

I am pleased to present Kosmos Energy's second annual Corporate Responsibility Report and my first as Chairman and CEO. At Kosmos, we recognize that we must be as good above ground as we are exploring below it to earn the respect and trust of host governments, the communities where we operate, and other stakeholders whose lives may be affected by our work. Corporate responsibility is a core part of our strategy.



Andrew (Andy) G. Inglis
Chairman of the Board and
Chief Executive Officer

The theme of this year's report – **Open** – represents our recognition that being a great explorer with deep expertise is not enough to be successful. We aim to become a partner of choice for our host governments and the communities where we live and work. To achieve this goal, we must build relationships with stakeholders that are based on openness. For Kosmos, this means:

- We are **open** to having meaningful dialogues with our stakeholders about the challenges inherent in exploring for oil and gas in frontier areas. We believe listening and engaging in debate deepens our understanding of the issues, even when we disagree.
- We are **open** to new ideas about social investment in the places where we operate, knowing that a one-size-fits-all approach won't meet the diverse needs of our host communities.
- We are **open** about our business dealings with governments because transparency builds trust and accountability. It provides public assurance that hydrocarbon resources are developed responsibly, with the benefits going to the people of our host countries.
- We are **open** about our successes and shortcomings. We are not perfect. We know that we may not reach every goal we set, but we will always give it our best effort. And we will be open about our performance because accountability makes us better.

As you will see from the real-life examples in the following pages, Kosmos has made significant progress in integrating corporate responsibility into its day-to-day business activities, in pursuit of its goal of becoming a partner of choice.

Tracking Our Progress

In last year's report, Kosmos set an ambitious agenda for 2013. We pledged to strengthen our policy framework, improve our governance of corporate responsibility, and manage human rights. I am pleased to report that a lot was achieved.

At the corporate level, we strengthened our policy framework by adopting and introducing a set of Business Principles which guide how we do business and inform our decision-making. We held training sessions in each location to educate our people and set expectations regarding how Kosmos conducts its affairs. The Business Principles have been enthusiastically embraced by our people around the world.

Similarly, Kosmos introduced an internal-branded management system called *The Standard*, which centralizes our HSES policies and procedures. Designed to reaffirm our commitment to achieving an incident and injury-free workplace, *The Standard* sets clear expectations and performance measures that we use to plan and monitor our corporate, country and project-level activities.

To help us assess our progress and improve our governance, we also created a standing board committee on external affairs and corporate responsibility. The committee meets regularly to review country-level operations and advise management on issues affecting above-ground risk. A newly developed framework now connects the details of local operations to board-level reporting to sharpen understanding and oversight.

In 2013, Kosmos deepened its commitment to protecting human rights by joining the United Nations Global Compact, adopting the United Nations Guiding Principles on Business and Human Rights as a touchstone for measuring performance, and beginning the implementation of the Voluntary Principles on Security and Human Rights. Moreover, through on-the-ground social impact assessments, we began to develop a process for identifying and addressing potential issues associated with our work.

Bringing Our Business Principles to Life

While the progress made at the corporate level has been significant, it's the work done in our host countries that often makes the most difference.

Kosmos continues to be an industry leader in promoting transparency by disclosing the terms of our various petroleum agreements and reporting payments made to our host governments around the world. In Ghana, for example, we reported data to the Ghana Extractive Industries Transparency Initiative (GHEITI) and worked through the local Exploration and Production Forum, an industry association, to discuss how we could collaborate more effectively to improve the GHEITI reporting process.

In anticipation of spudding our first exploration well offshore Morocco in the Fom Assaka contract area, we introduced a nascent oil industry to best practices in well integrity design and oil spill response planning, two critical measures aimed at both safeguarding the environment and creating a legacy of developing local capacity. Similarly, Kosmos sponsored a series of workshops for key stakeholders,

bringing in international governance and economic experts to lead full-day sessions on the management of hydrocarbon resources, covering topics such as transparency, revenue sharing, stakeholder engagement and consultation, human rights, grievance mechanisms and social impact assessments. Knowing that now is the time to prepare for potential success, Kosmos wants to help Morocco be in a position to develop any discovered resources in a responsible and efficient manner.

Our work related to the Cap Boujdour contract area, located offshore the Non-Self-Governing Territory of Western Sahara, has been particularly intensive.

Since the start of our involvement in 2006, Kosmos has spent considerable time and resources to develop a deep understanding of the complex geopolitical and social reality. We have engaged with Moroccan authorities and other stakeholders inside and outside the territory to ensure that everything we do is sensitive to the situation in Western Sahara.

As a company, we have committed ourselves to operating ethically, transparently and consistently with international standards and industry best practice.

In December 2013, Kosmos and the Office National des Hydrocarbures et des Mines (ONHYM), a governmental agency of the Kingdom of Morocco, signed a Joint Declaration of Principles. This document sets out our joint commitments regarding our exploration activities and the key principles under which hydrocarbon development would proceed, if any commercially viable deposits are discovered; including among other things, that such development would be undertaken in accordance with international standards, such as those in the United Nations Charter, and those referred to in the 2002 United Nations Legal Opinion on resource development in Western Sahara.

We know that some have reservations about any companies investing in Western Sahara. Among the questions we have faced from some stakeholders, including ethical investors, are concerns about whether our activities in the region include consultation with the people of the territory and, further, will such activities be for their benefit? We have been clear about that: our activities have been, and will always be, conducted in a manner that is both fully inclusive and for the benefit of all the local population, without exception.

A more thorough explanation of our view on hydrocarbon exploration in Western Sahara can be found in a position statement available on our website.

Honoring Commitments

Kosmos' dedication to being a responsible company is perhaps best demonstrated by our recent experience in Cameroon where our Sipo-1 exploration well failed to find hydrocarbons in a quantity sufficient to justify development.

When well results and operational priorities made it clear that Kosmos would exit Cameroon near the end of 2013, an internal team

met to determine the path forward regarding planned social investments. The project we had started would not be ready for implementation until after our exit. Having worked with local communities near the drill site since 2006, we recognized the importance of keeping our commitments and leaving behind a positive legacy. As a result, we continue to fund

our planned social investment projects and support the local and international partners doing the work.

This thoughtful approach to de-commissioning an otherwise unsuccessful project reveals something about Kosmos, our company culture, and our people. When we enter a country and begin operations, we do so with the absolute intent to make it a better place.

Being a Catalyst for Positive Change

Although this book is filled with many positive stories, our journey is far from complete. We know there is much more we can – and will – do to be a force for good. In the event of exploration success, we see oil and gas development as an engine for economic development. It's my hope that Kosmos can continue to be a trusted partner, good neighbor, and catalyst for positive change for many more years.

Sincerely,

Andrew (Andy) G. Inglis
Chairman of the Board
and Chief Executive Officer

