



# RESPONSIBLE, SAFE AND ETHICAL

Our Obligation to Stakeholders





Sustainability is at the core of Marathon Oil's business strategy. As we pursued profitable and sustainable growth in 2017, we remained committed to responsible, safe and ethical operations. We focused on meeting our obligations to key stakeholders, including addressing workplace safety, protecting the environment, making a difference in our communities and delivering returns to shareholders.

During the year, Marathon Oil advanced a strategic portfolio transformation initiated five years ago. Our strategy and capital are now concentrated in four core U.S. unconventional resource plays. To realize our vision to be the premier independent exploration and production company, our collective focus is on strong and consistent operational execution, reliability and integrity management.

I expect Marathon Oil to lead our industry in safety performance, minimize our impact on the environment, and foster and strengthen our community relationships through our social investment strategy. Marathon Oil has demonstrated our ability to adjust and to respond to opportunities, challenges and changes in the marketplace, and we are well positioned for sustainability because of the dedication of our employees and the commitment of our board of directors.

Sincerely,

Lee Tillman  
President and CEO

Every year, oil and natural gas producers face more challenges to growing profitably and creating value for shareholders. There are also rising calls for accountability to investors, employees, communities, governments and business partners for both financial and nonfinancial performance. Given these challenges, I am honored to become the chair of the Health, Environmental, Safety and Corporate Responsibility (HES&CR) Committee of Marathon Oil's board of directors.

The HES&CR Committee ensures that Marathon Oil identifies and manages the HES, social, public policy and political issues and risks that affect our business today and could impact the Company's long-term sustainability. Committee members also analyze Marathon Oil's global reputation and strategic positioning.

The work of this committee is critical given heightened stakeholder expectations around corporate social responsibility. The HES&CR committee will continue to challenge the Marathon Oil leadership team to do business with integrity, improve safety and environmental outcomes, build and reward a results-driven workforce, and contribute to a high quality of life in our communities. We recognize that strong nonfinancial performance is no longer optional - it is a requirement for sustainability.

Sincerely,

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

## SAFETY

We strive for a workplace free of accidents and injuries, with safe and healthy work practices and conditions.



## SOCIETY

We conduct our business with a high regard for our neighbors, communities, contractors, suppliers and the environment.



## ENVIRONMENT

We believe protecting the environment is critical and compliance is not negotiable.



## Three-Year Performance Data

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/IOGP *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions*). Except as noted, metrics in this table represent global performance.

	2017	2016	2015
<b>GOVERNANCE</b>			
Independent Board Members - percent	89	89	89
Political Contributions - thousand dollars <sup>a</sup>	65	194	165
<b>SOCIETY</b>			
Social Investments - million dollars	21.7	20.5	24.2
<b>ENVIRONMENT</b>			
GHG Emissions (Global) <sup>b</sup>			
Direct Emissions - million tonnes CO <sub>2</sub> e	3.68	3.07	3.58
Indirect Emissions - million tonnes CO <sub>2</sub> e	0.16	0.19	1.06
Total GHG Emissions - million tonnes CO <sub>2</sub> e	3.83	3.26	4.64
Total Methane Emissions - million tonnes CO <sub>2</sub> e	0.64	0.67	0.64
GHG Intensity - tonnes CO <sub>2</sub> e on a weighted basis/production (MBOE)	20.82	18.11	24.52
Total Methane Intensity - tonnes CO <sub>2</sub> e on a weighted basis/production (MBOE)	3.50	3.71	3.36
Methane Emissions as a percent of natural gas produced	0.22	0.24	0.26
Energy Use - trillion BTU	43.7	49.4	56.1
Other Operational Air Emissions (Global)			
Sulfur Dioxide (SO <sub>x</sub> ) - tons	538.12	104.5	497.6
Nitrogen Oxides (NO <sub>x</sub> ) - tons	28,215	23,733	23,295
Volatile Organic Compounds (VOCs) - tons <sup>c</sup>	22,274	16,226	11,127
U.S. Onshore Water Usage - million barrels used	70	29	40
Global Spill Events to the Environment ≥ 1 bbl - number <sup>d</sup>	35	29	47
Global Spill Volumes to the Environment ≥ 1 bbl - barrels <sup>d</sup>	1,028	1,580	3,605
Total Off-Site Waste Disposal (thousand tons)	26	16	126
<b>SAFETY AND WORKFORCE</b>			
Safety - Global (combined employee and contractor) <sup>e</sup>			
Fatalities - number	0	0	0
Total Recordable Incident Rate (TRIR) - incidents/200,000 work hours	0.64	0.35	0.39
Process Safety Management			
Tier 1 Process Safety Events - number	0	0	1
Tier 2 Process Safety Events - number	0	0	2
Tier 3 Process Safety Events - number	31	22	19
Employees (Global) - number <sup>e</sup>	2,345	2,302	2,610
Turnover - percent <sup>e,f</sup>	13.2	14.5	19.8
Minority Employees (U.S.) - percent <sup>e,g</sup>	30.1	24.5	23.8
Minority Professionals (U.S.) - percent <sup>e,g</sup>	28.8	24.6	24.0
Minority Supervisors/Managers (U.S.) - percent <sup>e,g</sup>	16.1	13.2	13.9
Female Employees (Global) - percent <sup>e</sup>	26.1	25.4	25.2
Female Professionals (Global) - percent <sup>e</sup>	28.7	23.1	27.7
Female Supervisors/Managers (Global) - percent <sup>e</sup>	21.1	19.4	20.9

*This table contains data relevant to Marathon Oil's governance, society, environmental, safety and workforce 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.*

*(a) Includes political action committee and corporate contributions. (b) Greenhouse gas (GHG) carbon dioxide equivalent (CO<sub>2</sub>e) emissions are based on carbon dioxide, methane and nitrous oxide from Marathon Oil-operated facilities only. (c) Increase in VOCs is primarily accounting changes in the resource plays. (d) Data includes spills outside of secondary containment greater than or equal to 1 barrel. (e) Workforce statistics reflect year-end data. (f) Data does not include total retirement rates of 4.2 percent, 5.1 percent and 11.2 percent for 2017, 2016 and 2015, respectively. (g) As defined by U.S. Equal Employment Opportunity Commission.*



## ENVIRONMENTAL STEWARDSHIP



Marathon Oil believes protecting the environment is critical to operational excellence, and that compliance with regulations and laws is not negotiable.

We are committed to reducing releases and spills to the air and water, minimizing wastes, and promoting responsible water management and land stewardship. Reducing our operational impact on the environment also can lower costs, improve efficiency, and allow employees to focus on producing oil and gas safely and cost effectively.

### Air Emissions

To reduce greenhouse gas (GHG) and other air emissions from our operations throughout the drilling and production lifecycle, we evaluate and implement strategies, technologies and cost-effective reduction methods. In 2017, our global GHG emissions and intensity increased 18 percent and 15 percent, respectively, primarily due to higher activity in our Oklahoma and North Dakota Bakken assets, and the addition of the Permian Basin asset. Our methane emissions decreased as a result of equipment changes in Oklahoma and the sale of non-core assets. The overall methane emissions ratio declined due to higher

gas production in Equatorial Guinea, and increased activity in Oklahoma and Bakken. In addition, we were a founding member of The Environmental Partnership, which is committed to continuously improving our industry's environmental performance by further reducing emissions of methane and volatile organic compounds.

### Water Management

Marathon Oil develops strategies to manage sourcing, recycling, treatment, storage and disposal of water, a valuable resource that we share with the communities where we operate. The approximately 40 percent year-over-year increase in water consumption in our U.S. resource plays to 70 million barrels was a result of completing or recompleting approximately 60 percent more wells than in 2016, using more extended laterals, modifying our completion design and entering the Permian Basin.

### Spill Prevention

To prevent spills, we design, operate and maintain our facilities with mechanical safeguards, secondary containment systems and spill control plans.

We invest in employee training, procedures, preventive maintenance, and inspections for fluid-containing equipment and facilities. Across our operations in 2017, the total number of spill events to the environment greater than or equal to a barrel increased 20 percent, largely due to legacy wells in the Permian Basin. The associated 2017 spill volume decreased 35 percent year over year, primarily because of pipeline integrity programs in Eagle Ford.

### Climate Change

We recognize the concern about global climate and air quality, and the market changes that could occur as a result of climate change laws and regulations. We also recognize the need for reliable and affordable energy and feedstock for global economic progress, and the role oil and natural gas are projected to play in meeting long-term global demand. Our commitment to sustainability remains a core of our business strategy as we evaluate the risks of evolving laws and regulations related to climate change.



**Marathon Oil takes action to find and develop oil and natural gas responsibly.**



## SAFETY



Marathon Oil believes that a company must have both safety and operational excellence to be sustainable. To prevent incidents, accidents and injuries, we set clear, non-negotiable expectations with employees and our large contractor workforce for analyzing and managing risk, reporting incidents and near misses, investigating incidents, implementing corrective actions and sharing lessons learned. We expect everyone to slow down, speak up, ask questions and stop the job if they have any concern about safety.

### Safety Performance

Following our best safety performance ever in 2016, our total recordable incident rate (TRIR) increased to 0.64 in 2017. In addition, actual and potential serious events that could impact people, the environment and the Company increased, with our Serious Event Rate leading indicator increasing to 0.45 in 2017. The factors affecting our performance included a material ramp-up in U.S. resource play drilling and completion activity, and construction work that added new crews and shorter service workers to our worksites. This resulted in a 38 percent year-over-year increase in exposure hours to 21.2 million hours, primarily for contract workers, many who were new to the industry.

Given this unacceptable year-over-year change, we developed a plan to improve performance. In the first half of 2018, we held safety forums for representatives from our U.S. unconventional assets. These forums resulted in a sharper focus on safety leadership and contractor management. We plan to hold workshops on effective safety conversations and safety leadership for over 800 personnel by year-end 2018.

We are holding contractors accountable for improving their performance as measured by OSHA recordables, the Serious Event Rate and the number of proactive safety observations. To work with Marathon Oil, contractors must demonstrate that they share our commitment to a safe workplace.

To prevent hydrocarbon releases that could impact people, property and the environment, Marathon Oil improves our process safety culture and performance. We track and investigate process safety incidents and near misses, and develop and share corrective actions. In 2017, we experienced no high- or medium-consequence process safety events at our designated facilities worldwide.

### Emergency Preparedness and Response

Marathon Oil maintains comprehensive capabilities for emergency preparedness and response, and business continuity. We executed divisional business continuity and asset-level emergency response plans during and after Hurricane Harvey devastated the Texas Gulf Coast in 2017. Our teams voluntarily shut down and then restarted approximately 1,500 wells in our South Texas Eagle Ford asset with no spills, injuries or other impacts, and relocated critical financial functions to weather the hurricane.

We remain committed to achieving a workplace free of accidents and injuries, with safe and healthy work practices and conditions across Marathon Oil operations.

No task is so important that it can't be done safely.





## SOCIETY



To be a positive influence in our communities, Marathon Oil builds strong relationships with stakeholders and targets our social investments to address existing social issues. We amplify our efforts by partnering with community organizations whenever possible. We respect the human, cultural and legal rights of individuals and communities, work to prevent abuses and advance human rights in the communities where we operate, and discuss human rights in industry associations.

### Stakeholder Engagement

Marathon Oil is committed to communicating appropriately with key internal and external stakeholders to address potential health, environmental, safety, security (HES&S) and social issues, and to foster relationships of trust and mutual understanding about our operations.

While oil and gas development can bring employment opportunities and economic benefits to communities, industry activities can also challenge local resources and infrastructure. Connecting with community stakeholders was critical in 2017 as we increased drilling and production activity in our U.S. unconventional resource plays. To address concerns around traffic

and infrastructure stress, Marathon Oil worked with state and regional industry groups.

In our assets, stakeholder engagements included meeting quarterly with our new Citizen Advisory Panel in Eagle Ford, holding two open house forums in Oklahoma and meeting with members of the Three Affiliated Tribes on the Fort Berthold Reservation in Bakken. We also began preparing a stakeholder engagement plan to be implemented in the Permian Basin in 2018.

### Social Investment

Marathon Oil's social investment strategy is aimed at enhancing education in our communities, building sustainable economic growth and investing in the future oil and gas workforce. Our Bioko Island Malaria Control Project (BIMCP) in Equatorial Guinea, now in its 14th year, remains the Company's major social investment.

In 2017, we supported the Barbara Bush Houston Literacy Foundation, Reasoning Mind math education nonprofit, Houston Food Bank, Communities in Schools and American Heart Association, and donated \$600,000 in hurricane aid for several community

organizations. In addition, we funded 41 college scholarships for U.S. students at designated universities, including six for diverse students with a record of academic excellence studying engineering and geosciences. We also funded scholarships for nine Equatoguinean students.

### Local Content: Procurement

Marathon Oil wants to work with contractors and suppliers who share our commitment to safety, environmental stewardship, ethical business conduct, sound labor practices and human rights. We evaluate and approve vendors before we start working with them, and have specific requirements for contractors that provide personnel for safety-sensitive work in North America and for critical suppliers. In Equatorial Guinea, we have increased local content in our operations. From 2013 through 2017, we spent nearly \$783 million with Equatoguinean vendors that are 35 to 100 percent locally owned.

Marathon Oil will continue to conduct our business with a high regard for our neighbors, communities, employees, contractors, suppliers and the environment.



**By building a sustainable business, we can make a difference in our communities.**



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