

# HESS CORPORATION

2012 Corporate Sustainability Report



# OUR VALUES

Hess Values set the framework and establish the ethical standards by which we conduct our business.

**Integrity.** We are committed to the highest level of integrity in all our relationships.

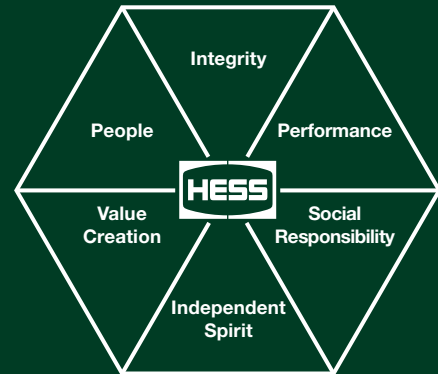
**People.** We are committed to attracting, retaining and energizing the best people by investing in their professional development and providing them with challenging and rewarding opportunities for personal growth.

**Performance.** We are committed to a culture of performance that demands and rewards outstanding results throughout our business.

**Value Creation.** We are committed to creating shareholder value based on sustained financial performance and long term profitable growth.

**Social Responsibility.** We are committed to meeting the highest standards of corporate citizenship by protecting the health and safety of our employees, safeguarding the environment and creating a long lasting, positive impact on the communities where we do business.

**Independent Spirit.** We are committed to preserving the special qualities and unique personality that have made us a successful independent enterprise.



## REPORT APPLICATION LEVELS

		C	C+	B	B+	A	A+
Mandatory	Self Declared						✓
	Third Party Checked						✓
	GRI Checked						
Optional			Report Externally Assured		Report Externally Assured		

Note: Following a review by ERM CVS, our external verifier, Hess is self-declaring a GRI Application level of A+ in conformance with the GRI Sustainability Reporting Guidelines.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

## VERIFICATION

ERM Certification and Verification Services (ERM CVS) conducted representative site visits, reviewed source data and our internal data collection and aggregation system and conducted interviews to ensure the information presented is a reliable presentation of our performance. An ERM CVS assurance statement has been included at the end of this report. ERM CVS also provided an opinion on the GRI Application Level.



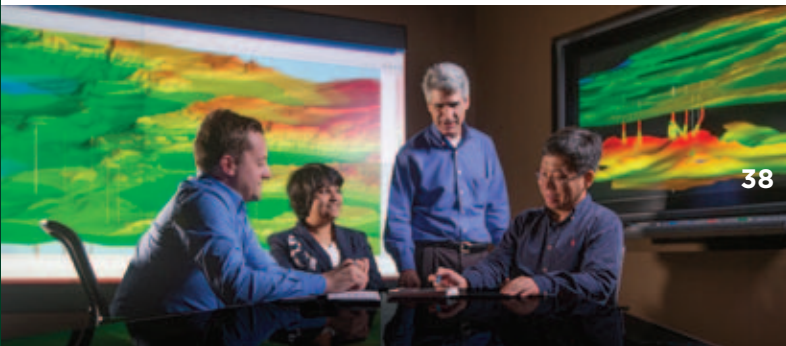
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## MESSAGE FROM THE CEO

Sustainable business practices are essential to ensuring our license to operate, managing risks, operating efficiently and developing growth opportunities.

**John B. Hess**  
Chief Executive Officer



Hess is committed to help meet the world's growing energy needs while making a positive impact on the communities where we do business. We strive each day to be a trusted energy partner that ensures the safety of our workforce and host communities and protects and preserves the environment. Sustainable business practices are essential to ensuring our license to operate, managing risks, operating efficiently and developing growth opportunities.

Our company's long term vision for the future is based on the Hess Values of Integrity, People, Performance, Value Creation, Social Responsibility and Independent Spirit. We operationalize our Values through our Code of Business Conduct and Ethics, which guides the way we do business and helps us develop trusted relationships with our stakeholders, including communities, employees, customers, business partners and shareholders.

Earlier this year we announced the final phase of a strategy that will transform Hess into a pure play exploration and production company. This strategy, which includes fully exiting our downstream businesses, will result in a portfolio of higher growth, lower risk assets. We believe we will have the financial flexibility to pursue growth at the same time that we increase current returns to shareholders and generate significant future value.

As an energy provider, we help play a critical role in economic development. As living standards rise in emerging economies, world demand for fossil fuels continues to grow. While alternative and renewable energy is needed and should be encouraged to help meet long term energy demand and reduce carbon emissions, hydrocarbons will continue to supply the majority of demand for the foreseeable future.

Stakeholder expectations are rising for the energy industry to increase transparency, promote human rights, minimize adverse environmental and socioeconomic impacts, combat corruption, responsibly manage suppliers and provide clean energy options. These issues present challenges and opportunities for our industry and our business.

Across our company in 2012, we engaged in intensive efforts to drive operational excellence, capital discipline, risk management, innovation, trusted partnerships and the professional development of our people. We further integrated environmental and social considerations into our enterprise risk management, new country entry and investment processes. We established the role of Chief Compliance Officer to improve our compliance related controls and incorporate best practices.

Climate change is a global challenge that must be met with collective action. We have spoken openly about the need for United States and world leaders to work with industry to develop comprehensive energy and climate policies that will help meet future energy demand and reduce greenhouse gas emissions. Transparent and equitable carbon price signals should be given serious consideration as the domestic and global economies recover from the sustained recession.

In the United States, the dual application of horizontal drilling and hydraulic fracturing has made the production of natural gas and crude oil from low permeability geologic formations economically feasible, which has significantly improved the nation's energy security. The challenge is to produce this energy responsibly and transparently. Shale gas has resulted in relatively low natural gas prices, lowering the costs of both raw materials and energy. Natural gas continues to capture a

growing share of electricity generation and industrial and commercial energy demand. Combined with improvements in energy efficiency and growth in renewable energy, U.S. energy related carbon emissions are now below 2005 levels.

We participate in and support key international multi-stakeholder frameworks that inform and guide our approach to transparency, human rights and the environment. These include the United Nations Global Compact, the Voluntary Principles on Security and Human Rights and the Extractive Industries Transparency Initiative. We endorse and uphold the international standards set out in the United Nations Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.

Overall workforce safety performance at Hess improved in 2012 by 13 percent, our best result ever, and we further enhanced our process safety program. The programs we introduced in response to the deterioration in contractor safety performance in 2011 have proven effective in addressing the challenges we faced in our growing United States shale energy business. Tragically, we suffered two separate fatalities in 2012, our first since 2008. These fatalities serve to remind us that our work to keep our people safe can never stop as we continue to strive to eliminate all accidents from our business.

Strategic social investment advances our goal of making a measurable, positive social impact where we operate and is a valuable tool for community and stakeholder engagement. We focus on education and health because we rely on a well-educated and highly skilled workforce. In 2012 we invested \$40 million in education, health and community development projects in more than 20 countries. We launched a Hess Scholars program in Ghana to increase access to secondary education for promising low-income students. In Equatorial Guinea we concluded the first phase of our program to improve the quality of primary education and prepared to launch a program to improve education for secondary school students. In North Dakota, we started Succeed 2020, a program to improve school to career transition.

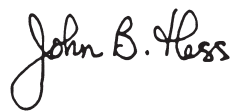
We approved a new Hess Security and Human Rights Policy in early 2013. This policy formalizes expectations that our security providers adhere to applicable international law enforcement principles, international humanitarian law and international human rights law in a manner that is consistent with the Voluntary Principles. We put new contract clauses in place that require

our security contractors to communicate our ethics, human rights and social responsibility expectations to their employees and subcontractors, as well as demonstrate compliance.

We continued to implement our five year climate change strategy based on a 2008 baseline. We achieved our 50 percent combined flaring reduction target for Algeria and Equatorial Guinea ahead of schedule. While we will not achieve our five year net equity greenhouse gas emissions intensity target due to significant portfolio changes, we expect absolute emissions to be three to four million tonnes lower in 2013 than in 2008. In 2012 we integrated the cost of carbon in all significant future capital investment decisions, began planning for our next generation climate change strategy, and focused on reducing flaring in our operations in North Dakota. We aim to be transparent about our climate change programs and performance, and we were included in the Carbon Disclosure Project's Global 500 and S&P leadership indices for the fourth straight year for the quality of our disclosures. We also developed a corporate policy on climate change and energy that will be introduced in 2013.

Essential to Hess' future success is a strong culture and high quality workforce that will continue to innovate, lead and learn. In 2012 work teams gathered information, conducted focus groups and externally benchmarked other companies to inform these improvement initiatives as part of a multiyear planning process. Areas examined by these teams include the Hess culture, the Hess environment for innovation, attracting and retaining our talented workforce, diversity and inclusion, and the ways in which we promote learning, development and leadership.

Throughout this report, we describe our short and medium term goals and long term vision, our challenges and opportunities and our performance. With the ongoing support of our communities, employees, customers, business partners and investors, we are confident that we are building a sustainable enterprise that will continue to make a positive impact on the world around us.



**John B. Hess**  
Chief Executive Officer

# PROGRESS AND GOALS

It is an ongoing challenge for our industry and our company to meet society's growing need for energy in a profitable way that is environmentally responsible, socially sensitive and safe. At Hess we recognize that non-technical risks (NTR) associated with communities, stakeholder relationships and public perception can impact project outcomes and business success. The sustainability goals and targets we have established indicate our commitment to improve performance across a range of material issues and address challenges facing Hess today.

## 2012 PROGRESS

During 2012 we took steps to improve how we understand and manage NTR in our day-to-day operations. Early in the year we conducted a gap analysis of our operations against increasing stakeholder expectations and expanding voluntary reporting requirements. Using the results, we formed an internal cross-functional task force to develop formal action plans based on their impact to long term organizational strategy.

## Policies and Guidelines

To manage these risks more effectively, we develop and implement policies and standards across our operations. Examples include a new corporate policy on Security and Human Rights, an improved contractor management program and development of guidelines for planning stakeholder engagement at all project sites.

## Processes

We continue to enhance systems for managing potential impacts across each project's life cycle. We have increased the number of high level risk assessments conducted across our assets. We also introduced a new country entry process that incorporates a full assessment of NTR into country entry decision making.

## Metrics

In 2009 we established a greenhouse gas (GHG) emissions intensity target (equity basis) of a 20 percent reduction

against a 2008 baseline. The higher carbon intensity of exploration and production operations, combined with reduced production and throughput from asset sales and facility closures, mean that our normalized target is no longer achievable. However, since 2008 we have reduced absolute GHG emissions (equity basis) by 26 percent (2.8 million tonnes) through 2012.

## 2013 GOALS

We strive for continuous improvement and top quartile performance. In 2013 we will expand our corporate sustainability goals beyond climate change and energy to include policies, processes and metrics across our business that will help to address the material sustainability issues facing Hess and the oil and gas industry at large. These goals build on our progress to date and are informed by our 2012 gap analysis, our stakeholder materiality assessment and valuation of environmental and social risk factors for capital projects.

## Policies and Guidelines

To drive consistency and continuous improvement in 2013, we will begin rolling out our new Global Standards and will begin to develop a standardized process for conducting environmental and social impact assessments (ESIAs), due diligence, and baseline assessments. We will further enhance process safety management by fully aligning with industry guidance on process safety indicators.

## Processes

To reduce our flaring rates over the long term, by 2014 we will complete four gas gathering projects to increase capture at our largest shale energy assets in the Bakken formation. To mitigate long term social risk, we are piloting a grievance mechanism and updating our reporting system to track and address community incidents.

## Metrics

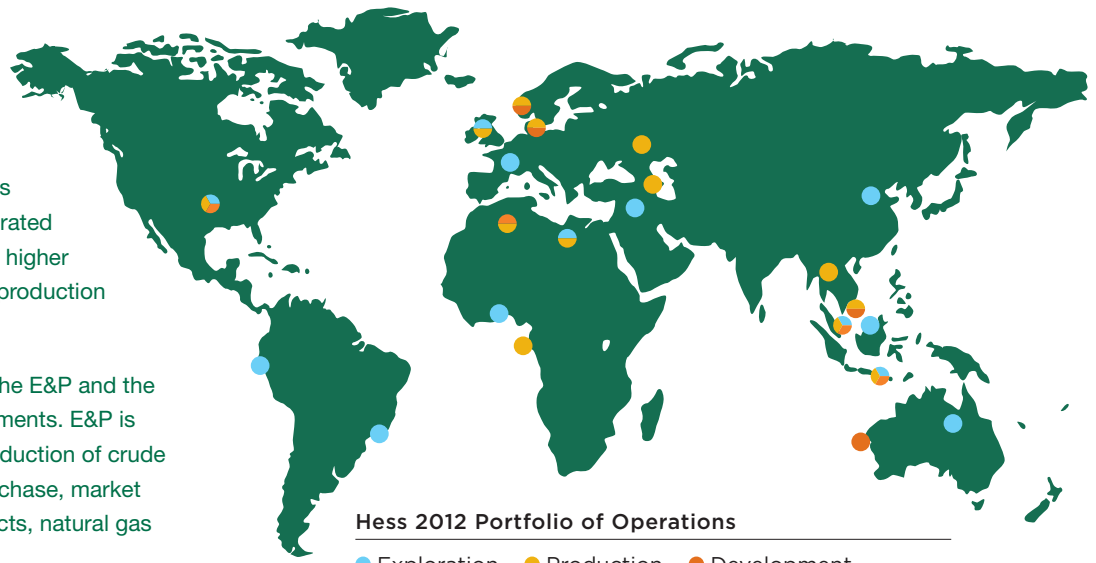
We will evaluate setting a new GHG reduction target for 2014-2019, taking into account the restructuring of Hess into a pure play exploration and production company.

<b>SUSTAINABILITY GOALS AND TARGETS</b>	<b>TARGET DATE</b>	<b>DISCUSSION (PAGE #)</b>
<b>How We Operate</b>		
Begin phased rollout and implementation of new Global Standards	2013	4, 35, 55
Continue to integrate sustainability into enterprise risk functions	2013	13-14
<b>Community and Social Performance</b>		
Pilot test a grievance mechanism at one of our assets and roll out site-specific grievance mechanism guidance	2013	27
Update our companywide incident reporting system to include a mechanism for reporting community incidents	2014	25-27
Further integrate human rights and freedom of association risk considerations into the supply chain via prequalification screening and human rights clauses in contracts and investment agreements	2014	27
Pilot a Security and Human Rights Toolkit for country managers	2013	29
<b>Safety and Health</b>		
Further develop and deepen leadership engagement	2013	31
Enhance process safety management and fully align with industry guidance on process safety indicators	2013	34-35
Aim for top quartile personal safety performance as measured by total recordable injury/illness rate	2013	30-32
Strengthen contractor management	2013	32-34
<b>Global Workforce</b>		
Continue multiyear Hess Culture initiative by defining goals with respect to leadership behaviors, performance management and professional development	2013	40-41
<b>Climate Change and Energy</b>		
Achieve an absolute GHG emissions reduction of 3 million to 4 million tonnes (equity basis)	2013	45-46
Complete four gas gathering projects in North Dakota to monetize associated gas and reduce flaring	2014	47-48
Update five year GHG and energy efficiency strategy and targets	2014	45-46
<b>Environment</b>		
Develop a global, standardized process for conducting ESIA's, due diligence and baseline assessments	2013	54
Conduct two asset-level reviews to determine performance against the Environmentally Friendly Drilling Scorecard	2013	55

# ABOUT HESS

Hess has made significant progress in our transformation from an integrated oil and gas company to a focused, higher growth, pure play exploration and production (E&P) company.

In 2012 the company operated in the E&P and the Marketing and Refining (M&R) segments. E&P is involved in the exploration and production of crude oil and natural gas. In M&R we purchase, market and trade refined petroleum products, natural gas and electricity.



Hess 2012 Portfolio of Operations

● Exploration ● Production ● Development

\*As of December 31, 2012

## EXPLORATION AND PRODUCTION

Our E&P strategy has shifted from high impact exploration to development of shale resources, exploitation of existing discoveries and a more focused and higher growth exploration program.

### 2012 Highlights

- 55 million barrels of oil equivalent (BOE) were converted from proved undeveloped reserves to proved developed reserves
- North Dakota year-over-year production increased 87 percent to 56,000 BOE/D
- Four successful exploration wells were drilled on the Deepwater Tano/Cape Three Points block, offshore Ghana

### Proved Reserves (Million BOE)

Asia	280
Africa	257
Europe	476
United States	540



### Exploration

Exploration locations include offshore **Ghana** and the **Kurdistan Region of Iraq**.



### Developments

Developments are underway at several assets, including multi-phased developments at **South Arne** in Denmark, **Tubular Bells** in the Gulf of Mexico, the **North Malay Basin** in Malaysia and the **Malaysia/Thailand Joint Development Area (JDA)** in the Gulf of Thailand.



### Production

Production operations are ongoing globally. Key production assets include the **Bakken** in North Dakota, **Okume** and **Ceiba** in Equatorial Guinea, **South Arne**, **Valhall** and **JDA**.

**406,000**

BOE/D Total Net Hydrocarbons Produced

**10.3**

Years Reserve Life

**141%**

Replaced Production

**1,553**

Million BOE Proved Reserves

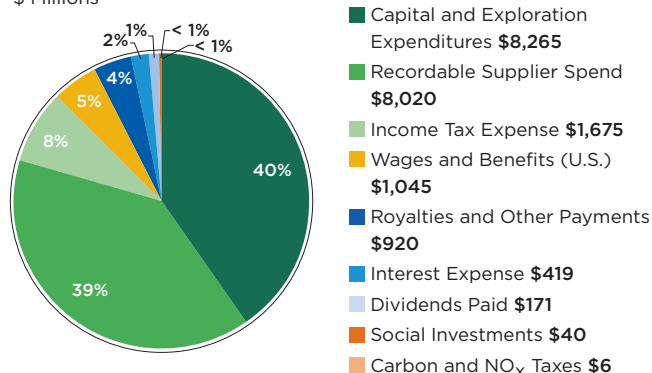


## ECONOMIC CONTRIBUTIONS

In 2012 our direct economic contributions exceeded \$20 billion, including capital and exploration expenditures, payments to suppliers, wages and benefits, taxes and royalties, interest, dividends and social investments.

### Economic Contributions

\$ Millions



## MARKETING AND REFINING

In 2012 Hess operated terminals and retail gasoline stations, most of which include convenience stores. Through February 2013, Hess also manufactured refined petroleum products.

In January 2012 HOVENSA, a 50 percent owned joint venture in the U.S. Virgin Islands, shut down its refinery in St. Croix. In February 2013 we ceased operations at our Port Reading facility and announced our intention to sell our terminal network.

In March 2013 the company announced its intention to fully exit all downstream businesses, including retail, energy marketing and energy trading. Until that process is complete, we will continue our long-standing commitment to our customers to deliver a secure product supply, competitive prices and high quality service.



### Retail Marketing

1,361 gasoline stations in 16 states in the Eastern U.S. and the District of Columbia



### Refining and Terminals

A fluid catalytic cracking facility in Port Reading, N.J., 19 U.S. East Coast terminals and one St. Lucia terminal with combined capacity of 38 million barrels



### Energy Marketing

Leading energy marketer in the Eastern U.S., supplying fuel oil, natural gas and electricity to more than 21,000 commercial, industrial and small business customers



### Electricity Operations

512-Megawatt (MW) joint venture Bayonne Energy Center serving New York City

**\$1,123**

Million in Convenience Store Sales

**389,000**

BOE/D Refined Petroleum Product Sales

**2,300,000**

MCF/D\* Natural Gas Sales

\*Thousand cubic feet/day

**4,500**

MW-RTC\* Electricity Sales

\*Megawatt - round the clock

# APPROACH TO REPORTING

This report provides information on our sustainability policies, programs and performance in 2012. Additional sustainability information is available at [hess.com/sustainability](http://hess.com/sustainability). Financial and governance information, including our annual report, U.S. Securities and Exchange Commission (SEC) Form 10-K filing and our proxy statement, is available at [hess.com/investors](http://hess.com/investors). All financial data are reported in U.S. dollars.

## REPORTING STANDARDS

We report our sustainability performance on an annual basis in accordance with the Global Reporting Initiative (GRI) G3.1/Oil & Gas Sector Supplement guidelines to an A+ application level. We also follow the IPIECA, American Petroleum Institute and International Oil and Gas Producers Association Oil and Gas Industry Guidance on Voluntary Sustainability Reporting. A GRI Content Index, cross-referenced with the IPIECA indicators and the 10 Principles of the United Nations Global Compact (UN Global Compact), is provided at the end of this report.

## BOUNDARY SETTING

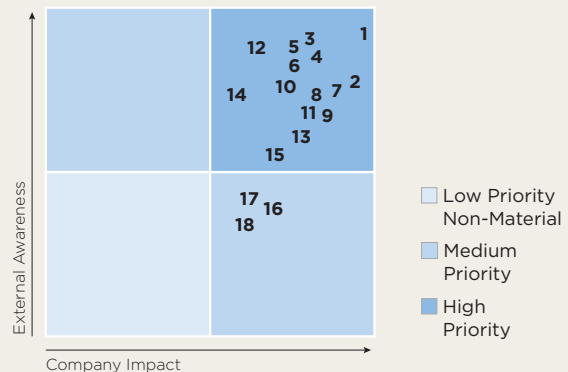
The scope of this report includes principal facilities and assets operated by Hess Corporation and its subsidiaries and joint ventures through 2012, unless otherwise indicated. Data presented are gross figures from operated facilities and

third party activities where Hess has overall responsibility as specified in contractual arrangements. Health, safety and environment data for joint ventures where we have significant influence, as defined by the GRI's guidance on boundary setting, are reported separately in the performance data table at the end of this report. These joint ventures include SonaHess (Algeria) and Carigali Hess Malaysia/Thailand Joint Development Area Block A-18. For our former subsidiary in Russia, Samara-Nafta, we include net equity greenhouse gas (GHG) data and social investment spending.

We report some quantitative environment, health and safety data on a normalized basis to facilitate year-on-year comparisons. We report GHG emissions on an operated basis for Hess operated assets, and on a net equity share basis for operated facilities, joint ventures and non-operated facilities in which we hold an interest. Data for the joint venture Bayonne Energy Center, which began operation in June 2012, will be reported once a full year of data is available.

## Materiality Determination

Our sustainability report describes the company's strategy and performance regarding significant topics for Hess and our key stakeholders, including employees, suppliers, customers and consumers, communities, shareholders, governmental and non-governmental organizations and industry peers. Topics were chosen and prioritized through a materiality assessment process that identifies issues for reporting based on the level of internal and external stakeholder interest, relevance to our operations and level of potential risk and impact.



- 1. Shale Energy
- 2. Governance
- 3. Process Safety
- 4. Climate Change and GHG Emissions
- 5. Water
- 6. Communities
- 7. Social Risk
- 8. Compliance
- 9. Enterprise Risk Management
- 10. Energy
- 11. Human Rights
- 12. Public Policy
- 13. Suppliers
- 14. Effluents and Waste
- 15. Anti-corruption and Bribery
- 16. Diversity and Inclusion
- 17. Workforce Training and Development
- 18. Biodiversity

## RESTATEMENTS AND ADDITIONS

There have been no material restatements of information from our previous reports.

## INTERNAL QUALITY ASSURANCE

We have internal documentation and information systems in place to promote consistent and reliable data collection and aggregation from all of our Hess operated and joint venture assets. We conduct corporate and business level Quality Assurance/Quality Control reviews and validation to evaluate the accuracy and reliability of facility specific and aggregated

data. Due to rounding, individual numbers in the charts and tables may not sum to the total amounts shown.

## EXTERNAL ASSURANCE

ERM Certification and Verification Services (ERM CVS) conducts annual third party assurance of our environment, health, safety and social responsibility data management systems to ensure consistent and objective data collection and reporting of our sustainability performance. ERM CVS also undertakes a third party check of our self-declared GRI G3.1 Application Level. The Independent Assurance Statement is provided on page 70 of this report.

## Our Commitment to Transparency and Performance

We are committed to transparent communication about our environment, health, safety and social responsibility performance. To enhance our reporting against evolving external expectations, in 2012 we conducted a gap assessment of our 2010 reporting against new GRI G3.1 and Oil & Gas Sector Supplement (OGSS) guidelines. In line with our assessment, the diagram below indicates our key areas for development, when we seek to report on our progress and the anticipated level of effort to do so.

Level of Effort:  Low  Medium  High

	2012	2013	2014
<b>Economic</b>	<ul style="list-style-type: none"> <li>Increased our understanding of infrastructure investments for local benefit</li> </ul>	<ul style="list-style-type: none"> <li>Include international employees in total employee wages and benefits (currently U.S. only)</li> </ul>	<ul style="list-style-type: none"> <li>Report on significant indirect economic impacts</li> <li>Develop a local content policy</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Communicated and refined our flare reduction strategy</li> <li>Furthered our understanding of significant transportation impacts</li> </ul>	<ul style="list-style-type: none"> <li>Begin process of updating our five year GHG and energy efficiency strategy and targets</li> </ul>	<ul style="list-style-type: none"> <li>Develop a standardized process for conducting Environmental and Social Impact Assessments, due diligence, and baseline assessments</li> <li>Communicate new GHG and energy strategy</li> </ul>
<b>Human Rights</b>	<ul style="list-style-type: none"> <li>Released new corporate policy on Security and Human Rights</li> <li>Developed a Security and Human Rights Toolkit and stakeholder mapping tool</li> </ul>	<ul style="list-style-type: none"> <li>Pilot test a grievance mechanism</li> <li>Pilot the Security and Human Rights Toolkit</li> </ul>	<ul style="list-style-type: none"> <li>Integrate human rights into supplier management</li> <li>Complete corporate-wide rollout of human rights training</li> </ul>
<b>Labor Practices</b>	<ul style="list-style-type: none"> <li>Improved contractor management program</li> </ul>	<ul style="list-style-type: none"> <li>Report the percentage of employees receiving reviews using new career management system</li> </ul>	<ul style="list-style-type: none"> <li>Further our talent development programs</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>Further clarified the elements of our no-political-contributions policy and reported on our adherence to this standard</li> </ul>	<ul style="list-style-type: none"> <li>Pilot an External Sustainability Advisory Panel</li> </ul>	<ul style="list-style-type: none"> <li>Update reporting systems to include community incidents</li> </ul>



Bakken Multi-Well Pad, North Dakota

We are committed to delivering long term sustainable value to all of our shareholders, meeting the highest standards of corporate citizenship and creating a long lasting positive impact on the communities where we do business.

Our long term vision and six core Hess Values provide a foundation for how we do business. The Hess Code of Business Conduct and Ethics (Code of Conduct) and our Social Responsibility, Human Rights and Environment, Health and Safety policies build on our values to define our internal expectations for sustainable management and performance.

We are evolving our Management System Framework in response to changes in the industry, stakeholder expectations and our evolving strategy and portfolio. We acknowledge that there are always opportunities for improvement.

We are in the early stages of developing and implementing an enhanced framework of policies and standards to formalize corporate expectations and accountabilities and drive an enterprise-wide rigorous and systematic approach to environment, health, safety and social risk management.

This systematic approach is consistent with broadly recognized international standards and guidelines that focus on managing health, personal and process safety, and social and environmental risks. We expect in 2013 to begin applying the Management System Framework and

the upgraded standards. Environment and safety performance metrics are also components of the bonus formula for executives and employees.

Internal reviews and audits and third party assurance guide our conformance with internal requirements, compliance with legal and other requirements and disclosure of reliable information to the company's directors and stakeholders. In keeping with a precautionary approach, identified risks are evaluated and mitigation plans are developed and implemented.

Hess supports international voluntary initiatives to respect human rights, protect the environment and encourage financial transparency across our operations. We endorse and support the United Nations Global Compact, the Voluntary Principles on Security and Human Rights, the Extractive Industries Transparency Initiative, the United Nations Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

We also participate in several sector-specific and multi-stakeholder associations. This enables us to learn from sector peers and others. It also allows us to grow internal capacity and engage with external stakeholders.

## ETHICAL BUSINESS CONDUCT

We recently revised and updated our Code of Conduct, which sets the standard for how we operate, to explicitly align with the Hess Values and reflect new regulations and societal expectations. The Code of Conduct is publicly available at [hess.com/codeofconduct](http://hess.com/codeofconduct).

The Code of Conduct describes the business conduct behaviors that Hess expects of its employees, officers, directors and contractors. In 2012 we distributed the new Code of Conduct throughout the company with a sign-and-return requirement. We expect that our suppliers, agents and business partners will follow similar principles when working for Hess and its subsidiaries.

The Hess anti-corruption and anti-bribery policy, Executive Directive 26 (ED26), aligns with applicable anti-bribery and anti-corruption laws. These include the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act. The Code of Conduct has been translated for each of our countries of operation outside the U.S.

In 2012 there were no legal actions, fines or sanctions relating to anti-corruption, anti-bribery, anti-competitive behavior or antitrust or monopoly laws or regulations. The company takes disciplinary actions for violations of

## Global Compliance Organization

In 2012 Hess added a Chief Compliance Officer (CCO) position to strengthen our Global Compliance Program. The Global Compliance Program establishes, maintains and enforces policies, procedures, processes and initiatives to prevent and detect compliance violations. Its aim is to promote an organizational culture that encourages commitment to ethical conduct and compliance with the law. The CCO reports to our General Counsel and briefs the Audit Committee of the Hess Board of Directors.

Our compliance policies and procedures all stem from the Code of Conduct.

To continuously improve compliance controls and embrace best practices, our Compliance organization addresses three key areas: Enterprise Programs, Internal Investigations and Anti-Bribery/Anti-Corruption.

The group expects to increase engagement in 2013, providing expanded online training, as well as targeted training for specific internal organizations to ensure greater knowledge and global compliance. Enhanced tracking and reporting mechanisms for employees will also promote greater access and transparency.

the Code of Conduct, including termination of employment or services. There were no substantiated allegations of corruption in 2012.

**Training and Audit**

The Hess audit team systematically conducts annual companywide anti-corruption risk assessments to determine our potential exposure to corruption and identify employees who could benefit from additional anti-corruption training.

An introduction to the Code of Conduct is part of our onboarding process for non-Retail and salaried employees. Onboarding also includes anti-corruption training.

We provide ED26 anti-bribery and anti-corruption training to employees based on their job responsibilities and countries of operation. In 2012 the company provided classroom anti-corruption training in accordance with our FCPA audit and training policy, which included training for approximately 20 percent of relevant managers and 20 percent of relevant non-managers. Additional anti-corruption training on the FCPA and U.K. Bribery Act is scheduled for 2013.

Hess senior leaders and employees of foreign operations are required to annually review and sign off on ED26, the FCPA, U.K. Bribery Act and the Code of Conduct.

**Anti-Corruption and Anti-Bribery Audit and Training Frequency (Years)**

Country CPI*	Audit	Training
5.0-10.0	3	3
3.0-4.9	1-2	2
<3.0	1	1

\* Transparency International's Corruption Perception Index (CPI) is one of the determining factors for country-specific training and audit frequency.

**Confidential Hotline**

The Hess confidential hotline, managed by an independent third party, includes both telephone and web based reporting capabilities. Employees, business partners and customers can report allegations of Code of Conduct violations and workplace concerns in more than 12 languages.



Wellhead Platform A, Offshore Pangkah, Indonesia

Employees who in good faith report known or suspected violations of company policy or make a complaint are protected from retaliation. We thoroughly, confidentially and promptly investigate allegations related to the Code of Conduct or potential violations of law or company policy. Disciplinary actions range from counseling and formal correction action plans to termination of employment or services.

**Political Contributions**

Hess policies prohibit political contributions using corporate funds, whether in cash or in-kind, even if the laws of certain jurisdictions may permit them. In 2012 there were a handful of political contributions made by Hess employees using corporate funds, against our policy. Hess is addressing this through increased efforts to educate employees on compliance with ED26 policies.

Our Code of Conduct and our anti-corruption and anti-bribery policy, ED26, prohibit the use of Hess facilities or property for campaign activities. We do not make payments directly or indirectly to influence the outcome of ballot measures. Because our policies prohibit political

contributions, there are no managers in charge of related spending decisions, or independent audits. The Chief Compliance Officer will oversee enterprise programs to report on non-compliance on our Code of Conduct going forward. The work of the corporate compliance group will be reported on an annual basis to the Audit Committee of the Hess Board of Directors.

It is the company's policy not to coerce political contributions from employees, directly or indirectly reimburse an employee for a political contribution or channel a contribution through an employee to disguise its origin. Hess does not have an employee funded PAC. Employees wishing to engage in the political process may do so as private citizens.

We annually report and confirm our adherence to our policies on corporate political spending to the public.

For more information, please refer to the Training and Audit and Global Compliance Organization sections in this report and our Code of Conduct online at [hess.com/codeofconduct](http://hess.com/codeofconduct).

### Revenue Transparency

Hess supports revenue transparency through participation in the Extractive Industries Transparency Initiative (EITI), a voluntary multi-stakeholder initiative that includes oil and mining companies, governments, civil society groups, international non-governmental organizations and investors. As a Supporting Company of the EITI, Hess endorses the initiative's objective to improve governance through transparency of company payments to governments.

We support the EITI's efforts to attract more countries to the initiative. In past years we participated in the EITI in Equatorial Guinea (EG), whose candidacy to the initiative was not successful. We support EG's efforts to improve revenue transparency. During 2012 we met with the World Bank and International Monetary Fund (IMF) to discuss their work with Equatorial Guinea on transparency initiatives.

As an operating company of record, we support the EITI in Indonesia, which is a Candidate country that is progressing toward compliant status. In EITI Compliant or Candidate countries where we had equity interests in 2012

but were not the operator, including Azerbaijan, Norway and Peru, we complied with the disclosure practices of the operating company, in addition to complying with country laws and regulations.

To comply with EITI revenue reporting and disclosure requirements in the countries where we do business, Hess discloses requested payments based on accounts audited to international standards.

Hess attended the 2012 EITI plenary meeting in Ottawa, Ontario and plans to attend the EITI plenary in 2013 in Sydney, Australia.

### New Country Entry

In 2012 we implemented a formalized country risk assessment process to enhance the quality of information we review before engaging in E&P operations in a new country or region.

As part of the process, Hess subject matter experts provide background on the legal, social, environmental, commercial and compliance risks of operating in the subject country. We evaluate this information at key decision points. In 2012 we followed the new process to evaluate our potential entry into three new countries.

The key social risks now addressed during our new country entry evaluation include but are not limited to indigenous peoples' rights, sources of existing conflicts and country reputation for implementing the State Duty to Protect Human Rights. The current process includes a review of expert opinions from governmental sources such as the U.S. State Department, as well as leading non-governmental organizations. We also conduct a high level review of media reports.

Our country risk assessments help us understand the potential risks that can impact our project, as well as the risks our project might present to local area communities. As there is a cost to mitigating risks, the exercise also informs project economics.

## ENTERPRISE RISK MANAGEMENT

Our company's evolving enterprise risk management program is helping us identify and evaluate a range of key potential business risks, including those driven by social, safety and environmental factors. At Hess, asset leaders attend risk management workshops where one of the goals is to identify business risks and their underlying drivers. Once we identify a risk, leaders evaluate possible approaches to develop effective plans that recognize and address potential gaps and issues. As a result, we are better able to protect and enhance the value of our company and confidently pursue new business opportunities.

We include social and environmental issues, as well as other potential risk areas among the factors considered during risk assessments. In 2012, for example, we improved our social and environmental risk metrics because of increased collaboration across functions and among internal subject matter experts who help us improve our understanding of environmental, health, safety, human rights and community engagement risks. We continue to advance a common framework for the potential risks we identify and share them across functional areas to facilitate risk prioritization, ensure consistency and improve internal alignment. This framework and associated tools provide us the means to better recognize, understand and prioritize key risks that impact our business.

## KEY MEMBERSHIPS AND ASSOCIATIONS

Our memberships in industry and business associations further our knowledge, understanding and ability to address issues that impact our business. They enable us to benchmark and share best practices with sector peers, contribute to guidance documents on environmental and social issues and access tools to manage them.

Hess' key memberships include IPIECA, the global oil and gas association for environmental and social issues, the International Association of Oil and Gas Producers (OGP), the American Petroleum Institute (API), the Council on Foreign Relations, the Center for Strategic and International Studies, the National Foreign Trade Council, the National Association of Manufacturers, the National Association of Convenience Stores, the Retail Energy Supply Association,

the Conference Board, the Corporate Council on Africa, the U.S. Chamber of Commerce, the 2012 U.S. Global Leadership Conference and the Business Roundtable.

Within IPIECA we are represented on the Executive Committee and participate in the biodiversity, climate change reporting and social responsibility working groups. We are also represented on the greenhouse gas initiatives, water, supply chain and human rights task forces, the occupational health committee and the strategic planning group.

We are members of and contribute deepwater and emergency response expertise to national and international organizations such as the Clean Gulf Cooperative (CGC), the Offshore Operators Committee, API, the Oil Spill Response Limited (OSRL), OGP and IPIECA.

To address international spill prevention, well capping response and spill response capacity we participate in the Marine Well Containment Company, the Helix Well Control Group, the CGC, OSRL, and the Subsea Well Response project (SWRP) consortium.

To understand trends in regional markets, we belong to regional industry and business associations such as the Independent Power Producers of New York, local chambers of commerce, building associations and state petroleum and gas associations.

We provide funding above routine membership dues to associations in recognition of the value they provide to our industry. We do not earmark this funding for lobbying. We recognize that our positions do not always align with all formal positions of the associations, organizations and collaborative working groups in which we participate. Our funding should not be considered a direct endorsement of the entire range of activities undertaken by these membership organizations. To address concerns related to potential misalignment, we publish our positions on key sustainability issues in our Corporate Sustainability Report.

## SUPPLIERS

The company spent more than \$8 billion on products and services with approximately 14,000 vendors, of which 73 percent were based in the U.S.



## STAKEHOLDER ENGAGEMENT

Our goal is to understand the expectations, priorities and concerns of stakeholders who may be affected by our company and who in turn may affect us. We aim to interact and openly communicate with stakeholders to identify opportunities that will improve our business operations and strengthen our license to operate. Some examples of our 2012 stakeholder engagement can be found below.

<p><b>COMMUNITIES</b> Consultation, town halls, advisory panels</p>		<ul style="list-style-type: none"> <li>▪ In Dinarta in the Kurdistan Region of Iraq, Hess conducted cultural awareness training for staff and held meetings with local representatives before conducting seismic surveys.</li> <li>▪ In Beetaloo, Australia, our aboriginal affairs advisor created training materials on indigenous stakeholder engagement for Hess employees and contractors.</li> </ul>
<p><b>EMPLOYEES</b> Town halls, surveys, intranet, safety committees</p>		<ul style="list-style-type: none"> <li>▪ Hess CEO John Hess hosted several employee engagement events, including a Global Town Hall in which he reviewed strategy and performance and answered employee questions.</li> <li>▪ Using results from surveys and benchmarking exercises, we analyzed key aspects of our corporate culture and identified areas for improvement.</li> </ul>
<p><b>SUPPLIERS</b> Local content and mentoring programs, business-to-business relationships</p>		<ul style="list-style-type: none"> <li>▪ Hess plays a leading role in the National Technological Hydrocarbon Institute of Equatorial Guinea, which trains nationals for employment.</li> <li>▪ In our shale energy business we require contractors to complete a proprietary Environment, Health, Safety and Social Responsibility induction training module which outlines Hess' expectations.</li> </ul>
<p><b>CUSTOMERS</b> Customer service organizations, surveys</p>		<ul style="list-style-type: none"> <li>▪ Following Superstorm Sandy, hessexpress.com posted real-time fuel inventory data for retail sites in the New York tri-state area, directing customers affected by the storm to visit sites with sufficient fuel supplies.</li> <li>▪ Hess Energy Solutions advises business customers on energy efficiency solutions, renewable energy projects and energy optimization.</li> </ul>
<p><b>GOVERNMENTS AND MLIs*</b> Consultation, negotiation, legislative and regulatory advocacy, voluntary initiatives</p>		<ul style="list-style-type: none"> <li>▪ Hess engaged with World Bank, IMF, and U.S. and Equatorial Guinea government representatives to advocate resuming the EG revenue transparency initiative.</li> <li>▪ We engaged with government stakeholders on legislative and regulatory issues in North Dakota, contributing operational knowledge to the state's investment efforts.</li> </ul>
<p><b>CIVIL SOCIETY</b> Partnerships, voluntary initiatives, funding</p>		<ul style="list-style-type: none"> <li>▪ Hess participates in the Ceres Working Group, Reducing Environmental Risks from Shale Gas, to research and promote water management practices.</li> <li>▪ Hess joined business, government and civil society representatives at the first UN Forum on Business and Human Rights.</li> </ul>
<p><b>SHAREHOLDERS AND INVESTORS</b> Dialogue, consultation, annual meeting, surveys and conferences</p>		<ul style="list-style-type: none"> <li>▪ Hess regularly speaks with the environment, social and governance investment community.</li> <li>▪ Hess meets semiannually with each of its 50 largest investors and regularly hosts investor lunches and breakfasts for institutional shareholders.</li> </ul>
<p><b>INDUSTRY SECTOR</b> Trade and professional associations, benchmarking</p>		<ul style="list-style-type: none"> <li>▪ Hess participates in multi-stakeholder forums to foster sustainable water use in shale oil and gas resource extraction. Examples include the Energy Water Initiative and Colorado School of Mines Modeling Consortium.</li> </ul>

\*Multi-lateral institutions

### Small, Diverse and Local Suppliers

In 2012, 37 percent of our U.S. suppliers were small, diverse and local, and 12 percent were minority- and women-owned. Small and diverse suppliers accounted for 24 percent of our U.S. supplier spend.

In U.S. Exploration and Production (E&P), small and diverse businesses comprised 38 percent of U.S. vendors but accounted for only 18 percent of spend since a high proportion of our budget was for major capital projects. E&P conducted business with more than 3,700 international vendors in 2012. Outside the U.S., E&P often prioritizes the inclusion of local suppliers in production sharing contracts with host countries. These agreements often include local spend thresholds and names of government-approved local vendors.

Hess' supplier diversity practices are a key part of our Marketing and Refining (M&R) strategy. Since launching the Hess Supplier Diversity Policy in 2010, M&R continues to grow its Supplier Diversity Program, which provides opportunities to small and diverse suppliers as part of the procurement process. As a result of these efforts, we have achieved an "outstanding" rating for supplier diversity from the U.S. Small Business Administration. In 2012 our M&R business spent \$490 million for products and services from small and diverse suppliers, an increase from \$372 million in 2009. Small and diverse businesses now account for 46 percent of M&R supplier spend. Our dedication to supplier diversity is helping us drive our government customer base

and meet U.S. federal government supply chain diversity subcontracting requirements.

### Supplier Engagement

Hess continues to engage suppliers on issues that are important to our industry and our stakeholders. Since 2009 we have worked with current and prospective suppliers of hydraulic fracturing services to define acceptable fracturing fluid systems and we have encouraged suppliers to publicly disclose fracturing fluid chemical composition data.

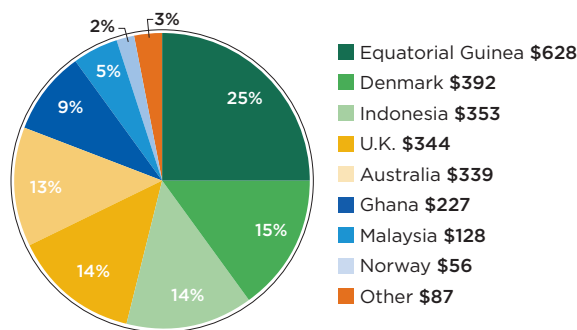
### Supplier Qualifications and Compliance

Our contractor management program addresses prequalification, selection, monitoring and review of our contractors, with particular focus on contractors engaged in higher risk activities. For additional information about this and other supplier initiatives, refer to the Community and Social Performance and Safety and Health sections later in this report.

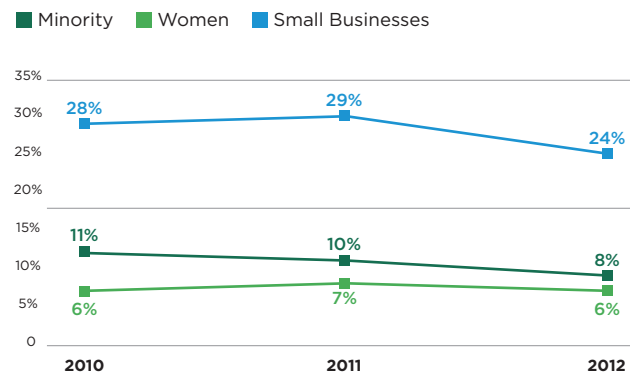
Hess conducts quarterly reviews of its suppliers to ensure compliance with the U.S. Department of the Treasury's Office of Foreign Assets Control and the U.S. Patriot Act. Contracts for goods and services typically include requirements for supplier compliance with applicable laws and regulations in areas such as safety, health, environment, process safety, drug and alcohol use, business ethics, conflicts of interest, the FCPA and labor practices.

### International Supplier Spend by Country

\$ Millions



### Small Business Supplier Spend (U.S.)



Women and minority data shown above represent percentages of total small business spend. Data are based on the October 1, 2011-September 30, 2012 timeframe.

## SHALE ENERGY

The presence of vast quantities of oil and natural gas in formations with low permeability, including deep shale, has been known for decades. It is now economically feasible to recover shale oil and gas due to a combination of sophisticated horizontal drilling and completions technologies and improvements in a proven well stimulation method referred to as hydraulic fracturing.

In 2012 we conducted development and production activities in the Bakken formation of North Dakota and the Eagle Ford formation in south Texas, as well as appraisal activities in the Utica Shale formation in Ohio. We publicly report on our shale energy operations, including drilling, development and production, and the efforts we take to manage the inherent risks associated with the business. We recognize stakeholders' concerns about the impact shale energy operations have on safety, the environment and public health.

We continue to develop and implement processes to identify and address the environmental and social risks of our shale energy business. During the past few years, we have completed one or more high level risk assessments using our enterprise risk methodology at each of our shale oil and gas assets. In 2012 risk assessment workshops were held at our North Dakota, Texas and Ohio assets. In early 2013 an enterprise risk workshop was held to update the shale energy business unit's high level risk assessment.

Further, we continue to identify and address stakeholder concerns that may risk our license to operate. Risk assessments of our shale energy operations in North Dakota and the ensuing plans to manage local stakeholder expectations and concerns, such as flaring, truck traffic and land use, helped us establish similar plans at other Hess shale energy assets.

### Hydraulic Fracturing: Bakken Example

**1) In the Bakken, an average Hess well is more than 10,000 feet deep. The underground formation is separated from the deepest fresh water aquifer by many thousands of feet of overlying rock. 2) Wells are lined with multiple layers of steel pipe and encased in cement to depths well below the aquifer, preventing fluids or gas from seeping from the well into the groundwater. Dedicated tubing, referred to as a frac string, is used during hydraulic fracturing as an additional groundwater protection measure. 3) A mixture of water, sand and special purpose additives are pumped under high pressure into the underground formation to create fractures. The fractures are propped open by the sand, allowing oil to flow into the well.**

Drawing is not to scale and numbers are approximate

### Management Practices

Our shale energy development preparations include detailed, operations-focused risk assessments and risk mitigation planning, environmental and social impact assessments and management plans as appropriate, stakeholder identification and engagement, and regulatory reviews. We also conduct contractor screening, selection, onboarding and training and emergency response planning, drills and training.

We formed an Above Ground Risk Steering Team in 2012 to identify potential non-technical risks related to shale energy operations, including those driven by social and

environmental factors. The team developed key risk mitigation strategies to address environmental, health and safety, social, contractor and other commercial issues related to our license to operate.

The team has taken the lead in developing guidelines that define expected operating practices to manage key above ground risks in areas including the environment, workforce and public health, safety, social impact and commercial and partnership risks. We expect these operating practices will be finalized and implemented in 2013. Examples of 2012 management practices are summarized in the table below.

Management Practices	
Topic	Practice
<b>Water Quality Monitoring</b>	<ul style="list-style-type: none"> <li>Conduct baseline surface water and groundwater quality monitoring of domestic water wells within a minimum 2,500-foot radius of each well site.*</li> <li>Conduct water quality analyses in accordance with state regulations and FracFocus Chemical Disclosure Registry guidance, and for any known local contaminants.</li> </ul>
<b>Fresh Water Use</b>	<ul style="list-style-type: none"> <li>Identify fresh water substitutes for hydraulic fracturing and well maintenance.</li> <li>Follow internal fracturing (frac) fluid water quality and reuse guidelines.</li> <li>Publish individual well data for frac water use on the FracFocus website.</li> </ul>
<b>Chemical Use</b>	<ul style="list-style-type: none"> <li>Encourage efficient use of functional, cost effective chemical additives in frac fluids.</li> <li>Encourage suppliers to use the least toxic chemical formulations available, develop less toxic additives and disclose chemical ingredients.</li> <li>Publish frac fluid chemical composition and quantities on the FracFocus website.</li> </ul>
<b>Groundwater Protection</b>	<ul style="list-style-type: none"> <li>Use well designs that ensure casing and cementing isolate fresh water zones.</li> <li>Use closed-loop fluid containment systems for drilling fluids and frac fluid flowback.</li> <li>Dispose of drill cuttings onsite in a lined impoundment or offsite at authorized third party facilities.</li> <li>Develop and maintain spill prevention plans for all facilities and implement spill prevention and mitigation measures.</li> </ul>
<b>Air Emissions</b>	<ul style="list-style-type: none"> <li>Update and install emissions controls on tank batteries such as vapor recovery units, combusters and high efficiency flares.</li> <li>Implement gas gathering projects, third party commercial arrangements and natural gas capture at the wellhead to monetize natural gas and reduce flaring.</li> <li>Green completions include containment of frac fluid flowback and natural gas emissions controls.</li> </ul>
<b>Land Use</b>	<ul style="list-style-type: none"> <li>Build multi-well pads where possible to minimize land use and leverage operational efficiencies.</li> <li>Encourage baseline assessments for population, archaeological, biological and environmental impacts to be conducted in accordance with internal guidelines.</li> </ul>
<b>Contractor Management</b>	<ul style="list-style-type: none"> <li>Undertake systematic pre-qualification, selection, engagement, monitoring and post contract review of Hess contractors.</li> <li>Apply formal, consistent and auditable standards for contractor management that include health, safety, environment and social responsibility.</li> </ul>
<b>Community Engagement</b>	<ul style="list-style-type: none"> <li>Host open houses for leaseholders and public meetings for members of the community.</li> <li>Meet routinely with community members and leaders where the company has an established presence.</li> <li>Collaborate with community partners and state officials to ensure adequate infrastructure funding, with a specific focus on roads, to improve traffic safety and support road maintenance.</li> </ul>

\*The exception to this practice is in North Dakota, where the state operates an established network of groundwater monitoring wells.

## Performance

In 2012 our ongoing efforts to improve operations and our investments in infrastructure in the North Dakota Bakken formation resulted in better resource efficiency and safety performance.

## Water and Chemical Use

Unconventional production presents resource challenges given the need for large volumes of fresh, locally sourced water used to extract hydrocarbons. We seek to minimize the use of fresh water for hydraulic fracturing and analyze water sources, including fresh water, saline water, wastewater and frac fluid flowback, to assess their suitability for hydraulic fracturing. Hydraulic fracturing accounted for about 14 percent of the company's total fresh water consumption in 2012, of which our Bakken wells accounted for 98 percent.

In 2012, our efforts to reduce costs for our North Dakota drilling and completions led to more efficient use of water and chemicals for hydraulic fracturing. Midway through 2012 we reduced the resource intensity and costs of hydraulic fracturing in the Bakken through technological advances in our well completions design. As a result, we decreased the average volume of fresh water used for each hydraulic fracturing job by approximately 35 percent.

The decrease in water use reduced our need for other frac fluid components, including propping agents and chemical additives. We also saw fuel efficiency gains per frac job

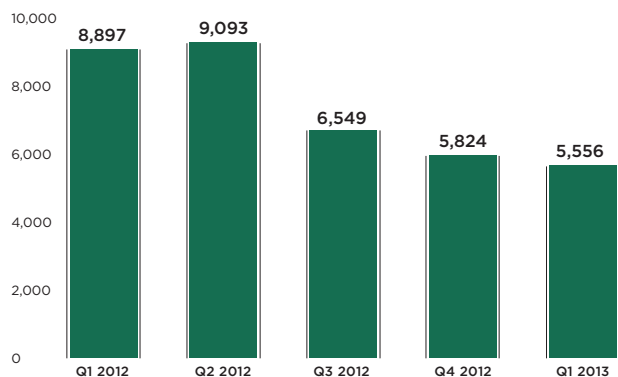
because we made fewer truck trips and had shorter pumping times and lower pumping rates.

Our Exploration and Production Technology (EPT) organization includes subject matter experts who focus on optimizing cost-effective water and chemical use in oil and gas operations and recommend technology applications to minimize the environmental impact of hydraulic fracturing. In 2012 EPT issued frac fluid water quality and reuse guidelines and conducted pilot studies to find non-potable water sources suitable for fresh water substitution. While work is ongoing, frac fluid returns are generally very low, ranging from 5 percent in Utica wells to 20 percent in Bakken wells one to two weeks after the frac job is finished.

In the Bakken, EPT efforts resulted in an approximate 75 percent reduction in the cost of an additive used in frac fluids. This additive can be used at a lower dosage and is more environmentally favorable than the one previously used. Pilot tests are ongoing to evaluate non-chemical biological treatment of frac fluids. Other efforts included formulation and field implementation of a custom

## Bakken Hydraulic Fracturing Water Intensity per Well

Cubic Meters



Energy Production, Utica Shale, Ohio

biodegradable surfactant and completion of a field evaluation and economic assessment of a solid proppant-based scale inhibitor.

**Groundwater Protection**

Well integrity is crucial to contain drilling fluids, frac fluids and produced oil, gas and water. To protect groundwater, our wells are lined with multiple layers of steel pipe and encased in cement to depths well below the deepest fresh water zones. This approach isolates fresh water from fluids or gas in the well that could impact the groundwater.

In 2012 Hess used real-time microseismic monitoring of selected hydraulic fracturing jobs. This technology allows us to map fractures in the rock to confirm that we remain within the targeted formation and pose no risk to local groundwater or nearby wells.

**Air Emissions**

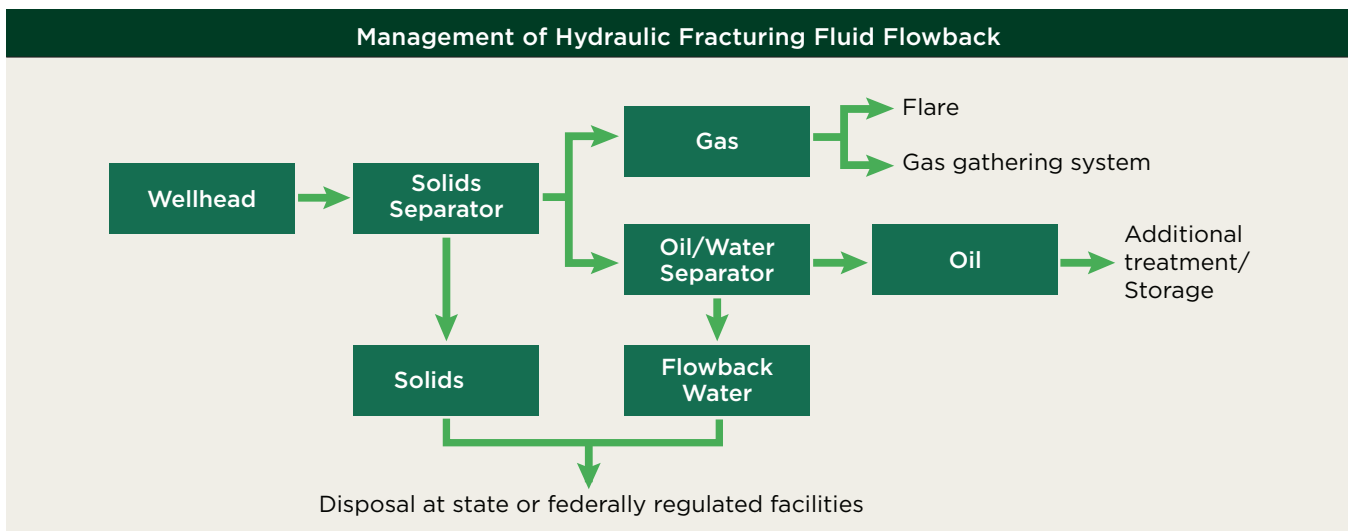
Hess aims to continue reducing flaring and greenhouse gas emissions across our operations as discussed in the Climate Change and Energy section of this report. Our primary sources of air emissions are fuel combustion and flaring.

Historically, our North Dakota production operations have had the lowest flaring rate for conventional wells in the industry. We have achieved this with a flaring rate of less than 0.5 percent by consistently expanding the infrastructure necessary to gather and commercialize natural gas associated with oil production.

However, in North Dakota the rapid growth of our shale energy business resulted in an 87 percent year-over-year increase in oil production from the Bakken formation and flaring of associated gas. In the short term, flaring remains a significant challenge. The company has acquired a number of sites that are remote. For now, these sites lack the infrastructure to implement gas gathering. To address the issue, we continue to build the necessary infrastructure to mitigate long term flaring rates.

We are investing more than \$1.2 billion to capture and monetize natural gas from our shale energy wells, building gas gathering systems and expanding capacity at our Tioga Gas Processing Plant. We also spent more than \$50 million in 2009 and 2010 to construct a new gas gathering system and extend the Red Sky natural gas pipeline to interconnect with a third party gas processing plant. We plan to complete four major gas gathering projects by 2014. We expect to add as much as 60 million standard cubic feet per day (MMscf/d) of capacity. In addition, we expect to complete our Tioga Gas Plant expansion in late 2013, increasing its capacity to 250 MMscf/d.

To mitigate flaring, we are exploring long term and short term options for natural gas capture at the wellhead and accessing third party infrastructure and gas processing capacity through contracts and trading agreements. We are engaging with two of our three drilling contractors to convert some drilling rigs to dual fuel (natural gas and diesel) to allow



use of natural gas at the well site and to achieve cost savings. Other mitigation measures include piloting third party services at the well site to capture, compress and transport stranded gas and light liquids. We have also formed a team of subject matter experts to study best practices for reducing flaring and monetizing stranded gas.

We report on GHG emissions for our U.S. production assets in accordance with the U.S. Environmental Protection Agency (EPA) Mandatory Greenhouse Gas Reporting Rule. We estimate that in 2012 fugitive methane emissions from North Dakota and Eagle Ford, Texas production operations were about 91 tonnes and 19 tonnes respectively, based on EPA-mandated emissions factors and the number and types of piping components and pneumatic devices in natural gas service.

At our Bakken assets we employ dedicated crews and equipment to separate solids, liquids (water and oil) and gas in frac fluid flowback. The flowback is separated in a closed system. To avoid venting of methane, natural gas is contained and flared or sent to a gas gathering system if available. The closed loop system helps safeguard the containment of the liquids and solids.

The oil and gas industry and the state of North Dakota have worked together to establish methodologies that may be used to estimate vapor control emissions from storage tanks, wells and central facilities and identify acceptable control technologies. Hess has executed an Administrative Consent Agreement with the North Dakota Department of Health to resolve potential air pollution control law violations relating to our oil and gas production operations in North Dakota. The Administrative Consent Agreement requires Hess to retrofit some existing facilities and to pay a penalty of \$418,500.

### Land Use

Our approach is to minimize land use and reduce the number of well sites needed to develop our acreage. During 2012 we began to move from held by production drilling (drilling a single well per pad to uphold the lease) to multi-well pad drilling where as many as six wells are clustered on a single well pad and share surface facilities. We plan to continue this transition in 2013.

To minimize the impact on the environment and streamline permitting, we introduced a geographic information systems (GIS) tool for use during our Utica Shale appraisal activities in Ohio. The tool incorporates environmental and social baseline data as GIS layers and is used to identify sensitive areas and select well pad locations.

### Contractor Management

We work with contractors and industry partners to improve overall safety performance in North Dakota. Our company undertakes systematic pre-qualification, selection, engagement, monitoring and post contract review of contractors to ensure they meet our expectations for management of environment, health and safety. When a contractor does not fully meet our criteria, management approval and risk mitigation plans must be in place before work can proceed. In 2012 engagements between Hess and key contractors continued to reinforce the importance of contractor environment, health, safety and social performance to our business. More information on contractor management and safety performance can be found in the Safety section of this report.

### Communities

We recognize that the rapid and concentrated development of shale energy operations can create unintended issues and social impacts. To better identify and understand local stakeholder concerns and their causes in the communities where we operate, we completed a social baseline at our Utica Shale asset in 2012 and intend to undertake one in North Dakota in 2013.

During the year we also laid the groundwork to pilot the IPIECA grievance mechanism in 2013. After the pilot is complete we will develop Hess-wide guidance on grievance mechanisms. The Community and Social Performance section of this report contains detailed information on our social investments and social and human rights risk management for our shale energy assets.



Succeed 2020 Program, North Dakota

**S**ocial responsibility is a core value at Hess and fundamental to how we operate our business. We are committed to creating long lasting, sustainable relationships by engaging with and managing the impact we have on communities where we operate.

We approach community investments strategically and continue to strengthen our focus on management systems for social opportunities and risks. In 2012 we conducted a workshop for our social responsibility practitioners in Asia Pacific to share experience and best practices in that region. A workshop for the Europe, Middle East and Africa region took place in early 2013. At our assets, staff members have received training in stakeholder engagement, social risk identification and management, strategic social investment and Hess voluntary commitments. Effective management of social responsibility positively affects our performance by increasing external stakeholder support and reinforcing the Hess culture internally.

In 2012 we began to update our Corporate Social Responsibility (CSR) and Human Rights policies. We also developed a new Security and Human Rights Policy, which was launched in early 2013. These documents detail our commitments, through every phase of our business activity, to employees and the communities where we operate. They also set expectations for employees and contractors. Looking ahead, we are exploring ways to more firmly align our business practices with our CSR Policy, Human Rights Policy and Security and Human Rights Policy. For example,



before Hess commences exploration activities in a country, our risk analysis now includes social responsibility and human rights as clear business risks that must be assessed. We recognize the need to rigorously manage social responsibility expectations in our relationships with suppliers and contractors and will continue to address this area as our internal programs evolve. We are starting to incorporate social responsibility awareness when we onboard new contractors.

We strive to support the efforts of communities to improve their socioeconomic and environmental conditions. By building local capacity, we are able to contribute to sustainable development. To this end, we pursue support of various educational, vocational and economic development initiatives, which we will discuss in this section of the report.

### SOCIAL INVESTMENTS OVERVIEW

We recognize that strategic social investment enhances community and stakeholder engagement. It is central to advancing our goal to have a measurable, positive social impact in the communities where we operate. Education and health are key focus areas. Companies like ours rely on a well-educated workforce, and we recognize education and health are fundamental to sustainable economic development and building transparent and democratic societies.

Hess works with communities where we operate to identify social impacts, contribute to economic development and support efforts that build long term value for residents and for Hess. Our investments in social projects are meant to

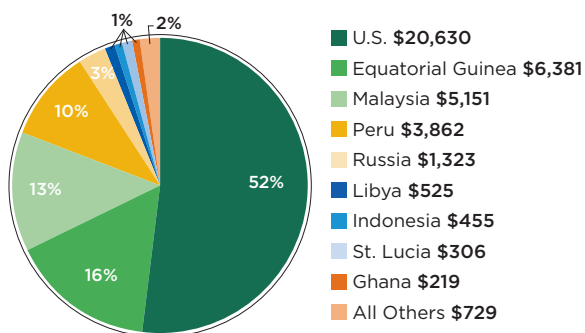
improve quality of life, especially for those who live and work near our operations.

In Thailand we conducted a comprehensive evaluation of our multiyear social investment program during 2012, examining the types and amounts of investments that were made since work began there in 2005, and analyzing the measurable outcomes of those efforts. The study, which incorporated input from stakeholders, suggested ways to enhance several ongoing projects and strengthen stakeholder relationships. These recommendations included promoting knowledge sharing from past and ongoing projects within the local communities, maintaining a monitoring program to encourage dialogue with the communities, and continuing to identify the right strategic partners for each project. The study also identified the need for better communication around our social investments and emphasized the importance of appropriate human and financial resources to ensure the sustainability of social investment programs. We plan to incorporate the general findings from Thailand into our management of social investments across our portfolio.

In 2012 our social investment and in-kind contributions totaled \$40 million. More than \$18 million of our investment went toward education projects in communities where we operate. We invested nearly \$9 million in community projects aimed at economic development, health and capacity building. We also invested approximately \$3.5 million for in-kind donations of products, primarily Hess Toy Trucks donated to Toys for Tots® and other social service agencies during the holiday season and in the aftermath of Superstorm Sandy in the New York City Metropolitan Area.

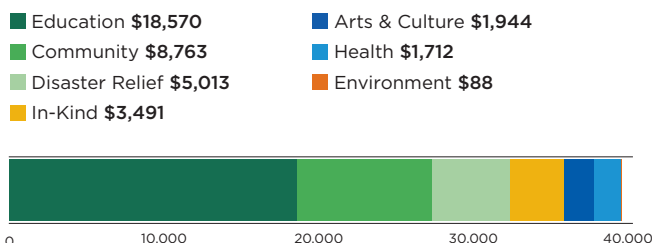
### Social Investment by Country

\$ Thousand



### Type of Investment

\$ Thousand



## MAJOR INITIATIVES

### Succeed 2020

We continued our support of education in North Dakota, where we have been a major producer of oil and gas for 60 years. Succeed 2020, a five year, \$25 million program, assists students as they prepare for college, careers and the workplace, beginning in the middle school grades.

The statewide program supports college and career counseling for students, professional development for teachers, distance learning to expand access to career and technical education, tutoring and other approaches that address specific regional objectives. This far-reaching program is an investment in the future of North Dakota communities and the sustainability of the workforce there.

We have already committed \$5 million to support planning and implementation activities within each of the eight Regional Education Associations (REAs) in North Dakota. Through our

non-profit partner, FHI 360, the initiative has enabled REAs to hire staff to manage the program, coordinate stakeholder involvement and monitor progress. Implementation of new educational programs such as enhanced teacher training and development of business partnerships will begin in several parts of the state during 2013. More information is available at [NDSucceed2020.org](http://NDSucceed2020.org).

### PRODEGE

Our flagship social responsibility project in Equatorial Guinea (EG) is PRODEGE (Programa de Desarrollo Educativo de Guinea Ecuatorial). Phase 1 of this initiative, completed in 2012, resulted in significant improvements in primary education, establishing model classrooms for active learning in 54 schools nationwide and providing teacher training and certification opportunities for nearly 1,000 primary school teachers. Along with our non-profit partner, FHI 360, a global leader in educational development, PRODEGE has contributed to the ability of the country's Ministry of

## GHANA

### Education Program

Hess partners with the Ghana National Petroleum Corporation, the national oil company of Ghana, and Montrose, a third party international development services company, to annually provide scholarships to promising students, with a particular emphasis on education for girls and women. Young people from three school districts in western Ghana are eligible for the awards. Criteria for selection include a quantitative assessment score, recommendations from the community, financial need and gender. The scholarship covers the cost of tuition, fees, textbooks and uniforms at specific vocational and nursing schools that have been selected to participate.

As long as a scholarship recipient maintains high achievement, the scholarship continues for the duration of the student's academic program, either two or three years. Representatives from the Scholars' Program staff monitor the educational offerings at the schools and follow the students' progress to optimize the effectiveness of grants.



Hess-sponsored Scholarship Program, Ghana

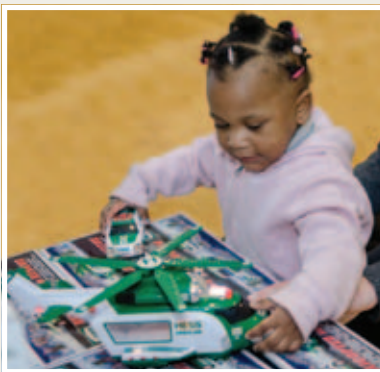
This initiative was created as a result of a baseline needs assessment conducted by Hess in 2011 with input from stakeholder groups. During its first funded year, the Scholars' Program supported 71 Ghanaian students, among them 35 females.

Education to collect and analyze data on student achievement and teacher capacity and to develop effective education strategies.

Phase 2 will build on these successes, using the practical experience gained from the first five years of the initiative. Hess has committed an additional \$25 million for the period

2013 through 2017. The Government of EG is also providing \$25 million. Phase 2 will focus on improving the quality of secondary education through teacher training and the development of instructional materials. The program will also continue to build management capacity at the Ministry of Education. Some resources will be dedicated to sustaining

## COMMUNITY ACTIVITIES



### UNITED STATES

#### Superstorm Sandy Relief Efforts

In the aftermath of Superstorm Sandy, the severe storm that swept through the New York metropolitan area in October 2012, Hess Corporation donated \$5 million for recovery efforts. The funds were split evenly between the Mayor's Fund to Advance New York City and the Hurricane Sandy New Jersey Relief Fund. Employees also had the opportunity to donate to these two organizations, with Hess matching their contributions. Our gifts included approximately 50,000 Hess Toy Trucks that were donated to children in families affected by the storm.



### EQUATORIAL GUINEA

#### Promoting Biodiversity

Bioko Island, off the coast of Equatorial Guinea, is home to diverse species of wildlife, including the endangered leatherback sea turtle and drill monkey. Hess invested \$75,000 during 2012 to support a variety of wildlife conservation projects conducted through an academic partnership with Drexel University in Philadelphia and the National University of Equatorial Guinea in Malabo. The multi-faceted program provides educational materials for children, collects data on turtle nesting sites and trains residents to monitor and protect the turtles during nesting season.



### KURDISTAN REGION OF IRAQ

#### Supporting Local Traditions

Stakeholder relationships have been especially important in our ability to identify and develop community projects in Kurdistan. Hess cooperated with local government officials to select opportunities where we could help improve public access to scenic spaces and picnic facilities. We are constructing 75 tables with bench seating, as well as 15 waste bin structures at three sites in our Dinarta license area. These improvements will allow many families to enjoy the outdoors while pursuing a popular local tradition of picnicking. The local governments have committed to regular waste pickups at the sites.

key achievements of Phase 1 and ensuring that children enter school ready to learn. The program plan states that by 2017 the Ministry of Education will sustain PRODEGE through the in-house capacity and expertise developed through the program.

## SOCIAL RISK

We recognize that a responsible business must manage its impact on people, the environment and financial performance. For the global oil and gas industry, above ground risks such as stakeholder opposition, environmental concerns and safety issues can contribute to delaying large capital projects.

During 2012 we examined in detail these risks and the opportunities they offered at eight Hess projects. Our aim was to assess financial value erosion associated with non-technical risk. These efforts showed the value of continuing to integrate social risk management into our corporate enterprise risk processes, while also highlighting the benefit of maintaining a good corporate reputation and strong stakeholder relationships.

Major Hess operations are required to map stakeholders and develop an engagement plan. We also encourage each of our sites to develop, maintain and implement a strategic social investment program to help address the management of these risks and opportunities.

## COMMUNITY ACTIVITIES



### INDONESIA

#### Apprenticeship Program

In 2012 we continued to support an apprenticeship program at our Indonesia assets. The curriculum and instruction were provided by Hess operations and human resources staff. We offered a six-month training program for recent university graduates so they could gain valuable skills through on-the-job assignments, supplemented by classroom learning and mentoring. The 2012-2013 class included 15 apprentices.



### THAILAND

#### Fuel from Biogas

We fund a project in three small Thai villages to obtain biogas from livestock manure. The gas is used as cooking fuel. The Thai government piloted the project and in 2012 Hess supported its expansion to provide biogas to 42 families. The initiative reduces fuel costs, improves environmental conditions by better managing animal waste and involves close cooperation with villagers in program planning and execution.



### LIBYA

#### IMC Nurse Training

Following a civil war that began in 2011, Libya experienced a shortage of medical supplies and skilled medical professionals, especially nurses. Hess is supporting International Medical Corps as it increases the number of Libyan nurses and enhances the quality of training and professional standards. Hess contributed \$500,000 in 2012 and has committed another \$1 million for 2013.

In 2012 we conducted a high level risk assessment in North Dakota and an environmental and social impact assessment for our Utica Shale project in Ohio, including a high level quantitative analysis of several risk factors. These included screening for potential risks associated with cultural heritage sites and artifacts.

## HUMAN RIGHTS

While it is governments' responsibility to protect human rights, companies like Hess must act with care and respect for the human rights of all citizens wherever they operate. The Hess Values and our Code of Business Conduct and Ethics (Code of Conduct) provide a foundation for our commitments to ethical and responsible business practices. We revised our Code of Conduct in 2012 to include specific reference to human rights.

As discussed earlier in this report, we began updating the Hess Human Rights and CSR policies in 2012. The new Security and Human Rights Policy, approved in early 2013, established our commitment to engage security providers in a manner that is consistent with the Voluntary Principles on Security and Human Rights. We have also drafted human rights-related contract clauses for high level investment agreements with the goal of eventually incorporating this language consistently into future agreements. Similar language is already being incorporated into supplier contracts.

Our strategy is to prevent human rights-related incidents by engaging with the community to proactively address potential issues. We operate in complex environments that can be politically and physically challenging. This presents us with an opportunity to make positive and lasting contributions in areas of governance, transparency, respect for rule of law and social and economic development. To that end, we have initiated a process to establish formal mechanisms for reporting grievances at each of our operations. We drafted a guidance document to help users develop their own site-specific mechanism and will begin a pilot grievance mechanism program in 2013, in partnership with IPIECA, at one of our North American assets. We plan to incorporate

lessons learned from that pilot into the business plans of all Hess assets.

There were no instances of involuntary resettlement during 2012.

## Voluntary Initiatives

Hess has endorsed or formally joined a number of international voluntary initiatives that pledge to promote human rights, protect the environment and encourage financial transparency:

- **United Nations Global Compact** is a strategic policy initiative for businesses committed to aligning their operations and strategies with 10 principles in the areas of human rights, labor, environment and anti-corruption.
- **Voluntary Principles on Security and Human Rights** is a multi-stakeholder initiative involving governments, companies and non-governmental organizations that promotes implementation of a set of principles that guide oil, gas, and mining companies on providing security for their operations while respecting human rights.
- **Extractive Industries Transparency Initiative** is an effort to strengthen implementation of the principles to increase transparency of payments and revenues in the extractive sector.
- **United Nations Declaration on Human Rights** was issued by the United Nations in 1948 and represents the first global expression of rights to which all human beings are inherently entitled.
- **International Labor Organization Declaration on Fundamental Principles and Rights at Work** is an expression of commitment by governments and employers' and workers' organizations to uphold basic human values.

We are active in IPIECA, the global oil and gas industry association for environmental and social issues. We served in a leadership role as co-chair of IPIECA's Voluntary Principles task force in 2012 and in 2013 we will assume the role of co-chair of the Social Responsibility Working Group. In addition, we engage within our industry and

across other business sectors on CSR matters and business and human rights policy and implementation.

### Risk Assessments

Prior to pursuing project opportunities in new countries, or substantially expanding operations into a new region, Hess undertakes a review and analysis process called New Country Entry to examine both technical and non-technical risks. In 2012 we updated the New Country Entry process and incorporated security and human rights issues more formally into the analysis. We also contracted with an independent global risk analysis consultant to commission country risk reports that include an examination of security and human rights issues at assets in our current portfolio, as well as for prospective areas of interest.

In potential high-risk areas Hess commissions third party human rights risk assessments. Conducted on the ground, these assessments identify risks to Hess projects and staff, as well as to the surrounding communities. A third party human rights risk assessment is currently underway for our operations in the Kurdistan Region of Iraq. Previous assessments have been completed in Thailand, Indonesia, Malaysia, Algeria and EG.

### Training and Awareness

We educate our employees on the importance of respecting human rights and are committed to raising internal awareness of the Voluntary Principles and other voluntary initiatives. We have developed an online training module for all employees that explains human rights and why they are important to our business. The training course reviews the company's Human Rights Policy, offers employees guidance on integrating respect for human rights into their daily work and provides direction on how to report suspected human rights violations. We are implementing a phased rollout of the online module in 2013. Every new employee will be required to review the module within 90 days of hire.

In 2012 we established an intranet site focused on all of our voluntary commitments, with links to the relevant policies and Code of Conduct. We plan to expand the site with additional reference materials, presentations and guidance during the coming year.



Corporate Social Responsibility Workshop, Jakarta, Indonesia

CSR staff made presentations and held formal discussions on human rights and Hess' voluntary commitments at several global locations during 2012, including Australia, Indonesia, EG and the Kurdistan Region of Iraq, as well as our U.S. offices in Houston, Woodbridge, N.J. and New York City. We participated in the Voluntary Principles December 2012 workshop in Jakarta, Indonesia, which provided guidance and tools for implementing the principles as part of our regular business practices. Hess staff who attended the December 2012 workshop shared the information with those on the Indonesia staff who could not attend.

### Security

The Code of Conduct prohibits the use of military or police personnel services except where required by local authorities or in cases of emergency. We contract for security services from private contractors in those areas where such services are required. Our operations contract for these services locally with support from our global security and global supply chain functions.

We expect security providers to adhere to applicable international law enforcement principles, humanitarian law and human rights law. Hess introduced new contract

clauses in 2011 covering security and human rights expectations to its upstream business. The new contract clauses require our security contractors to communicate our human rights, social responsibility and ethical expectations to their employees and subcontractors, as well as demonstrate compliance. The aim is to ensure delivery of a consistent message of performance expectations for security contractors and drive consistency across Hess' operations. In 2013 we plan to work together with our global supply chain colleagues to review our progress and identify measures for implementation and assurance in this area.

## Country Manager Toolkit on Security and Human Rights

The creation of our Country Manager Toolkit on Security and Human Rights was a major advancement in 2012. The Toolkit guides the field-level implementation of the Voluntary Principles. Given the nature of the oil and gas industry and the broad range of locations and cultures in which we operate, we recognized the need for specific guidance to help our employees address challenging situations regarding security and human rights.

The Toolkit covers key topics, including stakeholder mapping and engagement, risk assessments and relations with public and private security. It includes tools and templates for employees to use in identifying and tracking potential security and human rights risks. Specific guidelines cover how to interact with public sector and private security providers. The Toolkit also includes a section devoted to managing transfers of equipment and supplies when interacting with either public or private security providers, to minimize security and human rights risks.

We will pilot the Toolkit during 2013 in a broad, multidisciplinary process that includes each of the key functions that contribute to effective implementation of the Voluntary Principles.

In the event of a security incident with human rights implications, a report is made to the head of global security. Reports are also issued for those occurrences that highlight potential future risk such as peaceful community protests. We are not aware of any human rights violations in 2012.

## Labor Practices

Hess is committed to diversity and equal employment opportunities for all employees and job candidates regardless of race, color, gender, age, sexual orientation, creed, national origin or disability. We do not tolerate any form of workplace harassment, including sexual harassment. We reinforce these expectations through our Code of Conduct, Human Rights and Corporate Social Responsibility Policies.

The company has not identified significant risk in our global workforce for child labor, forced or compulsory labor, or violations of the right to freely associate and bargain collectively. We do not permit the employment of underage children or the use of forced labor in our global workforce. This is also enforced in our contract language on labor practices. We recognize and respect our employees' rights to join associations and engage in collective bargaining in a manner that is consistent with applicable laws, rules, regulations and local customs.

## Freedom of Association

When commissioning country risk reports from our third party vendors, risks associated with labor rights, including freedom of association and collective bargaining, are included and reviewed.

Hess employs unionized and non-represented workers in hourly job classifications. In 2012 approximately 6 percent of employees were represented by 19 collective bargaining agreements.

For major operational changes, such as layoffs and facility closures, we comply with advance notification requirements specified in collective bargaining agreements and labor regulations. These notices are typically 60 to 90 days for locations with 50 or more employees and 14 to 28 days for locations with fewer than 50 employees.



Stena Forth Drillship, Gulf of Mexico

**H**ess strives for safe and incident free operations for the safety and wellbeing of our workforce, the environment and the communities where we do business. This goal is fundamental to our company's culture and integral to our strategy, values and business decisions. We believe no task is so important that we cannot do it safely.

The inherent hazards in the activities of the oil and gas industry, ranging from the operation of drill rigs to the management of all our facilities and transportation are routinely identified, assessed and managed. Systematically managing these risks is essential to safe operations.

We have developed a comprehensive set of Hess Rules for our employees and contractors. The Hess Rules focus on control of seven high fatality risk activities associated with our industry. The Hess Rules are mandatory. Everyone associated with the Hess organization is expected to comply, regardless of the type or location of his or her work.

Our approach to management of health and safety risks extends beyond activities under our operational control to our supply chain and partnerships. We seek to ensure that our partners' safety and health systems and programs align with ours. We insist on transparency from our partners and we undertake appropriate reviews to ensure commitments are being met.

We monitor a range of leading and lagging safety and health metrics across the enterprise, consistent with available industry guidance and standards. These metrics are regularly reported to the appropriate levels of management within the



organization. Locally, leading safety and health metrics are tailored to address the challenges presented by our diverse lines of business and their operating environments.

To gauge our performance against industry peers we conduct periodic formal benchmarking exercises. We learn from others' best practices and share our best practices with members of our industry. We strive for continuous improvement of performance while acknowledging areas that pose challenges.

We know that an engaged and informed workforce is essential to safer work environments. Workforce safety committees at Hess play a lead role in ongoing site safety culture improvements at operating and office locations. The composition of each safety committee varies by location and type of operation, but typically includes managers, salaried and hourly employees including those represented by collective bargaining agreements, contractors and safety professionals. Committee responsibilities typically include developing site safety goals, identifying and prioritizing safety activities and reviewing safety issues, incidents, near misses and related investigations.

**SAFETY LEADERSHIP**

At Hess leaders at all levels drive our safety culture, working under the philosophy of "no harm now or ever." During 2012 we further strengthened our safety culture across all business levels.

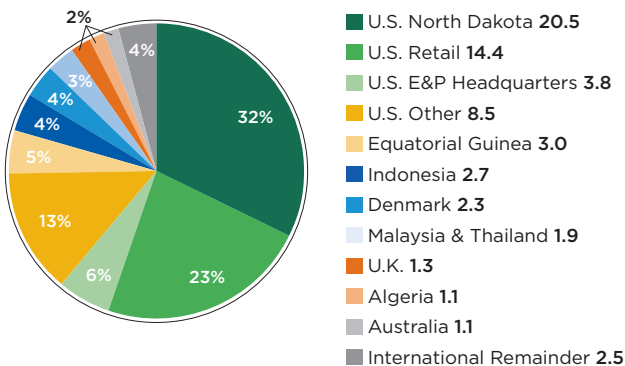
Hess is working with third party subject matter experts to develop an Executive Safety Leadership Program to further embrace safety, engage and energize the organization and make improvements that are visible companywide. During 2012 a group of 23 senior leaders participated in a safety leadership reflection and planning exercise. We have increased discussion of safety leadership among members of our management team and can now develop effective goals for the future.

We expect every employee and contractor to be a safety leader. In our Exploration and Production (E&P) business we are taking steps to improve safety performance by implementing a peer-to-peer behavior-based program in our North Dakota and West Texas operations. Workers are trained to observe each other on the job and provide feedback regarding "safe" and "at risk" behaviors.

In 2011 we implemented a North Dakota Safety Improvement Program in response to an increase in safety incidents. In 2012 we reevaluated and advanced our North Dakota contractor management program. By increasing leadership presence in the field, contractor engagement and targeted process improvements, we achieved a 36 percent improvement in our North Dakota workforce (employee and contractor) Total Recordable Incident Rate (TRIR) in 2012. With a strong presence in the shale energy business, we are working with contractors and industry partners to improve overall safety performance in North Dakota.

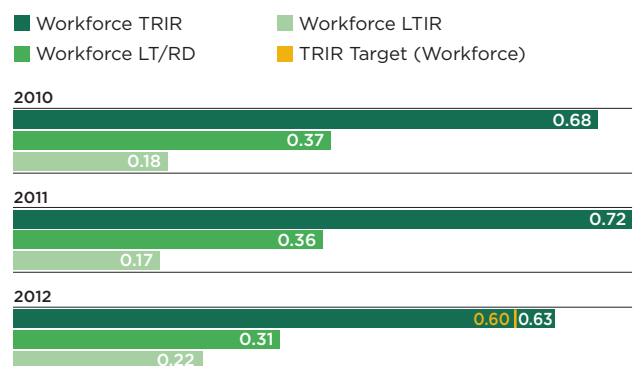
**Workforce Hours (Employees and Contractors)**

Million Manhours



**Workforce Safety Performance**

Cases per 200,000 Hours



## PERSONAL SAFETY

Tragically, we suffered two fatalities during 2012. A male contractor working at our Eagle Ford asset in Texas died during rig move operations and a female employee working at a retail store in Carlisle, Pa., was shot and killed during a robbery. These events remind us that we must continuously strive to maintain a safe working environment for everyone at Hess.

The following personal safety metrics, as defined by the U.S. Occupational Safety and Health Administration (OSHA), are tracked by each of our operations and reported at the corporate level: TRIR, Lost Time/Restricted Duty Incident Rate (LT/RD), Lost Time Incident Rate (LTIR) and fatalities (all rates are per 200,000 hours\*). In addition, local assets track first aid cases, near misses and unsafe acts in support of their local programs and continuous improvement.

Our TRIR of 0.63 was a 13 percent year-on-year improvement. However, we fell just short of achieving our annual safety target for the total workforce (employees and contractors). This improvement demonstrated the effectiveness of measures put in place in 2011 to address



Seminole Gas Processing Plant, Texas

a decline in contractor safety performance, and continuous improvement in our Retail Marketing business.

Our 2012 TRIR, the company’s best since we began tracking workforce data in 2004, was achieved at a time when total workforce hours increased 19 percent, mainly in our shale energy business. The U.S. shale energy business, which tends to have higher incident rates, now accounts for 32 percent of our total workforce hours and continues to grow.

In 2012 we improved the employee component of our total workforce safety by nearly 30 percent, surpassing our 2011 record for best companywide TRIR. The safety performance of our contractors improved by 4 percent in 2012, even though contractor hours increased 31 percent during the same time period due primarily to the continued growth of our U.S. shale energy business.

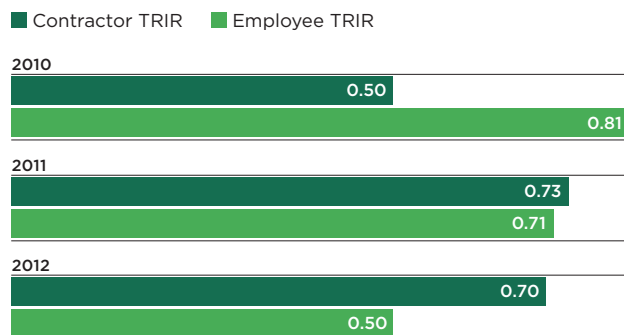
During 2012 our E&P business undertook a “Serious Injury and Fatality” study. The study helped identify underlying factors associated with the most serious incidents we have experienced and enabled us to focus our programs and resources on reducing their likelihood.

## CONTRACTOR MANAGEMENT

Contractors comprise 60 percent of the company’s total workforce and 81 percent of the workforce in our E&P business. As a result we maintain a particular focus on contractor management.

### Employee and Contractor Safety Performance

Cases per 200,000 Hours



\*When calculating LTIR, scheduled work days are used. A lost time incident involves one or more days away from work, excluding the day of the incident. Absenteeism and Occupational Disease Rate are not primary metrics for Hess, and are therefore not tracked.

In recent years the company established a contractor management program to address the fundamentals of contractor prequalification, selection, monitoring and review, with an emphasis on those contractors in our business who are engaged in activities with the highest risk potential.

During prequalification, we engage recognized industry prequalification organizations when they are available, particularly in the U.S. and the U.K. Where recognized industry prequalification organizations are not available, we use in-house prequalification processes, including a full review of safety programs, safety performance and regulatory track record. Subsequently we select contractors following a

thorough assessment and verification of bid submissions, with evaluation outcomes integrated into overall bid selection criteria alongside commercial and technical assessments.

In response to declining contractor safety performance within our North American shale energy business, we further strengthened our program. Our four-step contractor Onboarding and Engagement Program was fully executed, ensuring:

- 1) Expectations are clearly defined and understood
- 2) The person in charge and communication routes are clearly identified

## NORTH DAKOTA

### Land Transportation

The National Institute for Occupational Safety and Health reported in December 2012 that the rate of motor vehicle deaths in the oil and gas industry is nearly 8.5 times greater than most other industries. The leading causes of vehicle crashes are driver fatigue and failure to adopt safe practices, such as maintaining speeds appropriate to conditions and consistently wearing seat belts.

Our North America shale energy business typically requires frequent trips to remote well sites. Between 2010 and 2012 the number of vehicle miles driven in this sector of our business increased 273 percent to 6.8 million miles. The business continues to expand.

As a result, since we began our efforts to intensify our focus on land transport safety, no Hess employee or contractor has been involved in a serious traffic incident. This record is encouraging in light of the rapid increase in vehicle miles driven, which have risen more than 30 percent since 2010, and the industry record of fatalities on roads in the oil counties of North Dakota.

In 2007 Hess adopted the International Association of Oil & Gas Producers (OGP) 365: Land Transportation Safety Recommended Practice as

the basis for our land transportation safety standard. We apply industry best practices for drivers of our company-owned vehicles through developed driver management systems. Hess has 424 vehicles in North Dakota with in-vehicle monitors. We monitor and track driver behavior and vehicle speed to identify unsafe behavior and inform discussions aimed to promote corrective behavior.

All employees and direct contractors who drive on company business must take a proactive driving course that includes an hour-long driving assessment. During the past three years we have trained 870 employees. In addition, we collaborate with the Centers for Disease Control and Prevention, the North Dakota State Patrol and the North Dakota Petroleum Council to continuously improve the driving practices of our contractors.

A full time Journey Management Coordinator has been assigned to enhance the program. Journey Management Plans are well organized and required for all trips considered moderate or high risk. Drivers are required to enter their trip details into a computer-based Journey Management Board. The Operations Control Center in Tioga monitors the Board 24/7 and contacts the supervisor of any overdue employees. Discussions are held routinely to challenge the need for trips and to assess road risk in adverse weather.

- 3) Job-related hazards and risks are assessed and communicated
- 4) Contractor performance is monitored and reviewed while work is performed

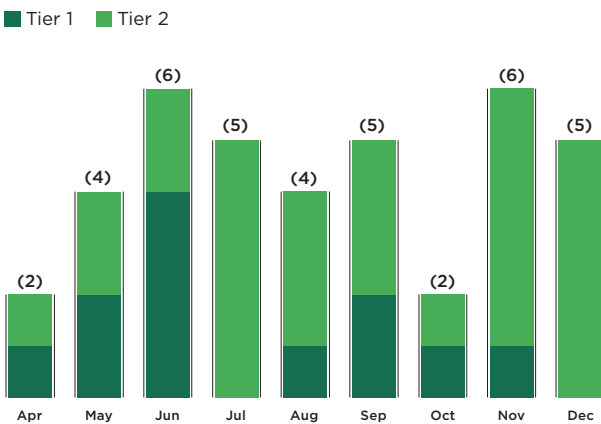
A senior leader contractor engagement program was developed and tracked through 2012. For our contractors whose workers engage in the highest risk activities, the program connects our senior leaders with theirs on managing the key risks associated with these operations.

### PROCESS SAFETY

Like our industry peers we continue to focus on and strengthen our approach to process safety. Hess uses the American Petroleum Institute (API) and OGP guidance definition of process safety: “A disciplined framework for managing the integrity of hazardous operating systems and processes by applying good design principles, engineering and operating and maintenance practices.” In practice this means we employ:

- Design integrity – ensuring that we design and build our facilities so that the risks are as low as reasonably practical
- Technical integrity – inspecting, testing and maintaining our hardware
- Operational integrity – ensuring that we work within the operational design parameters
- Process safety leadership – ensuring that our leaders are equipped to manage the risk of catastrophic events

### 2012 Process Safety Events



In early 2011 Hess launched an Operational Excellence Action Project whose aim was to evaluate and reduce the risk of catastrophic events at E&P and Marketing and Refining (M&R) locations worldwide. The project established a clear vision for the company based on practices seen downstream in the petrochemicals industry. It is our vision that process safety is an essential element of the organization’s culture and considered in every business decision.

### THAILAND Sinhuhorm Incident

A process safety event early in 2012 at the Sinhuhorm Gas Processing Plant in northeastern Thailand involved the inadvertent release of gas emissions from the plant’s thermal oxidizer. Soon after the event a two-day evaluation workshop was initiated at which five generic root causes for the incident were identified:

- Inadequate plant expertise
- Potentially improper operations becoming routine
- Equipment operability
- Work management
- Safety culture

Soon after the incident, but before the findings from the workshop could be implemented, an explosion occurred at the plant. It destroyed a piece of equipment called a boil-off tank. There were no injuries associated with either event.

However, the explosion caused the plant to shut down and disrupted the local natural gas supply during Songkran, a major Thai holiday celebrating the new year. We responded immediately to the incident, engaged extensively with members of the community and worked swiftly and safely to resume operations at the plant. Following plant start-up we also promptly investigated and alleviated community concerns that followed reports of odors from the plant. A subsequent evaluation of the event validated that the five generic root causes initially identified also caused the explosion. Those causes have become the focus of preventative planning going forward.

We ramped up our process safety preparedness efforts in 2012 with the implementation of a focused process safety program across the enterprise. This program addresses three strategic elements: improving process safety leadership; strengthening process safety governance, support and assurance; and deepening engagement and reinforcing accountability. The program contains four action areas to strengthen process safety over the next two years:

- **Process safety governance and support structures** – We have expanded our professional process safety staff resources and formed an enterprise-wide work group to develop and deliver improvements to process safety management systems and practices. In 2013 we will establish a steering team comprised of senior leaders who will provide high level guidance and visibility to the program, which will be led by a vice president of Process Safety.
- **Process safety Global Standards to define minimum expectations** – Plans are in place to develop enterprise-wide standards for process safety during 2013. The standards will draw on industry best practice.
- **Process safety** – We began an assessment of each facility's process safety management and introduced Hess Indicators for Process Safety (HIPS). Our audit and assurance mechanisms will be revised in 2013 to integrate process safety more explicitly.
- **Process safety accountabilities and responsibilities** – Plans are in place in 2013 to deliver process safety awareness training for plant personnel and a cross-section of leaders at the middle and senior levels.

As noted earlier, in 2012 we implemented process safety metrics monitoring and reporting companywide in accordance with API and OGP guidance. The Hess Indicators for Process Safety (HIPS) focus on loss of primary containment events that meet agreed industry criteria for Tier 1 (greater consequence) or Tier 2 (lesser consequence) process safety events. There have been 12 Tier 1 and 27 Tier 2 process safety events since we began HIPS reporting in April 2012. A review of these events identified the need to continuously improve the quality and effectiveness of our process safety incident investigations,



Emergency Response Exercise, North Dakota

maximize what we learn from these events and improve our process safety performance.

In 2013 we will focus on how we can better identify causal factors and develop appropriate corrective actions to prevent reoccurrence of process safety events. We will also review our use of leading process safety metrics and align fully with industry guidance for leading Tier 3 and Tier 4 metrics, which track challenges to safety systems and weaknesses in facility specific processes and systems.

## EMERGENCY PREPAREDNESS AND RESPONSE

In the event of unanticipated disruptions, our obligations include the protection of human life, property and the environment. To meet these obligations in all our regions of operation and at all our operations, each region has its own Emergency Response Network that spans four operational levels – local, geographic, regional and corporate. Each level is comprised of personnel trained in their roles and responsibilities for incident response and mitigation.

Crisis and emergency management plans are in place and routinely exercised across the enterprise to ensure a systematic and effective approach during any incident. These plans cover everything from oil spills and well control to business continuity and restoration.

We routinely participate in emergency exercises and drills and engage in local emergency management efforts. Lessons we learn from real incidents, exercises and industry events are routinely incorporated into our plans.

We maintain strong relationships with mutual aid and emergency response organizations at local, regional and global levels. Hess is a member of several spill response and well control cooperative organizations, including Oil Spill Response Limited, Marine Well Containment Company, Subsea Well Response Project, Oil Spill Prevention and Response Advisory Group and Clean Gulf Associates. Strategic relationships are also maintained with contractors who provide tools, systems and personnel to Hess for emergency preparedness and response activities.



Okume Complex, Equatorial Guinea

## CHIEF EXECUTIVE OFFICER'S AWARD FOR SAFETY EXCELLENCE

The Chief Executive Officer's Award for Safety Excellence provides senior leaders with opportunities to reinforce the connection between safety and the success of our business. Nominations are accepted for Hess team and joint venture achievements that demonstrate outstanding and sustainable safety performance results with a wide reaching impact on the organization.

Annual awards are presented to the operation that has been most effective in improving and sustaining its safety culture and performance. The E&P and M&R presidents present additional awards for safety excellence within their respective businesses. In 2012 we introduced a Special Recognition category to engage and recognize achievements in our local businesses.



## GLOBAL SAFETY APPRECIATION DAY

Our annual Global Safety Appreciation Day gives senior leaders an additional opportunity to engage with the workforce, reinforce the

importance of safety to our business, reflect on progress and successes and describe the path to continued improvement.

Hess employees and contractors at more than 100 locations observe Global Safety Appreciation Day with a variety of meetings and activities. The event includes a video broadcast safety message from the members of the Hess Leadership Team focusing on global improvement priorities. In 2012 corporate leaders and their workforce peers presented safety tips with an emphasis on risk assessment and management, process safety, contractor safety management, Hess Rules, assurance and lessons-learned, as well as the application of the "Plan, Do, Check and Adjust" framework.

## HEALTH AND WELLNESS

We continue to promote employee health, encouraging a balanced and productive lifestyle at work and at home through the implementation of our unified health and

wellness strategy. We have adopted eight elements of health management consistent with OGP and IPIECA health performance indicators, which are also used by many of our industry peers. These elements include health risk planning and impact assessments, control of workplace exposures, management of medical emergencies and ill-health in the workplace, fitness for task assessments, health reporting and record management, public health interfacing and promoting good health.

Our company is proactive in identifying health needs and priorities at Hess locations around the world. We ensure our employees are protected from potential health hazards associated with work operations, travel and other job-related activities. We continue to enhance our fitness-for-work programs and routinely perform pre-placement assessments to confirm that our employees' health is compatible with their work assignments.

In the U.S. a variety of health management resources and tools focused on cardiovascular health, musculoskeletal disease, mental health and chronic disease management were offered to our employees to help them meet their personal health and wellness objectives. These objectives may involve exercise, diet and nutrition, weight control, stress management, tobacco cessation and chronic disease management.

Employee resilience is the cornerstone of our future approach to health and wellness. Decreased health risks and improvements in employee health lead to improved mental focus, morale and productivity, as well as decreased injuries, illness, disability and lost work. As we continue to focus on establishing a culture of health, we will introduce additional metrics around the impact of our efforts in each of these areas.

To evaluate our performance, health metrics are tracked monthly and data are compared over the prior 13 months to identify trends. Among others, these metrics include hearing conservation measurements and fitness-for-duty exams. They are evaluated regionally and for the entire U.S. Data for the U.K. and other regions will be incorporated and tracked in 2013.

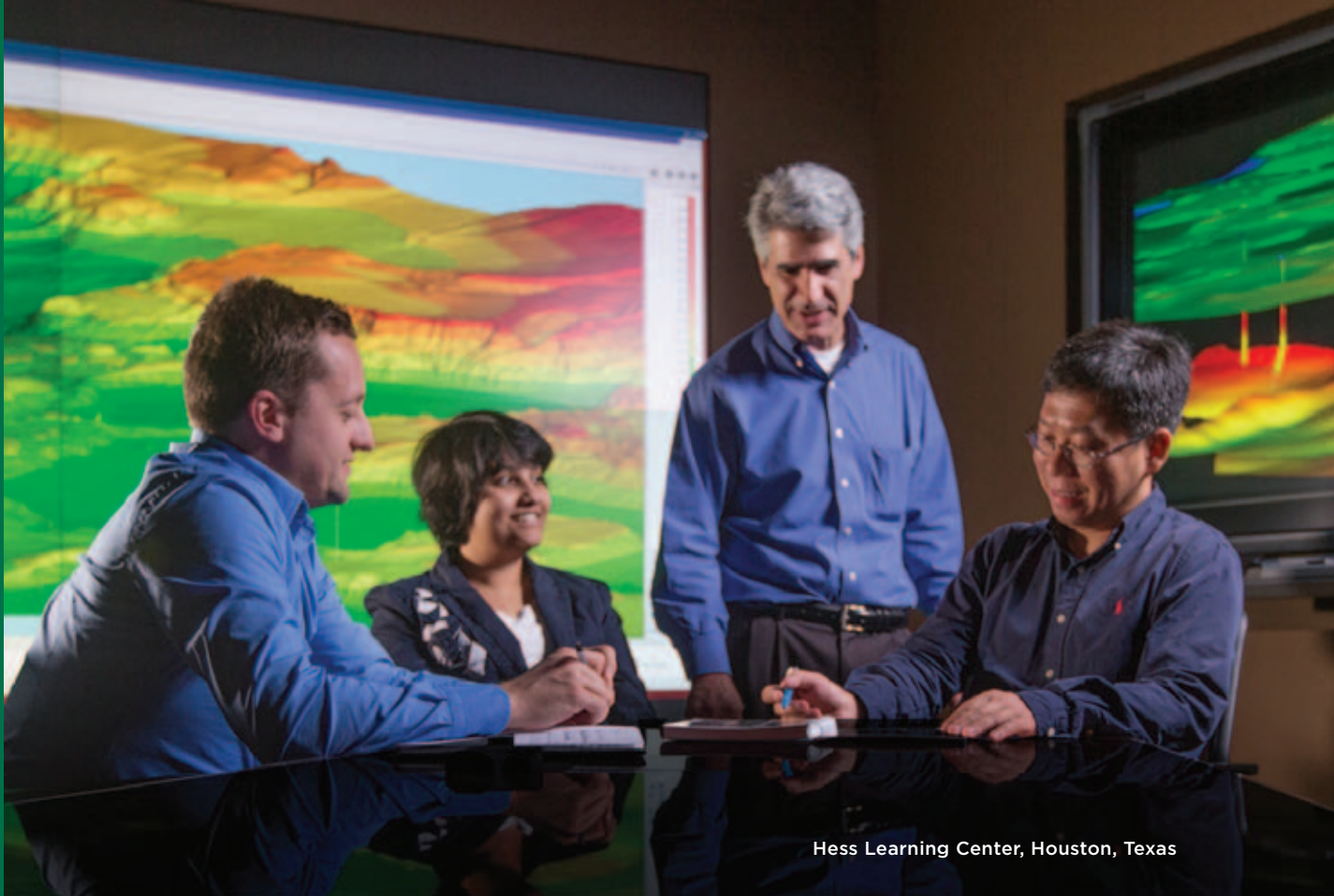


Health Screening, Malaysia/Thailand Joint Development Area

Our current focus areas include the prevention of hearing loss for our workers, raising awareness of workers in our shale energy business regarding exposures to silica dust, and protecting the health of workers who may be exposed to a variety of illnesses and diseases.

Our industry operations span various geographies including developing countries. Hess takes steps to protect the health of its workers who may be exposed to diseases common in the developing world and to regionally prevalent illnesses. Employees and contractors are provided with education on health topics impacting the regions where we operate, including information about malaria, HIV, tuberculosis and blood-borne pathogens.

Prior to international travel all employees are counseled on specific regional health risks within the destination country and vaccinations are reviewed and provided when appropriate. Additionally, expatriates and their family members at locations around the world have access to counseling focusing on a variety of topics including: health improvement, mental health, parenting, aging and caring for parents.



Hess Learning Center, Houston, Texas

**T**hrough Talent Management we are able to take a broad view of the entire workforce cycle: talent recruitment, new employee orientation, workforce development and retention, leadership development and succession planning.

Hess' success relies on a company culture and high quality workforce that continues to innovate, lead and learn. In 2012 we examined the Hess culture, our environment for innovation, attracting and retaining talent, diversity and inclusion and our methods to promote learning, development and leadership. With this process we aim to improve the way we manage our talented workforce in support of our business objectives.

## **EMPLOYEE DEMOGRAPHICS**

As of December 31, 2012 Hess employed more than 13,200 people (excluding Hetco front office and Russia operations), an increase of approximately 2 percent over 2011. Ninety percent of our employees worked in the U.S. and more than two thirds worked in our retail operations. In 2012, 23 percent of our employees were part time and 61 percent were hourly employees.

To understand employee dynamics in the context of our future business needs, we assess various statistics that describe the composition of our workforce. We hired 723 people in 2012. The voluntary turnover rate for the Hess workforce (excluding retail hourly employees) was 6.8



percent in 2012. Voluntary turnover rates were lower among women and employees under 30 and over 50 years of age. Fewer than 1 percent of employees at operated assets were laid off in 2012 because their positions were eliminated.

During the first quarter of 2013, we closed our Port Reading, N.J. refining facility and announced our intention to focus exclusively on Exploration and Production (E&P) and exit the downstream businesses, including Energy Marketing and Retail Marketing operations. This business focus will require substantive changes to our existing workforce during the coming months.

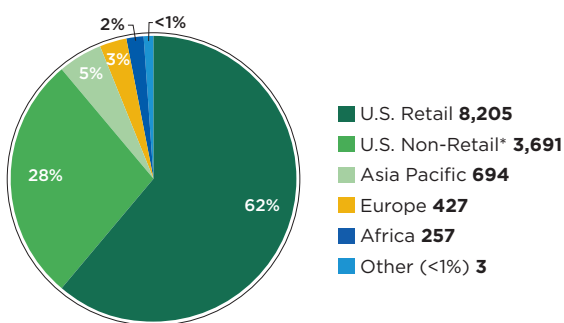
## DIVERSITY AND INCLUSION

Hess continues to develop, retain and advance a diverse workforce based on traditional measures of diversity (e.g., gender, ethnicity), as well as aspects of diversity that go beyond traditional categories. Our definition of diversity includes cultural and physical differences, as well as diversity of background, experience and perspective.

Gender diversity and ethnic background metrics for our employees were similar to those in the prior year. Forty percent of our employees are female. Our U.S. employee base is 38 percent minority according to the U.S. Department of Labor definition. Adding to our diverse mix

### Global Employees

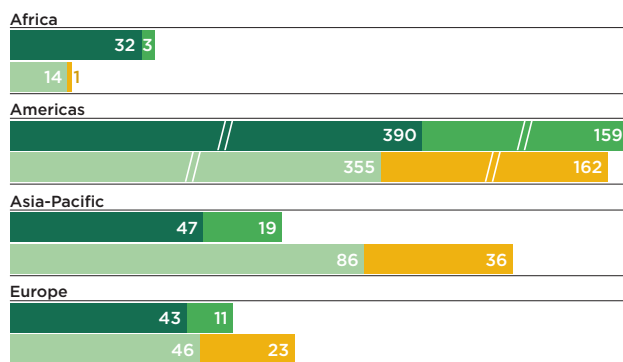
13,277 Employees



Excludes Hetco front office and Russia operations  
\*Includes St. Lucia (112)

### Turnover and New Hires (Number of Employees)

Male Turnover (Dark Green), Female Turnover (Light Green), Male New Hires (Light Green), Female New Hires (Yellow)



Excludes retail hourly employees

Women and Minority Representation						
Job Category	WOMEN (U.S. AND INTERNATIONAL)			MINORITIES (U.S.)		
	Total Employees in Job Category	Number of Women	Percent Women	Total Employees in Job Category	Number of Minorities	Percent Minorities
Executives and senior officers	88	10	11%	79	5	6%
First and mid-level managers	2,272	702	31%	1,946	477	25%
Professionals	2,268	777	34%	1,561	420	27%
Other	8,649	3,835	44%	8,310	3,616	44%
<b>Total</b>	<b>13,277</b>	<b>5,324</b>	<b>40%</b>	<b>11,896</b>	<b>4,518</b>	<b>38%</b>

Note: There are 1,854 U.S. employees who are both minority and female.

of employees, 46 percent of new hires in the U.S. were women or minorities. The age distribution of our workforce is similar to prior years, though the average age of our employees increased slightly from last year. In 2012 four women were appointed to Hess executive positions — Chief Compliance Officer, Vice President Corporate Social Responsibility, Vice President Environment, Health, Safety and Social Responsibility (EHS&SR) and Chief Information Officer, Exploration and Production, increasing the proportion of female executives by 4 percent. For our non-U.S. workforce, we emphasize diversity by hiring and developing skilled local nationals as part of the Hess workforce and local leadership.

**Workforce Localization**

In keeping with our aim to foster diversity and cultivate leadership, we employ a high number of local nationals in our operations around the world. As in all areas of our business, our Global Talent Acquisition group hires local workers with exceptional professional qualifications and who are aligned with the Hess culture and values.

Ten percent of the Hess workforce was located outside the U.S. in 2012. Two percent of our employees were in Africa, 3 percent were in Europe and 5 percent were at Asian locations.

In Equatorial Guinea 70 percent of our employees and 35 percent of our managers and professionals are local nationals. In Malaysia 65 percent of our employees and 63

percent of managers and professionals are local nationals. In Indonesia 97 percent of our employees and 95 percent of managers and professionals are local nationals.

**EMPLOYEE ENGAGEMENT**

Over the course of 2012 work teams assessed the Hess culture and helped define the value proposition that Hess offers employees.

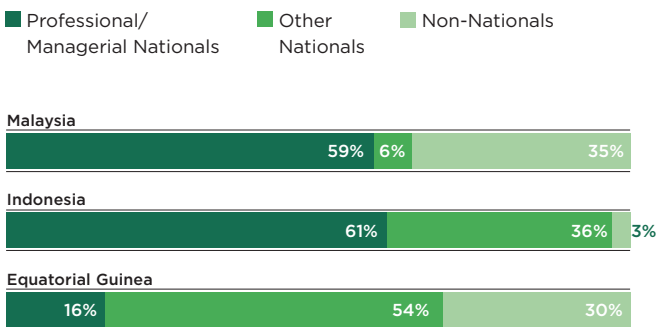
We conducted a baseline culture survey of our organization. More than 400 randomly selected employees from around the world participated in an online survey and approximately 200 employees participated in small group discussions. We learned that central elements of our culture are strong, including pride in our integrity and social responsibility and confidence that leaders exemplify the Hess Values. Employees suggested that more could be done to improve process efficiency, such as making changes to the organization structure. They also would like to see more non-monetary recognition.

In a related effort, 1,200 employees participated in an information gathering survey on Hess’ culture that focused on innovation. Two hundred “Best Practice” innovation companies were benchmarked and Hess’ innovation culture was compared. Following analysis, recommendations were made for changes in leadership behaviors and workplace culture aimed at promoting innovation and value creation at Hess.

Another internal survey of current and prospective employees showed that career opportunities, compensation

**National and Non-National Employees\***

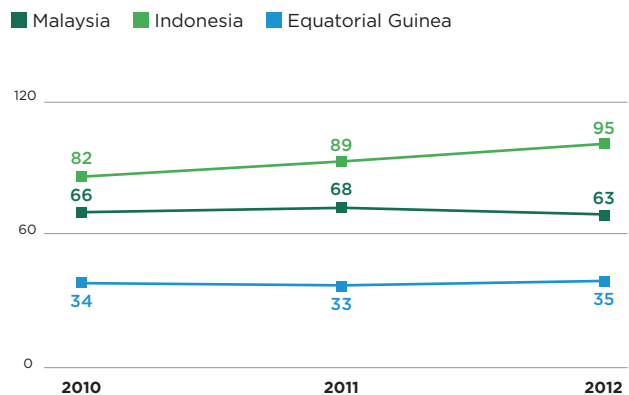
% of Country Workforce



\*In significant areas of operation (>100 employees)

**National Employees**

% of Managers and Professionals



and work-life flexibility were the key selling points for working at Hess. We will continue to enhance these attributes while ensuring fairness, quality and empowerment across our global workforce.

## VOLUNTEERISM

Through our intranet, Hess Connect, employees can learn about social responsibility engagement and volunteer opportunities in their area. The wide range of employee volunteer opportunities across the company includes company-sponsored, as well as employee-driven projects.

For example, our Houston-based employees support Target Hunger, a United Way agency that promotes self-sufficiency for those in need through deliveries of groceries, holiday food boxes and gifts for children. Staff from our Perth office in Australia joined coastal care volunteer groups for a clean-up project on Kwinana beach. In the aftermath of Superstorm Sandy, Hess employees from our New York and Woodbridge, N.J. locations in the U.S. worked together with Partnership with Parks to restore park areas after flooding and organized a food and supplies drive for victims most severely impacted.

## COMPENSATION

Hess rewards its employees for their contributions to our company's current and future performance. In addition to base pay, Hess compensation includes a wide range of benefits, including bonus and incentive plans. To gauge the competitiveness and fairness of our compensation, we benchmark Hess against industry peers.

So that we can be among the top quartile of employers when comparing our entry level wages to local wage minimums, we measure this differential at locations where we employ 100 or more. In the U.S., as well as at our international operations in Europe, Southeast Asia and Equatorial Guinea, we pay more than local prevailing industry minimum wage. Hess pays retail hourly employees 24 percent more than the minimum wage, on average.

The wages, benefits and bonuses of our represented employees are determined by collective bargaining agreements. For further information on our union-

represented employees, see the Freedom of Association section in the Community and Social Performance section of this report.

## BENEFITS

Hess provides comprehensive, high quality health and retirement benefits that supplement or enhance the coverage that is offered by government programs. In addition to wages, our financial benefits include pension, savings, life insurance and bonus and incentive programs. Health benefits include medical, dental, vision, prescription drug and various employee assistance plans. Employee benefit packages vary by country.

In the U.S., the company is adding or increasing benefits. In the past year, for example, we added domestic partner benefits, increased medical plan options and increased the company's match against employee contributions to 401(k) plans. In China we added a pension plan, and in the U.K. we enhanced our pension offerings to help offset recent tax changes.

Hess benefits and programs for non-hourly retail employees exceed the industry standard. In addition to full medical coverage, non-hourly retail employees can participate in the company's savings plan, a benefit also available to full time retail hourly employees. Hess' separate benefits plan for full time retail hourly employees includes medical and life insurance coverage and paid vacation time. Hess offers retail employees a pension plan, a benefit that is not commonly provided in the retail industry. Retail employees are eligible to receive education assistance for courses related to their development.

To align employees' interests with investors and provide another opportunity to participate in the company's success, Hess offers a long term incentive program to employees who demonstrate exemplary leadership and contribute significantly to the business.

Salaried employees participate in the company's cash bonus plan and the company offers financial assistance to employees who wish to pursue educational coursework. In 2012 the company contributed more than \$1.5 million for outside educational assistance.

## TALENT MANAGEMENT

In 2012 the company continued to forge a connection between our Talent Management and Learning and Development processes.

Hess engages in an annual talent management process to understand and assess our leadership and technical capabilities and develop succession and hiring plans.

### Performance Management

Hess employees are responsible for managing their own performance and career paths. Individual responsibility is a foundational value in our approach to performance management. The company provides many tools, programs and opportunities to support employees as they strive to reach their goals.

## Recruiting Veterans

Our Global Talent Acquisition strategy is focused on hiring people whose values align with our own and whose skills and experience match Hess' talent needs. In 2012 we expanded the portion of our Talent Management program that reaches out to the military and recruiting veterans.

We participate in an American Petroleum Institute led group called Veterans to Energy that maps talent and experience from the military to the energy sector. Hess also participates in a national veteran hiring program called "Joining Forces," which connects service members to careers and supports their transition to civilian life. We were recognized for our efforts by Brad Cooper, Executive Director of Joining Forces, Office of the First Lady, during a White House-sponsored "Joining Forces" event.

Veterans working at Hess have organized the Hess Veterans' Group to enhance our outreach and integration efforts. The group is sponsored by our General Counsel. In our recruitment efforts, we work with military recruiters, attend military-sponsored jobs fairs and publicize our interest in hiring military personnel.

With guidance from their managers, employees create their individual development plans. Hess provides mentoring, training, online courses and other educational assistance so that employees can develop their potential and leadership capabilities in alignment with the company's business objectives.

Through the Hess Performance Management process, an employee's performance is evaluated against goals and expectations and leadership behaviors. These factor into an overall performance rating, which impacts an employee's salary and bonus.

### Learning and Development

In 2012 we aligned the content of our development courses more directly with our long term objectives and our leadership model. Our employees used the tools introduced in 2011 to more effectively manage their ongoing education and development.

Our classroom training programs and online Hess Learning Center provide an important supplement to employee development that takes place on the job and through coaching and mentoring relationships. Our employees have access to Hess global online resources to develop professional, leadership and technical skills.

At Hess we have a suite of four leadership development programs, each tailored to the needs of a particular level of leadership in the organization, from early-career supervisors through senior leadership. Program content reflects the competencies needed to achieve our vision and the skills necessary to develop as a leader and to contribute effectively to our company's success.

### New Employees

Employees new to Hess are benefiting from the improvements we made to onboarding and orientation processes during 2011. In 2012 more than 700 new employees worldwide participated in our online Passport to Hess program. In addition to our offices in Houston, Woodbridge, N.J., New York, North Dakota, London and Kuala Lumpur in 2012, the Passport to Hess program was rolled out in Copenhagen, Beijing, Jakarta and Perth. As

of the end of the year, 100 percent of the respondents were either extremely satisfied or satisfied with the Passport to Hess Welcome Day.

The Passport to Hess site provides information about the company and Hess Values, as well as links to The Learning Center and The Resource Center. The Learning and Resource centers are critical portals for managing one's career development path. The Hess catalogue of online courses is available through the Passport to Hess site.

The onboarding program for new hires also establishes a system for supervisors and new employees to work closely together for the first 90 days at Hess and to make sure the integration process goes as smoothly as possible. New Hess employees may also be eligible to join the supplemental early career development programs we offer.

### Early Career Programs

Our Global Professional Development Program (GPDP), first piloted in 2011, was implemented across the organization in 2012. College graduates newly hired at Hess were introduced to the first stages of this two year early career integration program. The program accelerates performance and career development by introducing basic professional skills such as business writing, presentation techniques, goal setting and time management. The basic curriculum is tailored to regional locations so employees can adapt to the needs of the country and business environment in which they are launching their careers.

For our newly hired technical personnel, it is especially important to continually hone skills. The oil and gas industry is evolving rapidly, with innovative techniques and technologies creating competitive advantage for businesses across the world. The Hess Global Foundation Program is designed to help our graduate engineers and geoscientists keep pace with this rapid evolution through training, mentorship and on-the-job assignments so they are fully prepared for challenging assignments early in their careers.

### Training

Training programs are an important component of the Talent Management process at Hess. We spent more than \$14



Global Professional Development Program Session, Houston, Texas

million on classroom courses and 24/7 online learning and development. The total amount spent on training programs decreased 12 percent from the previous year primarily because certain targeted programs and system upgrade processes were completed in 2011.

We currently offer more than 1,000 e-courses that align with Hess operations and business priorities. We tailor many courses for employees located outside the U.S. Through our independent third party verification process, we estimate that our non-retail employees spent at least 25 hours in training and courses during 2012.

Data from the Hess Learning Center shows that more than 3,500 non-retail employees completed more than 10,000 online courses in 2012, a 96 percent increase over 2011. This data demonstrates increased utilization of learning resources and course completions.



Tioga Rail System, North Dakota

Hess continues to help meet the world's increasing demand for energy while we manage our carbon footprint and energy use. This commitment underpins our seven-point strategy that addresses the challenges and opportunities presented by climate change.

Hess monitors, measures and takes steps to reduce our carbon footprint at existing and planned operations. We have been executing a five year (2009-2013) climate change strategy and are in the process of developing a policy to provide internal clarity on our climate change framework, demonstrate comprehensive climate change management and increase transparency. This policy, when adopted, will guide operational and project planning efforts to manage our carbon footprint.

We recognize the need for cooperation between U.S. and world leaders and industry to develop comprehensive energy solutions that will meet future energy demand and reduce greenhouse gas (GHG) emissions. These solutions include increased use of cleaner burning natural gas, commercial scale carbon neutral technologies and demand reduction measures such as energy efficiency initiatives.

Carbon price signals may also encourage more efficient use of hydrocarbons. In the U.S., we support a transparent, flexible, equitable and reasonable approach to reducing carbon emissions that will not impede the domestic economic recovery.

## STRATEGY AND GOALS

In 2009 the Hess Leadership Team (HLT) approved a five year corporate climate change strategy for 2009 through 2013. Key elements of the strategy address GHG emissions intensity, flaring, energy efficiency, carbon accounting and products and services to help customers become more carbon efficient. A synopsis of the progress we have made in executing our climate change strategy is summarized in the table below.

While we are on track in most areas, a transformation of Hess is underway. This impacts our ability to achieve our GHG emissions intensity reduction target (equity basis) of 20 percent below the 2008 baseline by the end of 2013. Through 2010 we reduced our equity basis GHG emissions intensity by 14 percent. However, we have subsequently exited petroleum refining with the closings of the HOVENSA joint venture refinery in January 2012 and the Port Reading refining facility in February 2013. In addition, we have announced the planned divestiture of our other downstream businesses.

The higher carbon intensity of exploration and production operations, combined with reduced production and throughput from asset sales and facility closures, mean that our normalized target is no longer achievable. However, between 2008 and 2012, our absolute GHG emissions (equity basis) have decreased 26 percent (2.8 million tonnes). We expect GHG emissions (equity basis) will be three to four million tonnes lower in 2013 than in 2008 because of a combination of improved operating processes and discontinued operations.

In 2012 we began incorporating carbon footprinting tools and energy efficiency best practices into our capital evaluation for new upstream investment decisions valued greater than \$50 million to promote carbon efficient equipment selection. The cost of carbon is included in base project economics in carbon-regulated areas. In all other areas, the cost of carbon is included in project economics as a sensitivity analysis. Workshops to educate project engineers were held in Houston, London and Kuala Lumpur and were taught by subject matter experts.

Climate Change Strategy and Progress	
Strategy	Progress
Establish and publicly communicate a five year GHG emissions intensity reduction target.	Due to the restructuring of Hess into a pure play Exploration and Production (E&P) company, our target of 20 percent reduction in emissions intensity by 2013 is no longer achievable. However, since 2008 we reduced absolute GHG emissions (equity basis) by 26 percent (2.8 million tonnes) through 2012.
Account for the cost of carbon in all significant future investment decisions.	We incorporated carbon cost considerations into the E&P project planning process for major investments and held training workshops for project engineers.
Evaluate industry best practices to minimize emissions when designing production facilities.	We incorporated energy efficiency considerations into the E&P project planning process for major investments and held training workshops for project engineers.
Reduce flaring in Algeria and Equatorial Guinea by 50 percent over five years (by end of 2013 compared to 2008 baseline).	We continued to review flare reduction options while having already reduced combined flaring in Algeria and Equatorial Guinea by 61 percent through 2012.
Implement a corporate wide energy efficiency program.	We implemented monthly collection of energy use and spend data at our assets to identify opportunities to reduce energy consumption and costs and to begin establishing a baseline.
Purchase at least 10 percent of annual electricity for company operations from renewable sources.	We purchased renewable energy certificates equivalent to 15 percent of our 2012 net electricity use.
Offer Hess Energy Marketing customers products and services to help them minimize their carbon footprint.	Hess Energy Solutions expanded its integrated commodity contract offerings, incorporating energy efficiency, renewable energy and fuel conversion services.

During the year we began building an energy management system to track energy use throughout the corporation. This new system helps us identify opportunities to reduce energy use and flaring. In 2013 we will continue to collect energy use data with the goal of evaluating energy efficiency improvement opportunities and establishing an energy baseline and targets for 2014 and beyond.

Another element of our strategy is increasing the use of renewable energy through the purchase of renewable energy certificates (RECs) equivalent to 10 percent of net electricity used for company operations. We have exceeded this target for the past three years. In addition, our Marketing and Refining (M&R) business installed a 1.1 megawatt solar photovoltaic system at its Woodbridge, N.J. headquarters to provide more than 20 percent of its electricity needs. Since 2010 we have also achieved carbon neutral status for employee business travel on commercial air carriers through the purchase of carbon offsets.

In 2013 and through early 2014 we will update our climate change strategy and objectives for the next five year cycle (2014-2019). We will continue to emphasize best practices for flare reduction and energy efficiency. To accomplish this objective we will also continue to assess opportunities to improve our emissions performance.

### GOVERNANCE STRUCTURE

The HLT oversees the climate change strategy and its execution by the Hess Climate Change Network (CCN). The CCN reports to the company’s Operational Excellence Pillar Team, which is led by the President of E&P and includes senior leaders from our upstream and downstream business segments, as well as corporate Environment, Health, Safety and Social Responsibility, Global Process Excellence and Information Technology functions.

We established four CCN work groups to develop, update and execute the company’s climate change strategy. The Climate Policy Work Group monitors policy developments, assesses their impact on our operations and coordinates strategy development across the four work groups. The Energy Efficiency and Flaring/Venting Work Groups focus on the technical and operational factors of carbon footprint evaluation and reduction. The Carbon Markets Work Group provides guidance on forward pricing for project economics and carbon monetization opportunities.

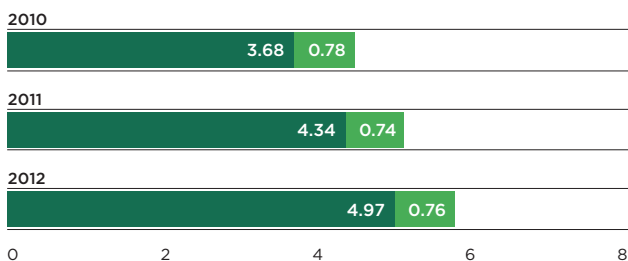
### GREENHOUSE GAS PERFORMANCE

We report our GHG emissions on an operated and net equity basis. The majority of our direct (Scope 1) emissions are associated with fuel combustion and flaring. We report indirect emissions associated with purchased electricity (Scope 2) and

#### Operated Greenhouse Gas Emissions

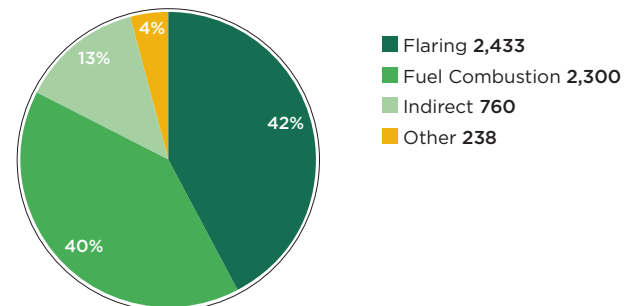
Million Tonnes CO<sub>2</sub>e

■ Scope 1 Emissions ■ Scope 2 Emissions (gross)



#### Operated Greenhouse Gas Emissions by Source

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





other indirect emissions (Scope 3), resulting from employee business travel and the transport and use of our products.

### Hess Operated Emissions (Scope 1 & Scope 2)

In 2012, of the 5.7 million tonnes of gross GHG emissions from operated assets, 5.0 million tonnes were Scope 1 emissions, primarily from flaring and fuel combustion, and 0.8 million tonnes were Scope 2 emissions from purchased electricity. Process operations (primarily fuel combustion), flaring and indirect emissions (purchased electricity) accounted for 44 percent, 43 percent and 13 percent of GHG emissions respectively.

Greenhouse gas emissions from operated assets increased 0.7 million tonnes, primarily as a result of an increase in flaring emissions due to the rapid expansion of our operations in the North Dakota Bakken formation. Based on North Dakota Industrial Commission data, we have historically had some of the lowest gas flaring rates in the industry. However, our flaring rates in the Bakken region currently exceed the 2012 industry average of 32 percent.

While we decreased our flaring in the Bakken from 2009 to 2010 by bringing additional gas gathering infrastructure online, our flaring subsequently increased from 2011 to 2012, following the acquisition of acreage in remote areas with insufficient existing gas gathering infrastructure. These new acquisitions accounted for 56 percent of our Bakken flaring at year end 2012. At operated assets, flaring rates in the

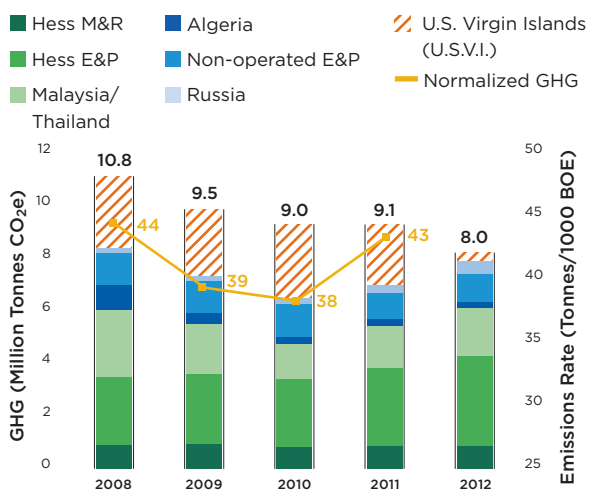


Tioga Gas Processing Plant Expansion, North Dakota

Bakken formation have stabilized between 2011 and 2012 and we expect flaring to decrease substantially in the next few years as we continue to invest in flare reduction projects.

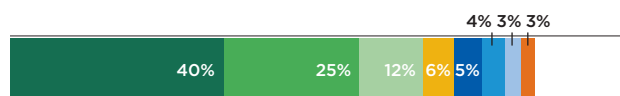
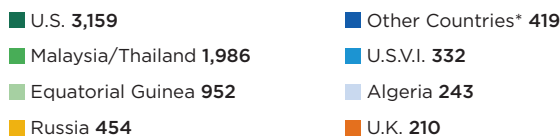
We are investing more than \$1.2 billion to improve gas gathering infrastructure, monetize gas recovery and minimize gas flaring. These investments include the planned completion of four gas gathering projects by 2014. Other mitigation measures utilized in 2012 included daily review of

### Net Equity Greenhouse Gas Emissions



### Net Equity Emissions by Country

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



\*Other countries:  
Denmark 1.8%  
Azerbaijan 1.3%  
Norway 1.2%  
Libya 1.0%

rates and pressures to optimize the steam to oil ratio, a measure of efficiency. We also piloted third party services to compress natural gas for transport. These mitigation measures continue in 2013, along with pilot testing methods for natural gas liquids collection at the well site and plans for conversion of some of our contracted drill rigs to dual fuel (natural gas as well as diesel).

Based on our current production and emissions forecast, we anticipate further absolute reductions in GHG emissions reflecting these flaring reduction initiatives in North Dakota and the closure of our Port Reading, N.J. refining facility. In addition to our projects in the Bakken, we have ongoing flare reduction initiatives in Algeria and Equatorial Guinea (EG). We continue to look for ways to reduce fuel consumption and improve our operational efficiency through these and other energy efficiency initiatives.

### Hess Net Equity Emissions (Scope 1 & Scope 2)

Since 2007 we have tracked GHG emissions from our non-operated locations based on our equity interest in each asset. Tracking emissions on a net equity basis is more difficult than on an operated basis, but it provides a more accurate overall picture of our carbon footprint.

Our major sources of emissions from non-operated assets in 2012 included the Malaysia/Thailand Joint Development Area (JDA) and SonaHess (Algeria) joint ventures and our equity

interests in Samara-Nafta, Russia and Pailin field, Thailand. Combined, these assets accounted for approximately three million of our eight million tonnes of net equity emissions.

Operated sources included our operations in EG and North Dakota, the Port Reading refining facility and the Seminole and Tioga gas plants, which together accounted for 3.2 million tonnes of net equity emissions. Our year-over-year net equity emissions decreased by more than one million tonnes CO<sub>2</sub>e, primarily due to the closure of the HOVENSA joint venture refinery in early 2012.

### Scope 3 Product Use Emissions

The majority of our Scope 3 emissions are associated with customer and consumer use of our fuel and other products. Although no standard methodology has been adopted within our industry to report these types of emissions, we have followed the U.S. Environmental Protection Agency (EPA) approach.

Our methodology for calculating product use emissions addresses the products that we refine and sell, as well as natural gas that we produce and sell for third party consumption. We exclude emissions associated with products that are manufactured by others and purchased by Hess for resale. Emissions factors for refined petroleum products are based on the EPA rule for mandatory GHG reporting. Natural gas emissions factors reflect CO<sub>2</sub> content in gas sales.

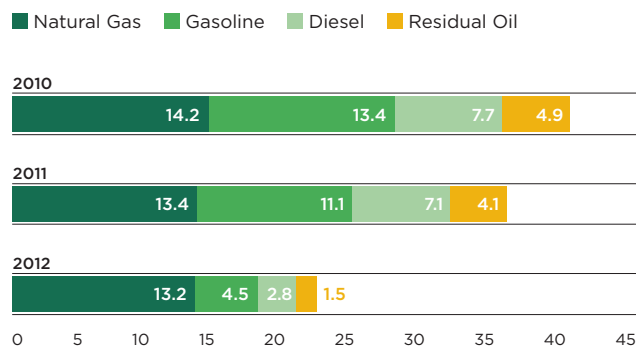
Our product use emissions have decreased from approximately 40 million tonnes CO<sub>2</sub>e in 2010 to 22 million tonnes CO<sub>2</sub>e in 2012, as a result of shutting down our HOVENSA joint venture refinery. In February 2013 we closed our remaining Port Reading refining facility. Therefore, our Scope 3 product use emissions from refined petroleum products are expected to be less than one million tonnes in 2013.

### Other Scope 3 Emissions

In addition to our product use emissions, in 2009 we began identifying and quantifying potential carbon hotspots in our value chain. To date, we have collected data associated with third party supply and distribution and business travel.

### Product Use Emissions

Million Tonnes CO<sub>2</sub>



GHG factors are 0.37, 0.43 and 0.47 tonnes of CO<sub>2</sub>/barrel for gasoline, diesel and residual oil, respectively, and 0.0966 tonnes of CO<sub>2</sub>/MMBtu for natural gas. These factors are based on the EPA rule for mandatory GHG reporting, except the gas factor which is adjusted for JDA's CO<sub>2</sub> content in gas sales.

Scope 3 emissions from these activities are not material relative to product use emissions, but demonstrate our progress in assessing our value chain GHG emissions.

We have refined our approach for 2012 to focus on third party activities where we can obtain accurate and reliable source data. These include ocean transport of refinery feedstock for the Port Reading refining facility and refined petroleum products for resale by Energy Marketing and Retail Marketing. We also collect data on employee business travel on commercial air carriers. In 2012 Scope 3 ocean transport emissions were 210,000 tonnes CO<sub>2</sub>e, similar to 2011. Our emissions from employee business travel on commercial aircraft were approximately 23,000 tonnes, the same as 2011.

We offset more than 120 percent of commercial carrier emissions through the purchase of carbon credits from The Climate Trust (TCT). In addition, we provided a \$25,000 grant to TCT to support an avoided grasslands conversion carbon offsets project in the Prairie Pothole Region of North Dakota. The grant will advance validation of a new carbon offset protocol for avoided grasslands conversion by the American Carbon Registry and the Voluntary Carbon Standard. The methodology will enable grassland producers to earn income from preservation of their grasslands and the soil carbon present in these systems. As a result, this project will support

ranching families and rural communities in a region of noted rural out-migration while preserving sensitive habitat.

We have joined the CDP Supplier Initiative (formerly known as the Carbon Disclosure Project) and have requested key suppliers of refined petroleum products and biofuels to respond to our information requests. Our goal is to improve our understanding of third party GHG emissions from the production of these products that we sell to customers and consumers.

### ENERGY USE

Energy management is fundamental to our company's business strategy and our ongoing efforts to improve energy efficiency at Hess.

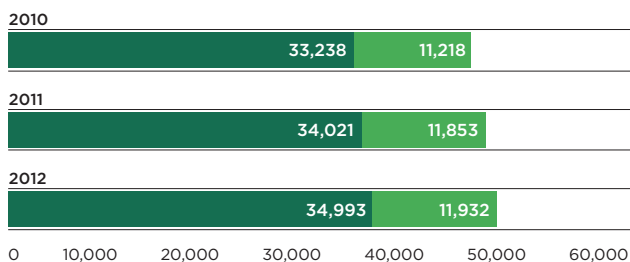
Our operations make and purchase energy primarily for power, processing, heating and cooling. In 2012 energy consumption from Hess operated assets was approximately 47,000 thousand gigajoules, a 2.3 percent increase over 2011. Seventy-five percent of our energy use was generated directly by our operations. The remaining 25 percent was gross indirect energy (including energy burned by the utility to provide net purchased electricity).

The slight rise in energy use in 2012 was primarily at E&P operations where approximately 75 percent of the

### Energy Use

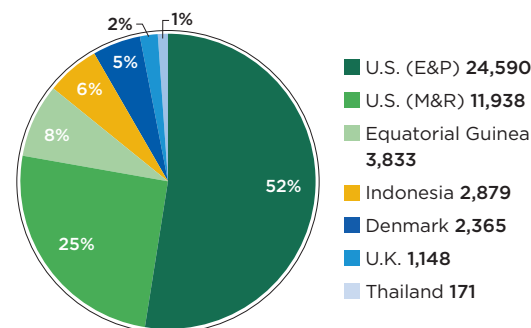
Thousand Gigajoules

■ Direct ■ Indirect



### Energy Use by Country

Thousand Gigajoules



company's energy was used. The largest increase occurred at our rapidly expanding North Dakota operations, where year-over-year production increased 87 percent and energy use rose 18 percent.

In 2012 U.S. operations accounted for more than 99 percent (approximately 1.1 million megawatt hours) of net purchased electricity. Based on U.S. electricity generation profiles, we estimate that approximately 8 percent of this electricity was generated from renewable sources, primarily wind and hydroelectric power. Hess targets to purchase at least 10 percent of annual net electricity from renewable sources. In 2012 we acquired 180,000 Green-e Energy certified RECs for wind power, equal to 180,000 megawatt hours or about 15 percent of our net purchased electricity. Overall, approximately 23 percent of our indirect energy use was from renewables.

### Energy Initiatives

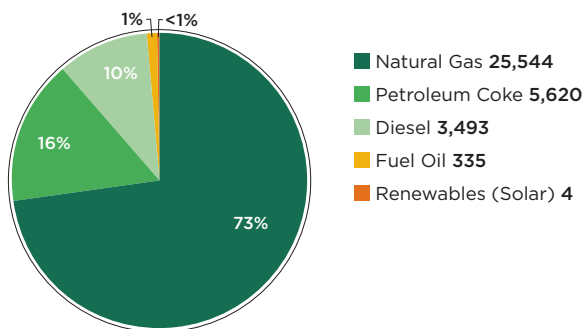
In 2012 Hess continued to improve energy efficiency and reduce energy consumption at our operations. We began monthly collection of energy use and spend data at our assets to identify opportunities to reduce energy and costs. These data are reported monthly to senior leaders and will inform our five year climate change strategy and energy goals for 2014-2019.

For major new projects (\$50 million or greater) we require that energy assessments be included in planning and review. We held project planning workshops at all major E&P locations to educate project design teams on new requisite tools for assessing energy efficiency. The workshops were developed by a cross-functional team of internal and external energy experts.

We also continued to advance the energy efficiency projects at existing facilities. For example, a lighting project was completed at a New Jersey facility, lowering energy use by a projected 145 MWh annually. Terminal Operations continued a multiyear strategy to reduce fuel use by converting boilers from heavy fuel oil to natural gas. In late 2012 through early 2013, our Charleston, S.C. and Pennsauken, N.J. terminals completed natural gas conversions. We also improved the monitoring and accountability for boiler fuel use and in some markets we stopped storing fuel products that must be heated. Combined, these efforts resulted in a 31 percent decrease in Terminal Operations' fuel use between 2009 and 2012.

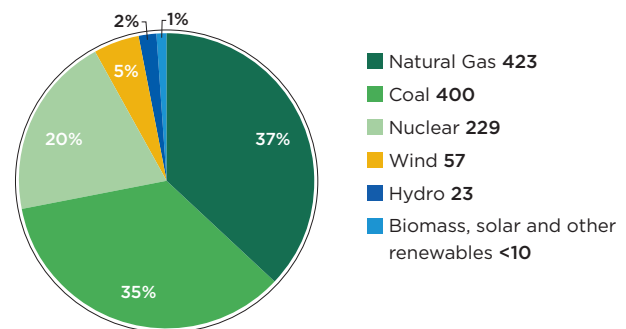
### Direct Energy Use by Fuel Source

Thousand Gigajoules



### U.S. Net Indirect Energy Use by Fuel Source\*

Thousand MWh



\*Approximate figures based on U.S. Energy Information Administration (EIA) state net electricity generation profiles for utilities and independent power producers as of March 2012

## Green Buildings

In 2012 Hess continued to make progress incorporating environmental excellence into our leased buildings and owned facilities. Renovations continued at Hess' M&R headquarters in Woodbridge, N.J., where we aim to achieve Leadership in Energy Efficiency and Design (LEED®) Gold certification. The renovations include the addition of high efficiency lighting and mechanical equipment and efficient window glazing, as well as sensor operated and low-flow plumbing fixtures. We also installed a \$5.6 million, 1.1-megawatt solar energy facility that supplies approximately 22 percent of the building's electricity needs. The 3,472 single-axis panels have sun-tracking capability for up to 25 percent more sunlight capture than fixed panel systems. The field began operations in April 2012 and generated 1,037 megawatt hours (MWh) of electricity by the end of the year.

Our leased E&P headquarters building in Houston is certified LEED Platinum for Core and Shell. We completed an interior buildout in 2011 to meet commercial interior LEED Silver criteria. Energy conservation features include a lighting system that



Hess Solar Field, Woodbridge, N.J.

monitors the position of the sun and adjusts window shades accordingly, occupancy sensors that turn off lights in unoccupied rooms and a "green roof" that helps cool the building. We measure and ensure indoor air quality, encourage bicycle commuting and have programs in place to ensure recycling. In addition, we use environmentally friendly cleaning supplies and pest control. The building's high efficiency plumbing fixtures and its reuse of air conditioning condensate and rainwater for landscaping help to conserve our use of water.



Hess E&P Headquarters, Houston, Texas



Valhall Field, Norway

We are strengthening our environmental assessment processes to ensure that key environmental risks are identified, mitigated and communicated to our stakeholders. Environmental stewardship and responsible development make good business sense.

We have initiatives to reduce the amount of water and energy we use, limit the level of greenhouse gas and other air pollutants we emit, prevent spills, and reduce the time it takes to remediate affected sites. In 2012 we standardized waste management practices across U.S. operations to improve consistency and performance.

We are currently conducting two major multiyear decommissioning projects in the U.K. sector of the North Sea. These projects have required extensive environmental assessments and have presented unique challenges as we remove thousands of tonnes of infrastructure from the seabed for subsequent recycling and disposal.

We are also introducing a new global air emissions reporting system, which will improve the accuracy, reliability and accessibility of environmental data.

In addition we are strengthening and standardizing our environmental assessment processes to ensure key environmental risks are identified, mitigated and communicated to our stakeholders. In 2012 we began to use new evaluation tools to assess the environmental and social risks associated with our operations. In the Utica Shale in Southeast Ohio we began using an online

Geographical Information System (GIS) that incorporates environmental and social baseline data. It is used on a daily basis to help us avoid ecologically sensitive areas, minimize impacts to the environment and reduce permitting requirements and review time.

### WATER USE

Fresh water availability and quality are issues of increasing importance, especially within Exploration and Production (E&P). We recognize responsible water use is a key issue for the communities where we operate and for our stakeholders. Our Environment, Health and Safety Policy commits us to conserving natural resources. As a result, we closely monitor our water use, strive to reduce our water footprint and are taking steps to safeguard water quality.

In 2012 our operations used 12 million cubic meters of fresh water, 99 percent of which was used in our U.S. operations. Groundwater accounted for 54 percent, surface water withdrawals less than 1 percent, and the remainder was purchased from local municipalities. Fresh water use decreased about 8 percent compared to 2011, primarily due to lower consumption in our gas processing and refining operations. No water sources were identified as having been significantly affected by the company's water use.

In 2012 we used 8.5 million cubic meters of fresh water in our E&P operations, 71 percent of the company total. About 78 percent was used by U.S. natural gas processing plants (Seminole in Texas, Tioga in North Dakota and Sea Robin in

Louisiana), 21 percent was used for hydraulic fracturing operations and 1 percent for all other operations.

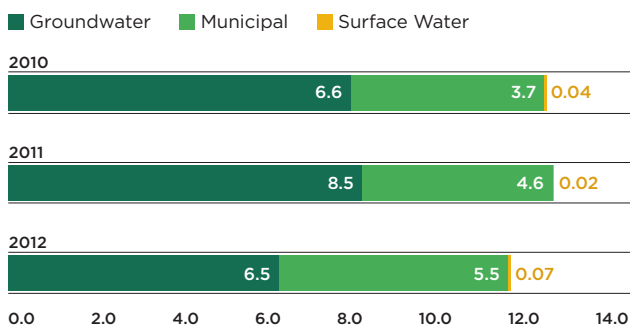
The Seminole Gas Processing Plant (SGP) in West Texas was our largest fresh water user. The plant uses water mainly for process cooling and sources it from a Hess owned and operated groundwater well field. Due to regional climatic conditions – dry all year and hot during the summer – there is a high evaporative loss associated with SGP's cooling system. The facility recirculates water in its cooling towers between three to five cycles, and to prevent buildup of solids in the circulating water a portion is removed as "blowdown." Fresh water inputs to the cooling system must replace both the amount of blowdown and the amount of water lost to evaporation.

In 2012 SGP used 6.3 million cubic meters of water for process cooling and other utilities, 5 percent less than in 2011. To put this in context with overall regional use, SGP's 2012 groundwater withdrawals represented 0.1 percent of the estimated regional demand from the Ogallala Aquifer based on Texas Water Development Board data for the Llano Estacado region ([www.twdb.texas.gov](http://www.twdb.texas.gov)) which includes the county where SGP is located.

In Marketing and Refining (M&R), the Port Reading refining facility used 2.3 million cubic meters of water purchased from the local municipality, comprising 64 percent of M&R's total fresh water use. Approximately 75 percent of the 2.3 million cubic meters of water used at Port Reading was for the facility's cooling system, which recirculates water

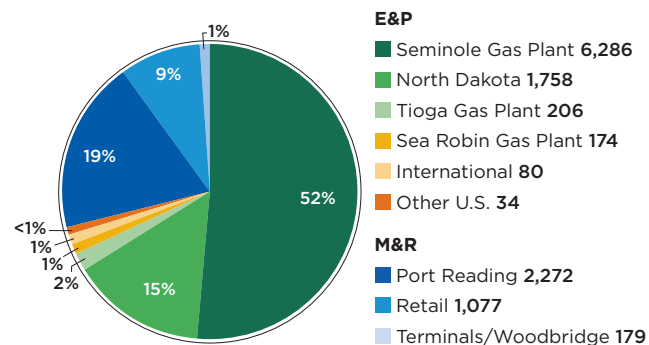
### Fresh Water Use

Million Cubic Meters



### Fresh Water Use by Business and Facility

Thousand Cubic Meters



between three and six times. The facility's utility systems account for approximately 20 percent of water use. The remaining 5 percent is used throughout various stages of the petroleum refining process.

SGP and Port Reading together accounted for 71 percent of the company's 2012 fresh water consumption and represent the vast majority of our water recycling/reuse activities. In 2012 about 1.1 million cubic meters (9%) of water was reused.

## BIODIVERSITY

Understanding biodiversity and key ecosystem services are important considerations in our project planning and execution. At times our operations extend into sensitive habitats where the protection of migratory and local animal and plant life is critical to our project decision making. Our Environment, Health and Safety Policy reinforces our commitment to the environment.

We routinely conduct biodiversity screenings for major new projects as part of early site evaluation and selection. Environmental and social impact assessments (ESIAs) are used to create mitigation strategies for environmental and biodiversity risks. These ESIs are performed for Hess by experienced third party consultants in accordance with country specific laws and regulations.

ESIAs include biodiversity baseline studies followed by screening of plant and animal species against the International Union for Conservation of Nature (IUCN) Red List and threatened and endangered species lists. In locations where an ESIA is not mandated, our E&P management system framework requires risk screening and impact assessments for proposed exploration, drilling and development programs. ESIA results are made public where required by law.

In 2012 we continued to enhance our approach to biodiversity impact assessment and management. We are building consistency in expectations and execution of our biodiversity and ecosystem services by developing global standards that address these issues. Part of this development process includes evaluating the implementation of IPIECA guidance on



Monitor lizard, native to mangrove habitats near our Pangkah operations in Indonesia

biodiversity assessment and management across our operations. We have also conducted a review of geospatial tools for identifying ecosystem risk factors and are currently assessing training needs.

In 2012 Hess E&P assets continued the ESIA process initiated in 2011 for our offshore Tubular Bells project in the Gulf of Mexico. We also began the scoping of an ESIA to assess the risks associated with our offshore Stampede project in the Gulf of Mexico, which is in the early conceptual design phase.

In North Dakota we completed a study of the effects of seismic surveys in Lake Sakakawea on pallid sturgeon and other endangered fish species. We conducted this study to understand the impacts of proposed seismic geophysical surveys that may occur in September 2013 within specific regions of the lake pending U.S. Fish & Wildlife approval. The study findings included identification of sound levels to



which adult fish can be safely exposed and will inform best practices for future surveying activities.

Hess is a member of the Biodiversity and Ecosystems Services working group of IPIECA, the global oil and gas industry association for environmental and social issues. IPIECA provides us with opportunities to continuously learn and improve as well as engage with stakeholders inside and outside our industry. For example, IPIECA, the International Council on Mining and Metals and the Equator Principles Association have formed the Cross Sector Biodiversity Initiative (CSBI). This initiative brings the mining, oil and gas and financial sectors together to develop and share best practices to safeguard biodiversity and ecosystems. This workflow is helping us effectively apply the International Finance Corporation's Performance Standard 6 on Biodiversity, Conservation and the Sustainable Management of Living Natural Resources.

Hess also participates in the Advisory Committee of the Environmentally Friendly Drilling – Technology Integration Program (EFD-TIP). The EFD-TIP represents an integrated approach for applying new technologies to address environmental impacts in shale oil and gas production. Potential technologies come from service providers, Research Partnership to Secure Energy for America projects, National Energy Technology Laboratory funded projects, and the EFD Program ([efdsystems.org](http://efdsystems.org)).

Since 2010 Hess has collaborated in an industry-wide study on fish impingement and entrainment and thermal impacts of cooling water intakes. The study was initiated to support revisions to the Gulf of Mexico-wide National Pollutant Discharge Elimination System (NPDES) permit. It is now being used to support development of a company monitoring plan that addresses permit requirements for both existing and new facilities.

In 2012 we began to use new evaluation tools to effectively assess biodiversity risks associated with our operations, including the GIS tool in the Utica Shale.

In addition to the evaluation of available biodiversity tools, a formalized data collection scope of work is under

development. The use of a formalized approach and biodiversity data collection tools will help us enhance our data collection process during the next several years. Historically we have collected biodiversity data manually through reviews of ESIA's and other existing reports, which are limited because they only cover a fixed time period. This improved approach will help us maintain more up-to-date information.

### IUCN Red List

Hess Corporate Environmental Affairs maintains a list of IUCN Red List species compiled and updated using environmental due diligence, screening and impact assessment reports. Most of the endangered or critically endangered species on this list are marine life that thrives in tropic and subtropic regions, including some coastal and offshore regions in the vicinity of our project areas.

No Hess asset is located within an IUCN protected area, with the exception of the Sinphuhorm Natural Gas Field in northeastern Thailand. Some associated wellheads and gas gathering lines lie within the northern boundary of the Phu Kao-Phu Phan Kham National Park, an IUCN Category V protected area. To help maintain and protect this national forest, we provide financial support for local fire fighting and reforestation programs.

### SITE DECOMMISSIONING

As offshore oil and gas facilities reach the end of their commercial life, decommissioning those assets presents unique engineering, environmental protection and waste management challenges. The Fife, Fergus, Flora and Angus

IUCN Category	Number of Species
Critically Endangered	22
Endangered	41
Vulnerable	243
Near Threatened	250

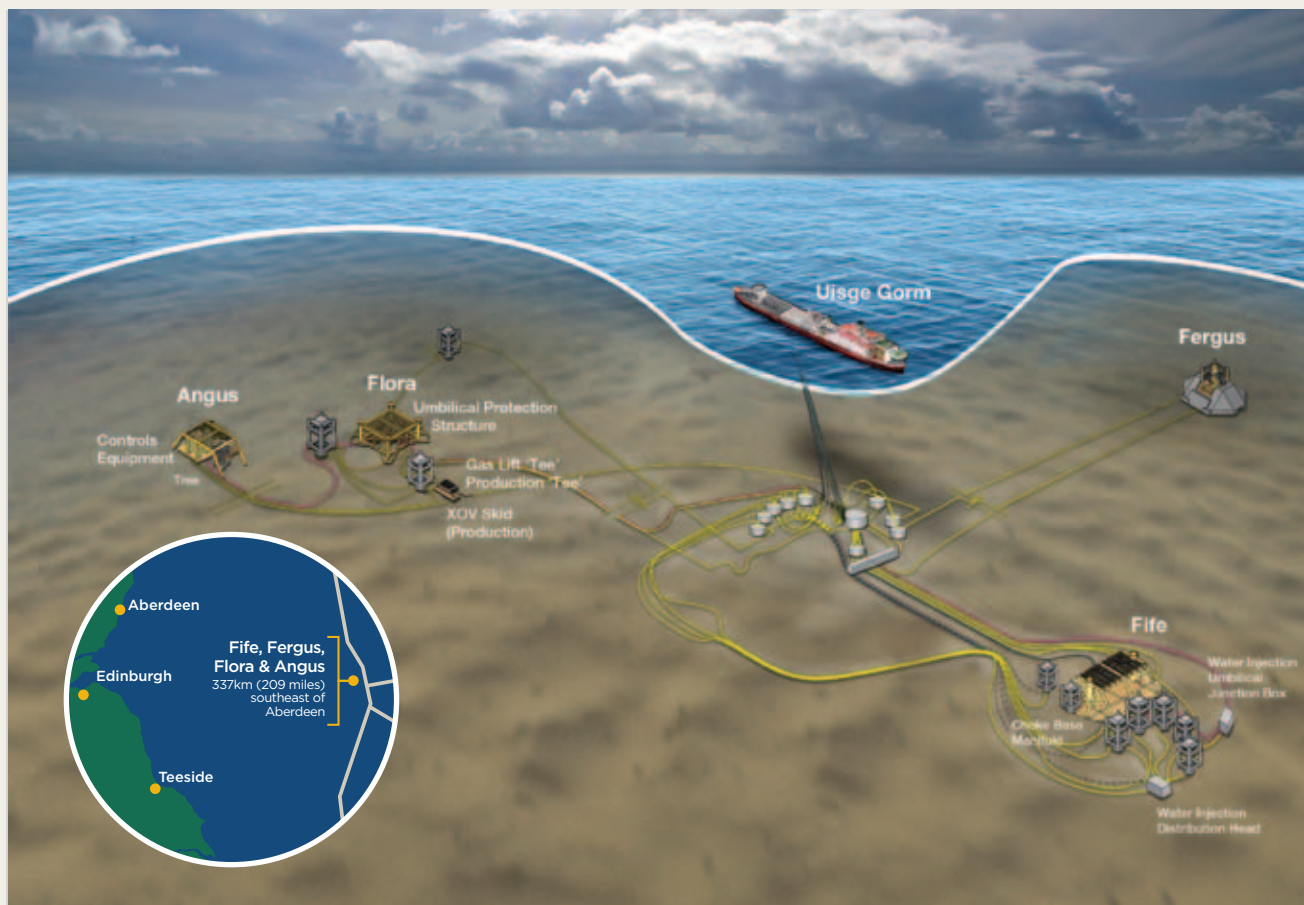
fields (FFFA) in the North Sea stopped production in 2008 after delivering more than 100 million barrels of oil during a 17-year life. The Ivanhoe and Rob Roy fields (IVRR), also in the North Sea, have also ceased production. The knowledge gained from the FFFA project will be applied to their decommissioning this year. These fields mark the first major subsea abandonment in United Kingdom (U.K.) waters. While well abandonment is not uncommon, most abandoned wells in the North Sea have been primarily from fixed platforms, with fewer challenges than older fields present such as corrosion.

As these projects are the first of their kind in the North Sea, our activities are setting a precedent for future

decommissioning projects in the region. We have been active in industry committees to develop guidance for responsible decommissioning practices and worked with regulators to ensure that these operations are completed safely and effectively.

As the operator of these fields, we thoroughly researched and planned the decommissioning design. Full decommissioning plans were prepared and environmental impact assessments were conducted for the FFFA and IVRR projects. These included assessments of the possible environmental and social impacts from decommissioning activities on the biological environment, in addition to fishing and other commercial activities in the area.

### Fife, Fergus, Flora and Angus Fields Decommissioning Map



The decommissioning of the Fife, Fergus, Flora and Angus fields' subsea facilities in the U.K. North Sea is setting standards for future projects in the region.

Decommissioning activities at FFFA commenced with the removal of the Floating Production Storage Offloading (FPSO) vessel. Then a multiyear undersea process began to disconnect and remove “mattresses” (big concrete blocks latticed together with wire mesh or rope), “trees” (assemblies of valves and fittings attached to each oil well), and the associated subsea pipelines.

Steps are taken to conduct work safely and minimize impact on the environment. For example, a guard vessel remains in place at the site to keep shipping traffic clear and be a potential first responder in case of an oil spill or other emergency. Arrangements have also been made for decontamination and recycling or disposal of the infrastructure removed from the seabed. The operation will recover more than 7,000 tonnes of steel and concrete, 95 percent of which will be recycled.

### DISCHARGES

Discharges in our E&P and M&R operations include stormwater runoff and process wastewater. In the U.S. these discharges are regulated under the National Pollutant Discharge Elimination System (NPDES). Discharges associated with our E&P operations also include produced water, drill cuttings and drilling fluids. Offshore exploration and production discharges include drilling mud, drill cuttings and produced water.

In 2012 the drilling mud and cuttings discharged from offshore operations contained approximately 322 metric tons of oil. Offshore produced water discharges totaled 16.5 million cubic meters with an average oil content of nine parts per million volume (ppmv). The discharged produced water contained 119 metric tons of oil, 93 percent of which was from operations in Equatorial Guinea, the North Sea and Indonesia.

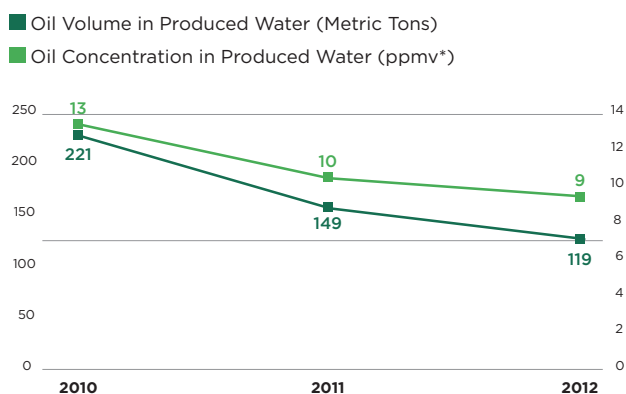
Onshore E&P operations generated approximately 24.9 million cubic meters of produced water, of which 57 percent was reinjected for reservoir management and 43 percent was reinjected for disposal. No produced water onshore was discharged to surface water. Overall, 95 percent of gas plant stormwater discharge samples were within NPDES permit limits.

The Port Reading refining facility discharged 1.3 million cubic meters of treated wastewater. Nearly all (99.7 percent) of terminal and refinery discharge samples were within permit specifications.

### HYDROCARBON SPILLS

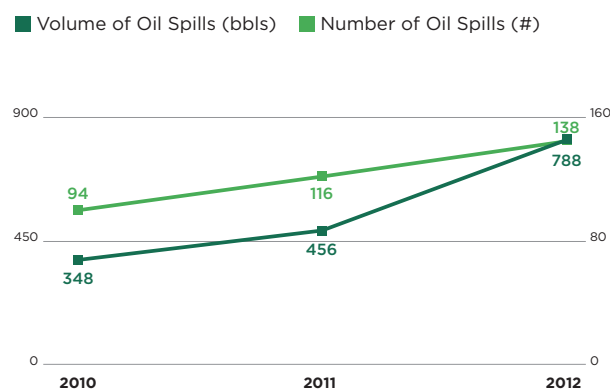
In 2012 hydrocarbon spill volumes totaled 788 barrels from 138 spills. The volume of hydrocarbon spills has increased over the past three years and spill volumes nearly doubled from 2011. Three spills in North Dakota accounted for 58

#### Oil in Produced Water Discharges to Sea



\*parts per million volume

#### Hydrocarbon Spills



percent of the 2012 spill volume. Equipment was immediately shut down and cleanup efforts commenced. More than two-thirds of the spilled volume was recovered.

Our company is a member of a spill consortium in North Dakota, Sakakawea Area Spill Response LLC (SASR), which organizes training exercises and purchases equipment to be made available in the event of a spill at Lake Sakakawea. This initiative allows faster and more comprehensive spill response capabilities.

### NON-HYDROCARBON SPILLS

The volume of non-hydrocarbon spills in E&P totaled 1,879 barrels of fluid from 60 spills, a 57 percent decrease in volume from 2011. Two produced water spills totaling 1,015 barrels occurred at our West Texas operations as a result of injection line leaks. More than 90 percent of the spill volumes were recovered.

### CRITERIA POLLUTANTS

Air emissions of nitrogen oxides (NO<sub>x</sub>) and sulfur oxides (SO<sub>x</sub>) result from fuel combustion, process operations and flaring activities. Volatile organic compounds (VOCs) are emitted during product loading and storage and fuel dispensing. In 2012 normalized NO<sub>x</sub> and SO<sub>x</sub> emissions increased 18 percent and 11 percent respectively. Normalized VOC emissions increased substantially in North Dakota as a result of increased activity and rapid expansion of operations.

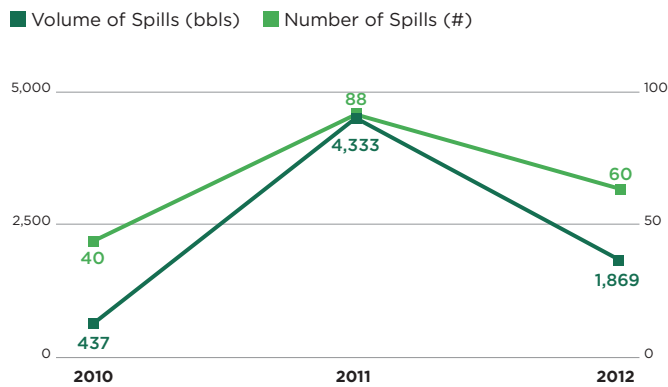


Malaysia/Thailand Joint Development Area, Gulf of Thailand

### WASTE

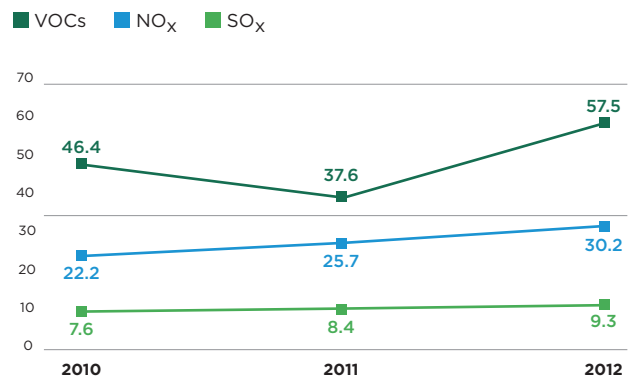
Our typical waste streams include construction debris, scrap metal and wood, office and domestic waste, oily tank bottoms, contaminated soil, spent acids and caustics and used catalyst. Scrap metal, spent acids and caustics, and used catalysts are usually recycled or reused. Waste is disposed according to waste management plans at each operating location.

### Non-Hydrocarbon Spills



### Criteria Pollutants

Emissions (Tonnes per million BOE)



Approximately 200,000 metric tons of waste was generated in 2012, of which 96 percent was non-hazardous. Thirty-seven percent of the waste we generated last year was recycled or reused.

In 2012 we exported 10.4 tonnes of waste considered hazardous under the terms of the Basel Convention. The waste was generated from catalyst used in our operations at our Port Reading, N.J. refining facility and exported to the eurozone for recovery of precious metals.

### REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

We paid approximately \$85,000 in environmental fines and penalties in 2012. More than 80 percent of those fines were incurred in our M&R segment, primarily associated with operation and maintenance of underground storage tank systems at our retail stations. Corrective actions were taken in response to each incident to ensure compliance going forward.

### ENVIRONMENTAL EXPENDITURES

We remediate sites that have been affected by our activities, including former or current gas stations, terminals, refineries and onshore E&P facilities. We accrue for environmental assessment and remediation expenses when the future costs are probable and reasonably estimable. As described in Item 7 of the company’s 2012 SEC Form 10-K filing, at

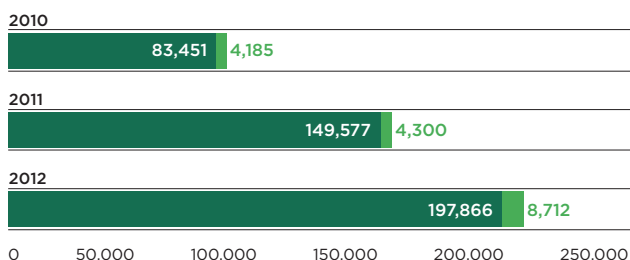
the end of 2012 Hess held a reserve of \$55 million for estimated environmental remediation liabilities, which we expect will adequately cover assessment and remediation costs for all known impacted sites. Information about estimated asset retirement obligations, which are accounted for separately, is provided in the company’s 2012 SEC Form 10-K filing.

Environmental assessment and remediation expenditures in 2012 were \$19 million. In 2012 capital expenditures related to compliance with federal, state and local environmental standards, other than for the low sulfur requirements, were \$70 million.

#### Waste

Metric Tons

■ Non-hazardous ■ Hazardous



Hess-supported Elizabeth River Remediation Project, Virginia

Our company's multiyear transformation to become a more focused and higher growth exploration and production (E&P) company culminated March 4, 2013, when we announced we are exiting our downstream businesses, including retail, energy marketing and energy trading to become a pure play E&P company.

The company also announced we would further focus the E&P portfolio by divesting assets in Indonesia and Thailand and pursuing monetization of Bakken infrastructure assets in North Dakota, expected in 2015.

We will continue to provide information to stakeholders as our transformation into a pure play E&P company progresses. Until this process is complete, updates on the assets in transition will be provided in future sustainability reports.

In this section we describe the key products and services of our downstream businesses for activities conducted in 2012.

### **ENERGY MARKETING**

Hess Energy ([hessenergy.com](http://hessenergy.com)) is a leading energy marketer in the Eastern U.S., providing natural gas, electricity and fuel oil to more than 21,000 commercial, industrial, government and small business customers. In 2012 natural gas and electricity accounted for more than 85 percent of sales volumes on a thermal equivalent basis.

The Energy Solutions group within Energy Marketing continued to build a portfolio of products and services to help customers reduce their energy use and costs, become more energy efficient and shrink their carbon footprint. Drivers include local regulations, voluntary corporate initiatives, and the favorable economics of natural gas over heating oil.

Energy Solutions offers integrated commodity contracts that can incorporate energy efficiency, renewable energy, and fuel conversion services, depending on a customer's needs. Energy management and efficiency services include Demand Response, retrofit

assessments, comprehensive energy audits, energy benchmarking and energy reduction plans that help customers meet their voluntary energy goals or comply with local regulations.

In New York City, recent clean air legislation mandates the phase out of heavy heating oils, which will impact approximately 10,000 buildings. Energy Solutions provides comprehensive fuel conversion services integrated with commodity contracts. Together these services ensure that buildings are properly heated and that they benefit from the long term economic advantages of natural gas. We have joined the New York City Energy Efficiency Corporation on fuel conversion projects and the New York City Energy Efficiency Corporation and JPMorgan Chase & Co., which provide financing, while Energy Solutions provides project management and natural gas supply expertise.

Our Energy Operations group includes wholesale electric and natural gas operations, as well as a new line of business in independent power generation. During 2012 operations began at the Bayonne Energy Center, a 512-megawatt natural gas fueled electric power plant joint venture with ArcLight Capital Partners. The plant provides electricity to New York City. A joint venture was also formed (Hess 50%) to build a 655-megawatt natural gas fueled electric generating facility in Newark, N.J. ([newarkenergycenter.com](http://newarkenergycenter.com)).

### **REFINED PETROLEUM PRODUCTS**

Hess has 1,361 branded retail stations along the U.S. East Coast ([hessexpress.com](http://hessexpress.com)). These stations provide customers with ultralow sulfur diesel (ULSD) and reformulated (RFG) and conventional gasoline. Our stations sold 534 million gallons of diesel fuel in 2012, all of which were ULSD. RFG sales volumes were approximately one billion gallons and represented 52 percent of total gasoline sales. Under U.S. Environmental Protection Agency (EPA) regulations, in 2012 we generated approximately \$8 million in surplus renewable fuels credits that we sold to other companies.

We purchase biodiesel produced from a variety of EPA-approved feedstocks, including soybean oil, corn oil, canola oil, camelina oil, animal waste, waste grease and other sources to blend into ultralow sulfur diesel or #2 heating oil at our Newark, N.J., Baltimore, Md., Bronx, N.Y., and Jacksonville, Fla. terminals. In 2012 our Marketing and Refining (M&R) segment purchased and sold approximately 9.5 million gallons of biodiesel.

Additional product responsibility information as per the Global Reporting Initiative's GRI G3.1 guidelines is included on our public website where we have posted a GRI Content Index ([hess.com/2012griindex](http://hess.com/2012griindex)).

## NUVERA FUEL CELLS

Nuvera Fuel Cells ([nuvera.com](http://nuvera.com)), a wholly owned Hess subsidiary, conducts applied research and development and commercialization of motive fuel cell power systems and hydrogen delivery solutions for automotive, industrial and aerospace applications. Technologies include hydrogen fuel cells for electric vehicles and hydrogen generation and fueling systems. Nuvera has conducted research with industry partners, academic institutions and the U.S. Department of Energy National Energy Labs to advance hydrogen fuel cell technology by continuing to improve fuel cell durability and the efficiency of fuel cell stack technology.

One of Nuvera's key technologies is the PowerTap® hydrogen generator, which uses steam methane reformation to generate high-purity, high-pressure hydrogen. This technology capitalizes on abundant natural gas as a source of clean and cost effective hydrogen and can also use biomass methane and other renewable feedstocks. PowerTap® units are currently deployed in industrial applications, including the material handling industry.

Nuvera is also working on advanced hydrogen fuel cell systems for industrial mobility, automotive and aerospace applications. Nuvera has entered into joint development agreements with leading automotive and aerospace companies to further the advancement of Orion™, an eighth generation fuel cell stack design. One example is a partnership with a major aerospace company to develop

onboard electrical power generation systems for commercial airliners.

## SUPERSTORM SANDY

Superstorm Sandy, one of the largest Atlantic storms on record, hit the U.S. East Coast in October 2012 with high winds, rain and an extreme storm surge that devastated one of the most densely populated and developed areas of the country. The storm and ensuing damage had a tremendous impact on our customers, our employees and our day-to-day business, especially affecting our M&R customers in and around the New York metropolitan area. Despite unprecedented challenges, Hess was able to continue providing products and services to customers. We were prepared, customer focused, committed to operating safely and remained dedicated to our corporate values through it all.

In the last decade, experience from serious weather events in Texas, Florida, North Dakota, the U.S. Northeast and Asia has taught us the importance of early planning. We routinely prepare, test and follow detailed procedures when faced with an emergency weather event. As the superstorm was approaching, we tracked it closely and ensured that our retail locations, terminals and Port Reading, N.J. refining facility followed pre-hurricane preparation checklists to safeguard employees and customers and secure equipment.

Early on, we arranged for and staged 110 emergency generators to power our operational areas from Eastern Pennsylvania to metropolitan Boston that were in the storm's path. Most generators were deployed to retail sites but some were used at our terminals to ensure a continuity of supply. We brought in additional personnel and equipment before the storm hit, including Hess employees and contractors who traveled from Houston and from the Southeastern U.S. to provide onsite support.

We tracked the crisis as it developed, monitoring the locations of generators and personnel and recording the timeline of events around the region. At some of our locations in the New York City region we brought in cots and supplies to house workers temporarily, and we lodged out-of-town employees at nearby hotels.

We worked with our energy marketing industrial, commercial and government customers in advance of the storm to provide them with ample fuel inventories.

In addition to fuel for transportation, demand for fuel for back-up power generation significantly increased as areas within the region lost electricity for as long as two weeks. By placing large generators at our Port Reading Terminal, we were able to run the loading rack continuously for about 10 days to meet the demand for gasoline and diesel fuel. We supplied fuel a day and a half after the storm surge hit to meet urgent needs in local communities, providing diesel fuel for senior centers, homeless shelters and hospitals. We also provided gasoline for public safety personnel and emergency responders. Our marketing staff handled a steady flow of calls from commercial, industrial and government clients needing diesel fuel to run their generators. The number of fuel deliveries in the days immediately after the storm was about three to four times normal.

Within two days after the storm ended, Hess had reopened 177 of our 186 retail sites in New Jersey, New York City and Long Island, operating at 95 percent capacity regionally. Although there were long lines of customers at some stations, Hess retail staff worked hard to maintain an organized and safe environment for customers and employees. Station personnel assisted with directing traffic and maintaining orderly queues for gasoline as well as in convenience stores. Office-based employees across Hess who had previous retail experience went on duty to help pump gas and otherwise assist motorists during the very hectic days following the storm. Our retail sites became important gathering places to get a cup of hot coffee or necessary food items in communities where the local Hess station was the nearest store with power.

As the sites reopened, we posted real-time fuel inventory data on [hessexpress.com](http://hessexpress.com), and encouraged motorists to visit stations with fuel inventories exceeding 7,000 gallons. We publicized this information to minimize customer frustration

associated with shortages. Our website, Facebook page and Twitter pages kept customers informed about our fuel supplies and addressed their questions and concerns. Through the social networks, our customers expressed many positive comments about Hess facilities being open and accessible.

Our people relied on teamwork and collaboration to maintain employee and customer safety and business continuity throughout this crisis. The company established several ways to communicate with employees about safety issues and the status of Hess facilities. A 24-hour hotline was established to provide employees with information about which office locations were open and where to report for work. We also set up a website for employees with information about available assistance and services. Through this system we also sent out text message alerts, which were sometimes the most efficient means for getting news to employees. Our Houston office played an important role by assisting with procurement and communications during the days after the storm.

Hess employees demonstrated their continued strong commitment to safety by ensuring there were zero recordable injuries or incidents during the storm and its aftermath. People throughout the company acknowledged that the independent spirit and focus on people and communities that are embodied in the Hess Values were vital in helping us successfully weather this historic storm.

Hess business leaders have reviewed our performance during Superstorm Sandy so that we can improve our response and resilience in future situations. Planning and preparation were essential to our quick recovery immediately after the storm. We intend to be even more proactive during future events by mobilizing Hess employees and contractors from outside the affected region even sooner. The value of having communication and logistical support that is based outside the affected area and improving remote access for key personnel within the impacted area were among the important lessons we learned.



## PERFORMANCE DATA

This table contains a subset of our publicly reported performance data. Refer to the company's 2012 SEC 10-K and proxy statement at [hess.com/investors](http://hess.com/investors) for additional information.

	Units	2012	2011	2010	2009	2008
<b>Governance</b>						
Number of members of the Board	#	14	13	13	13	13
Independent Board members	#	11	10	10	10	10
Female members of the Board of Directors	%	14	15	15	15	15
Minority members of the Board of Directors	%	7	8	8	8	8
Board members that are both minority and female	#	1	1	1	1	1
Board members from outside the U.S.	%	0	0	0	0	0
Board members in the "50 and above" age group	%	100	100	100	100	100
<b>Business Performance</b>						
Sales and other operating revenue	\$ Million	37,691	38,466	33,862	29,614	41,134
Refined petroleum product sales	000 BOE/D	389	430	471	473	472
Net income	\$ Million	2,025	1,703	2,125	740	2,360
Total assets	\$ Million	43,441	39,136	35,396	29,465	28,589
Total debt	\$ Million	8,111	6,057	5,583	4,467	3,955
Total equity	\$ Million	21,203	18,592	16,809	13,528	12,391
Debt to capitalization ratio	%	27.7	24.6	24.9	24.8	24.3
<b>Exploration and Production</b>						
Total net hydrocarbons produced	000 BOE/D	406	370	418	408	381
Proved reserves (total)	Million BOE	1,553	1,573	1,537	1,437	1,432
Reserve life	Years	10.3	11.4	9.9	9.5	10.0
Replaced production	%	141	147	176	103	171
<b>Economic Contributions</b>						
Capital and exploration expenditures	\$ Million	8,265	7,462	5,855	3,245	4,828
Operating costs	\$/BOE	20.6	19.7	14.5	13.7	15.5
Income tax	\$ Million	1,675	785	1,173	715	2,340
Royalties and other payments to governments	\$ Million	920	947	1,542	414	891
Cash dividends paid to shareholders	\$ Million	171	136	131	131	130
Employee wages and benefits (U.S.)	\$ Million	1,045	1,057	992	794	720
Interest expense before income taxes	\$ Million	419	383	361	360	267
Supplier spend (approximate)*	\$ Billion	8	6	2	2	2
Asia Pacific	%	11	15	NC	NC	NC
Africa	%	11	25	NC	NC	NC
Europe	%	10	10	NC	NC	NC
Other	%	<1	<1	NC	NC	NC
U.S.	%	68	50	NC	NC	NC
With small businesses (U.S.)	%	24	29	28	28	29
With women-owned small businesses (U.S.)	%	6	7	6	8	5
With minority-owned small businesses (U.S.)	%	8	10	11	10	5
<b>Community and Social Performance</b>						
Total social investment	\$ Million	40	23	18	13	21
Education	%	47	33	34	13	49
Health	%	4	5	12	23	12
Disaster relief	%	13	5	9	8	15
Community contributions (not in-kind)	%	22	20	19	29	17
In-kind	%	9	28	18	25	6
Arts and culture	%	5	8	7	—	—
Environment	%	<1	1	1	2	1

	Units	2012	2011	2010	2009	2008
<b>Global Workforce</b>						
Number of permanent employees (excludes Hetco front office & Russia)	#	13,277	13,021	12,587	12,229	12,432
U.S.	%	90	90	91	91	91
International employees	%	10	10	9	9	9
Temporary employees	#	1,180	825	NC	NC	NC
Part time employees	%	23	24	NC	NC	NC
Full time employees	%	77	76	NC	NC	NC
Employee turnover - voluntary (excluding hourly retail)	%	6.8	7.2	NC	NC	NC
Employee lay-offs (excluding hourly retail)	%	0.9	1	NC	NC	NC
Female employees (U.S. and International)	%	40	39	40	40	40
Executives and senior officials	% of job category	11	7	4	6	7
First and mid-level managers**	% of job category	31	31	31	NC	NC
Professionals**	% of job category	34	33	34	NC	NC
Minority employees (U.S.)	%	38	37	36	36	37
Executives and senior officials	% of job category	6	7	7	7	7
First and mid-level managers**	% of job category	25	25	24	NC	NC
Professionals**	% of job category	27	26	26	NC	NC
Technical and personal training and development spend	\$ Million	14	16	12	11	13
Training per year per management/professional employee***	Average hrs	25	25	25	25	25
Training per year per hourly retail employee	Average hrs	14	14	14	14	12
Employees represented by collective bargaining agreements	%	6.0	6.5	8.7	9.0	7.5
<b>Safety Performance <sup>Δ</sup></b>						
Workforce (Employee + Contractor) Fatalities	#	2	0	0	0	1
Workforce (Employee + Contractor) Hours worked	Million hours	63.3	53.3	40.8	38.2	39.3
Employee Recordable Incident Rate	per 200,000 hrs worked	0.50	0.71	0.81	0.83	1.12
Contractor Recordable Incident Rate	per 200,000 hrs worked	0.70	0.73	0.50	0.45	0.80
Workforce (Employee + Contractor) Recordable Incident Rate	per 200,000 hrs worked	0.63	0.72	0.68	0.69	0.99
Employee Lost Time Incident Rate	per 200,000 hrs worked	0.29	0.22	0.26	0.31	0.42
Contractor Lost Time Incident Rate	per 200,000 hrs worked	0.18	0.12	0.07	0.15	0.24
Workforce Lost Time Incident Rate	per 200,000 hrs worked	0.22	0.17	0.18	0.25	0.35
OHSAS 18001-certified operations	% of production	1.6	1.9	1.9	2.0	2.0
Health and safety fines and penalties - operated	\$ Thousand	0	0	0	98	0
Products with Material Safety Data Sheets	%	100	100	100	100	100
<b>Environmental Performance <sup>Δ</sup></b>						
Gross operated hydrocarbon production/throughput (normalization factor)	000 BOE/D	1,000	1,083	1,150	1,193	1,149
Net hydrocarbon production and net refinery throughput	000 BOE/D	465	575	668	672	665
Port Reading Refinery throughput	000 BOE/D	116	124	128	145	137
Hydrocarbon spills - number	#	138	116	94	117	123
Hydrocarbon spills - volume	bbbls	788	456	348	297	1,303
Non-hydrocarbon spills - number	#	60	88	40	52	57
Non-hydrocarbon spills - volume	bbbls	1,869	4,333	437	3,751	1,860
<b>Fresh Water Use</b>						
Groundwater	Million m <sup>3</sup>	6.5	8.5	6.6	6.6	5.9
Municipal	Million m <sup>3</sup>	5.5	4.6	3.7	3.9	2.6
Surface water	Million m <sup>3</sup>	0.07	0.02	0.04	0.04	0.06
Reused/recycled (estimated)	%	9	11	NC	NC	NC

	Units	2012	2011	2010	2009	2008
<b>Energy Use</b>						
Production energy intensity	Gigajoules/boe	0.13	0.12	0.11	0.10	0.10
Operated direct energy use	000 Gigajoules	34,993	34,021	33,238	33,688	32,102
Natural gas	000 Gigajoules	25,544	24,836	24,192	24,083	22,190
Diesel	000 Gigajoules	3,493	3,283	3,587	3,175	3,772
Petroleum coke	000 Gigajoules	5,620	5,496	4,982	5,922	5,666
Fuel oil	000 Gigajoules	335	406	477	508	474
Renewables (100% Solar)	000 Gigajoules	3.7	0	0	0	0
Operated indirect energy use (gross)	000 Gigajoules	11,932	11,853	11,218	9,850	8,958
Operated net indirect energy use (purchased electricity) by primary energy source****	000 MWh	1,145	1,137	1,076	949	NC
Coal	%	35	35	42	49	NC
Natural gas	%	37	37	37	22	NC
Nuclear	%	20	20	12	20	NC
Renewables	%	NC	NC	6	6	NC
Hydro	%	2	2	NC	NC	NC
Wind	%	5	5	NC	NC	NC
Biomass, solar and other renewables	%	<1	<1	NC	NC	NC
Petroleum	%	<0.1	<0.1	2	2	NC
Green-e certified renewable energy certificates (wind power)	000 MWh	180	180	140	100	100
<b>Greenhouse Gas Emissions</b>						
Volume of flared & vented hydrocarbons	MMscf	26,437	21,760	15,607	17,125	17,879
Operated direct emissions (Scope 1)	Million Tonnes CO <sub>2</sub> e	5.0	4.4	3.7	4.0	3.9
CO <sub>2</sub>	Million Tonnes CO <sub>2</sub> e	4.7	4.2	3.5	3.6	3.7
CH <sub>4</sub>	000 Tonnes CO <sub>2</sub> e	207.4	139.6	123.7	294.7	174.7
N <sub>2</sub> O	000 Tonnes CO <sub>2</sub> e	24.5	21.8	23.6	24.6	28.4
Operated direct emissions (Scope 1) by source						
Flaring / venting	%	49	43	36	40	39
Fuel combustion	%	46	55	61	57	57
Other	%	5	2	3	3	4
Operated indirect emissions (Scope 2)	Million Tonnes CO <sub>2</sub> e	0.8	0.7	0.8	0.6	0.6
CO <sub>2</sub>	Million Tonnes CO <sub>2</sub> e	0.8	0.7	0.8	0.6	0.6
CH <sub>4</sub>	000 Tonnes CO <sub>2</sub> e	0.15	0.15	0.15	0.12	0.12
N <sub>2</sub> O	000 Tonnes CO <sub>2</sub> e	7.8	7.2	6.7	5.2	6.4
Net equity GHG emissions	Million Tonnes CO <sub>2</sub> e	8.0	9.1	9.0	9.5	10.8
Net equity carbon intensity (Scope 1 and 2)	Tonnes/Thousand BOE	—	43	38	39	44
Scope 3 emissions^	Million Tonnes CO <sub>2</sub> e	22.3	35.9	40.3	45.9	77.9
Product use	Million Tonnes CO <sub>2</sub> e	22.1	35.7	40.2	45.8	77.9
Ocean transport logistics	000 Tonnes CO <sub>2</sub> e	210	221	56.8	55.9	NC
Employee business travel (commercial air carriers)	000 Tonnes CO <sub>2</sub> e	23	22.7	19.7	11.6	NC
<b>Air Emissions (Excludes GHGs)</b>						
Sulfur oxides (SO <sub>x</sub> )	Tonnes	3,401	3,300	3,181	3,112	2,996
SO <sub>x</sub> intensity	Tonnes/Million BOE	9.3	8.4	7.6	7.2	7.1
Nitrogen oxides (NO <sub>x</sub> )	Tonnes	11,038	10,153	9,306	7,695	8,426
NO <sub>x</sub> intensity	Tonnes/Million BOE	30.2	25.7	22.2	17.7	20.0
Volatile organic compounds (VOC)	Tonnes	21,030	14,861	19,486	24,851	18,869
VOC intensity	Tonnes/Million BOE	57.5	37.6	46.4	57.1	44.9

	Units	2012	2011	2010	2009	2008
<b>Exploration and Production Discharges</b>						
Oil in produced water to sea	Tonnes	119	149	221	136	175
Oil in produced water to sea	ppmv	9	10	13	19	20
Produced water to sea	Million m <sup>3</sup>	16.5	17.4	20.1	8.3	10.0
Produced water reinjected	Million m <sup>3</sup>	28.5	19.5	19.5	18.2	15.5
<b>U.S. Clean Water Act Discharges – Port Reading Refinery</b>						
Biochemical oxygen demand (BOD)	Tonnes	24.5	10.7	7.4	36.9	7.4
Suspended solids	Tonnes	13.4	14.3	11.2	41.2	5.8
Petroleum hydrocarbons	Tonnes	5.2	5.7	4.6	4.8	4.6
<b>Waste</b>						
Non-hazardous waste	Thousand Tonnes	197.9	149.6	83.5	116.5	101.7
Recovery/reuse/recycle	%	38	40	50	56	60
Treatment	%	35	9	22	14	10
Disposal	%	18	45	18	26	12
Incineration/energy recovery	%	1	1	1	1	<1
Land farm	%	8	5	9	3	18
Composting	%	<1	<1	<1	<1	<1
Hazardous waste	Thousand Tonnes	8.7	4.3	4.2	9.4	2.3
Recovery/reuse/recycle	%	12	3	4	2	13
Treatment	%	1	60	29	44	61
Disposal	%	34	23	48	51	17
Incineration/energy recovery	%	53	10	19	2	10
Land farm	%	0	4	0	1	0
Basel Convention (recovery/reuse/recycle)	Tonnes	10.4	0	0	0	11
<b>Other Environmental Indicators</b>						
ISO 14001-certified operations	% of production	8	12	13	16	15
ISO 14001-certified operations	#	3	3	3	3	3
Environmental fines and penalties	\$ Thousand	85	160	96	264	1,188
Capital expenditures	\$ Million	70	95	85	50	15
Environmental expenditures - remediation	\$ Million	19	19	13	11	11
Environmental reserve	\$ Million	55	60	55	55	61
<b>Malaysia/Thailand JDA Environmental and Safety Indicators</b>						
Direct energy use	000 Gigajoules	8,346	6,944	7,046	6,650	6,594
Waste generation	Tonnes	382	457	880	726	264
Criteria Pollutants - NO <sub>x</sub>	Tonnes/Million BOE	45.16	42.54	44.55	49.23	36.30
Criteria Pollutants - SO <sub>x</sub>	Tonnes/Million BOE	1.68	1.73	2.17	2.16	3.10
Criteria Pollutants - VOC	Tonnes/Million BOE	8.37	8.07	8.78	8.72	26.23
Recordable incident rate - workforce (contractors + employees)	per 200,000 hrs worked	0.39	0.27	0.13	0.36	0.48
<b>SonaHess Environmental and Safety Indicators</b>						
Direct energy use	000 Gigajoules	6,096	5,718	5,621	5,788	4,599
Waste generation	Tonnes	745	767	826	86	898
Hydrocarbon spills - number	#	5	4	12	5	9
Hydrocarbon spills - volume	bbls	25	17	55	9	46
Non-hydrocarbon spills	bbls	198	20	1,031	--	--
Criteria Pollutants - NO <sub>x</sub>	Tonnes/Million BOE	69.49	56.66	51.82	53.17	72.17
Criteria Pollutants - SO <sub>x</sub>	Tonnes/Million BOE	0.36	0.31	0.28	0.26	0.25
Criteria Pollutants - VOC	Tonnes/Million BOE	243.4	248.53	253.12	279.31	451.59
Recordable incident rate - workforce (contractors + employees)	per 200,000 hrs worked	0.33	0.11	0.48	0.39	0.34

\* Supplier spend for 2008-2010 is U.S. only; U.S. data are based on the October 2011-September 2012 timeframe and reflect recordable supplier spend as reported to the U.S. Small Business Administration, which is overseen by the U.S. Department of Defense. International supplier data are based on commercial discretionary spend.

\*\* Corporate classifications changed between 2009 and 2010, so data prior to 2010 are not provided.

\*\*\* Estimated training per management/professional employee

\*\*\*\* Third party power generation

^ Sum of all Scope 3 emissions that we measure. Other Scope 3 emissions that have not been quantified are not included in these totals.

Δ Where relevant, all data are restated to exclude joint ventures.

ΔΔ Data on the percentage of new employees receiving anti-corruption training were not fully available prior to 2012.

# GRI CONTENT INDEX

This index refers to the Global Reporting Initiative (GRI) G3.1 indicators, with cross-reference to the 10 Principles in the United Nations Global Compact (UN Global Compact) and IPIECA sector-specific guidelines. Detailed information on GRI indicators related to Board-level governance (4.1–4.7, 4.9, 4.10) and defined benefit plan obligations (EC3) can be found at [hess.com/investors](http://hess.com/investors) and in our Securities and Exchange Commission (SEC) forms 10-K and DEF C14A. An expanded GRI Index is available at [hess.com/2012griindex](http://hess.com/2012griindex).

GRI G3.1 Core & OGSS Indicator		GRI G3.1 Additional Indicator		IPIECA only		● Fully reported ● Partially reported		
GRI Indicator	General Description	Page(s)	GRI Status	UNGC Principle(s)	IPIECA Indicator			
<b>1.0 Strategy and Analysis</b>								
1.1	Message from the CEO	2-3	●					
1.2	Key impacts, risks and opportunities (a)	2-5	●					
<b>2.0 Organizational Profile</b>								
2.1-2.9	Organizational profile (a)	5-7, 63	●					
2.10	Awards received during reporting period	71	●					
<b>3.0 Report Parameters</b>								
3.1-3.3	Reporting period, scope and boundary	8	●					
3.4	Contact point for questions regarding report	71	●					
3.5-3.8	Determination for content	8	●					
3.9	Data measurement techniques and basis of calculations	9	●					
3.10, 3.11	Explanation of restatements and significant changes	9	●					
3.12	GRI content index	67-69	●					
3.13	External assurance	9, 70	●					
<b>4.0 Governance</b>								
4.1-4.7, 4.9, 4.10	Information on highest governance body (a, b, c)	13-14, 63	●					
4.8	Internal values, codes of conduct, and principles	10-11, 22-23, 27	●		1-10			
4.11	The precautionary approach	11	●		7			
4.12	Externally-subscribed or endorsed voluntary initiatives (c)	13, 27-28	●		1-10			
4.13	Key memberships and associations	14	●					
4.14-4.17	Stakeholders, types of engagement, key topics and concerns	8, 15	●					
<b>Economic</b>								
EC DMA	Disclosure on management approach to economic performance (a, b)	2-3, 6-7	●					
EC DMA	Disclosure on management approach to market presence	2-3, 6-7	●					
EC DMA	Disclosure on management approach to indirect economic impacts	22-26	●					
EC1	Direct economic value (a, b)	7, 63	●		SE4, SE13			
EC2	Financial implications of climate change	44-46	●		7			
EC3	Defined benefit plan obligations (a, b)	41	●					
EC4	Significant financial assistance received from government (c)	OCI	●					
EC5	Comparison of standard entry level wage with local minimum wage	41	●		1			
EC6	Local supplier spend at significant locations of operation	16, 63	●		SE5, SE7			
EC7	Local hiring at significant locations of operation	40	●		6	SE5, SE6		
EC8	Development and impact of infrastructure investments and services	23-26	●			SE4		
EC9	Understanding and describing significant indirect economic impacts (c)	OCI	●			SE6		
OG1	Volume and type of estimated proved reserves and production	6, 63	●					

OCI: GRI Online Content Index

a – See also Annual Report and SEC 10-K

b – See also [hess.com/investors](http://hess.com/investors)c – See GRI Online Content Index ([hess.com/2012griindex](http://hess.com/2012griindex))

GRI Indicator	General Description	Page(s)	GRI Status	UNGC Principle(s)	IPEICA Indicator
<b>Environment</b>					
<b>EN DMA</b>	Disclosure on management approach to environmental aspects	44-46, 52-53	●	7	
<b>EN1, EN2</b>	Materials used and percentage recycled input materials (c)	OCI	◐	8	
<b>EN3, EN4</b>	Direct and indirect energy use by primary source	49-50, 65	●	8	E2
<b>OG2, OG3</b>	Total amount invested in renewable energy and total amount generated by source	51	●	8, 9	
<b>EN5</b>	Energy conservation and efficiency initiatives and improvements	50-51	◐	8, 9	E2
<b>EN6</b>	Initiatives to provide energy-efficient or renewable products and services	60-61	●	8, 9	E3
<b>EN7</b>	Initiatives to reduce indirect energy consumption and reductions achieved	50-51	◐	8, 9	E2
<b>EN8, EN9</b>	Total water withdrawal by source, significantly affected water sources	53-54, 64	●	8	E6
<b>EN10</b>	Water recycled and reused	53-54, 64	●	8, 9	E6
<b>EN11, EN12</b>	Proximity of protected areas/areas of high biodiversity	55	●	7, 8	E5
<b>EN13</b>	Habitats protected or restored	49, 55	●	8	E5
<b>EN14</b>	Strategies, current actions, and future plans for managing impacts on biodiversity	54-55	●	8	E5
<b>OG4</b>	Significant operating sites in which biodiversity risk has been assessed and monitored	54-55	◐	7, 8	
<b>EN15</b>	Number of IUCN Red List and national conservation list species	55	●	7	
<b>EN16, EN17</b>	Total direct and indirect and other relevant greenhouse gas emissions	46-49, 65	●	8	E1, E4
<b>EN18</b>	Greenhouse gas reduction initiatives and results	45-49	◐	8	E1
<b>EN19</b>	Emissions of ozone-depleting substances	65	●	8	E7
<b>EN20</b>	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	58, 65	●	8	E7
<b>EN21</b>	Total water discharge by quality and destination	57, 66	●	8	E9
<b>OG5</b>	Volume of formation or produced water	57, 66	●	8	
<b>EN22</b>	Total weight of waste by type and disposal method	59, 66	●	8	E10
<b>EN23</b>	Total number and volume of significant spills	57-58, 64, 66	●	8	E8
<b>EN24</b>	Basel Convention waste management summary	59, 66	●	8	
<b>EN25</b>	Biodiversity value of receiving waters for water discharges and runoff	55	●	8	
<b>OG6</b>	Volume of flared and vented hydrocarbon	65	●	8	
<b>OG7</b>	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	57, 66	●	8	
<b>EN26</b>	Mitigation of environmental impacts of products and services	48-49, 60-61	●	7-9	
<b>EN27</b>	Products sold and packaging reclaimed (c)	OCI	●	8, 9	
<b>OG8</b>	Benzene, lead, and sulfur content in fuels (c)	OCI	●	8	
<b>EN28</b>	Fines, penalties and non-compliances	59, 66	●	8	
<b>EN29</b>	Transportation impacts	48-49, 65	●	8	
<b>EN30</b>	Environmental expenditures	59, 66	●	8	
<b>Labor Practices and Decent Work</b>					
<b>LA DMA</b>	Disclosure on management approach to employment, labor/management relations, training and education and diversity and equal opportunity	38	●		
<b>LA DMA</b>	Disclosure on management approach to occupational health and safety	30-31	●		
<b>LA1</b>	Total workforce by employment type, contract and region	39, 64	●		
<b>LA2</b>	Total number and rate of employee turnover by age group, gender and region	39, 64	●	6	
<b>LA3</b>	Benefits provided to full time employees that are not provided to temporary or part time employees, by major operations	41	●		
<b>LA4</b>	Percentage of employees covered by collective bargaining agreements	29, 64	●	1, 3	
<b>LA5</b>	Minimum notice period of significant operational changes (c)	29	●	3	
<b>LA6</b>	Percentage of total workforce represented in joint safety committees	31	◐	1	HS1, SE16
<b>LA7</b>	Injury, occupational illness, lost days, absenteeism, and fatalities by region	31-32, 64	●	1	HS3
<b>LA8</b>	Disease prevention programs	36-37	●	1	HS2
<b>LA9</b>	Health and safety topics covered in collective bargaining agreements	31	●	1	SE16
<b>LA10</b>	Average hours of training per employee by employee category	64	●		SE17
<b>LA11</b>	Programs for skills management, lifelong learning and career endings	42-43	●		SE17
<b>LA12</b>	Employees receiving regular performance and development reviews	42	◐		SE17
<b>LA13</b>	Governing bodies and employees by category according to diversity indicators	39, 64	●	1, 6	SE15
<b>LA14</b>	Ratio of basic salary of women to men by employee category	41	◐	1, 6	
<b>LA15</b>	Return to work and retention rates after parental leave, by gender (c)	OCI	◐		
<b>IPEICA</b>	Process Safety	34-35	●	—	HS5

GRI Indicator	General Description	Page(s)	GRI Status	UNGC Principle(s)	IPIECA Indicator
<b>Human Rights</b>					
<b>HR DMA</b>	Disclosure on management approach to human rights aspects	27	●		
<b>HR1</b>	Human rights and significant investment agreements	27	○	1-6	SE8
<b>HR2</b>	Significant suppliers/contractors screened for human rights	23, 28-29	○	1-6	SE9
<b>HR3</b>	Employee training on policies and procedures concerning human rights	28	●	1-6	SE8
<b>HR4</b>	Total number of incidents of discrimination and actions taken	29	●	1, 2, 6	SE18
<b>HR5</b>	Operations and significant suppliers at risk re: freedom of association and collective bargaining	29	○	1, 2, 3	
<b>HR6</b>	Operations and significant suppliers at risk re: child labor	29	○	1, 2, 5	
<b>HR7</b>	Operations and significant suppliers at risk re: forced and compulsory labor	29	○	1, 2, 4	
<b>HR8</b>	Security personnel trained on human rights	28-29	●	1, 2	SE10
<b>HR9</b>	Violations of indigenous peoples' rights	24-27, 29	●	1, 2	
<b>OG9</b>	Indigenous communities present or affected by operations; location of engagement strategies	25-26, 29	●		
<b>HR10</b>	Operations that have been subject to human rights reviews and/or impact assessments	28	●		
<b>HR11</b>	Grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	27	●		
<b>Society</b>					
<b>SO DMA</b>	Disclosure on management approach to corruption, public policy, anti-competitive behavior and compliance	10-11	●	10	
<b>SO DMA</b>	Disclosure on management approach to community	22-23	●		
<b>SO1</b>	Programs and practices that assess and manage impacts of operations on communities	13-14, 25-29	●		SE1-SE5
<b>SO2</b>	Business units analyzed for risks related to corruption	12	●	10	SE11-SE12
<b>SO3</b>	Employees trained in anti-corruption policies and procedures	12	●	10	SE11
<b>SO4</b>	Actions taken in response to incidents of corruption	12	●	10	SE11
<b>SO5</b>	Public policy positions/participation in public policy development and lobbying	2-3, 12, 44	○	1, 10	SE14
<b>SO6</b>	Political contributions	12	●	10	SE14
<b>SO7</b>	Legal actions for anti-competitive behavior and outcomes	11	●		
<b>SO8</b>	Fines and penalties for non-compliance with laws and regulations	11	●		
<b>SO9, SO10</b>	Operations with significant potential or actual negative impacts on local communities, prevention and mitigation measures	13-14, 25-29	●		
<b>OG10</b>	Significant disputes with local communities and indigenous peoples	29	●		
<b>OG11</b>	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	56-57	●		
<b>OG12</b>	Extent and impact of involuntary resettlement	29	●		
<b>OG13</b>	Number of process safety events, by business activity	34-35	●		
<b>Product Responsibility</b>					
<b>PR DMA</b>	Disclosure of management approach	60-62	●		
<b>PR1</b>	Life cycle assessment for health and safety impacts of products/services (c)	OCI	●	1	HS4
<b>PR2</b>	Non-compliances with health and safety impact requirements for products/services (c)	OCI	●	1	HS4
<b>PR3</b>	Product and service labeling requirements for significant products (c)	OCI	●	8	HS4
<b>PR4</b>	Non-compliances with product and service labeling requirements (c)	OCI	●	8	HS4
<b>PR5</b>	Customer satisfaction practices (c)	OCI	●		
<b>PR6</b>	Marketing communications compliance programs (c)	OCI	●		HS4
<b>PR7</b>	Non-compliance with marketing communications regulations/voluntary codes (c)	OCI	●		
<b>PR8</b>	Substantiated customer privacy complaints and data loss (c)	OCI	●	1	
<b>PR9</b>	Fines for non-compliance with laws and regulations re: products and services (c)	OCI	●		
<b>OG14</b>	Volume of biofuels produced and purchased meeting sustainability criteria (c)	61	●		

# INDEPENDENT ASSURANCE STATEMENT



## SCOPE AND OBJECTIVES

ERM Certification and Verification Services (ERM CVS) was engaged by Hess Corporation to undertake assurance on its 2012 Corporate Sustainability Report (the Report). The objective of our engagement was to obtain limited assurance that the Report provides an appropriate presentation of Hess Corporation's 2012 sustainability performance. We were also asked to confirm that the report conforms to the Global Reporting Initiative (GRI) G3.1 criteria for Application Level A and the common elements of the IPIECA/API Reporting Framework guidelines.

## RESPECTIVE RESPONSIBILITIES & INDEPENDENCE

Hess Corporation is responsible for preparing the Report and the information contained within it.

ERM CVS, responsible for reporting to Hess Corporation on its assurance conclusions, is a member of the ERM Group. ERM CVS has also been commissioned to verify Hess Corporation's GHG data as reported to the Carbon Disclosure Project (CDP).

The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Hess Corporation in any respect.

## REPORTING CRITERIA AND ASSURANCE APPROACH

We based our work on Hess Corporation's internal guidance and definitions for the reported metrics which are based on the GRI and IPIECA guidelines as described on page 8 of the Report. We performed our work in accordance with ERM CVS' assurance methodology, which is based on the International Standard for Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000).

Between February and April 2013 we undertook a series of activities, including:

- Visits to the following operations to review activities and verify data and data management processes at reporting units; Exploration and Production operations in Equatorial Guinea, and North Dakota, U.S.A., and Marketing and Refining (M&R) oil products storage terminal operations in Jacksonville, Florida, U.S.A. Additional visits took place to E&P operations at North Dakota, the Tioga Gas Plant in North Dakota, the Southeast Asia Joint Development Area in Malaysia, and South Arne, Denmark to review greenhouse gas related data.

- Discussions with Hess Corporation's leaders who exercise overall business responsibility and those with accountability for data and Report content.
- Visits to offices in Houston, Texas, and Woodbridge, New Jersey to assess and review data collection, consolidated data management, data interpretation and internal data assurance processes.

For certain financial, production and economic data presented in the data table on page 63, we restricted our work to checking the consistency of the data with the audited 2012 SEC 10-K report.

## CONCLUSIONS

Based on the assurance activities undertaken, nothing has come to our attention to suggest that the Report does not, in all material respects, provide an appropriate presentation of Hess' sustainability performance during 2012.

We also confirm that the Report meets the requirements of GRI G3.1 application level A+ and the common elements of the IPIECA/API reporting guidelines.

## RECOMMENDATIONS

Without affecting the conclusions presented above, we recommend:

- using collection methodologies based on the data mapping from inception through to Corporate consolidation in order to further improve data consistency and transparency of the data chain of custody;
- further improvements to user guidance for calculating and capturing GRI/IPIECA performance data, including the sources that require measurement at each reporting unit;
- improving the consistency of independent data review processes at the reporting entities.

We have provided Hess Corporation with a separate, confidential report detailing our assessment of Hess's 2012 Sustainability Report.

Leigh Lloyd, Managing Director  
June 2013

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## Awards and Recognition

### SUSTAINABILITY

- **CDP Carbon Disclosure Leadership Indexes**
  - Global 500 (#2 in Energy Sector)
  - S&P 500 (#3)
- **Dow Jones Sustainability Index North America**
- **MSCI ESG Indices**
  - MSCI World ESG Index
  - MSCI World Socially Responsible Index
  - MSCI KLD 400 Social Index
- **oekom research AG Prime Status**
- **Newsweek Green Rankings**
  - U.S. Energy Sector (#1)

- **Maplecroft Climate Innovation Index Cycle Three**
  - U.S. Companies (#6)
- **Corporate Responsibility Magazine 100 Best Corporate Citizens List**

### WORKFORCE

- **International Liquid Terminals Association Safety Excellence Award**
- **Workforce Diversity for Engineering & IT Professionals Magazine's Top 50 Employers List**
- **Woman Engineer Magazine's Top 50 Employers List**

## REQUESTS FOR INFORMATION

For copies of our Environment, Health and Safety Policy, Human Rights Policy or our Corporate Social Responsibility Policy, or for more information regarding our operations, please visit our website at [Hess.com](http://Hess.com).

We invite your questions, comments and suggestions regarding this report. To send us your questions or comments, or request more information or additional copies of this report, please contact:

Vice President,  
Environment, Health, Safety and Social Responsibility  
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1185 Avenue of the Americas  
New York, NY 10036







You can also send us an e-mail at [ehs@hess.com](mailto:ehs@hess.com).

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains projections, future estimates, plans, expectations and other forward-looking statements, including information about sustainability goals and targets and planned social, safety and environmental policies, programs, and initiatives. These statements reflect the company's current views with respect to future events and the company's performance. No assurance can be given that the development or continuation of any policy, program or initiative expressed in any forward-looking statement will be achieved, and actual results could differ materially from those expected for a number of reasons, including risk factors affecting the company's business. A discussion of these risk factors is included in the company's annual report of Form 10-K filed with the Securities and Exchange Commission.

Sandy Alexander Inc., an ISO 14001:2004 certified printer with Forest Stewardship Council (FSC) Chain of Custody printed the Hess Annual Corporate Sustainability Report with the use of renewable wind power resulting in nearly zero carbon emissions. This report was printed on FSC-certified Mohawk Options paper, a process-chlorine-free 100 percent post-consumer waste (PCW) paper manufactured entirely with 100 percent certified wind energy and containing 100 percent post-consumer recycled fiber.

The savings below are achieved when PC recycled fiber is used in place of virgin fiber:

-  214 trees preserved for the future
-  618 lbs water-borne waste not created
-  90,956 gallons wastewater flow saved
-  10,064 lbs solid waste not generated
-  19,815 lbs net greenhouse gases prevented
-  151,667,200 BTUs energy not consumed

Savings from the use of emission-free wind-generated electricity:

-  10,059 lbs ghg emissions not generated

Displaces this amount of fossil fuel:

-  11 barrels of fuel oil unused

In other words your savings from the use of wind-generated electricity are equivalent to:

-  Not driving 9,955 miles or  Planting 684 trees





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