truck trips needed to move wastewater away from well sites for disposal. In 2013, we are piloting a recycling program that we expect will take 2,600 trucks off the road over six months. The Company is investing \$10 million in 2013 to build infrastructure so we can transport and manage water more effectively.

In addition, we are building midstream infrastructure to support production growth across the area. As a result, we currently transport approximately 60 percent of our production by pipeline, which removes large tanker trucks from highways, in turn reducing air emissions. By strategically siting disposal locations and distribution and collection facilities, we hope to ease congestion even more. Marathon Oil also continues to minimize our operational footprint. By improving processes, we are using fewer rigs even as we drill and recover more oil and gas.

The Eagle Ford Shale is the centerpiece of Marathon Oil's growth portfolio. We are expanding our operations while staying true to our values of health and safety, environmental stewardship, honesty and integrity, corporate citizenship and a high performance team culture. We are mindful of the challenges that accompany growth and will remain active in developing meaningful solutions in partnership with other operators, local communities, regulators and elected officials.

EXITING COMMUNITIES RESPONSIBLY



Because we value our communities and relationships, Marathon Oil takes great care when exiting assets. Recent decisions to cease operations in Indonesia and Alaska demonstrate our efforts to treat stakeholders with respect and to preserve relationships with communities and governments.

Marathon Oil managed an active corporate social responsibility program on the island of Sulawesi, Indonesia, starting in 2008 to mitigate potential impacts of exploration activities on 25 villages. The communities proposed projects that were developed and implemented by local volunteers with the aim of building capacity and making the projects sustainable. Marathon Oil provided materials, supervision and other assistance for environmental, education, income generation, health, water, farming and drilling awareness projects.

Before leaving Indonesia, we elected to support three ongoing projects, all of which were completed in 2012:

- An organic rice farming project significantly increased rice crop yields and income generated from making organic fertilizer. Based on its success, the government expanded the project after our involvement was complete.
- An environmental project resulted in planting 1 million mangrove trees to improve erosion control, water quality and fishing.
- We provided materials to build nine community libraries on donated land, as well as books for the new libraries and existing libraries built with our support.

Our partners were community members, local governments, nongovernmental organizations and other stakeholders, reflecting the strong relationships we forged in Indonesia. In addition, all employees and contract staff in Indonesia received enhanced severance packages and outplacement services during the phased exit of operational activities. While Marathon Oil no longer has business interests in Indonesia, our collaboration with local communities will yield benefits for years to come.

In April 2012, after operating in Alaska for almost six decades, Marathon Oil announced the sale of our assets in the Cook Inlet. These included reserves in 10 fields, natural gas storage and interests in natural gas pipeline transmission systems. Our strategy was to treat employees, contractors, customers and other stakeholders fairly and with respect. Stakeholder engagements on the day of the announcement included conversations with the governor, local elected officials, industry partners and key contractors. We assured them we would continue to

honor our commitments to safety and the environment, and meet our contractual obligations to supply natural gas to customers in the period before formally closing the sale.

During the transition to the new owner, we provided employees job opportunities within Marathon Oil where possible or assistance to find jobs with the new owner after the sale. We worked closely with the buyer, employees, customers, state regulators and elected officials to ensure a seamless handover of operations. There were no operational or supply disruptions leading up to or during the handover, which occurred in February 2013, when delivering winter natural gas supplies to customers was critical.

We are taking a similar approach as we plan to shut in wells in the Powder River Basin in Wyoming. For example, we are giving landowners choices for how Marathon Oil will reclaim their land.

As we exit assets, Marathon Oil will strive to be transparent, fulfill our commitments and leave in a positive way that enables us to return if future opportunities arise.

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ENVIRONMENT



Marathon Oil has a longstanding 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.

Management Approach

Marathon Oil's [Global Performance System \(GPS\)](#) provides a structured approach to managing environmental risks. Under this management system, we implement our overarching Company values through policies that articulate Marathon Oil's commitment to pollution prevention, compliance with regulatory requirements, and continuous improvement. Company HES&S standards establish expectations for each asset's programs for air emissions, water management, waste management and spill prevention, and provide a framework for internal and external reporting on environmental performance. Assets then systematically analyze and address their unique environmental risks, determine the need for controls, and establish performance objectives and action plans to mitigate those risks and meet our corporate-level commitments.

Progress on Our Commitments

Marathon Oil's environmental commitments are designed to ensure we manage our environmental risks responsibly and use natural resources efficiently. Our commitment is to reduce spills and releases, minimize wastes, and promote water management, conservation and biodiversity.

Marathon Oil has expanded our environmental performance tracking to drive improvements and comply with increasing regulations. In 2012, we began tracking [total fluid spills](#) greater than or equal to one barrel outside of secondary containment. The Company also is developing a consolidated Environmental Management Program Standard in 2013 to promote consistent yet area-specific environmental management programs and facilitate internal and external reporting.

Our ongoing efforts to reduce environmental impacts through technology and innovation are having positive results. For example, in the [Eagle Ford Shale](#) we significantly reduced the amount of water used in our [hydraulic fracturing](#) operations in 2012 and continued building midstream infrastructure that transports approximately 60 percent of our production by pipeline. Both of these efforts reduce truck traffic and its effects.

Marathon Oil wants to track and report environmental performance in line with industry standards and stakeholder expectations. We will continue to review existing [environmental metrics](#) and make recommended changes if needed. In addition, the Company plans to develop and implement supplemental training programs for newer environmental professionals and for professionals who want to become subject matter experts in particular areas.

AIR EMISSIONS MANAGEMENT

Marathon Oil recognizes the global concern about the potential impact of greenhouse gas (GHG) and other air emissions on the environment. We also recognize the growing need to develop natural resources to meet global energy demand. The Company remains committed to identifying and developing oil and natural gas in a safe and responsible manner, including appropriate controls on GHG and other air emissions.

Under new U.S. EPA regulations, our North American operations began collecting GHG emissions data by facility in 2011. New methodology also accounted for additional emissions sources, including well venting during liquids unloading, pneumatic controllers, drilling and completions equipment, and portable equipment. As a result of measuring new source emissions and of increased drilling and production activity, Marathon Oil's GHG emissions across 16 U.S. basins increased approximately 43 percent in 2012 compared to 2011. GHG emissions from our international production operations, excluding exploration, also increased slightly over 2011 emissions.

We also track criteria pollutants in the U.S. These include nitrogen oxides (NO_x) and sulfur oxides (SO_x), which result primarily from combustion and flaring, and fugitive volatile organic compounds (VOC) released from storage tanks, other venting, or loading operations. Criteria pollutants are reported one year in arrears due to regulatory reporting deadlines. Our NO_x emissions increased 82 percent and our VOC emissions increased by approximately 345 percent in 2012 compared to 2011. These increases were primarily attributable to measuring new emissions sources and to increased drilling and production activity.

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 emissions intensity and increase the energy efficiency of our operations. Consistent with our commitment to environmental stewardship, we will continue to implement measures to reduce atmospheric GHG emissions and integrate air quality programs into our business practices.

To reduce flaring in high growth areas like the [Eagle Ford](#) and [Bakken](#) shales, we continue to build gas gathering infrastructure and connect wells to the expanded infrastructure. In the Bakken, we connected 78 wells to gas sales in 2012, and installed high efficiency emissions control devices and combustors with a minimum of 90 percent destruction efficiency to reduce emissions. Both of these efforts will continue in 2013. In addition, installation of flowlines to centralized facilities continues to reduce truck traffic and emissions from individual well facilities.

In 2009, Marathon Oil discovered that certain air emissions from our facilities may have been higher than previously understood using standard calculation methods due to the unique characteristics of Bakken crude oil. We voluntarily reported this to the North Dakota Department of Health (NDDOH). Following our disclosure, many other companies operating in the Bakken made similar disclosures to NDDOH. After working closely in an industry group with the NDDOH to develop better methods to understand and quantify these emissions, NDDOH issued guidance to all operators on these methods and other requirements.

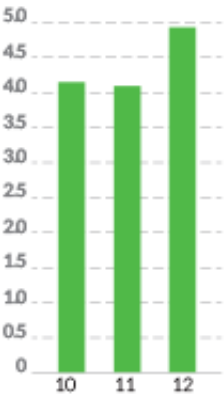
To resolve our voluntary disclosures, in 2012 we agreed to comply with the new NDDOH guidance at each of our facilities as set forth in our agreement, and to pay a calculated penalty as prescribed by the NDDOH. We are waiting on final approval and execution of this agreement by the NDDOH. The work with NDDOH provides a good example of Marathon Oil's policy of auditing and reporting that leads to continuous improvement of our facilities.

In the [Athabasca Oil Sands Project \(AOSP\)](#) in Alberta, Canada, in 2012 Marathon Oil and our partners made a final investment decision to proceed with the [Quest Carbon Capture and Sequestration \(CCS\)](#) project. Quest will capture more than 1 million tonnes per year of carbon dioxide (CO₂) from the Scotford Upgrader and transport it by an underground pipeline approximately 50 miles to a storage site. There, it will be injected approximately 1.2 miles underground into a porous rock formation located beneath layers of impermeable rock. Sophisticated monitoring equipment will ensure the CO₂ is permanently stored. Quest will reduce direct emissions from the

Scotford Upgrader by up to 35 percent – the equivalent of taking 175,000 cars off the road annually.

Global Greenhouse Gas Emissions ^{a, b, c}

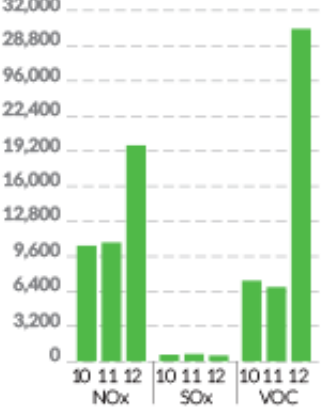
MM Tonnes CO₂e



- ^a GHG carbon dioxide equivalent (CO₂e) 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 Some data was updated due to improved methodologies, corrected calculation errors or other reporting revisions.

Global Air Emissions

1,000 Tons



2012 emissions increased as a result of increased production and tracking of portable equipment in the United States.

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.

Sound water management practices are developed at the regional or local level. As part of our management system, each Marathon Oil asset conducts a water risk assessment to identify reasonable strategies to reduce the impact of our operations on local watersheds. Based on these assessments, Marathon Oil employs water management strategies and processes to:

- Encompass geographic diversity, local conditions, existing water use, operational needs and availability, and other considerations.
- Evaluate various water sources for our operations, implementing technological solutions to use alternatives to fresh water when feasible.
- Apply industry best practices to protect ground and surface water wherever we operate and comply with all applicable regulations.
- Properly dispose of produced water and evaluate opportunities for recycling and beneficial reuse.

In 2012, 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.

Water Management Strategies

After evaluating our water use in the Eagle Ford Shale, we implemented strategies that significantly reduced the amount of water we use in our operations. We switched to a gel mix for hydraulic fracturing that incorporates a polymer commonly used in ice cream. The resulting fluid distributes sand effectively while using less water. This process change reduced water use per well by 45 percent. In addition, roughly 85 percent of the water we used in 2012 was either restricted or unsuitable for drinking, agriculture or livestock.

Water recycling reduces fresh water use and the need for trucks to transport water away from well sites for disposal. Marathon Oil completed two water recycling pilot projects in the Eagle Ford and will pilot a new program expected to take 2,600 trucks off the road over six months. In the Bakken Shale, produced water has high salinity that makes it unsuitable for recycling. Marathon Oil is piloting the use of gels that would enable us to recycle produced water. The Company continues to evaluate opportunities to reduce fresh water use.

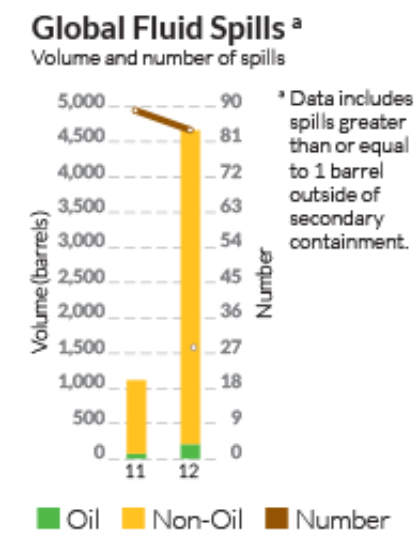
Our Wyoming operations have reused produced water for beneficial purposes for decades. At the point of discharge, all of our produced water is suitable for livestock use, and many discharges are acceptable for crop and pasture irrigation. More than half of the produced water from our operations is re-injected as part of our waterflood reservoir management strategy, a beneficial use that conserves groundwater and enhances oil recovery. Approximately one-quarter of our produced water is discharged to otherwise dry surface drainages, which contributes to wetlands and riparian habitat creation, wildlife and livestock grazing and watering, pasture and cropland irrigation, groundwater recharge, and soil stabilization along streambanks.

SPILLS AND RELEASES

Preventing releases of oil and gas to the environment is of significant importance. Marathon Oil provides employee 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. Marathon Oil has increased the rigor of our reporting and in 2012 expanded tracking to all fluid spills greater than or equal to 1 barrel outside of secondary containment. The total number of spills fell from 89 in 2011 to 84 in 2012, even with a lower threshold for the size of spills being counted. The total volume of spills increased approximately 320 percent compared to 2011, mainly attributable to a single produced water spill, described below.

The four highest-consequence spills involved produced water and one of these was categorized as critical under our [Event Reporting and Management Standard](#). This event occurred during excavation activities in the Steamboat Butte area of Wyoming that resulted in spilling 3,400 barrels of produced water. The investigation led to implementation of an Enhanced Damage Prevention Plan to include additional line location surface marking prior to excavating.



MARINE VESSEL INSPECTIONS



Our efforts to prevent spills and other incidents extend to the waterborne movement of our production by vessels we charter and by vessels that load hydrocarbons at Company facilities. Our Global Marine Operations Quality Assurance Standard and its Tanker Vetting Standard require the vetting of all covered vessels before they are hired or allowed to berth to ensure they are properly crewed, maintained and operated. This process uses operational and technical integrity data on the vessel and the vessel's operator, crew training and competency benchmarks, inspection results and other indicators to ensure the vessel will cause no harm to people or the environment. In certain cases, we also require the inspection of a vessel by Marathon Oil's Tanker Operations group.

In 2012, approximately 310 vessels were vetted and approximately 2 percent of these were rejected. In addition, our Tanker Operations group performed six physical inspections of vessels employed on a term basis and two safety management office audits of ship operators with whom we have longer-term business.

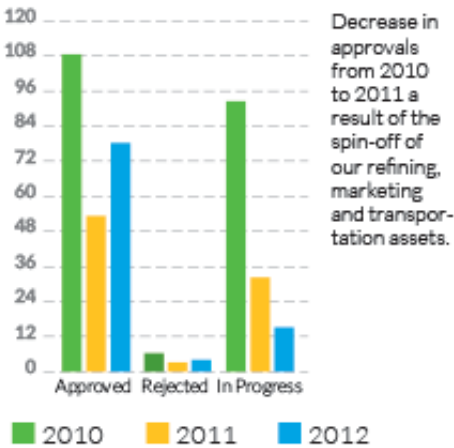
WASTE MANAGEMENT

We strive to eliminate or reduce to a reasonable extent the environmental impact of generating, storing, transporting and disposing of drilling mud and cuttings and other solid waste generated in our operations. Our facilities employ waste management strategies and processes to:

- Encompass local conditions, operational needs, applicable regulatory requirements and other considerations.
- Systematically identify, evaluate and implement waste reduction opportunities when practicable.
- Improve tracking and reporting of waste data and waste management efforts to monitor our performance.

Additionally, U.S. operations qualify and periodically reevaluate waste management vendors to improve the management 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. 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 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 promote habitat conservation, in 2012 Marathon activated membership in the [Wildlife Habitat Council \(WHC\)](#). This nonprofit, non-lobbying group of corporations, conservation organizations and individuals is dedicated to restoring and enhancing wildlife habitat. WHC's Corporate Wildlife Habitat Certification/International Accreditation Program recognizes programs at company-owned properties that focus on wildlife habitat, biodiversity and conservation education. We are evaluating potential habitat management projects at our locations.

Wyoming Biodiversity Programs

Over the past 100 years, Marathon Oil has been a steward of [Wyoming's](#) natural resources. We work with stakeholders to identify biodiversity projects that have strategic value for the Company and meaningful, positive effects on our operating areas. The Company supports nonprofit organizations and academic projects aimed at wildlife habitat preservation and restoration, invasive species control, water resource development and similar regional challenges. We are involved in projects with the University of Wyoming Renewable Resources Department and government agencies such as the Bureau of Land Management (BLM), Forest Service, Wyoming Game and Fish Department, and local Conservation District offices.

In 2012, we created a partnership to find alternative water sources for wild horses, wildlife and livestock inside the McCullough Peaks Wild Horse Herd Management Area east of Cody, Wyoming. For decades, animals in the area have 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 we release, we joined with the BLM and the nonprofit Friends of a Legacy (FOAL) to augment the anticipated reduced flow in Dry Creek.

We are taking a phased approach over the next few years to identify, evaluate, develop and enhance water sources

along the Dry Creek drainage. To ensure the success of the Dry Creek Water Augmentation Project, Marathon Oil worked with the BLM and FOAL to secure grants and resources and provide funding through the National Wild Turkey Federation and Wyoming Wildlife—The Foundation to implement fieldwork and other activities.

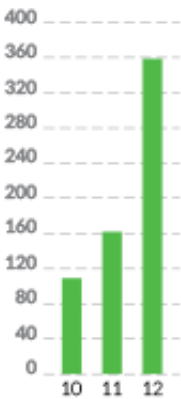
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ENVIRONMENT EXPENDITURES

Marathon Oil invests in new environmental controls and improved operating procedures to reduce emissions, wastes and releases from our operations to the extent practical. In 2012, the Company’s environmental capital expenditures were \$305 million, compared to \$122 million in 2011. Environmental operation and maintenance costs in 2012 were \$46 million, compared to \$35 million in 2011. Higher costs were generally attributable to increased drilling and completions activity in 2012 and the resulting increases in well costs for environmental compliance such as surface casing costs, permitting, waste management and spill prevention measures.

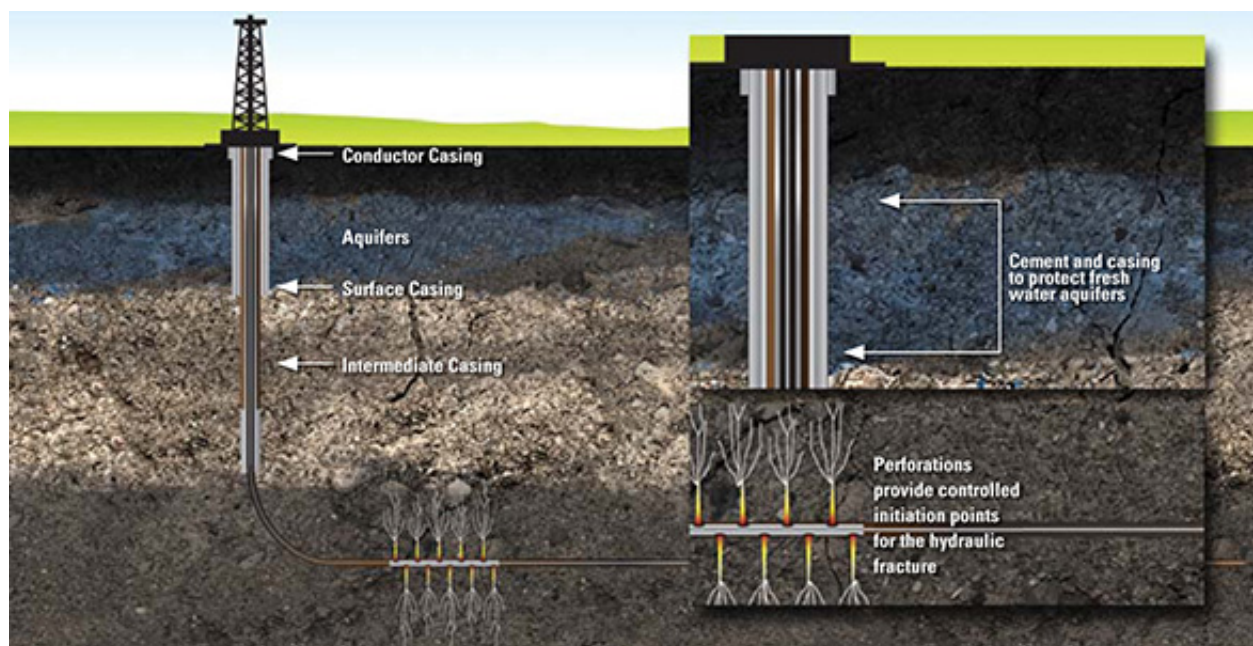
Environmental expenditures are based on American Petroleum Institute survey guidelines. Remediation amounts include spending charged against remediation reserves, where permissible, but exclude non-cash provisions recorded for environmental remediation.

Environmental Expenditures
Millions of dollars



Higher costs in 2012 were generally attributable to increased drilling and completions activity and the resulting increases in well costs for environmental compliance such as surface casing costs, permitting, waste management and spill prevention measures.

HYDRAULIC FRACTURING



[Hydraulic fracturing technology](#) is a vital tool Marathon Oil employs to produce oil and natural gas resources to meet growing energy demand. Safely used for more than six decades, its importance has been magnified in recent years with the emergence of unconventional resource plays. Combined with advanced horizontal drilling technology, hydraulic fracturing enables the industry to produce oil and gas resources that were previously inaccessible. While these technologies have unlocked new supplies of oil and gas, we understand they must be managed responsibly to minimize environmental impacts.

Well Integrity

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

Water Use

In keeping with our commitment to water stewardship, we work to minimize the environmental impact of our operations on local watersheds. For example, in portions of the [Eagle Ford Shale](#), water supplies in certain aquifers do not meet standards for municipal or agricultural use, but may be acceptable for oil and natural gas operations. Marathon Oil actively pursues these alternative sources and reviews available technology that would enable us to reuse more water.

Managing 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 ground water resources and natural habitat. In 2013, we are evaluating produced fluid recycling options in our [Eagle Ford operations](#).

Marathon Oil supports specific, state-level disclosure of fracturing fluid components, and participates in the chemical disclosure registry FracFocus voluntarily where not required by law. We have worked with other operators and trade organizations to develop and implement the registry and to enter all of our wells drilled and hydraulically fractured in the U.S. Through December 2012, the Company had uploaded data on 578 wells in [FracFocus](#). Marathon Oil encourages service companies that work with us to disclose their fracturing fluid components.

WORKPLACE



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

Marathon Oil is committed to health and safety, diversity and inclusion, and workforce training and development to create a workplace where our employees and contractors can actively contribute to growing our business.

Our long-term success depends on maintaining a high performance culture that creates value for our shareholders as well as meaningful and rewarding careers for Marathon Oil employees worldwide. We strive to create a collaborative and inclusive environment where diverse opinions and backgrounds are welcomed. Marathon Oil provides policies, management systems, training programs and development opportunities to ensure our employees understand our priorities and have the tools and skills they need to excel.

Management Approach

Marathon Oil's [Global Performance System \(GPS\)](#) is our framework to control risks, meet regulatory requirements and improve performance. Under this management system, we implement our overarching Company values through policies and standards that articulate Marathon Oil's commitment to an accident- and injury-free workplace, and continuous improvement. Health, environment, safety and security (HES&S) standards clarify our expectations for organizational performance to drive further consistency throughout the Company. To implement HES&S programs, we provide training on personal and process safety, safety leadership, specific high-risk tasks, hazard identification and emergency preparedness. The management system also spells out a three-tiered audit program for our operations.

Progress on Our Commitments

Marathon Oil's workplace commitments are designed to create a work environment where employees can perform to their fullest professional potential, and do so safely. We strive for an accident- and injury-free workplace and safe and healthy work practices and conditions throughout Marathon Oil operations. In 2012, Marathon Oil made progress in fostering a positive safety culture in high-activity areas and met our process safety goal. While the Company did not meet our total recordable injury reduction goal for the year, over the past five years we have achieved a 36 percent reduction in our recordable injury rate.

To demonstrate our commitment to risk management and safety improvement, in 2012 Marathon Oil implemented a new [Event Reporting and Management Standard](#). This standard drives more effective management of risk and moves the Company toward leading indicators. Our new approach of evaluating actual and potential consequences and barriers associated with events is representative of the improvements industry leaders are pursuing.

We reviewed existing standards to ensure they are targeted, broadly applicable and address significant HES&S risks for an independent exploration and production company. Marathon Oil also aligned all corporate safety standards associated with our Life Critical Expectations to the [International Association of Oil & Gas Producers \(OGP\)](#) lifesaving rules. This applies to six life critical elements such as safe work permitting, hot work and driving safety.

In 2013, Marathon Oil will implement [Synergi](#), a new enterprise-wide HES&S solution to improve and simplify

incident and audit data capture. When fully implemented, Synergi will eliminate separate reporting for water, waste, air, injuries, illnesses, near misses, security and reliability. Web-based Synergi will integrate data for up-to-the-minute analysis of global trends.

To further promote a safe workplace, in 2013 we are raising awareness about our resources to prevent workplace violence. During safety meetings, we review violence reporting procedures and our Employee Assistance Program that provides free and confidential counseling to any employee seeking assistance.

We also are committed to maintaining an inclusive work environment where we attract, develop and retain employees who actively contribute to growing our business. To achieve this, we are continuing to emphasize [recruiting, employee training and competency](#), and [knowledge sharing](#) in 2013.

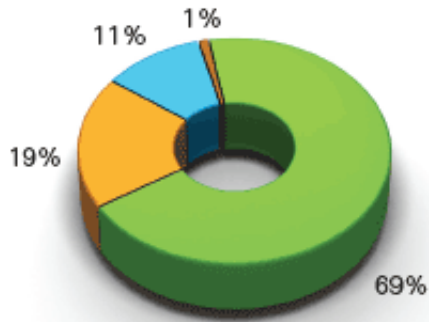
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WORKFORCE PRACTICES AND STATISTICS



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 2012, Marathon Oil employed approximately 3,400 men and women.

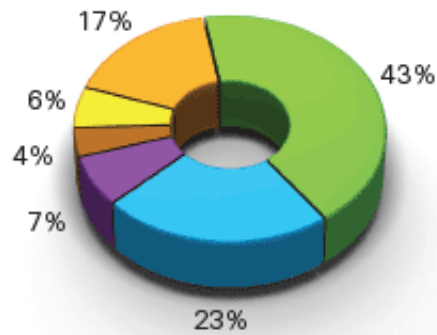
Who We Are



North America
Europe
Africa
Asia

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

Years of Service

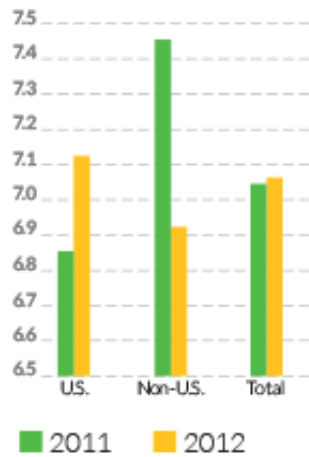


<5
5-9
10-14
15-19
20-24
25+

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 employees had an average of more than 16 years of industry experience.

Company Turnover Rate

Percentage



2011
2012

EMPLOYEE ENGAGEMENT



In 2012, we conducted our first employee engagement survey as an independent exploration and production (E&P) company. Employee participation was 87 percent and overall results were very positive, indicating high engagement and commitment. The areas of greatest strength were Marathon Oil's commitment to ethics and integrity, safety, and team cooperation and employee accountability. Opportunities to improve include acting more quickly on employees' innovative ideas and opinions, and making changes to help us excel as an independent company.

Detailed survey results were communicated to every employee in a written report and cascaded in group meetings from the leadership team throughout the Company during the third quarter. The timing allowed for planning actions at the corporate and organization levels in 2013 to reinforce areas of strength and address areas for improvement. For example, Human Resources created a three-hour workshop to sharpen employees' skills for honing and proposing innovative ideas. The workshop will be piloted in 2013, with senior executives evaluating participants' ideas.

DIVERSITY AND INCLUSION



Diversity and inclusion is vital to our business strategy and our ability to operate around the world. We benefit from respecting and understanding the unique talents and characteristics of each individual and by leveraging skills, ideas and experiences. We believe that a work environment where people feel valued and respected also helps Marathon Oil attract, develop and retain employees who actively contribute to growing our business. We invest in recruitment, training, development and knowledge transfer to create an inclusive workforce and work environment.

Marathon Oil also works with local and national organizations to strengthen relationships with the communities where we operate. Organizations such as Tribal Employment Rights Offices, the Anti-Defamation League, the Human Rights Campaign and the Texas Alliance for Minorities in Engineering are among our community partners.

In 2012 in the U.S., minority employees increased as a percentage of our workforce for the third consecutive year and accounted for almost 22 percent of our professional staff and almost 9 percent of supervisors and managers. Globally, approximately 30 percent of Marathon Oil professionals and almost 19 percent of our supervisors and managers were women.

To benefit from our workforce diversity, Marathon Oil managers at all levels are challenged to look deep into their organizations for potential leaders and provide development opportunities for high-performing employees. In addition, we have been successful in attracting and developing women for management positions. In 2012, six women served as Marathon Oil officers, representing approximately 30 percent of executive leadership. However, we have not yet translated this success to minority employees. We are endeavoring to develop and promote additional employees to be role models and mentors who can pave the way for greater diversity.

89%

OF EMPLOYEES

In our 2012 employee survey, 89 percent of employees indicated they are treated with dignity and respect and feel they have excellent relationships with their coworkers. Approximately 82 percent felt that the Company has created an environment where people of diverse backgrounds can succeed.

Marathon Oil's cultural awareness efforts increase inclusion as well as open up business opportunities. Protocol briefings to prepare business development, operations and other teams for doing business globally to enhance business relationships. Cultural awareness training is also available to help expatriates and their families transition to assignments in new countries.

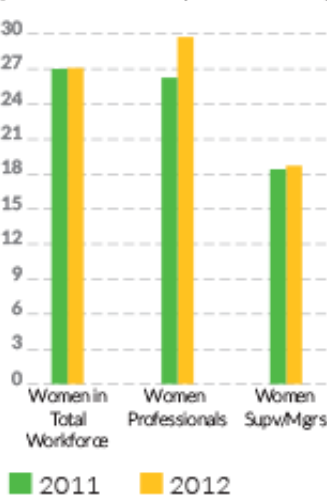
U.S. Workforce

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 representing a broad spectrum of experience levels, backgrounds and points of view. We revamped our [recruiting](#) program in 2012 to raise awareness about Marathon Oil to grow our candidate pool, with a focus on petrotechnical, veteran and diverse candidates. Our new three-tiered approach to college recruiting is concentrated on universities offering student diversity and degrees in engineering, geosciences, IT, finance and accounting, global procurement, human resources, land management and HES&S.

To build awareness among experienced professionals and college recruits, Marathon Oil representatives attended conferences of the American Association of Petroleum Geologists (AAPG), the Society of Exploration Geophysicists (SEG), the Society of Petroleum Engineers (SPE) and other industry organizations. We implemented successful advertising campaigns for our target audiences on LinkedIn and posted jobs on Rigzone and other online sites for the energy industry. We also hired approximately 70 people through the Marathon Oil employee referral program.

To increase access to diverse candidates, we build relationships with educational institutions and professional organizations. These include the National Society of Black Engineers (NSBE), the American Indian Science and Engineering Society (AISES), the Society for Women Engineers (SWE) and the National Action Council for Minorities in Engineering (NACME). We also support science, technology, engineering and math (STEM) initiatives with K-12 schools, community colleges, colleges and universities.

Training and Development

Training and development for Marathon Oil's workforce begins on the employee's first day on the job and continues throughout his or her career. Orientation activities are a team effort to ensure the employee understands the Company's values and safety culture.

The Company maintains a web-based learning management system to deliver and track training. Employees and contractors reported more than 194,000 hours of training and development in this system in 2012. The system houses individual training plans based on specific job requirements and enables us to monitor training progress against those plans at the local and corporate levels. Several locations have or are developing competency management systems to support their training programs. We will continue to expand use of these systems to facilitate future competency-based training.

In addition to training for specific job disciplines, Marathon Oil offers programs that support local operational and business needs such as the following:

- A two-year Industrial Mechanic Apprenticeship Program in Norway.
- Leadership training programs for national staff in Equatorial Guinea.
- Customized English business writing skills training programs in the Kurdistan Region of Iraq.
- Leadership skills training for Eagle Ford Shale employee and contractor front-line leaders.
- Competent Person Passport framework for training and assessing offshore employees in the UK.

MORE THAN
80%
of employees responding to the 2012 employee engagement survey indicated they receive the training they need to do a quality job.

Competency-Based Training for Field Employees

Marathon Oil's ability to maintain a safe and competent workforce directly impacts our ability to operate responsibly around the world. We take steps to meet increasing training needs based on expanding operations, the availability of skilled labor, country and cultural differences and use of new technology and tools. We have developed competency-based training strategies to ensure our workforce has the appropriate skills for their jobs, which we believe will help to:

- Reduce the risk of safety incidents and worker injuries.
- Reduce the risk of spills, releases and environmental incidents.
- Improve efficiency and productivity to control costs.
- Lower employee turnover rates.

Structured on-the-job training (OJT) is a critical component for a competency-based program. Successful OJT involves Marathon Oil supervisors, mentors and subject matter experts to ensure knowledge transfer from our experienced employees to our less experienced employees. In North Dakota, where the oil and gas industry is a relatively new employer, Marathon Oil developed training manuals and competency checklists to support our experienced operators who mentor new employees. Mentors indicate on the checklist when their mentees are competent in various skills and then supervisors do a final competency assessment. All of our Bakken field operators have achieved competency through this process.

TARGETED TRAINING



In high-growth areas such as our Eagle Ford and Bakken shale assets, Marathon Oil delivers targeted training to improve employee competency.

Marathon Oil has hired approximately 150 new employees in the Eagle Ford asset, including approximately 30 field operators who directly impact our ability to operate safely. To determine these critical employees' level of knowledge and skills, a Company training professional spent three months assessing their technical competency using a checklist developed specifically for the asset. The employees were evaluated on HES&S requirements and equipment-specific operating procedures.

Based on the findings, we delivered specific training through third-party equipment suppliers and on-the-job training with mentors, avoiding unnecessary training. Supervisors report the assessment and training gave field operators the knowledge and skills to safely and effectively operate these critical assets. This new qualification assessment process is being implemented throughout Marathon Oil's other North America assets.

Additionally, operating procedures used successfully in other Marathon Oil assets were tailored specifically for Eagle Ford operations. Many of the procedures cover the safe and effective operation of a new gas collection facility we built in the area.

Eagle Ford also worked with an external vendor to develop an eight-hour leadership skills training course specifically for Marathon Oil and contractor front-line leaders. The course provides instruction and hands-on application of skills and tools for managing conflict, improving communication during team meetings, assessing hazards, driving accountability and collaboration. The training was delivered in late 2012 and early 2013 to approximately 200 participants, and received positive feedback.

Petrotechnical Training and Development

Marathon Oil provides training, development, mentoring programs and job rotations for geoscientists and engineers throughout their careers. In 2012, we continued to progress our use of knowledge sharing tools and Communities of Practice to help petrotechnical employees create value.

We have a Technical Excellence organization overseeing petrotechnical career development and monitoring employee progress. This board of senior managers focuses on training, work assignments, technical succession and identification of subject matter experts. Required technical training hours for petrotechnical employees are

also tracked and monitored.

Petrotechnical training and career development for employees in the first six years of their careers start with the skill builder program. This rotational program gives young professionals a firm foundation of technical training, experience and mentoring. Participants work on meaningful projects emphasizing hands-on training, field/operations and technical responsibilities in different aspects of their field. At the end of the program, participants have enough experience to influence their career path as a generalist, specialist or supervisor. A technical guide developed for reservoir engineers, geoscientists and other technicians new to their roles outlines technical training expectations, an assignment milestone roadmap, a list of subject matter experts and other skill-building reference materials.

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KNOWLEDGE SHARING



As employees with decades of oil and gas industry experience move on, it is difficult to replicate their experience through management systems and standards alone. To address this challenge, Marathon Oil provides an environment for newer employees to collaborate with and learn from our most experienced professionals.

Communities of Practice (CoP) help employees connect, develop expertise and locate internal experts. The Company also provides online collaboration tools, including discussion forums, wikis and document libraries. Based on industry benchmarks, we believe these resources contribute to Marathon Oil technical employees reaching autonomy, the point where they can make nonstandard technical decisions without supervision, faster than employees in other companies.

In 2012, 24 Communities of Practice were active, with total membership of about 1,450 or almost half of all employees. New communities were formed for Management of Change, Business Analysis and Global Procurement. Discussions and postings are increasing rapidly as members make connections around the world and see positive outcomes from sharing knowledge. For example, a member of the Instrumentation CoP brought up a reliability issue related to a valve in Equatorial Guinea during a global teleconference. CoP members in Aberdeen shared a similar experience in the North Sea with a valve by the same manufacturer. Their recommendations for resolving the issue prevented an unscheduled shutdown in Equatorial Guinea, saving Marathon Oil several million dollars.

Our mentoring program also connects employees at different experience levels to discuss career development, set goals and participate in other activities. In 2013, the mentoring program is global for the first time, with 149 pairs representing all organizational disciplines and connecting across oceans. We will launch an online mentoring program later in 2013 for additional networking, technical sharing and engagement.

HIGHLY MOTIVATED

According to the 2012 employee engagement survey, employees understand how their jobs contribute to corporate goals and are highly motivated to go above and beyond to help Marathon Oil succeed.

In addition to mentoring, Marathon Oil invests in job rotation assignments for some entry-level employees and provides opportunities for all employees to participate in temporary assignments on project teams. These experiences deepen knowledge and teach best practices.

Knowledge Sharing Recognition

The [KNOW Network](#), a leading organization in knowledge management, recognized Marathon Oil's knowledge sharing activities in 2012. The Company was a finalist in the global and Americas categories of KNOW's Most Admired Knowledge Enterprise (MAKE) Award for organizations creating shareholder/stakeholder wealth by transforming new and existing enterprise knowledge into superior products/services/solutions. Marathon Oil continues to provide tools, processes and practices to promote a knowledge sharing and collaboration culture.

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COMPENSATION AND BENEFITS

Marathon Oil believes that success comes from individual excellence, hard work and great values. We offer competitive, comprehensive compensation and benefits programs to attract and retain highly qualified, motivated people.

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.

When the Company does well, we want employees to have the opportunity to share in the rewards. In addition to a competitive pay structure, our annual cash bonus program directly links individual, organization and Company performance. The long-term incentive program provides semiannual grants of stock options and/or restricted stock to reward selected employees for past and potential performance and to share in the success they help create. In 2013, we are changing our performance management system to help employees align their performance commitments more directly with organizational goals and Company strategy.

Retirement benefits include a 401(k) plan and a cash balance pension plan. In 2012, we changed the 401(k) plan to allow 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.

Based on employees' questions about our retirement benefits, we are rolling out a retirement education program in 2013 to raise awareness about the value of these benefits and how to use them. We believe that a better understanding of the 401(k) and pension plans could aid retention.

Additional benefits include health, dental and vision assistance plans; adoption assistance; vacation; flexible work arrangements; educational reimbursement; and matching gifts.

GRIEVANCE SYSTEM

We believe an inclusive workplace promotes an open exchange of ideas that creates value and success 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.

Marathon Oil also provides processes for employees 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. In addition, employees as well as members of the public can call the [Integrity Helpline](#) at any time to anonymously report suspected unethical or illegal activities.

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 strong safety performance is a key component of overall business excellence. This is why we communicate clear management expectations, encourage reporting of incidents and near misses, and analyze and manage risk. The Company encourages sharing safety insights and issues in daily, weekly, monthly and corporate-wide quarterly employee meetings in field and office locations.

Employee Participation

Marathon Oil promotes employee involvement in health and safety processes and training.

The Safety Community of Practice launched in 2013 to help safety professionals worldwide connect and tap into the Company's expertise and resources. Members have virtual monthly meetings to ask questions and share information about topics such as mobile applications for field safety, safety leadership, hazard communication and safety recognition programs. The community also connects via an online message board where they have discussions and share documents regarding topics such as excavation methods for frozen ground and confined space entry.

While lessons learned are shared freely, the new Marathon Oil [Event Reporting and Management Standard](#) includes a formal process to communicate select lessons learned and recommendations from event investigations companywide. A team representing all operational areas reviews closed event investigations monthly and distributes select lessons learned to HES&S managers to drive improvement. The team sent out eight companywide lessons learned in 2012. Through this process, we identified an issue where a supplier

TOP PRIORITIES

In the 2012 employee survey, employees indicated overwhelmingly that they believe health and safety are Marathon Oil's top priorities, feel empowered to stop work for safety reasons and do not feel pressured to compromise health and safety or the environment to meet business targets.

did not notify Marathon Oil that chemical containers were being delivered to drilling locations with a valve position changed for transport. The modified valve position posed a chemical exposure hazard during use. Communicating this lesson learned prompted several areas to survey their containers, ensure the valves were positioned correctly and contact the supplier to resolve the issue.

We actively seek feedback from HES&S managers to validate that the selected companywide lessons learned have been communicated and to foster continued sharing of corrective actions across our operations.

Safety Performance

With higher activity levels, particularly in new projects and the Eagle Ford area, we recorded more than 10 million additional exposure hours in 2012 versus 2011, a 49 percent increase. Contractors accounted for approximately 77 percent of all hours worked in 2012. Marathon Oil's 2012 Total Recordable Incident Rate (TRIR) for employees and contractors combined was 0.66, an increase from 0.56 in 2011. However, our TRIR was 65 percent below the exploration and production industry average as reported by API, and compared favorably to peer company rates. Our 2012 Lost Time Injury Rate (LTIR) was 0.11, an 8 percent decline from 2011, indicating that injuries were less severe in 2012 than in 2011.

Marathon Oil employees drove more than 14 million miles in 2012, 40 percent more than in 2011, but with the same motor vehicle accident (MVA) rate of 3.4 accidents per million miles driven. The majority of MVAs were classified as non-preventable. Defensive driver safety programs such as the Smith System are offered and may be voluntary or mandatory at the local level depending on local conditions.

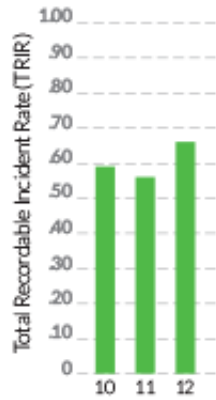
Contractor Safety

Given the large number of contractors required to manage our business, their safety is a priority for Marathon Oil. New field-based contractors receive formal orientation on Marathon Oil's safety culture, management expectations and specific safety requirements. Select contractors may receive additional instruction on isolation of energy sources, confined space entry and other life critical elements to enable them to issue safe work permits.

In recent years, we strengthened our programs for verifying contractor HES&S performance during the qualification process. We continue to take steps to ensure contractors fulfill their contractual commitments and comply with Marathon Oil HES&S standards, the Code of Conduct and other programs. In 2013, we are enhancing our Contractor Management Standard to ensure it drives consistency and clear expectations across Marathon Oil.

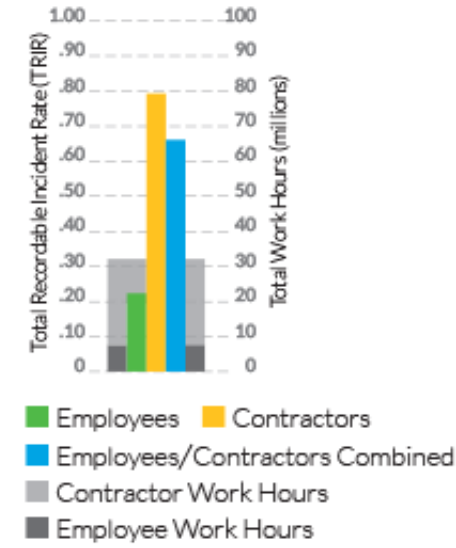
Global Safety Performance

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



2012 In-Depth Global Safety Performance

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



ENGAGEMENT IMPACTS SAFETY IN THE UK NORTH SEA



Our [UK North Sea operations](#) balance top down leadership, grassroots engagement and peer-to-peer collaboration to promote a positive safety culture. For example, leaders from Marathon Oil and our major contractors regularly discuss Brae Field safety performance, share experiences of good industry practice and develop alignment on Brae HES&S issues. The Marathon Oil Contractor Safety Alliance meets quarterly and holds periodic workshops for accountability and to validate progress.

We hold an annual Brae Safety Representatives Forum to provide training and knowledge sharing opportunities for offshore safety representatives. The training covers incident investigation, behavioral safety, facilitation and other skills that support their roles. Other engagement activities include workshops for safety representatives with the Marathon Oil operations manager, monthly safety conversation meetings for contractor organizations and hydrocarbon release reduction teams.

Our Personal Responsibility for Safety training program for offshore employees was so successful that we modified it for the onshore workforce. Employee volunteers deliver the 5-module course on general safety standards to their peers.

The engagement and communication contributed to a marked improvement in Brae Field safety performance from 2008 to 2012 and a low average 2.8 percent unplanned downtime in 2012. Due to safety conversation coaching, event reporting more than doubled from 2011 to 2012. In addition, at least 60 percent of reports are made by the workforce now, whereas supervisors previously reported more incidents.

SAFETY MILESTONES IN 2012



Several Marathon Oil assets achieved safety milestones in 2012. These include 1 million man-hours and nearly two years without a lost time accident at [East Brae](#) in the North Sea and more than 2 million man-hours and four years without a Lost Time Incident at [Alvheim](#) in Norway. In addition, the Three Affiliated Tribes of the Berthold Indian Reservation in North Dakota recognized our [Bakken Shale](#) operations with a safety award based on the number of accident-free operations conducted at the reservation from 2008 to May 2012. These achievements are the result of our safety management efforts and employee commitment.

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PROCESS SAFETY

Marathon Oil works continuously to improve our process safety culture and performance. Process safety refers to the control of process hazards with the potential to impact people, property and the environment. Marathon Oil tracks and investigates process safety incidents and near misses, develops corrective actions and shares them across our operations.

In 2012, we experienced one high consequence process safety event, a hydrocarbon release caused by a gasket failure on an unmanned platform offshore Equatorial Guinea (EG). This event did not result in injuries to personnel. We took immediate corrective action by replacing the gasket and all similar gaskets in similar conditions offshore EG, and made plans to implement a long-term solution during the maintenance slowdown planned for March 2013. Our investigation determined that the root cause was the effects of the process fluid properties on the gasket. Marathon Oil thoroughly tested the recommended replacement part and subsequently replaced eight gaskets throughout our EG operations during the slowdown.

Low consequence incidents such as minor loss of primary containment and operating deviations that trigger alarms have declined since 2010 and decreased 50 percent from 2011 to 2012.

We also expanded the use of formal hazard assessment methods to evaluate operational risk. These methods include the process hazards analysis (PHA), layers of protection analysis (LOPA) and safety integrity levels (SIL) analysis. Independent specialists facilitate in-depth, local team review of operations to identify potential hazards, assess safeguards in place and develop action plans to mitigate unacceptable risks. As a result of an audit conducted on Eagle Ford facilities acquired in 2011, Marathon Oil modified emission control equipment to bring the acquired facilities into compliance and to reduce the environmental footprint of our operations. Our team in the Kurdistan Region of Iraq plans to voluntarily conduct hazard and operability studies (HAZOPs) and implement process safety measures to manage potential risks of hydrogen sulfide (H₂S) in our regional operations.

Process Safety Standard

We apply various process safety principles in our operations worldwide to manage risks and prevent process safety incidents. This includes practices for designing appropriate safety systems into processes and equipment, maintaining equipment, learning from incidents and other aspects of process safety.

Marathon Oil has facilities complying with process safety regulations in Norway, the UK and the U.S. Gulf of Mexico. None of our U.S. onshore facilities are regulated. Worldwide, 11 Company offshore platforms and gas plants voluntarily implemented our process safety standard in 2012. Going forward, we are considering expanding our process safety standard to cover additional Company facilities.

LEVERAGING PROCESS SAFETY ACROSS OUR OPERATIONS



Marathon Oil has significant [process safety](#) expertise gained in managing our regulated assets in the North Sea. We leveraged this knowledge to begin raising our Ewing Bank platform in the Gulf of Mexico to international standards for instrumentation and control.

Marathon Oil performed a required process hazards analysis (PHA) at Ewing Bank in 2011 to comply with the Bureau of Safety and Environmental Enforcement's (BSEE) Workplace Safety Rule and its Safety and Environmental Management System (SEMS). When the team conducting the HAZOP recommended further evaluation of critical instrumentation that protects employees, we voluntarily used the higher-level layers of protection analysis (LOPA) and safety integrity levels (SIL) analysis.

Marathon Oil engaged UK consultants with North Sea expertise to lead the SIL analysis, which recommended additional controls and instrumentation to speed shutdown time for key equipment. In addition, employees from Marathon Oil's Aberdeen operations performed a consequence assessment at Ewing Bank and recommended other measures to improve personnel and equipment safety. As a result, we are carrying out a multiyear program to implement improvements and best practices at Ewing Bank.

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SHARING SAFETY MESSAGES IN COMMUNITIES



Marathon Oil encourages our employees to share safe behaviors they learn at work with their families so they become habits at home as well as on the job. Employees in [Equatorial Guinea \(EG\)](#) and the [UK](#) are taking this concept a step further by sharing safety messages in their communities.

Marathon Oil's EG National Health, Environment and Safety (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 HIV and typhoid awareness programs and a national safety day, with financial and logistics support from Marathon Oil. For example, in 2012 the EG National HES Committee developed a malaria awareness campaign. The Company purchased several thousand bednets that the team distributed to employees and contractors of Marathon E.G. Production Limited (MEGPL).

Due to the risk of home fires in the community, the EG National HES Committee has leveraged the Company's fire prevention specialists to develop innovative home fire safety campaigns. This has included distributing smoke detectors to all national employees, along with advice on their placement and maintenance. Home fire safety remains a focus for the Committee's 2013 program of further education, including incentives to replace candles and kerosene lamps with inherently safer, energy efficient LED lanterns.

In Aberdeen, employees enhanced Marathon Oil's sponsorship of a community safety project by volunteering for [Absafe](#), an organization with a mission to advance safety, stop accidents and save lives. In 2012, about 25 onshore and offshore employees taught children how to recognize, assess and mitigate risks, using everyday examples such as wearing a helmet when cycling. About 2,000 children ages 11 to 12 participated in the sessions over two weeks.

WORKFORCE HEALTH



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. We also value the communities where we live and work and strive to cooperate with local leaders to recognize and advance important public health initiatives that promote the common good and protect the public.

Keeping this commitment requires a comprehensive understanding of the key health risks facing these groups, as well as a good grasp of the unique health challenges we face in developing countries. These health challenges and considerations include:

- Identifying health hazards related to work and implementing screening programs for early detection.
- Appropriately managing medical care and medical emergencies.
- Recognizing how personal illness impacts the workforce and properly matching employees' jobs with their capabilities.
- Ensuring early identification of health risks in developing countries and access to appropriate high-standard medical care.
- Engaging local stakeholders via partnerships to address local health issues and improve the health and welfare of the local workforce.

Programs, Practices and Continuous Improvement

Marathon Oil addresses 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. Local operations will perform a health risk assessment in 2013 as part of their annual HES&S risk assessment process. Identifiable health risks for each asset will be reviewed and prioritized for mitigation.

Employee Wellness Program

Marathon Oil has seen positive results from our wellness program initiated in 2007, including a measurable reduction in health risks for participants. In 2012, 41 percent of employees participated in wellness activities and 44 percent completed the voluntary wellness assessment.

To continue promoting good health and wellness, in 2013 Marathon Oil is launching an improved voluntary wellness program. Employees can earn points by taking actions such as submitting health risk assessments, having an annual preventive health examination and participating in activities such as “fun runs.” By accumulating points, they can receive cash rewards and become eligible for reimbursements for health club memberships, weight management programs and other benefits. The Company’s long-term goal is to develop a single health and wellness metric to drive continuous improvement.

A unique aspect of this program looks to integrate health and safety interests locally by encouraging each component to include key local safety initiatives in their wellness programming. Allowing employees to earn wellness points by attending local safety functions such as back safety training will strengthen both programs by increasing participation and raising awareness of important health and safety risk factors.

Integrating Health Services Providers Around the World

We are working to better integrate our internal and third-party health providers around the world to enhance health outcomes. Our providers meet periodically to share lessons learned and discuss case management issues, treatment protocols and other relevant medical topics. We will establish a Medical Community of Practice in 2013.

Additional current health programs include, but are not limited to:

- Occupational and environmental exposure monitoring.
- Product safety and stewardship.
- Fitness-for-duty and medical surveillance employee evaluations.
- Pre-travel planning, immunizations and medications.
- Emergency medical management and evacuation.
- Country health risk assessments.
- [Equatorial Guinea malaria control project](#) and other community health initiatives.

HEALTH SERVICES IN THE KURDISTAN REGION OF IRAQ



As part of our entry into new areas, the Company reviews the local health infrastructure and existing medical services to ensure employee access to appropriate health care. Based on our health care assessment in the Kurdistan Region of Iraq, a third party was used to build and staff facilities for our specific operational needs. In 2012, they began providing personal and occupational health care services in our Erbil office and key field operations.

Each Marathon Oil drill site is served by a first-aid facility and a specially made, high-quality ambulance for ground transport. The facilities are equipped with defibrillators, other specific equipment and common medical supplies. A skilled medic is on hand 24/7 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.

EVENT REPORTING AND MANAGEMENT STANDARD



Managing risk proactively can lead to more effective measures for preventing personal safety, process safety and environmental incidents. Marathon Oil implemented a new Event Reporting and Management Standard in 2012 that improves our ability to manage risk, develop targeted corrective actions and learn from both incidents and near misses. Our new approach of evaluating actual and potential consequences and barriers associated with events is representative of the improvements industry leaders are pursuing.

The standard directs Marathon Oil toward using event potential and near misses as leading indicators to broaden our measurement of safety performance beyond the Total Recordable Incident Rate (TRIR). Under the standard, incidents and near misses are evaluated to determine both their actual and potential consequences. The barriers or hazard controls that were in place to mitigate the effects are also evaluated for effectiveness.

These evaluations help us determine the severity for the overall event in the areas of personal and process safety, the environment, reliability and equipment loss, and stakeholder impact. The overall severity of the event drives the level of investigation and management review required.

We introduced a new metric in 2012 to track event consequences and review it monthly and quarterly to identify trends and prevent future events. Events with higher potential consequences were predominantly near misses. We believe this is an indication that Marathon Oil employees are becoming more comfortable with reporting near misses. An example of an event with a high potential consequence in 2012 was a [process safety event in Equatorial Guinea](#).

While lessons learned are shared freely throughout the Company, the new standard includes a formal process to communicate select lessons learned and recommendations from event investigations companywide. Eight select lessons learned were shared across the Company in 2012.

In 2013, we will progress toward the next leading indicator that incorporates the evaluation of the barriers or hazard controls in place with the consequence evaluation to continue to prevent future events. To assist in the evaluation of events in accordance with the new Event Reporting and Management Standard, we are continuously developing guidance tools.

SOCIETY METRICS

Marathon Oil Social Investments by Giving Area

Total Social Investments: \$29.8 million*

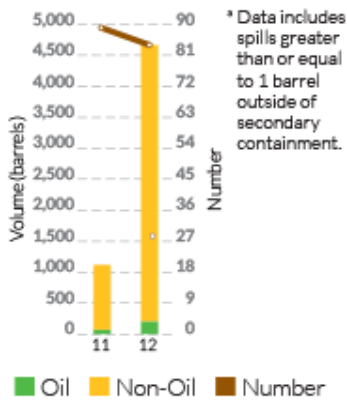


* Total Philanthropic Giving: \$11.2 million in corporate giving and \$1.9 million in employee giving; Total Sustainable Investments: \$16.7 million.

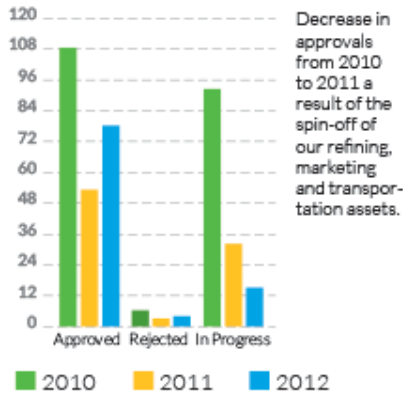
ENVIRONMENT METRICS

Global Fluid Spills^a

Volume and number of spills

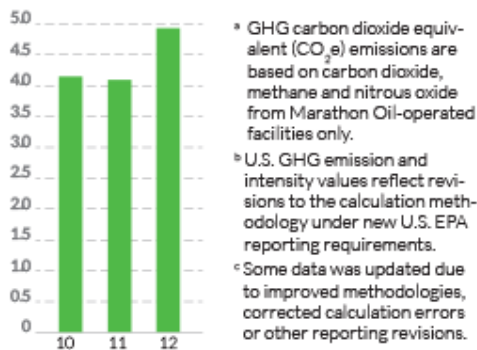


Waste Management Vendor Approval Program Vetting



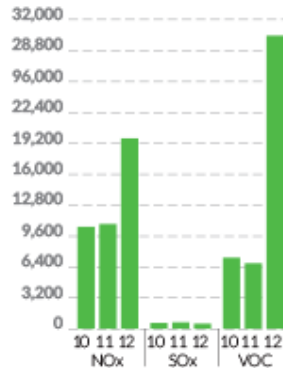
Global Greenhouse Gas Emissions^{a, b, c}

MM Tonnes CO₂e



Global Air Emissions

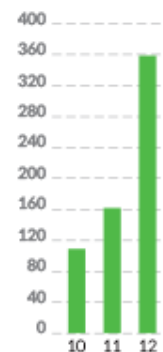
1,000 Tons



2012 emissions increased as a result of increased production and tracking of portable equipment in the United States.

Environmental Expenditures

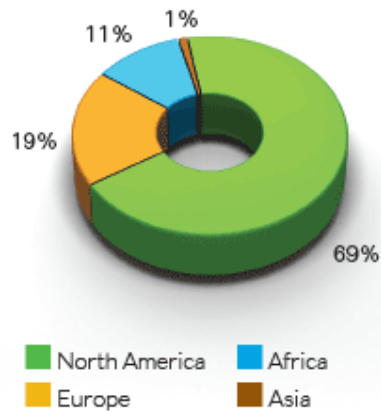
Millions of dollars



Higher costs in 2012 were generally attributable to increased drilling and completions activity and the resulting increases in well costs for environmental compliance such as surface casing costs, permitting, waste management and spill prevention measures.

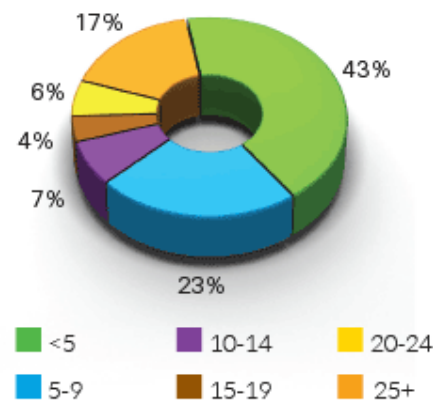
WORKPLACE METRICS

Who We Are



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

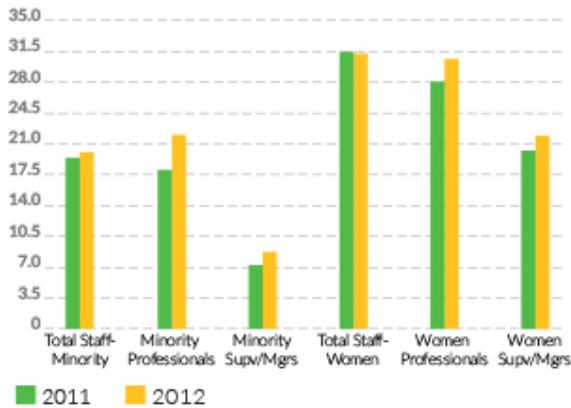
Years of Service



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 employees had an average of more than 16 years of industry experience.

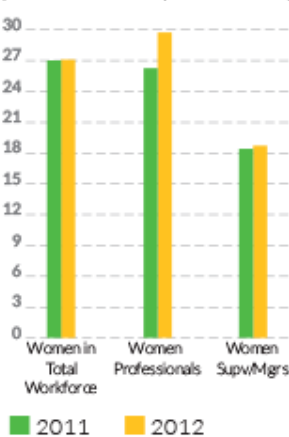
U.S. Workforce

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



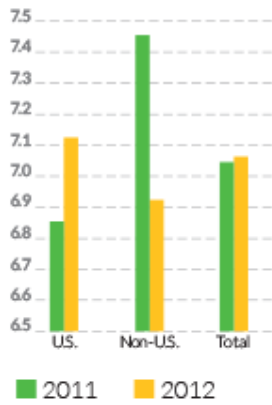
Global Workforce-Female

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



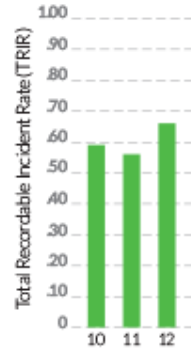
Company Turnover Rate

Percentage



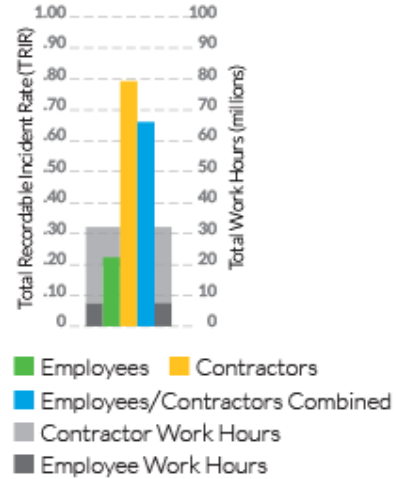
Global Safety Performance

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



2012 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	2010	2011	2012
Governance			
Independent Board Members – percent	na	89	89
Political Contributions – thousand dollars	na	214	334
Society			
Social Investments – million dollars	24.0	25.0	29.8
Environment			
GHG Emissions (Global) ^{a,b,c}			
Direct Emissions – million tonnes CO ₂ e	3.2	3.2	3.9
Indirect Emissions – million tonnes CO ₂ e	0.97	0.9	1.05
Total GHG Emissions – million tonnes CO ₂ e	4.14	4.08	4.92
GHG Intensity – tonnes CO ₂ e on a weighted basis/production (MBOE)	21.0	20.2	22.9
Energy Use – trillion Btus ^c	50.0	50.3	69.0
Other Operational Air Emissions (Global)			
Sulfur Dioxide (SO _x) – tons	570	685	514
Nitrogen Oxides (NO _x) – tons	10,520	10,837	19,711
Volatile Organic Compounds (VOCs) – tons	7,300	6,780	30,260
Global Fluid Spills – number ^d	103	89	84
Global Fluid Spills (Total Volume of Fluids Spilled) – barrels ^d	*	1,107	4,664
Environmental Expenditures – million dollars	109	162	305
Workplace			
Safety – Global (combined employee and contractor) ^e			
Fatalities – number	0	0	0
Total Recordable Incident Rate (TRIR) – incidents/200,000 work hours	0.59	0.56	0.66
Process Safety Management			
Tier 1 Process Safety Events – number	1	1	1
Tier 2 Process Safety Events – number	3	0	2
Tier 3 Process Safety Events – number	162	109	53
Employees (Global) – number ^e	3,062	3,322	3,367
Turnover – percent ^e	5.0	7.04	7.06
Minority Employees (U.S.) – percent ^{f,g}	18.8	19.3	19.9
Minority Professionals (U.S.) – percent ^{f,g}	17.9	17.9	21.9
Minority Supervisors/Managers (U.S.) – percent ^{f,g}	9.0	7.1	8.6
Female Employees (Global) – percent ^e	27.5	26.9	27.0
Female Professionals (Global) – percent ^e	26.6	26.2	29.6
Female Supervisors/Managers (Global) – percent ^e	18.1	18.3	18.6

a GHG carbon dioxide equivalent (CO₂e) 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 new U.S. EPA reporting requirements.

c Some data updated due to improved methodologies, 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 U.S. Equal Employment Opportunity Commission statistics.

g Two or more races. As defined by the U.S. Equal Employment Opportunity Commission.

* 2011 and 2012 spill data reflects a revised reportable spill definition to include total fluid spills greater than 1 barrel. Total fluids includes all produced and chemically-treated fluids, and excludes fresh water.

na = Not Available

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) G3.1 Sustainability Reporting Guidelines. The index below lists indicators on which we have fully or partially reported.

	IPIECA/API/OGP Indicators	GRI G3.1 Indicators
Overview		
About This Report		1.2, 2.6, 2.9, 3.1, 3.2, 3.3, 3.4, 3.6, 3.7, 3.8, 3.11, 3.13, 4.8
Content Determination		3.5
Marathon Oil at a Glance		2.1, 2.2, 2.3, 2.4, 2.5, 2.7, 2.8
To Our Stakeholders	E1, E2, E7, E8, HS3	1.1, 1.2, 2.9, 4.8
Performance Summary		2.8, 3.10, EC1, LA13
Performance Metrics	E1, E2, E7, E8, HS3	4.3, EN16, EN20, EN23, LA1, LA7, LA13, SO6
CSR In Context		1.2
Stakeholder Engagement Map		4.14, 4.16, 4.17
Management Systems		4.11
Corporate Commitments	SE1, SE4, HS2, HS3, SE10, SE13	4.16, 4.17, EN14, EN26, LA8, LA10, SO10, SO5, EC6, EC8
IPIECA/API/OGP and GRI Index		3.12
Governance		
Management Approach	HS2	4.1, 4.2, 4.3, 4.5, 4.6, 4.7, 4.8, 4.9
Progress on Our Commitments	SE12	SO4
Corporate Social Responsibility Oversight		4.16
Ethics and Integrity	SE18	4.8
Preventing Corruption	SE11, SE12	4.8, SO2, SO3
Transparency of Payments	SE13	4.12
Public Policy and Political Contributions	SE14	4.13, SO5, SO6
Emergency Preparedness	E8	4.13, SO10
Case Study: Securing our People, Property and Information Assets		1.2
Society		
Management Approach	SE1	SO10, DMA-SO, DMA-HR
Progress on Our Commitments	SE1, SE4, SE10	4.16
Human Rights	SE8, SE10	4.12, HR1
Stakeholder Engagement	SE1	4.15, 4.16
Social Investment	SE4	EC8
Local Content: Workforce Integration	SE5, SE6, SE17	EC7
Local Content: Supplier Procurement	SE5, SE7, SE9, SE12	EC6
Case Study: Addressing Challenges in the Eagle Ford Shale	SE1, SE4, SE6	4.13, 4.15
Case Study: Exiting Communities Responsibly	SE1, SE4	4.15
Case Study: Improving Outcomes from Our Education Funding	SE1, SE4	4.16, EC8
Partnering with a Heart-Health Nonprofit	HS2	LA8
Case Study: Controlling Malaria in Equatorial Guinea	SE1, SE4	4.15, LA8
Case Study: Mitigating Impacts in the Kurdistan Region of Iraq	SE1, SE4	4.16, EC8, SO10
Workforce Integration: Nationalizing Our Workforce in EG	SE6, SE17	LA8, EC7
Environment		
Management Approach	HS3	4.16, DMA-EN
Progress on Our Commitments		EN3, EN16

Air Emissions	E1, E4, E7	EN20
Water Management		
Spills and Releases	E8	EN23
Waste Management		
Biodiversity	E5	EN14
Environmental Expenditures		EN30
Case Study: Hydraulic Fracturing	SE1	4.12, 4.17, EN9, EN26
Workplace		
Management Approach	HS3, SE17	DMA-LA
Progress on Our Commitments	HS3, SE15	4.13, LA7
Workforce Practices and Statistics	SE15	LA1, LA2
Employee Engagement	SE16	
Diversity and Inclusion	SE15	LA13
Recruiting, Training and Development	SE17	LA10, LA11
Compensation and Benefits		LA3
Grievance System	SE11, SE18	
Workforce Protection	HS1, HS3	LA7
Process Safety	HS5	LA7
Workforce Health	HS1, HS2	LA8
Case Study: Event Reporting and Management Standard	HS1, HS3, HS5	LA7, SO10
Health Services in the Kurdistan Region of Iraq	HS2	4.16, 4.17, EC8
Targeted Training	SE17	LA8
Knowledge Sharing	HS1	LA11
Engagement Impacts Safety in the UK North Sea	HS1, HS3	LA8
Safety Milestones in 2012	HS3	
Leveraging Process Safety Across Our Operations	HS1, HS5	LA8
Sharing Safety Messages in Communities	HS1, SE1	4.16, 4.17, LA8