

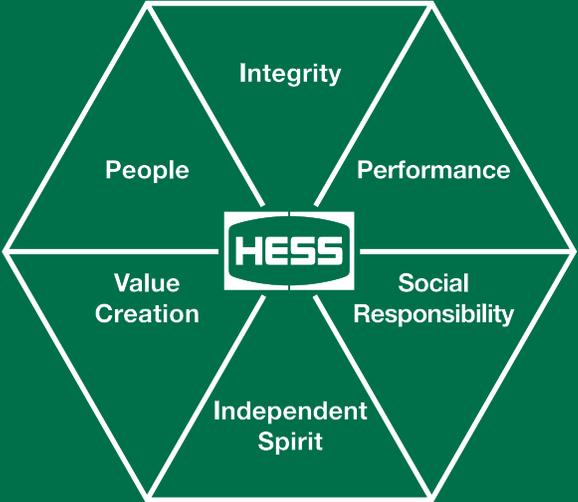
# HESS CORPORATION

2014 Corporate Sustainability Report



## HESS 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+
Optional	Self Declared						✓
	Third Party Checked						✓
	GRI Checked						
Mandatory	Self Declared		Report Externally Assured			Report Externally Assured	
	Third Party Checked		Report Externally Assured			Report Externally Assured	
	GRI Checked		Report Externally Assured			Report Externally Assured	

Note: Following a review by ERM CVS, our external verifier, Hess is self-declaring a GRI G3.1 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.

## ASSURANCE

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 representation 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.



ON THE COVER  
Drilling Operations, Gulf of Mexico



24



30



44

## TABLE OF CONTENTS

2	<b>Message from the CEO</b> Our CEO's view on building a sustainable enterprise	34	<b>Climate Change and Energy</b> Balancing the world's growing energy needs with cost-effective greenhouse gas emission reductions
4	<b>About Hess</b> Our company operations in brief	44	<b>Environment</b> Responsible management of our environmental footprint
5	<b>Progress and Goals</b> A snapshot of our progress and path forward	52	<b>Performance Data</b> Five years of key performance metrics
6	<b>Approach to Reporting</b> A description of our materiality assessment, reporting framework and boundaries	54	<b>GRI Content Index</b>
8	<b>How We Operate</b> The values that define our expectations for sustainable management and performance	57	<b>Independent Assurance Statement</b>
16	<b>Community and Social Performance</b> A review of corporate social responsibility as a way of doing business		
24	<b>Safety and Health</b> Aiming to get everyone, everywhere, every day, home safe		
30	<b>Our People</b> Creating a company culture and high quality workforce that innovates, leads and learns		

Overall, 2014 was a year of strong execution and operating results for our company, and marked the completion of our transformation into an exploration and production company. While our industry continues to be challenged by the sharp decline in oil prices that began late last year, Hess is well positioned to manage through the current environment while preserving our long term growth options. We have a strong balance sheet, a focused portfolio of world class assets and top quartile operating capabilities.

Our company is steadfastly committed to being a trusted energy partner that helps meet the world's growing energy needs in a safe, environmentally responsible, socially sensitive and profitable way. Fundamental to that commitment are the Hess Values of Integrity, People, Performance, Value Creation, Social Responsibility and Independent Spirit. Through our Code of Business Conduct and Ethics, we translate these Values into sustainable practices that guide the way we do business. In 2014 we advanced several key initiatives aimed at driving long term sustainable performance: enhancing global standards, improving our environment, health, safety and social responsibility strategy, and applying "lean" principles across our operations to create additional value and eliminate waste.

As we strive for continuous improvement in safety performance, our ultimate goal is to reach zero safety incidents – a goal that is shared at every level throughout our company. In 2014 we made significant progress in safety performance. Our combined employee and contractor Total Recordable Incident Rate decreased by 23 percent, and our Lost Time Incident Rate was down by 14 percent compared with previous year performance. To align safety and health systems for our contractors, who make up more than 80 percent of our workforce, with our internal expectations, we utilize safety prequalification systems and supplier assessments.

Process safety is another critical focus area for the company in order to prevent unintentional releases that could result in a major incident. Throughout the year, we took significant steps to strengthen the three key strategic elements of our process safety program: enhancing process safety leadership; understanding and addressing process safety vulnerabilities; and educating people across the organization in process safety awareness.

At Hess we strive to make a positive impact on the communities where we do business. Corporate social responsibility enhances our ability to be an effective, profitable and trusted energy partner and is a way of doing business for Hess. We integrate social considerations into our business planning using a three-faceted approach that brings together stakeholder engagement, social risk and impact management, and strategic social investment while minimizing the social and environmental impacts from operations. Our corporate social responsibility governance framework includes commitments to international voluntary initiatives that are designed to protect the environment, promote human rights and encourage financial transparency. In 2014 we continued with our endorsement of commitments to the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, the Voluntary Principles on Security and Human Rights, and the Extractive Industries Transparency Initiative.

Hess' strategic social investments are aimed at creating shared value that improves the quality of life in local communities and helps create a favorable operating environment. Our social investment program in 2014 totaled \$42 million, with about \$34 million directed toward education projects. The balance is directed primarily to economic development, health and capacity building.

To meet the world's energy needs, all forms of energy are needed, with fossil fuels continuing to make up the majority of supply for the foreseeable future. The International Energy Agency's most recent forecast projects energy demand to increase 37 percent by 2040, with fossil fuels comprising 74 percent of the energy mix. Therefore, it is more important than ever for cooperation between world leaders and industry to develop comprehensive energy and climate solutions. We acknowledge the need for transparent and equitable carbon price signals that will promote energy efficiency and a reduction in greenhouse gas emissions.

Our focus is on cost effective climate change policy responses that balance mitigation, adaptation and societal priorities. We manage climate change risks, along with many other business risks, through our enterprise risk management process. Between 2008 and 2014, we have reduced net

“We are proud of our progress in 2014 and confident in our ability to build a sustainable enterprise that makes a positive difference for our stakeholders and the world around us.”

**John B. Hess**, Chief Executive Officer

equity greenhouse gas emissions from our oil and gas operations by 40 percent, or over 4 million tonnes of absolute emissions, through a combination of improved operating processes, asset sales and refinery closures.

In the United States, oil and gas from shale has become a critically important source of supply. The shale revolution has put the U.S. on a path to energy independence, buoyed national and state economies, bolstered tax revenues for federal, state, and local governments, and helped bring down energy related carbon dioxide emissions as natural gas has replaced coal in electricity generation. As an industry, we need to do a better job of educating the public about energy's value as a natural resource, its importance to our economy, and the practices that are in place to ensure that we are operating in a safe and environmentally and socially responsible manner.

Hess, as one of the largest producers in the Bakken play in North Dakota and as an emerging producer in the Utica wet gas play in Ohio, is committed to responsible shale energy development. We have a flaring reduction strategy in place and have been steadily investing in supporting infrastructure, and we have onsite operating practices to prevent potential surface water and groundwater impacts. We also have ongoing efforts to reduce or eliminate the use of chemical additives in fracturing fluids, and require our hydraulic fracturing contractors to make nonproprietary data publicly available on the FracFocus website regarding the chemicals used in each fractured well.

Improving the safe transport of crude oil by rail is a growing concern to be addressed through a shared effort among railroad operators, regulators and producers. At Hess, we are committed to doing our part to minimize the risks involved through our own practices and as part of oil and gas industry efforts.

All of our assets undergo multidisciplinary risk assessments to identify mitigation measures we can pursue to help protect the environment, the communities in which we operate and the safety of our workforce. We provide extensive information on our programs and performance through our annual corporate sustainability report and on our company website at [hess.com](http://hess.com).

Our strong operating results in 2014 are a tribute to our high-quality workforce and a company culture that fosters performance, professional growth and teamwork. The divestiture of multiple businesses affected a significant number of employees in 2014. In keeping with our Values, Hess provided comprehensive support to ease the transition for those impacted, including an enhanced severance program. Looking ahead, we will continue our focus on talent management, employee engagement, learning and development and diversity and inclusion, with the recognition that our employees hold the key to our company's continued success.

Our 2014 Corporate Sustainability report shows how sustainable business practices are integrated into our short term goals and long term strategy, particularly in managing the key challenges and opportunities with economic, environmental and social performance. We are proud of our progress in 2014 and confident in our ability to build a sustainable enterprise that makes a positive difference for our stakeholders and the world around us. We are thankful for the ongoing support and partnership of our employees, communities, customers, suppliers, business partners and investors today and in the future.



**John B. Hess**  
Chief Executive Officer

Hess Corporation is a leading global independent energy company engaged in the exploration and production of crude oil and natural gas.

**2014 HIGHLIGHTS**

- Averaged 83,000 barrels of oil equivalent per day (BOEPD) net production from the Bakken oil shale play in North Dakota, a 24 percent increase over 2013
- In March 2014, commenced operation of our expanded Tioga, North Dakota, gas plant
- Achieved first production at the Hess operated Tubular Bells Field in the Gulf of Mexico in November 2014
- In the Utica shale in Ohio, brought 39 wells into operation, increasing wet gas production to 13,000 BOEPD in the fourth quarter of 2014
- In the North Malay Basin, averaged 40 million cubic feet of gas per day net production in 2014, a 33 percent increase over the fourth quarter of 2013
- Completed a three well appraisal program on the Deepwater Tano Cape Three Points block, offshore Ghana

**ECONOMIC CONTRIBUTIONS**

In 2014 our direct economic contributions included payments to suppliers, capital and exploration expenditures, wages and benefits, taxes and royalties, interest, dividends and social investments.

\$ Millions	
● Recordable Supplier Spend (E&P)	\$8,267
● Capital and Exploration Expenditures	\$5,606
● Wages and Benefits (U.S.)	\$1,040
● Royalties and Other Payments	\$707
● Income Tax Expense	\$744
● Interest Expense	\$323
● Dividends	\$303
● Social Investments	\$42
● Carbon and NO <sub>x</sub> Taxes	\$3

A portion of capital and exploration expenditures may include payments to suppliers.

**Hess Portfolio of Operations**



**Exploration**

Our key exploration locations are the Gulf of Mexico, Ghana, Guyana and Nova Scotia.



**Developments**

Developments are underway at several assets, including Stampede in the Gulf of Mexico, as well as staged developments at the Malaysia/Thailand Joint Development Area and the Hess operated North Malay Basin project in the Gulf of Thailand.



**Production**

Production operations are ongoing globally. Key production assets include the Bakken in North Dakota, Baldpate and Tubular Bells in the Gulf of Mexico, the Utica in Ohio, Okume and Ceiba in Equatorial Guinea, South Arne in Denmark, Valhall in Norway and the Malaysia/Thailand Joint Development Area.

**158%**  
Replaced Production

**1,431**  
Million BOE Proved Reserves

**11.7**  
Years Reserve Life

**329,000**  
BOEPD Total Net Hydrocarbons Produced

## PROGRESS AND GOALS

Based on the International Energy Agency's most recent long term forecast, energy demand is expected to increase almost 40 percent by 2040, with fossil fuels comprising approximately 75 percent of the energy mix. The growth in energy demand will come from emerging market countries trying to advance their standards of living and meet societal priorities. Demand in developed countries will remain flat.

Meeting this long term demand will require all types of energy, including fossil fuels and renewables.

As a company, our mission is to meet society's energy requirements in an environmentally and socially responsible, safe and profitable way. Our success as a company depends upon fully integrating both technical and non-technical risks into our lean

philosophy and daily operating rhythm and then exhibiting outstanding execution.

The purpose of this page is to provide a snapshot of our progress and path forward with respect to our most material environment, social and governance (ESG) programs and initiatives. In-depth discussion of these topics can be found throughout this report.

	Issue	Progress	Path Forward
<b>How We Operate</b>	<p>Operating in a challenging environment (low oil prices/excess supply)</p> <p>Protecting our license to operate and enhancing our reputation</p>	<p>Continued to implement lean principles to eliminate waste and drive continuous improvement</p> <p>Maintained focus on enterprise risk management as an integral part of operational excellence</p> <p>Began rollout of enhanced global standards to formalize enterprise wide expectations and responsibilities</p> <p>Began updating our environment, health, safety and social responsibility (EHS &amp; SR) strategy</p> <p>Increased scope of ESG disclosures</p>	<p>Deploy lean metrics</p> <p>Continue to embed enterprise risk management process into business functions</p> <p>Roll out and implement complete set of enhanced global standards</p> <p>Complete EHS &amp; SR strategy refresh and establish metrics to gauge performance</p> <p>Expand reporting to meet growing stakeholder expectations</p>
<b>Community and Social Performance</b>	<p>Enhancing our reputation as a trusted energy partner</p>	<p>Reviewed social, political and economic environments for existing and proposed areas of operation to identify non-technical risks and mitigation activities and to integrate them into our strategic planning</p> <p>Developed a standard enterprise wide stakeholder engagement process and set of tools</p>	<p>Continue to integrate stakeholder engagement, social risk and impact management and social investment into enterprise business processes</p> <p>Expand grievance mechanisms across the enterprise</p>
<b>Safety and Health</b>	<p>Focusing on continuous improvement as we aspire toward zero incidents</p>	<p>Focused on enhancing personal and process safety leadership, identifying vulnerabilities and educating employees</p> <p>Incorporated EHS reviews into the procurement process</p> <p>Procured more than 500 railcars with enhanced safety performance features</p>	<p>Continue to enhance enterprise wide contractor prequalification and selection process</p> <p>Remain actively engaged with multi-stakeholder rail safety task forces</p>
<b>Our People</b>	<p>Managing major structural changes in our organization as part of a multi-year transformation to an exploration and production company</p>	<p>Effectively managed the divestiture of the downstream businesses, which resulted in a significantly smaller employee workforce</p> <p>Renewed focus on key human resources programs</p>	<p>Progress initiatives in key programs, including employee engagement, onboarding, talent management, diversity and inclusion, process efficiency, reliability and data integrity</p>
<b>Climate Change, Energy and Environment</b>	<p>Responsibly managing our environmental footprint</p>	<p>Expanded carbon asset risk and methane reporting</p> <p>Continued to build infrastructure in North Dakota to transport associated gas to market and reduce flaring</p> <p>Conducted environmental impact assessments for new or proposed projects</p>	<p>Work toward setting reasonable methane reduction targets through the ONE Future coalition</p> <p>Expand depth of carbon asset risk reporting</p> <p>Meet regulatory requirement to reduce North Dakota wellhead flaring to 10 percent by 2020</p> <p>Examine additional opportunities to reduce waste and environmental footprint</p>

This report describes the company's strategy and performance regarding significant economic, environmental and social issues in 2014. Financial and governance information, including our annual report, our U.S. Securities and Exchange Commission Form 10-K filing and our proxy statement, is available on our website.

 Additional sustainability and investor information is available at [hess.com/investors](http://hess.com/investors)

### REPORTING STANDARDS

We annually report our sustainability performance based on the Global Reporting Initiative (GRI) G3.1/Oil & Gas Sector Supplement guidelines, to an A+ application level. Our report is also based on the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting developed by IPIECA, the American Petroleum Institute and the International Oil and Gas Producers Association, as well as on the 10

principles of the United Nations (UN) Global Compact. A GRI Content Index, cross-referenced with IPIECA indicators and the UN Global Compact principles, is provided at the end of this report.

 An expanded GRI Index is available at [hess.com/gri-index](http://hess.com/gri-index)

### MATERIALITY

Over the past several years we have strengthened our materiality assessment process. By engaging key stakeholders, including employees, suppliers, customers, communities, shareholders, governmental and non-governmental organizations, industry peers and academics, we are able to maintain and strengthen our license to operate. New and emerging issues that are important to these groups form the basis for the content of this sustainability report, consistent with the GRI G3.1 guidelines for determining materiality.

In early 2015, we conducted a materiality assessment survey to validate our internal assessment and expand upon it to ensure that we incorporate stakeholder expectations into our materiality assessment. The results of our materiality assessment survey are presented on the next page. While we report on a broad range of GRI and IPIECA indicators, we consider the topics listed as our most material, in the order in which they are disclosed in this report.

### BOUNDARY SETTING

The scope of this report includes principal facilities and assets operated by Hess Corporation and its subsidiaries during calendar year 2014, unless otherwise indicated. The majority of data presented are gross figures from operated facilities, unless specified otherwise.

In 2014 Hess completed the divestiture of its downstream businesses. The Retail business was part of the Hess portfolio through the third quarter of 2014. Limited 2014 data for this business is provided separately on our website.

 See our expanded performance data at [hess.com/sustainability/performance-data/key-sustainability-metrics](http://hess.com/sustainability/performance-data/key-sustainability-metrics)

We report some quantitative environment, health and safety data on a normalized basis to facilitate year-on-year comparisons. We report greenhouse gas (GHG) emissions on both an operated and net equity share basis in accordance with the IPIECA Petroleum Industry Guidelines for Reporting GHG Emissions (2nd edition, May 2011). GHG data for the joint venture Bayonne Energy Center are



Utica Shale Drilling Operations, Ohio

## Materiality Assessment Process



excluded from the reporting boundary because this asset was part of the downstream divestiture.

We also report our social investments for our operated assets, joint ventures and non-operated facilities in which we hold a significant interest.

### RESTATEMENTS AND ADDITIONS

To enable comparisons, prior years' safety and environmental data in this report have been restated to reflect the upstream (exploration and production) business only, with a few exceptions. On an individual basis, divestitures did not meet the threshold for removing them from our 2008 GHG emissions baseline. This is discussed further in the Climate Change and Energy section of this report. Our social investment spend has also not been restated, since the downstream-focused investments were

not material, representing a very small percentage of the overall expenditure (less than 5 percent).

### 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 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, tables and text may not sum to the total amounts shown. The unit of currency used in this report is the U.S. dollar.

### EXTERNAL ASSURANCE

ERM Certification and Verification Services (ERM CVS) conducts annual third party assurance of our

sustainability report, including consistent and objective data collection and the reporting of our sustainability performance. ERM CVS also reviews our self-declared GRI G3.1 Application Level. In previous years ERM CVS' assurance related to the business at the time (including the Marketing and Refining business). As 2013 and earlier data have been restated in this year's report to reflect the upstream business, it should be noted that this year's assurance process included the 2014 data and that the restated numbers for prior years have not been assured.

The Independent Assurance Statement is provided on page 57 of this report. In addition to providing assurance in relation to our sustainability report, ERM CVS also conducts a separate verification of the GHG emissions data provided in this report and in our CDP Climate Change response.



## 2014 KEY DEVELOPMENTS

- > Further strengthened our Global Compliance Program
- > Enhanced our contractor selection, management and review process

## 2015 GOALS

- > Completed a non-technical risk assessment and an integrated risk register for both technical and non-technical risks for our North Dakota operations
- > Roll out enhanced enterprise wide environment, health and safety standards on a prioritized basis
- > Implement our updated Conflict of Interest Policy and our new Gifts, Meals, Entertainment, Hospitality and Travel Support Policy
- > Complete risk assessments and develop integrated risk registers for all assets in the Hess portfolio

We seek to conduct business in a manner that meets the highest standards of corporate citizenship, creates a long lasting, positive impact on the communities where we do business and delivers long term value to our shareholders.

Our goal to be a trusted energy partner and our six core Hess Values underpin our business philosophy. The Hess Code of Business Conduct and Ethics (Code of Conduct), along with our policies covering corporate social responsibility, human rights, and environment, health and safety, build on our Values to define our internal expectations for sustainable management and performance.

## GOVERNANCE AND KEY INITIATIVES

Hess' governance structure ensures that the highest level of oversight rests with the Board of Directors while direct responsibility lies with the company's senior leadership.

In 2013 the Board of Directors established the Environmental, Health and Safety (EHS) Subcommittee of the Audit Committee. Each member of the Subcommittee is a member of the Audit Committee and is independent and qualified under standards established by applicable law, stock exchange listing standards and Hess' Corporate Governance Guidelines.

See Hess' Corporate Governance Guidelines at [hess.com/hessgovernanceguidelines](http://hess.com/hessgovernanceguidelines)

The purpose of the EHS Subcommittee is to assist the Board with respect to identifying, evaluating and monitoring EHS risk and strategy that could affect the company's business activities, performance and reputation, and developing recommendations to the Audit Committee and to the Board on policies, programs and practices to address such issues and risks. The members have extensive oil and gas industry experience, including operations, research and development, and financial expertise. The EHS Subcommittee met four times in 2014.

Hess is governed by the Hess Leadership Team (HLT), which is chaired by our CEO and comprises the company's most senior executives. The HLT focuses on operational, strategic and financial issues and is the highest approval body before the Board of Directors. The HLT meets face to face at least every other month. An operational subcommittee of the HLT, which is chaired by our President and COO, meets weekly and focuses on operational matters. Environmental and social issues and performance are discussed at these meetings.

In 2013 Hess formed the Operational Excellence Council (OEC), composed of several senior vice presidents and others, which recommends and governs enterprise wide, high impact initiatives that encompass multiple disciplines. The OEC's purpose is to ensure alignment and integration, prioritize initiatives, load-level and implement initiatives



consistently, hold initiative leaders accountable for delivery and sustain improvement over time. Two key initiatives sponsored by the OEC with direct relevance to environmental and social issues include the environment, health, safety and social responsibility (EHS & SR) strategy refresh project and the global standards project.

**EHS & SR Strategy Refresh**

With our transformation to an exploration and production company complete, we have begun to refresh and update our climate change, environment, health, safety and social responsibility strategy to align with our goal of becoming a trusted energy partner. We believe that refreshing our enterprise wide EHS & SR strategy will contribute to improving operational effectiveness and management of stakeholder expectations, reducing risk and protecting our license to operate.

We began working on our strategy refresh in the fall of 2014 by developing and implementing the governance structure for the project, including a Strategy Refresh Project Team and a Steering Committee, and conducting kickoff meetings. Operations, Enterprise

Risk, Corporate Strategic Planning, EHS, Corporate Social Responsibility (CSR), Government Affairs and Sustainability managers and professionals compose the project team, which will develop the elements of the new strategy. The Steering Committee, which includes vice presidents from each of the major disciplines, provides guidance, expertise and strategic direction to the project team. The HLT and the EHS Board Subcommittee periodically review and provide feedback to the Strategy Refresh Project Team and Steering Committee.

During the fourth quarter of 2014, we reviewed all recent asset-specific risk assessments conducted as part of our enterprise risk management process. In the first quarter of 2015, we retained a third party consultant to conduct a survey of material issues for our industry with industry peers and other external stakeholders. Obtaining external views allowed us to validate and build on our internal assessments. We are currently completing the second step of our strategy refresh – the industry benchmarking – and will develop strategic positioning and strategy development recommendations during

the third and fourth quarters of 2015. In the interim, we plan on retaining several elements of our five-year climate change strategy, which concluded in 2013. Please refer to the Climate Change and Energy section of this report for more detail.

**Global Standards**

Our management systems provide a framework for managing risk, ensuring operational excellence, tracking key performance metrics and maintaining regulatory compliance. Under the leadership of the OEC, we have been developing and implementing an enhanced framework of global standards as part of our management systems to formalize enterprise wide expectations and accountabilities and support a globally consistent approach to environment, health, safety and social risk management.

A risk-based approach was adopted to prioritize the order of development and implementation for each of the standards. The first set of enhanced standards was developed by cross-asset and cross-functional development teams and approved by year end 2014, with the second set to follow in 2015.

**EHS & SR Strategy Refresh Timeline**



Following the development and approval of each set of standards, assets will complete gap assessments and develop plans to implement and embed each standard. As the enhanced standards are developed, approved and implemented, we will continue to check and adjust the process regularly to ensure their effective and sustainable implementation.

**KEY ENTERPRISE PROCESSES**

We rigorously apply a number of key processes in our organization that provide the foundation for managing risk and achieving operational excellence at Hess. We utilize these processes to evaluate investment opportunities and identify and mitigate risks in potential, new and existing operations.

**Enterprise Risk Management**

Effective risk management at Hess is at the core of our commitment to operational excellence. Our enterprise risk management (ERM) process applies a comprehensive, standardized approach to identifying and managing risks of all types across our operations. Information from subject matter experts and recent audits is used to develop a holistic risk profile for each asset; the

risk profile identifies each risk and its associated likelihood and potential impact to our business. “Critical” risks – risks with higher likelihood and impact or those that are unlikely but would have significant impact if they were to occur – are placed on an integrated risk register that catalogs actions for managing or mitigating each risk. In 2014 risk assessments were completed and risk registers were begun for all assets in the Hess portfolio. In 2015 the ERM group will continue to develop risk excellence standards and guidelines for all risk related functions.

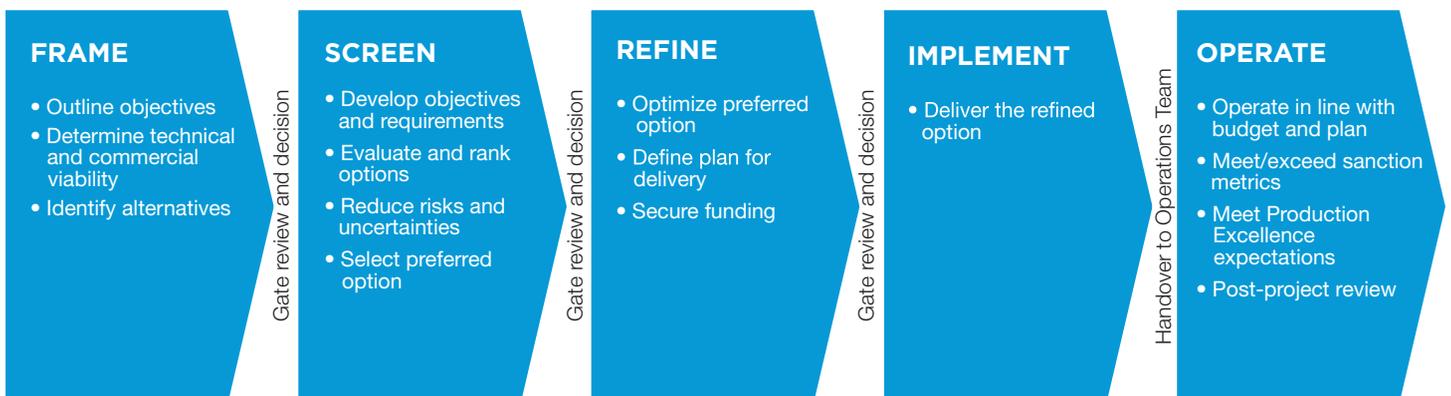
Significant progress has been made in embedding this process into key business functions at Hess, including project planning and entry into new areas of operation. We are also in the early stages of integrating risk management with our stakeholder engagement program, which includes alignment of key contacts at the asset level and facilitation of stakeholder mapping at ERM workshops to enable effective stakeholder management. For more information about the stakeholder engagement program, see the Community and Social Performance section of this report.

**Value Assurance**

Value Assurance is an independent review process within Hess to ensure that investment opportunities and decisions are properly characterized and assessed. Major capital projects are screened at various stages to verify that environmental and socioeconomic concerns, regulatory requirements and other non-technical risks have been incorporated into early project design and planning.

A major project follows a series of “stage gates,” which ensures that various risks have been identified, and recommendations made to mitigate them, at each stage before the project transitions to the next stage. At the Frame Stage, for example, a decision to proceed is based on the risk and opportunity profile, the technical and commercial feasibility and the economic viability of project alternatives. During the Screen Stage, risks, uncertainties and opportunities are identified, and the preferred option meeting economic and risk hurdles is selected. The Refine Stage is marked by the completion of a Project Execution Plan and Risk Mitigation Plan, leading to project sanction.

**Value Assurance Process**



During the Implement Stage, the project must demonstrate operational readiness. The final stage is Operate; the project is handed over to the Operations Team and begins production operations.

**New Country Entry**

When evaluating opportunities in a new country of operation, we assess non-technical above ground risks associated with that location using the new country entry (NCE) process. This cross-functional process involves a detailed questionnaire through which Hess subject matter experts from across the business provide input on various risks – including social, environment, legal, external affairs, compliance, commercial and supply chain risks – associated with operating in a particular country. The review draws on available information from governmental sources such as the U.S. State Department and leading non-governmental organizations to categorize each risk as high, medium or low based on severity and whether the risk can be easily mitigated.

The NCE process enhances the quality and breadth of information available to Hess leadership when evaluating new opportunities and enables the mitigation of identified risks by the project team once a commitment is made to enter a new country. The results of this process support our enterprise risk management and value assurance workflows, enabling us to use this information at key decision points in our investment and project planning processes.

Beginning in 2013 this process was expanded from new projects to include an annual review of all significant existing assets, which allows for a

recurring, formalized evaluation of risk in our ongoing activities.

**Lean**

Hess has adopted lean principles to drive continuous improvement and enable the company to provide value to communities, employees, business partners, shareholders and other stakeholders. To Hess, lean is not a tactical, a near term or a cost cutting program. Rather, it is a way of thinking and acting for an organization to create value, improve performance and eliminate waste.

Lean begins with building a company culture of learning and execution. With a deep respect for people, our leaders engage employees to develop problem-solving skill sets, enabling employees to eliminate waste and solve problems they face every day. We are actively managing our value streams, creating standard work, identifying customer-supplier relationships, defining clear hand-offs, enabling smooth work flows and continuing to improve our standards.

Our high-level strategy is cascaded to individual objectives. Our business plans

focus on the key breakthroughs necessary to meet our short and long term goals. We track daily operational and breakthrough progress, make problems visible and structure operating meetings to efficiently address clearly defined issues. And we apply structured problem-solving using the scientific method, constantly striving for perfection.

Lean was first deployed in Hess' onshore unconventional assets, where field development depends on drilling, completing and producing from a large number of wells. Lean principles, tools and methodologies were initially applied in the Bakken in North Dakota, where Hess has drilled and completed more than 200 wells annually over the past several years. Since 2011 Hess has reduced drilling cycle time by more than 50 percent and drilling and completion costs by almost 50 percent while improving safety performance by more than 50 percent. Applying lessons learned in the Bakken, Hess has implemented lean in its Utica asset in Ohio. As this unconventional asset has completed its appraisal phase and moved into development, the team has

**Lean Principles**





Malaysia/Thailand Joint Development Area, Gulf of Thailand

reduced its drilling cycle time by almost 70 percent and drilling costs per foot by 40 percent. Offshore assets have also begun to apply lean principles to their operations.

### ETHICAL BUSINESS CONDUCT

Our Code of Conduct describes the business conduct and behaviors that Hess expects of its employees, officers, directors and contractors. We expect that our suppliers, contractors, agents and other business partners will follow similar principles when working for Hess and our subsidiaries. The Code of Conduct has been translated for employees in each of our countries of operation outside the United States.

The company takes disciplinary actions, including termination of employment or services, for violations of the Code of Conduct and related policies.

Our compliance policies and procedures all stem from the Code of Conduct. 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. To continuously improve compliance controls and embrace best practices, our Global Compliance organization focuses on internal investigations, anti-corruption and other enterprise programs. The Chief Compliance Officer reports to the General Counsel and informs the Audit Committee of the Board of Directors on a regular basis.

In 2014 Hess globally implemented the Gifts, Meals, Entertainment, Hospitality and Travel Support Policy and the Conflicts of Interest Policy to provide employees with further guidance regarding what constitutes ethical business conduct. Additional noteworthy accomplishments included the rollout of a new online training program on these policies and the Code of Conduct, which was completed by 100 percent of employees throughout the year. In addition, enhanced investigative tracking

and reporting mechanisms for employees were put in place to promote greater access and transparency.

These initiatives are continuing into 2015. The Global Compliance group is further enhancing Hess' Anti-Corruption Compliance Program through the implementation of an updated Anti-Bribery and Anti-Corruption Policy and Procedure, the rollout of automated approval systems and the launch of online anti-corruption training. These global initiatives will occur in 2015 and into 2016.

### POLITICAL SPENDING

Under Hess policy, all colleagues (defined as full time, part time and contract employees) are prohibited from using Hess funds to contribute to a national, state or local political campaign, a political party, or election committee, or to pay a debt related to such activities. This prohibition includes both direct and indirect cash and in-kind contributions. In 2014 there were no political contributions made by Hess employees using corporate funds.

In the United States, federal election law permits corporations to establish political action committees (PACs), which may make political contributions. In February 2014 the company formed the Hess PAC for eligible employee contributions. All contributions to the Hess PAC are voluntary and publicly disclosed to the U.S. Federal Election Commission ([fec.gov](http://fec.gov)). In 2014 the Hess PAC received \$21,500 in contributions and did not make any disbursements. As legally permitted, Hess corporate funds, resources and facilities were used to provide administrative support for the Hess PAC.

Hess belongs to a number of trade associations, primarily to give the company access to the business, technical and industry best practices expertise of these associations. Hess actively engages with various industry and trade groups (organized under the Internal Revenue Code) in the United States. In 2014 Hess contributed \$250,000 to the Greater North Dakota Chamber for advocacy on issues that would preserve and promote a healthy, pro-business environment in the state. The advocacy included the Chamber's campaign opposing the passage of general election ballot Measure 5. This measure sought to redirect 5 percent of North Dakota's revenue from its oil extraction tax to a new, independent conservation fund not administered by the state, which Hess believes would have had a negative impact on the oil and gas producing business environment. The voters in North Dakota defeated the measure in November 2014 by a 60 percent margin. Except for funds contributed to the Greater North Dakota Chamber, no payments made by Hess to 501(c)(6) or 501(c)(4) organizations were used for express political advocacy. A list of memberships and associations that received more than \$50,000 from Hess in 2014 can be found on page 58 of this report.

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 this annual sustainability report.

## SUPPLY CHAIN

Our global reach extends well beyond our individual company operations to our business partners, suppliers and contractors. Maintaining a competitive and secure supply chain is one of the key ways we reduce our operational risk. In 2014 we purchased more than \$8 billion of goods and services from more than 5,000 suppliers, and contractor manhours comprised more than 80 percent of our total workforce hours.

### Supplier Qualifications

We employ a standardized approach to evaluate and measure the performance of potential and current suppliers on the basis of total value, including safety, quality, delivery and cost. We have a centralized system in place globally that houses all contract templates and other key materials and manages the contractor procurement process. We also use a central, global electronic sourcing system in a majority of our locations to collect bids and evaluate suppliers. This system allows for the efficient creation of online Requests for Proposals and encourages the use of best practices.

Our contractor prequalification and selection process helps to ensure we are working with the most qualified companies. Where appropriate, potential contractors undergo a risk review, an anti-corruption and legal compliance review and a review of EHS programs and performance. Our procurement staff also reviews the potential contractors' insurance, tax, legal and quality information; in case of discrepancies with our standards, the relevant department within Hess conducts an additional review.

Contracts that involve higher risk, due either to the number of manhours the contractors will work at Hess or the nature of that work, automatically trigger an EHS review in the procurement process. As one part of the EHS review, we use recognized industry prequalification systems for most major areas of operations, including in the United States and Europe. This includes a review of training qualifications, safety programs and performance, an environmental checklist and proof of insurance. Potential contractors receive a rating based on this review. In cases where a contractor receives a rating that does not meet our requirements, an improvement plan should be in place before a contract with that supplier is established. Beginning in 2015, these formalized improvement plans are housed internally at the asset level using our existing EHS data system.

Elsewhere, we use a standardized process with a questionnaire based on 14 safety and environmental elements. In our U.S. operations, the EHS review will also typically include an on-location audit.

### Supply Chain Transparency and Compliance

Our suppliers of goods and services must comply with applicable laws and regulations in areas such as EHS, drug and alcohol use, conflicts of interest and anti-corruption laws, and must maintain any licensing or permitting requirements with respect to their activities. Contractors are also required to abide by our Code of Conduct. Standard contract clauses include requirements with respect to ethical business practices, human rights, social responsibility, business integrity, search and seizure and quality.

In addition, clauses that cover federal contractor requirements are included for suppliers supporting our U.S. operations. Contracts typically also include a requirement that suppliers and contractors allow access to all offices and facilities and cooperate fully with all audits and inspections.

### Security Services

Our Code of Conduct prohibits the use of local military or law enforcement personnel except where required by local authorities or in emergency situations. If the use of local military or law enforcement personnel is unavoidable, asset managers are requested to seek prior approval from Hess' Legal Department and Global Security function.

In operating locations where security services are necessary, we contract for these services locally with support from our Global Security and Global Supply Chain functions. Contracts with security services providers include clauses covering security and human rights expectations. These clauses detail our expectations for security providers to adhere to applicable international law enforcement principles, humanitarian law and human rights law. The 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. These expectations are also detailed in our enterprise wide Security and Human Rights policy. We have also developed a Security and Human Rights Toolkit that



Valhall Field, Norway

can be used locally for training security personnel on human rights issues.

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, such as peaceful community protests, that highlight potential future risk. We are not aware of any incidents where public or private security forces engaged community members in 2014, and no incident reports were filed. We are also piloting a formal mechanism to report such incidents internally using our existing data systems and plan to use this tool across the enterprise beginning in 2015.

### Local Content

Internationally, we often prioritize local suppliers as part of production sharing contracts or other agreements with host countries. These agreements vary, but may include use of an approved vendor list, requirements for government approval of suppliers or threshold

specifications for local companies or workers. We are also active participants in an industry partnership task force dedicated to developing and sharing best practices in this area.

### Supplier Engagement and Sustainability

Hess continues to engage with 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, including restrictions on the selection and use of certain chemicals. We require suppliers to publish fracturing fluid chemical composition and quantities via the FracFocus website. While the majority of chemicals are identified by unique identification numbers issued by the Chemical Abstracts Service (CAS) and are listed on the publicly available CAS Registry, Hess allows its suppliers to use generic names for proprietary ingredients.



## 2014 KEY DEVELOPMENTS

- > Drafted corporate social responsibility and human rights global standards
- > Developed a standard enterprise stakeholder engagement (SE) process and began rollout
- > Launched a stakeholder management database system to support SE and grievance mechanism processes
- > Invested more than \$42 million in social programs throughout our portfolio

## 2015 GOALS

- > Finalize and implement corporate social responsibility and human rights global standards
- > Implement grievance mechanism at three assets
- > Continue to enhance our stakeholder engagement in all assets, with a specific focus on at least five assets in 2015
- > Conduct strategic review of social investment programs

At Hess, we view corporate social responsibility (CSR) as a way of doing business, enhancing our ability to be an effective, profitable and trusted energy partner. By proactively engaging with the communities where we operate, we can maximize our business value, manage social risks and impacts and create opportunities for stakeholders.

We integrate social considerations into our business decisions using a three-pronged approach: stakeholder engagement, social risk and impact management, and strategic social investments that facilitate direct and indirect local benefits. Each element informs the others as we work toward continuous improvement. This approach fosters long term relationships, encourages operational success and supports profitable growth.

### GOVERNANCE FRAMEWORK

Our Hess Values and our Code of Conduct, which includes expectations regarding human rights, provide the starting point for our commitments to ethical and responsible business practices. Corporate Social Responsibility is one of the six Hess Values; it establishes our commitment 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.

The next level of our CSR governance framework includes our commitments to international voluntary initiatives that Hess has endorsed or formally joined (collectively known as our “Voluntary Commitments”) and that are designed to protect the environment, promote human rights — including labor rights — and encourage financial transparency. In addition to our endorsement of the Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, our Voluntary Commitments include the United Nations Global Compact (UNGC), the Voluntary Principles on Security and Human Rights (VPS), and the Extractive Industries Transparency Initiative (EITI). Hess serves on the board of the UNGC’s U.S. network.

Our Corporate Social Responsibility, Human Rights, and Security and Human Rights policies all cascade from the umbrella of our Voluntary Commitments. This framework details our commitments to our employees and communities of operation through every phase of our business activity. It also sets expectations for employees and contractors.

In 2014 we drafted CSR and Human Rights Global Standards, which comprise the next level of our framework and cascade from our policies. These

two standards were developed to expand upon the company’s expectations of business and asset level programs, processes and performance. Training, toolkits and local procedures and plans make up the final level of the framework.

### STAKEHOLDER ENGAGEMENT

Discovering and producing oil and gas have become increasingly challenging for our industry, both technically and in terms of environmental and social considerations. As an international energy company, our access to resources depends on effective engagement with governments, regulators, communities and civil society. As such, it is critical for our company to understand the

### Governance Framework



expectations, priorities and concerns of our stakeholders, including communities, employees, suppliers, customers, industry members, governments and investors.

We recognize that risks associated with our activities can have a significant impact on stakeholder relationships, public perception and the success of a project. In 2014 a multidisciplinary team developed a standard, enterprise wide stakeholder engagement process and set of tools. This process focuses on both the proactive relationship and trust building opportunities created by meaningful engagement, as well as the business value engagement brings when integrated as part of project risk management. Our stakeholder engagement process is consistent with the company's "Plan, Do, Check, Adjust" continuous improvement methodology utilized by other Hess business processes such as lean, and thus adopts a disciplined methodology that also offers consistency across the enterprise.

**Stakeholder Engagement Process**

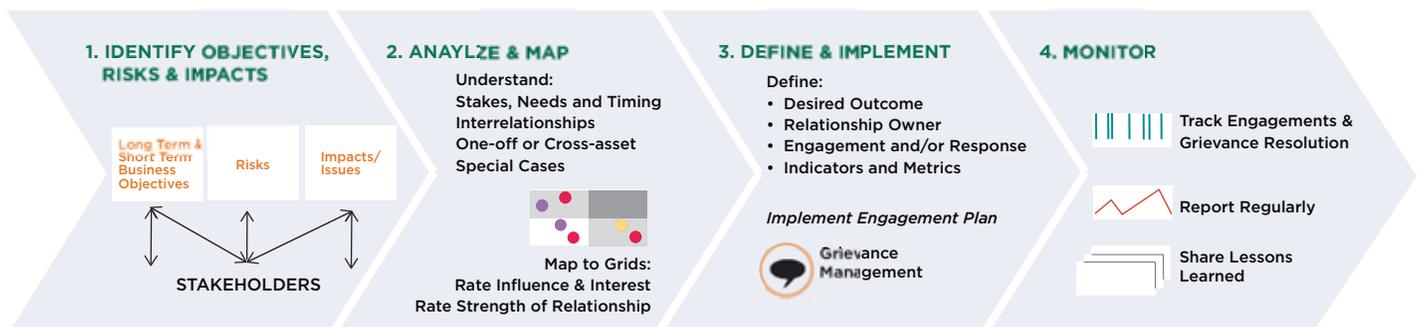
To operate effectively as guests in host communities requires a mutual



understanding of expectations between Hess and those who live and work nearby. Indeed, stakeholder engagement is a critical aspect of operational success across the entire life cycle of our business, from the

earliest phases of our new country entry process through the decommissioning of an asset. Proactive, ongoing stakeholder engagement helps set expectations, averting miscommunication and misunderstanding before they start.

**Stakeholder Engagement Process**



## EXTERNAL STAKEHOLDERS

We interact with many different types of external stakeholders, ranging from local landowners, leaseholders and communities to international organizations. Our goal is to collaboratively identify opportunities benefiting our host communities, improve our business and strengthen our license to operate. Below are a few select examples of recent stakeholder engagement.

Category	External Stakeholder Groups	Recent Examples of Engagement
Land Users/ Landowners	Residents, commercial land interests, farmers and ranchers	Bakken stakeholder engagement and grievance mechanism deployment to improve two-way dialogue and proactive risk management
Resources Users/ Rights Holders	Mineral rights owners, water rights owners and users, hunters/fishers/gatherers	Proactive engagement in both Ghana and Kurdistan with community leaders and other stakeholders to better understand their interests and support our operations
Governments	Local, regional and national authorities, national military, international governing authorities	Hosted Department of Energy (DOE) Secretary Ernest Moniz and Senator Heidi Heitkamp (D-ND) on a visit to Hess' Bakken asset to educate them on North Dakota production and operations; served on DOE Secretary's Advisory Board for the Quadrennial Energy Review (QER) and testified at DOE QER hearing in North Dakota on energy infrastructure challenges
Direct Economic Interests	Investment partners, vendors and suppliers, contractors, unions, shareholders	Hosted a Supplier Day meeting with representatives from Hess' top 100 suppliers to initiate a supplier engagement process that will lower supply chain costs while continuing safe, reliable, efficient operations
External Business Interests	Chambers of commerce, industry organizations, local businesses, sustainability initiatives	Vice President of Corporate Social Responsibility serves on executive committee of IPIECA; leaders of Environment, Health and Safety and CSR functions actively participate in working groups and stakeholder engagement, including on such topics as biodiversity, social responsibility, water, climate change and sustainability reporting
Special Interest Groups	NGOs, religious groups, cause-oriented nonprofits, community groups	Active participant in multi-stakeholder initiatives, including the Voluntary Principles on Security and Human Rights, EITI and UNGC, to advance responsible business practices globally
Community Services	Local police/fire/EMS, health care services, education, human service agencies	Conducted a training drill at Tioga Rail Terminal that included several agencies and organizations, including the Local Emergency Planning Committee, Ward County Emergency Management, Burlington Northern Santa Fe Corp., Union Pacific Co., and CHEMTREC. The exercise served as verification of roles and responsibilities between the carrier, manufacturer and track owner in the event of an incident
Indigenous Groups	Formally recognized groups, tribal coalitions, government supporting agencies, indigenous advocacy groups	Conducted meetings with the Three Affiliated Tribes in North Dakota, and other Native American tribes of the region, around the Hawkeye Pipeline project. The meetings included project description briefings, consultations on sensitive cultural areas, and a walkthrough of the pipeline route with the tribes to conduct a survey to identify historic and culturally sensitive sites in the projected corridor. Appropriate adjustments to the route and project were made to preserve those identified areas

## STAKEHOLDER ENGAGEMENT: MANAGING BUSINESS RISKS IN GHANA

In 2014 Hess Ghana undertook seismic survey and drilling operations in its offshore Deep Water Tano/Cape Three Points license area. The seismic survey, lasting almost four months, collected data over a seabed area of 1,800 square kilometers and was followed later in the year by the drilling of three appraisal wells. As part of the project development, Hess identified coastal fishing communities as an important stakeholder group due to the potential for interaction offshore between fishing canoes and company vessels. Hess reached out and

consulted with the fishermen, traditional leaders, and the six District Assemblies closest to the license area.

At the community level, a key to success was to work through the chief fishermen, who commanded respect in each community and facilitated discussion in small groups. Engagement with the fishermen gave Hess a good understanding of the issues and challenges that the fishing community faces, and by developing good relationships it

permitted early and easy resolution of problems.

A good example was the resolution of an incident in which a fisherman's nets were damaged by a seismic survey vessel. A swift investigation, with help from the chief fisherman, the Fishermen's Association and the Fisheries Commission, allowed Hess to replace the damaged equipment in a timely and equitable manner.

Hess works to identify and map its operational stakeholders and develop engagement plans at each asset. Assets create, maintain and implement a strategic social investment program tailored to that operation and community.

### Grievance Mechanisms

Formal grievance mechanisms support stakeholders who are seeking to share feedback with companies on their operational impacts and help ensure that the company has a process to respond to and act on that feedback. Through our membership in IPIECA, the global oil and gas industry association for environmental and social issues, and in partnership with six of our sector peers, in 2014 we participated in a voluntary pilot project at one of our shale energy asset locations. We also developed an internal database to support implementation and management of our stakeholder engagement and grievance mechanism processes.

We are applying the learnings from our site specific grievance mechanism pilot to an enterprise wide set of guidance

and accompanying tools to support our efforts to enhance our ability to listen to, engage and respond to stakeholders. Through a consistent application of robust grievance mechanisms, we hope to strengthen our relationships with communities and respond more effectively to their concerns, thus addressing issues before they grow into more severe or widespread problems.

### SOCIAL RISK AND IMPACT MANAGEMENT

Engaging with stakeholders helps us to proactively identify, mitigate and manage above ground risks that can impact communities and projects. Prior to new country entry, project startup, or expanding existing facilities, we examine the social, political and economic environment to identify non-technical risks and mitigation activities and integrate them into our strategic planning. Recent examples include the following:

- We completed a third party social and environmental baseline study for Hess' Bakken operations and surrounding communities. The findings provided Hess with a better understanding of

environmental and social issues the region is facing. The study captured feedback from internal and external stakeholders, and the findings have been incorporated into mitigation plans, stakeholder discussions and industry partnership opportunities. The study will also help inform social investments going forward.

- We conducted social and environmental studies in Kurdistan, Equatorial Guinea and Malaysia in conjunction with our operational activity and to provide additional information for social responsibility and investment programs.
- We commissioned a report of the downtown Houston area where Hess Tower is located. The report identified socio-economic issues and potential social investment opportunities.

### Human Rights

Building trusted partnerships and treating people with dignity and respect are part of our company's culture. Although it is the duty of governments to protect human rights, companies like ours must act with care and respect for

the human rights of all citizens wherever we operate. Our strategy is to prevent human rights related incidents by engaging with stakeholders, including communities, to proactively address potential issues. The complex environments in which we operate present an opportunity to make positive and lasting contributions in the areas of governance, transparency, respect for rule of law, and social and economic development.

We have been working to more firmly align our business practices with our CSR Policy, Human Rights Policy and Security and Human Rights Policy. For example, before we begin exploration activities in a new country, we analyze human rights issues with the understanding that these are clear business risks that must be assessed and managed. This analysis is integrated into the new country entry process to help inform our strategy and approach.

In 2014 we continued to implement our Security and Human Rights Toolkit. We conducted one workshop in December 2013 and a second workshop in October 2014, targeted toward our Algeria asset leadership team. We also developed a self-assessment questionnaire to support asset implementation of the Toolkit. We are continuing to expand use of the Toolkit on an ongoing basis with the goal of having workshops at every asset.

We also educate our employees on the importance of respecting human rights. We have developed an online training module and documentation for all employees that explains human rights and why they are important to our business. The course reviews our

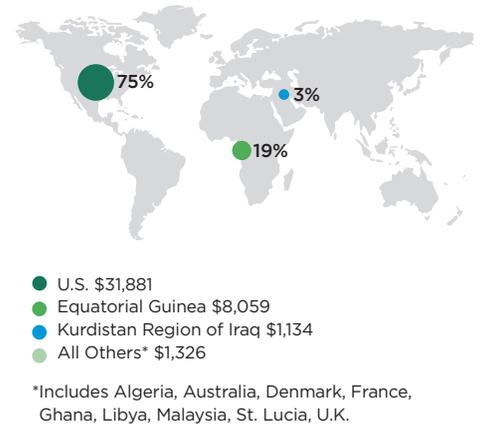
Human Rights Policy, offers employees guidance on integrating respect for human rights into their daily work and provides direction on how to report suspected human rights issues. All employees will be expected to take this course once it launches. In addition, human rights content is included in our mandatory Code of Conduct training, which all employees completed in 2014.

### COMMUNITY BENEFITS AND CAPACITY BUILDING

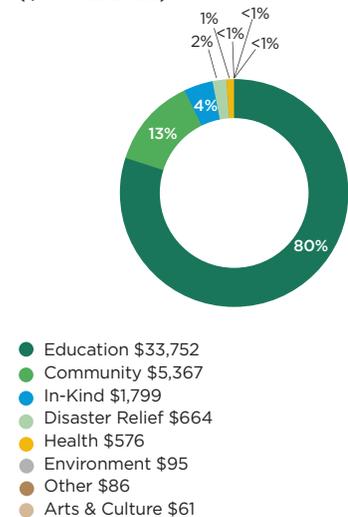
For Hess, CSR is more than philanthropy and what we do with our profits; it is about how we operate. Our programs have evolved over time to incorporate a broader understanding of what it means to invest in a community. Philanthropy is an element for developing communities and maintaining a social license to operate, yet it is not sufficient in and of itself. To make a contribution to sustainable development, companies must excel in areas beyond charitable giving, such as local sourcing, capacity building and workforce development, while also minimizing the social and environmental impacts from operations.

Our strategic social investments are designed to create shared value that improves the quality of life in local communities and helps create a favorable environment for our operations. We focus in particular on education and health, contributing to education improvement and work skill development, which are fundamental to sustainable economic growth. We also seek to identify opportunities in the supply chain to provide lasting economic benefit through local job creation.

### 2014 Social Investment Spending by Country (\$ Thousands)



### 2014 Type of Investment (\$ Thousands)



Note: These charts include all social investments in 2014, including those associated with joint venture operations.

We have several different types of social investment programs; in general, these include corporate-led, multi-year and multi-million-dollar flagship programs as well as asset-based projects with moderate funding levels. In 2014 our social investments totaled \$42.4 million, with \$33.8 million going toward education projects. Another \$6.6 million was earmarked for economic development, health and capacity building.

### Flagship Investments in Education

We currently have two flagship projects that are focused on helping to develop secondary education systems and capacity.

#### PRODEGE II

Building on Hess' PRODEGE project to develop the primary education system in Equatorial Guinea, PRODEGE II carries the theme of quality education to the junior secondary population. The program, funded at \$50 million over five years, has three broad goals:

- Support the Ministry of Education in its efforts to consolidate the successful outcomes of Phase 1 and replicate them across all primary schools nationwide and to strengthen preschool education (\$11.4 million)
- Strengthen junior secondary education through intensive teacher training and by introducing an active learning methodology that prepares students for both higher education and the workplace. Activities will target students enrolled in school as well as young people who have left school (\$33.1 million)
- Build the capacity of the Ministry of Education to better manage and

sustain a system of quality education (\$5 million)

We are receiving implementation assistance from FHI 360, a non-profit human development organization whose role is fiduciary as well as program design, technical assistance in country, monitoring and evaluation. The program started in late 2014 and was able to accomplish several key objectives. At the end of 2014, FHI 360 teamed up with the Ministry of Education to distribute a complete suite of instructional materials to 860 primary schools across the country, benefiting some 33,000 students. FHI 360 also trained the PRODEGE team within the Ministry of Education to train teachers on how to incorporate the materials into classroom instruction.

#### Succeed 2020

Succeed 2020 is a five-year, \$25 million program to assist students in North Dakota as they prepare for college, careers and the workplace. The program has been carefully planned and implemented as a partnership with the state of North Dakota and FHI 360. It supports college and career counseling for students, professional development for teachers, tutoring and online learning. Nominated by the Greater North Dakota Chamber of Commerce, Hess was recognized by North Dakota's State Superintendent of Public Instruction with the 2014 ACT College and Career Readiness Award for this effort. During the 2013/2014 school year, more than 2,500 students from 66 school districts participated in eight college and career fairs, and more than 3,000 students participated in science, technology, engineering and math activities. Thousands of students

participated in Roads to Success lessons; this curriculum is designed to integrate college and career planning into classroom lessons. In addition, more than 200 teachers, 300 administrators and 150 counselors and advisors received professional development, support and guidance.

#### Local Programs

At the local level, Hess assets and Houston headquarters have focused their social investments in the areas of education and community development.

#### University of North Dakota Petroleum Engineering Program

In 2010 the University of North Dakota (UND) launched a \$65 million capital campaign to expand the Petroleum Engineering Program, the only program of its type in the state. The program, started in 2010 with four students, increased enrollment to 200 by 2013. While Hess has supported various programs at the university over the years, we committed \$5 million in 2014 for infrastructure and other needs to support the school's rapid growth. This level of funding complements our existing engagements with academic institutions around recruiting and research, enhances our ability to hire engineers locally, and assists UND in building institutional capacity that can help the school secure accreditation.

#### Belmont College

Beginning with the 2013/2014 school year, Hess has partnered with Belmont College in Ohio and its foundation to award scholarship funding to incoming and current students enrolled full or part time in an associate degree or certificate program. The purpose is to provide funding to help students gain the highly technical skills necessary to do well in

the local economy, where increased oil and gas activity is resulting in an economic revival. Scholarship recipients are selected by the Belmont College Scholarship Committee, in cooperation with the Office of Student Financial Aid. Special considerations are made to non-traditional students who are displaced workers returning to college in order to further their education and regain employment. Key performance metrics for the Hess Corporation Scholarship program include scholarship recipient demographics, completion rates, and job placement data (when available), as well as data on the overall status of the energy programs at Belmont College.

#### LEAP

In 2014, LEAP (Learn. Engage. Advance. Persevere.) completed the first year of a three-year pilot dropout prevention program for at-risk middle school students at two Houston, Texas, inner-city schools. Five program partners, including Hess, work collaboratively to provide support to students who are

English language learners and over age for their grade level. The first year went well, with partners integrating their programs at the two schools and students leveraging opportunities available to them.

Art and design were added to the second year of the program as part of a movement by school districts nationwide to augment the traditional primary through secondary school science, technology, engineering and math (STEM) education. This addition helps students understand STEM elements through customized applications and more natural ways of learning.

#### LISC

Founded in 1979, LISC (Local Initiatives Support Corporation) is the largest community development support organization in the United States. LISC helps to sustainably transform distressed communities through local resident led community development organizations. It supports the development of local leaders and the

creation of affordable housing, facilities, local businesses and jobs. Through Hess support, LISC's Houston program was able to expand their team to conduct financial and employment workshops in addition to launching their Occupational Skills Initiative program to strengthen math and literacy skills for job training programs in health care.

LISC also conducted "Leading Together" leadership workshops to educate community leaders on organizing fundamentals, neighborhood affordability and preservation, economic development and systematizing city advocacy.

#### Tioga Firefighter Training

Volunteer firefighters in Tioga, North Dakota, benefited from extensive training in 2014 thanks to a \$22,000 Bakken Hess Force grant. Six volunteer firemen attended the Texas A&M firefighting school in College Station, Texas, in early 2014. The training courses are similar to real-life situations the firemen would encounter in both the community and in the field.



First Responder Training, Tioga Firehouse, North Dakota



Tubular Bells Platform, Gulf of Mexico

## 2014 KEY DEVELOPMENTS

- > Achieved a 23 percent improvement in workforce (employees plus contractors) Total Recordable Incident Rate and a 14 percent improvement in workforce Lost Time Incident Rate compared to 2013
- > Closed all action items identified in our 2013 process safety health checks by the targeted deadline

## 2015 GOALS

- > Successfully conducted a simulation of a major offshore loss of containment incident in the Gulf of Mexico – our most complex emergency drill ever
- > Meet a workforce Total Recordable Incident Rate target of 0.33 or below
- > Meet a High Potential (HiPo) incident rate of 0.32 or below
- > Achieve 95 percent implementation of safety observations

Safety is a top priority at Hess. Our ultimate goal is zero incidents, and as we work toward that goal we strive for continuous improvement in key safety metrics. Commitment to and accountability for personal and process safety begins at the highest levels of our company, as performance against our metrics is a component of our bonus formula for executives as well as all employees.

### PREVENTING DROPPED OBJECT INCIDENTS

Our Hess Rules for employees and contractors provide guidance for controlling seven activities (such as lifting and hoisting and working at heights) that are at high risk for fatalities. We also focus on activities such as dropped objects and equipment failure, and we are implementing programs and practices aimed at preventing such incidents. In late 2014 we put a particular focus on preventing dropped objects, in part because of a perceived upward trend pertaining to these types of incidents, including a major incident involving a contractor.

To more effectively prevent such injuries from dropped objects, Hess senior management conducted visits in early 2015 with our drilling contractors to discuss and assess their systems for preventing dropped objects. We have also worked with our contractors on their mitigation programs, worked with site personnel so that they understand and react appropriately to hazards, and have conducted routine inspections.

We regularly review our contractors' health and safety systems so that they align with ours.

### PERSONAL SAFETY

We continued to make significant strides in our safety performance in 2014. The Total Recordable Incident Rate (TRIR) for our full workforce (i.e., employees and contractors together) was 0.40, a 23 percent improvement from 2013. Our full workforce Lost Time Incident Rate (LTIR) was 0.12, a 14 percent improvement from 2013.

Our contractor TRIR dropped 25 percent in 2014 compared to 2013, while our employee TRIR was flat year-to-year. We experienced no employee or contractor fatalities in 2014.

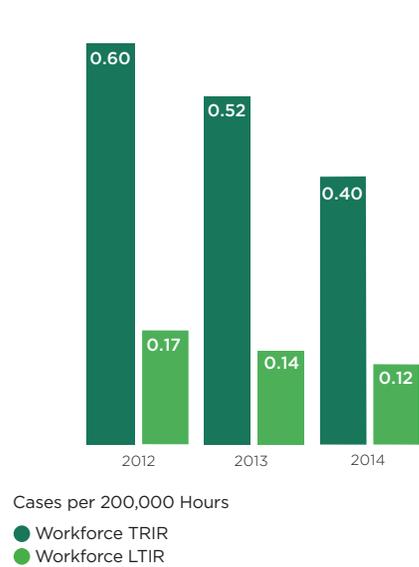
### PROCESS SAFETY

Our focus on process safety is to prevent unintentional releases that could result in a major incident such as a fire, explosion or toxic exposure.

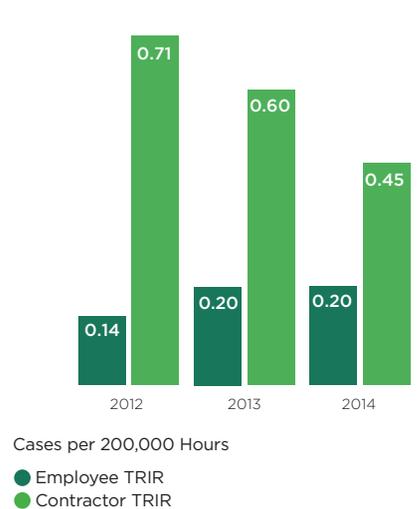
To manage process safety effectively at Hess, we focus on:

- Design integrity – reducing risks to as low as reasonably possible in the design and construction of facilities
- Technical integrity – inspecting, testing and maintaining our hardware
- Operational integrity – working within operational design parameters
- Process safety leadership – minimizing the likelihood of process safety events through the effective management of process safety risks by our leaders across the organization

### Full Workforce Safety Performance<sup>1,2</sup>



### Employee and Contractor Safety Performance



<sup>1</sup> Hess corporate and upstream workforce data, which includes employees plus contractors together.

<sup>2</sup> When calculating LTIR, calendar work days are used. A Lost Time Incident involves one or more days away from work, excluding the day of the incident. We include occupational illness and occupation-related disease for current employees in our companywide safety totals.

Our process safety program has three strategic elements: enhancing process safety leadership; understanding and identifying process safety vulnerabilities; and educating key people across the organization in process safety awareness.

In 2014 we significantly strengthened our process safety systems enterprise wide. First, we worked to address the approximately 400 action items identified in our 2013 process safety “health checks.” A health check is an internal, high-level assessment of the process safety at our various production assets and drilling operations around the world. The on-time completion of the action items was incorporated as a metric in our annual incentive plan formula for Hess employees. At year end 2014, 65 percent of the action items had been addressed, and they all had been closed by the deadline date. All health check action items are on target for closure by year end 2017.

Second, we convened a two-day, multi-functional process safety alignment meeting to discuss process safety in depth. The meeting brought together 40 people from various Hess business units and backgrounds with the goals of ensuring that process safety was being addressed consistently across the enterprise, clarifying roles and responsibilities, and identifying opportunities for improvement. The gathering represented a step change in our level of alignment, coordination and communication regarding process safety management.

Third, we developed three standards that relate to process safety:

- Enterprise Management of Change (MOC) – We have various functional

and regional MOC procedures; this standard sets minimum requirements that they must all meet. This will improve MOC implementation by aligning MOC expectations across the enterprise.

- Process Safety Information (PSI) – This defines the minimum requirements for documentation that must be maintained. It also requires that any changes to PSI must go through the enterprise MOC process.
- Vehicle Entry – This defines requirements to reduce the likelihood of a vehicle engine becoming an ignition source of a release at our onshore production assets and drilling operations.

Also in 2014 we continued to conduct process safety awareness training, primarily among our drilling and completions employees and contractors.

We have been collecting information on process safety key performance indicators (KPIs) per the International Association of Oil and Gas Producers’ (IOGP) *Process Safety – Recommended Practice on Key Performance Indicators*, Report No. 456, November 2011. This recommended practice identifies leading and lagging KPIs that can be used to strengthen risk controls and barriers in order to prevent major process safety incidents.

In May 2012 we began tracking process safety events (PSEs), which are the result of a loss of primary containment of any material, including non-toxics and non-flammables. These are Tier 1 and Tier 2 lagging KPIs that can be reported at an enterprise level in both internal and external reports.

Tier 3 and 4 KPIs are primarily designed for monitoring and review of risk control systems/barriers at the facility, business and enterprise level. Because these indicators are specific to particular facilities or company systems, they are generally not suitable for company-to-company benchmarking or year-on-year corporate performance reporting.

The chart below shows our process safety performance in 2013 and 2014, in terms of Tier 1 (greater consequence) and Tier 2 (lesser consequence) process safety events.

Data for 2012 were not included because Hess and the industry were in the process of understanding the new IOGP data collection methodology and working to improve the quality of the data. Although year end 2014 data is higher than 2013, a closer look at the cases that comprise this data has not revealed a statistically valid trend.

**Process Safety Events**

	2013	2014
Tier 1 PSEs	18	20
Tier 2 PSEs	48	49

Note: Tier 1/Tier 2 criteria and PSE events are based on definitions from the International Association of Oil and Gas Producers, *Process Safety-Recommended Practice on Key Performance Indicators*, Report No. 456, November 2011.

The enterprise included on-time closure of environment, health and safety (EHS) audit and health check action items as a Tier 4 KPI that was included in the 2014 bonus calculation for all Hess employees. The Global Drilling and Completions organization began tracking some specific drilling and completions Tier 3 and Tier 4 KPIs as well in 2014.



Safety Drill, Gulf of Mexico

## EMERGENCY PREPAREDNESS AND RESPONSE

While we always aim to prevent incidents, we are also prepared to swiftly respond to any emergency that may arise – whatever its cause.

Hess' emergency preparedness and response procedures are designed to protect people from injury, the environment from spills and other incidents, our assets from damage and the company's reputation from harm – in that order. Our Emergency Response Network is composed of incident response and mitigation personnel at the asset, regional and enterprise levels.

In July 2014 we conducted our most complex emergency drill yet – the simulation of a major offshore loss of containment incident in the Gulf of Mexico. The day-long exercise involved all levels of our Emergency Response Network as well as multiple contractors. Going forward we hope to conduct an exercise of this magnitude once each

year, in addition to our regular, smaller scale emergency exercises and drills.

To complement our own capabilities, we partner with mutual aid and emergency response organizations at the local, regional and global levels. In 2014 we joined the Marine Preservation Association, which runs the Marine Spill Response Corporation. This membership significantly enhances our oil spill response capabilities in the Gulf of Mexico.

We belong to the Subsea Well Intervention Service, a program that provides well capping and dispersant equipment and oil spill dispersant that can be deployed internationally, and the Wild Well Control Capping System, for international deployment in the case of source control situations. We subscribe to Impact Weather, which provides detailed reports on potential weather threats. In addition, we partner with Oil Spill Response Limited, Marine Well Containment Company, the Subsea Well

Response Project, the Oil Spill Prevention and Response Advisory Group and Clean Gulf Associates.

We are also active members of the Oil Spill Response Joint Industry Project organized by IPIECA (the global oil and gas industry association for environmental and social issues) and the International Association of Oil and Gas Producers. The project is developing Good Practice Guides on 24 key aspects of oil spill preparedness and response.

## CONTRACTOR MANAGEMENT

At Hess, contractors now comprise over 80 percent of our workforce. As this proportion has increased in recent years, we have significantly strengthened our contractor management processes.

As part of the procurement process, EHS reviews are conducted for those contractors that are considered higher risk, due either to the number of manhours they will work at Hess or the nature of that work, such as drilling and completions or offshore work. As one part of the EHS review, we use recognized industry safety prequalification software for most major areas of Hess operations. Elsewhere, we use in-house processes such as supplier questionnaires. In the United States, potential contractors receive a grade based on items such as insurance and safety record. If potential contractors receive a low grade, the asset director (or above) must endorse a safety action plan before the contractor may be approved. The procurement process will also typically include an on-location audit. New contractors take part in a four-step onboarding and engagement process.

LOCAL EFFORTS



**DECOMMISSIONING**

Hess has delivered exceptional safety performance during its decommissioning of wells in the Fife, Fergus, Flora and Angus fields in the North Sea, off the U.K. coast. The project involved taking the offshore oil rigs out of service, removing all facilities and subsea structures and permanently closing off the wells. This complex, seven-year process – which has required 6.5 million manhours to date – has achieved a Total Recordable Incident Rate of just 0.13 with only four Lost Time Incidents.



**WORKFORCE DEVELOPMENT**

In November 2014 Hess partnered with Belmont College in Ohio to sponsor and facilitate a one-day oilfield emergency response training for 250 local firefighters and emergency medical technicians. The training – which included 21 sessions from which attendees could choose – educated first responders on how to handle the unique challenges that may arise at a shale oil asset. These skills are increasingly important as oil and gas exploration and production in the Utica Shale continue to grow.



**HEALTH EMERGENCY PLANNING**

In 2014 we worked with our assets in Ghana and Equatorial Guinea to develop plans and guidance to address the Ebola epidemic, should the need arise. Fortunately, no Ebola cases were ultimately reported in these countries. These guidance documents were part of a larger update to our corporate pandemic planning program. Our pandemic plans help us to maintain business continuity by setting triggers and action steps in the case of epidemics such as Ebola or, more commonly, influenza.

**HEALTH AND WELLNESS**

Hess' health and wellness strategy encompasses several elements of health management:

- Health risk assessment and planning
- Industrial hygiene and control of workplace exposures
- Medical emergency management
- Management of health in the workplace, fitness for task assessment and health surveillance
- Health impact assessment
- Health reporting and record management
- Public health interface and promotion of good health

In early 2014 our Occupational Health team met with Hess EHS professionals from around the world to review these elements and introduce a Health Gap Assessment Tool. We began conducting health gap assessments in the second quarter, piloting the effort with the Gulf of Mexico EHS team, followed by Seminole (Texas) and China. Health gap assessments enable our sites to identify any gaps in their health and wellness initiatives and set short and medium term health management priorities. The initial assessments contained some common themes and, in particular, highlighted the need to focus further on industrial hygiene monitoring and practices. This observation was validated by internal audit team findings.

In the second half of 2014 the Occupational Health team partnered with EHS colleagues in Ohio and North Dakota to conduct industrial hygiene surveillance on noise levels, benzene and silica dust exposure at hydraulic fracturing sites.

In addition, we deployed mobile medical surveillance of the Hess workforce at locations throughout North America in 2014. This effort helps to ensure that our workforce is fit for duty and that we are complying with internal requirements and government regulations. It includes hearing testing, respiratory fitness testing and occupational health related medical exams. We also conduct random drug and alcohol surveillance of the workforce, with emphasis on our field locations, to further ensure health and safety at our operations.

## SAFETY AT OUR DEEPWATER ASSETS

Deepwater operations can present personal and process safety risks greater than those of land-based assets. While the drilling and production processes are in many ways similar, the wells tend to be much deeper and are under greater pressure. Accidental discharges can be more severe and harder to contain. Oil spill response is more complicated. And of course, the operations are conducted on self-contained, mobile offshore drilling units.

At Hess, we have been managing these safety risks effectively. We currently have three deepwater assets (in more than 1,000 feet of water) in production: Baldpate and Tubular Bells in the Gulf of Mexico, and the Okume complex in Equatorial Guinea. Tubular Bells is our most recent; it commenced production in November 2014. Two other deepwater sites are in pre-production: a rig off the coast of Ghana has completed appraisal, and our Stampede project in the Gulf of Mexico has been sanctioned and should be in production by 2018.

Like all oil and gas companies operating in U.S. waters, our deepwater operations in the Gulf of Mexico are subject to the U.S. federal government's Safety and Environmental Management System (SEMS) regulations. The SEMS rules – which were first implemented in 2010 and then revised in 2011 – set forth a series of requirements operators must follow to help ensure workplace safety. In particular, SEMS mandates a systematic approach to identifying hazards and then managing or mitigating them effectively. It puts a strong emphasis on emergency preparedness and response, with mandatory weekly drills. We implement the SEMS requirements through our own EHS management system.

Although our asset in Equatorial Guinea is not technically subject to SEMS, we manage safety at that location to the same high standards as in the Gulf of Mexico, using the Hess EHS management system.



Tubular Bells, Gulf of Mexico

OUR PEOPLE



North Malay Basin Production Facility, Malaysia

## 2014 KEY DEVELOPMENTS

- > Continued to implement programs to ease the transition for employees affected by our corporate reorganization in 2013
- > Held leadership workshops for different levels of leadership within the organization, from early career supervisors through senior management
- > Introduced a new career and performance management system

## 2015 GOALS

- > Progress initiatives in key programs, including employee engagement, onboarding, talent management, diversity and inclusion, process efficiency, reliability and data integrity

Our success relies on a company culture and high quality workforce that innovates, leads and learns. The past several years have been a time of significant change at Hess as we transformed into a focused oil and gas exploration and production (E&P) enterprise and exited our downstream businesses. We also transitioned from a functional to an asset-based organizational structure and divested several E&P assets.

In 2014 we renewed our focus on key human resources programs, including talent management, learning and development, diversity and inclusion and employee engagement, integrating these processes with our adoption of lean principles and tools as described earlier in the How We Operate section of this report.

### EMPLOYEE DEMOGRAPHICS

We began 2014 with about 12,100 employees and ended the year with approximately 3,045 employees. Divestitures of downstream businesses and the consolidation of operations drove this 75 percent reduction in employee headcount during the year. The sale of Hess Retail Marketing accounted for the majority of the decrease. Reductions in headcount among corporate and E&P personnel, primarily from the sale of the company's Indonesia and Thailand businesses and the closure of our London office, resulted in approximately 425 fewer employees during 2014.

By year end 2014, slightly less than half of employees were located in Houston, Texas, and 21 percent of employees were in international locations.

### EMPLOYEES IN TRANSITION

In light of the significant headcount reductions, the company developed and implemented an enhanced severance program to ensure that the transition was as smooth as possible for both the company and affected employees as they reentered the job market.

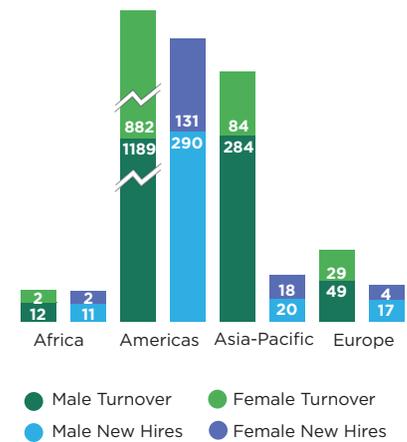
Hess' Human Resources (HR) function coordinated outreach to both individual employees and groups about their potential severance packages and the impact of the transition on their benefits going forward. This included individual meetings with each affected employee, group meetings with senior leadership and HR, ongoing updates via emails, and the creation of an internal Global Transition webpage, which housed relevant severance and benefit information. In addition, the company provided robust outplacement services to support employees with their resume preparation, interview skills and job search strategies as they launched their new job searches.

### DIVERSITY AND INCLUSION

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,

### 2014 Turnover and New Hires

Number of Employees



2014 Employees by Region		
United States	2,392	79%
Asia-Pacific	239	8%
Africa	222	7%
Europe	192	6%

genetic information, disability, veteran status, or any other protected status in recruitment, hiring, compensation, promotion, training, assignment of work, performance evaluation and all other aspects of employment. We also consider more than 30 attributes of diversity, including elements such as cultural and physical differences, lifestyle, and diversity of background, experience and perspective.

We do not tolerate any form of workplace harassment, including sexual harassment. We reinforce these expectations through our Code of Conduct, our Equal Employment Opportunity and Affirmative Action policies and training (for U.S.-based managers), other Human Resources policies (including the addition of domestic partners in health and welfare benefits coverage in 2014), and our Human Rights and Corporate Social Responsibility Policies.

In 2014 Hess continued its diversity outreach efforts with organizations that advocate for minorities, women, veterans and the disabled, including Equal Opportunity Publications, the National Business and Disabilities Council, the National Association of Black Accountants, the National Society of Black Engineers, the National Action Council for Minorities in Engineering, the Society of Hispanic Professional Engineers Foundation, the Women's Energy Network, the Society of Women Engineers, the Association on Higher Education and Disability and the 100,000 Jobs Mission. We continue to support additional membership-based organizations providing a diversity of expression and thought.

Our proportion of women and U.S. minority employees as defined by the U.S. Department of Labor decreased from 2013. However, the proportion of female new hires year-over-year increased significantly, from 23 percent to 32 percent of all new hires, and the proportion of U.S. minority new hires increased as well, from 23 percent to 30 percent.

In keeping with our aim to foster diversity and cultivate leadership, we employ a high number of local nationals in our international operations and report publicly where the number is 100 or more. The percentage of local nationals as well as the proportion of nationals holding managerial or professional positions, increased in Equatorial Guinea and Malaysia compared to 2013.

### TALENT MANAGEMENT

Hess has used a comprehensive annual talent management process for several years to help us understand and assess our leadership and technical capabilities and develop succession and hiring plans. In 2014 we leveraged our global talent management process to assess talent and build succession plans in the new asset-based organizational structure.

CareerManager, the performance management system we launched globally in 2013, provides an integrated platform for Individual Development Plans (IDPs), goal setting and performance evaluations. We utilized the new system in 2014 to encourage every employee to prepare an IDP, which is used to document actions and activities to develop career plans and individual skills. Also in 2014, as a follow-on to previous work on the company's Annual Incentive Plan, a cross functional committee convened to review the effectiveness of our current performance management system. The committee's recommendations included a change to the performance management calendar to ensure performance objectives are documented in CareerManager earlier in the year. The concept of cascading objectives was

also introduced to ensure the alignment of employee effort top-to-bottom in the organization. The committee continues to meet to discuss additional opportunities for improving this system.

### Learning and Development

Hess offers leadership development through a suite of three programs. Each is tailored to meet the competency development needs of different levels of leadership within the organization, from early career supervisors through senior leadership.

During 2014 we conducted sessions of all three programs globally, reaching approximately 200 leaders within the United States, Europe, Africa and Malaysia.

Training in leadership continues to be offered to all employees through our Learning Center, which provides access to more than 1,000 virtual and instructor led courses on many topics, ranging from technical to soft skills.

Key disciplines, such as Exploration, Developments, and Drilling and Completions, have formed internal communities of practice and sponsor lunch and learns on technical topics to support ongoing professional development. Employees also have ongoing opportunities for professional development through external engagements that include trade associations, conferences and external courses.

### New Hires and Early Career Programs

Hess has developed and implemented programs to accelerate the integration of new employees. A key focus of these programs is the development and

integration of early career technical hires as skilled older workers choose to retire. Employees new to Hess benefit from our onboarding and orientation program known as Passport to Hess. The onboarding program facilitates close interaction between supervisors and new employees for the first 90 days at Hess, to ensure a smooth assimilation into the company.

Following our reorganization in 2013, we updated the Passport to Hess program to reflect our new portfolio and organizational structure. The program now has an increased emphasis on our vision, values and culture. We have also increased leadership visibility for new hires through a Leadership Dialogues program hosted by CEO John Hess and COO Greg Hill.

The Hess Global Foundation Program prepares early career engineers and geoscientists for challenging assignments through accelerated training, mentorship and on-the-job assignments. Our Global Supply Chain function also offers enriched development opportunities for early career professionals.

### EMPLOYEE ENGAGEMENT

Hess utilizes various mechanisms to engage employees, in order to be more transparent about our business performance and processes and receiving employee input. These mechanisms range from one-on-one discussions to small focus groups to global town hall meetings. They also include feedback surveys and communications infrastructure that

enable the company to share information and connect with employees in a timely and meaningful way.

In 2014 Hess' chief executive officer and chief operating officer launched the Leadership Dialogues program, a series of small group employee engagement sessions. More than 40 sessions were conducted in 2014, with separate sessions for new hires and existing employees. The sessions with new hires provided early exposure to senior leadership in a discussion of the company's culture, goals and history. The session for existing employees provided an opportunity to discuss organizational and business issues directly with senior leadership. Themes from the sessions were discussed and turned into actions by the Executive Committee. Additional sessions may be conducted in 2015.

A new annual incentive plan (AIP) was introduced in 2014. The AIP is an enterprise-first approach that rewards achievement and actions that drive the performance of the enterprise ahead of business unit, function, asset and work team. To ensure understanding and improve the overall transparency of our pay programs, more than 40 interactive information sessions were held around the world by senior members of the AIP design team.

As part of our social responsibility value, Hess employees at various locations have formed committees that choose and support local efforts in areas such as education, social services, youth sports and other endeavors. Support may include volunteering of time, small-scale funding and fundraising and in-kind donations.

### 2014 National Employees

Country	National Employees (percent of employees)	National Managers/ Professionals (percent of managers and professionals)
Denmark	87%	78%
Equatorial Guinea	77%	46%
Malaysia	74%	72%

### 2014 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	64	9	14%	57	4	7%
First and Mid-Level Managers	833	165	20%	659	100	15%
Professionals	1,424	475	33%	1,102	324	29%
Other	724	216	30%	554	150	27%
<b>Total</b>	<b>3,045</b>	<b>865</b>	<b>28%</b>	<b>2,372</b>	<b>578</b>	<b>24%</b>

Note: There are 247 U.S. employees who are both minority and female.



Tioga Gas Plant, North Dakota

## 2014 KEY DEVELOPMENTS

- > Initiated a project to refresh our climate and energy strategy to align with our transition to an exploration and production (E&P) company
- > Reduced absolute greenhouse gas emissions (equity basis) by more than 4 million tonnes between 2008 and 2014
- > Completed expansion of our Tioga Gas Plant, which significantly increased our gas processing capacity

## 2015 GOALS

- > Complete our strategy refresh project
- > Enhance discussion of carbon asset risk and methane leakage in this year's sustainability report
- > Continue to expand North Dakota gas gathering infrastructure in 2015 and 2016
- > Reassess our Scope 3 emissions inventory and material Scope 3 categories for reporting

There is no easy solution to meeting the long term global demand for energy while attempting to reduce our carbon footprint. According to an International Energy Agency forecast, energy demand is expected to increase 37 percent by 2040. The United Nations Intergovernmental Panel on Climate Change recently confirmed that the risks of climate change increase with increasing temperature. Hess acknowledges that rising greenhouse gas (GHG) emissions and global temperatures pose risks to society and ecosystems that clearly warrant cost-effective policy responses that balance mitigation, adaptation and societal priorities.

For years, Hess has viewed climate change as a global challenge that will require cooperation between a significant majority of world leaders and industry to develop comprehensive energy and climate solutions.

Hess is an active member of IPIECA, an international oil and gas industry association engaged in sustainable development issues such as climate change, biodiversity impacts and access to energy – issues that are too complex for individual companies to tackle alone. IPIECA represents its members at the United Nations' Conference of Parties meetings, engaging with governments on climate related issues.

Hess is committed to help meet the world's growing energy needs in an environmentally responsible manner by taking steps to monitor, measure and reduce our carbon footprint. We continue to meet our goal of top quartile performance in our sector for the quality of our climate change disclosures. For the sixth consecutive year, Hess was included in the CDP S&P 500 Carbon Disclosure Leadership Index, and for the fifth consecutive year was also listed in the 2014 Dow Jones Sustainability Index (DJSI) North America. Our CDP responses contain more detailed information on the company's climate change related risks and opportunities.

 See our CDP Climate Change response at [hess.com/s/cdpclimatechange](https://hess.com/s/cdpclimatechange)

## Interim Strategy and Progress

Strategic Objective	Status	2014 Status Update
Reduce flaring rate at the wellhead in North Dakota to 10 percent by 2020 (North Dakota Industrial Commission regulatory requirement).	▲	2014 North Dakota wellhead flaring increased to 28 percent; however, following completion of the Tioga Gas Plant expansion project (April-December 2014), wellhead flaring averaged 21 percent.
Account for the cost of carbon in all significant future investment decisions.	▲	During our strategy refresh, we will revisit the current cost of carbon being incorporated into the project planning process as a sensitivity analysis for major new investments.
Evaluate industry best practices to minimize emissions when designing production facilities.	▲	We incorporate energy efficiency considerations into the project planning process for major new investments.
Implement select energy efficiency projects at an asset level.	▲	We collect and track monthly energy usage and spend data at the asset level. Select assets have initiated energy efficiency projects.
Purchase at least 10 percent of annual electricity for company operations from renewable sources.	●	In 2014 we purchased 125,000 renewable energy certificates, equivalent to 14 percent of our E&P net electricity usage.
Purchase carbon credits to offset greenhouse gas emissions from employee business travel on commercial aircraft and by rail.	●	In 2014 we purchased 25,000 carbon credits, offsetting more than 125 percent of the 19,800 tonnes of GHG emissions associated with 83 million miles of air and rail travel by company employees.
Meet top quartile performance in our sector for the quality of our environment, social and governance disclosures.	●	In 2014 Hess was included in the CDP Leadership Index for climate change disclosures and listed in the DJSI North America Index.

● Completed ▲ On target ■ Behind schedule

## CARBON ASSET RISK REPORT

The purpose of this section is to discuss the potential impact that future climate change regulation may have on Hess' financial market valuation. Hess manages climate change risks, along with many other business risks, through our enterprise risk management (ERM) process. All projects are rigorously screened to ensure that they meet or exceed established threshold return on investment criteria to balance risk and return and meet Hess' capital discipline philosophy. We factor theoretical shadow carbon dioxide (CO<sub>2</sub>) prices into our economic evaluation process for significant new projects. This enables us to evaluate project viability in the event of future carbon constraints.

As evidenced by recent reports, oil and gas companies will continue to play a significant role in providing an affordable and reliable source of energy to help advance modern living standards,

economic growth and societal expectations.

Meeting the long term growing global demand for energy will require the use of all forms of energy. The International Energy Agency's (IEA) New Policy scenario (base case) estimates that in 2040, global energy demand will be 37 percent higher than today with demand in emerging market countries expected to increase steadily. In this scenario, the IEA anticipates 74 percent of 2040 energy demand to be met by fossil fuels, down from 82 percent today. In 2040, coal, oil, natural gas and renewables each account for approximately 25 percent of energy supply. Even in the IEA's 450 Scenario, which is consistent with holding the long term global temperature increase to 2 degrees Celsius (2° C), energy demand would increase by 17 percent in 2040, with fossil fuels accounting for approximately 60 percent of energy supply.

Over the past several years, the "stranded asset concept" has received considerable attention. This movement suggests that endowments, foundations and pension funds reevaluate investments in fossil fuel companies. This concept downplays the growing demand for fossil fuel resources in emerging markets, the categorization and timing of reserve development and how these reserves contribute to the market capitalization of a company, as well as the differing carbon intensities of coal, oil and gas. Proponents of this concept cite the United Nations Intergovernmental Panel on Climate Change (IPCC) report, which states that the world will need to keep to a trillion tonne budget of carbon emissions, from the beginning of the industrial era to the year 2100, to maintain a greater than 50 percent chance of limiting the maximum global atmospheric temperature rise to 2° C. This would result in keeping two-thirds of recoverable fossil fuel resources trapped in the ground.

This concept assumes that governments will unite now to enact climate change policies that will be implemented by 2020 in line with the 2° C goal. This would require an abrupt and unlikely change in the global energy system, due to technical, economic and political factors. We expect climate policy and technological advances to develop at a more moderate pace and stringency.

Given the IEA projection that fossil fuel demand is expected to remain robust in the foreseeable future, looking at reserves and how they contribute to the market capitalization of an oil and gas company is instructive. The stranded asset proponents assume a very broad definition of proved reserves and, therefore, misstate how fossil fuel reserves are valued and how they contribute to the market capitalization of an oil and gas company. According to IHS Energy's Sept. 2014 report *Deflating the Carbon Bubble*, the intrinsic value of an oil and gas company is based primarily on its proved reserves, 90 percent of which are expected to be



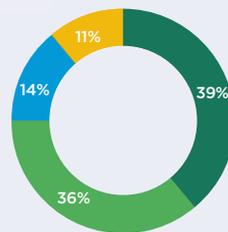
North Dakota Production Operations

monetized over the next 10 to 15 years. The Securities and Exchange Commission defines “proved reserves” as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations.

Stranded asset advocates use a much broader definition of “reserves” that includes those reserves with uncertain potential for development and commercialization. They argue that extractive companies will be left with stranded assets and reserves over the next 30–40 years, thus undercutting current valuations. Using this broad definition of a company’s reserves inflates the perception of a company’s near-term carbon asset risk. According to IHS Energy, while proved reserves on average account for only 24 percent of the resource base by volume, they account for 81 percent of the resource base that drives a company’s total valuation. Reserves that are expected to be produced beyond a 15 year time horizon have limited impact on a company’s valuation due to discounted cash flows.

The stranded asset concept also assumes that coal, oil and gas are equally vulnerable to climate policies restricting fossil fuels, without considering the differences in carbon intensities. Coal is the most carbon intensive fossil fuel, with a significantly larger carbon footprint than natural gas. Combined cycle natural gas turbines generate around half the greenhouse gas emissions of coal-fired power plants, on a life cycle basis. Coal is used primarily for power generation, for which there are alternative energy sources: renewables, nuclear and hydroelectric, which have minimal GHG emissions impacts. As a result, coal is the most likely fossil fuel to experience demand degradation in a carbon constrained economy.

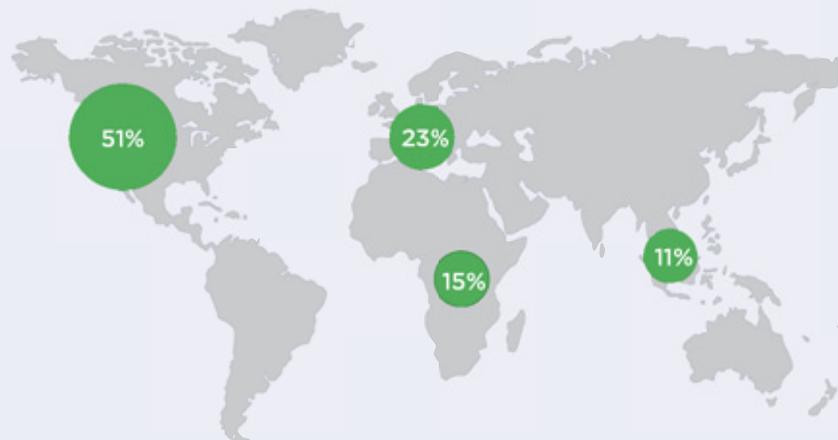
**2014 Hess Proved Reserves by Resource Type\***



- Conventional
- Unconventional
- Deepwater
- Acid Gas

\* Deepwater and acid gas are conventional resources but they are shown separately here to provide more clarity on our reserve base. Deepwater refers to reserves found below 1,000 feet of water depth. Acid gas refers to conventional reserves with acid components that require additional treatment prior to sale.

**2014 Hess Proved Reserves by Region\***

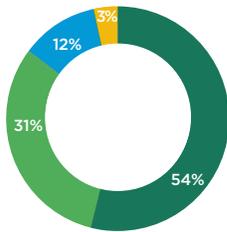


\* Proved reserves consist of 78 percent liquids (light and medium crude oils, condensate and natural gas liquids) and 22 percent natural gas.

Natural gas, the least carbon intensive fossil fuel, will benefit from coal to gas switching as countries seek to reduce GHG emissions. Oil, which is used primarily as a transport fuel, has few cost-competitive substitutes. There is also limited indication of a significant change in the current transportation infrastructure that would lead to a transition away from oil to alternative transport fuels.

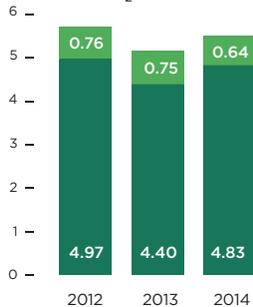
Hess will continue to do its part to help provide reliable, affordable energy to meet growing demand, while endeavoring to take actions to reduce its carbon footprint through investments in energy efficiency, flaring reductions, fuel switching and new and emerging technologies.

**2014 Operated Greenhouse Gas Emissions by Source (Scope 1 and Scope 2)**  
Thousand Tonnes CO<sub>2</sub>e



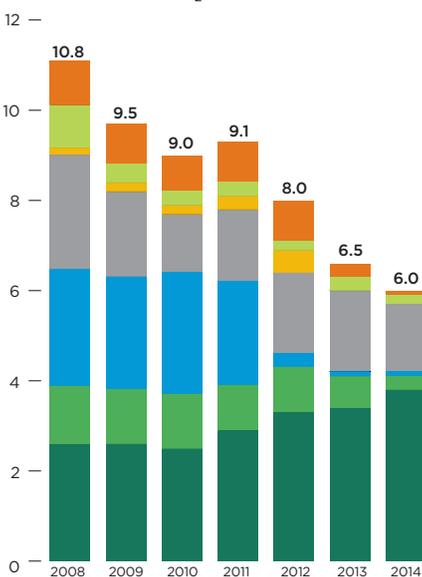
- Flaring 2,959
- Fuel Combustion 1,706
- Indirect 640
- Other 161

**Operated Greenhouse Gas Emissions**  
Million Tonnes CO<sub>2</sub>e



- Scope 1 Emissions
- Scope 2 Emissions

**Net Equity Greenhouse Gas Emissions**  
Million Tonnes CO<sub>2</sub>e



- Hess E&P
- Other Non-operated E&P
- HOVENSA JV
- MTJDA Block A-18
- Samara-Nafta
- SonaHess JV
- Hess Marketing and Refining/Other

**GREENHOUSE GAS PERFORMANCE**

We report GHG emissions from our oil and gas assets 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 other indirect (Scope 3) emissions.

Starting in 2014, Hess is using Global Warming Potentials (GWPs) based on the IPCC Fourth Assessment Report Values: Climate Change 2007 (AR-4). This is consistent with recent changes in U.S. regulatory programs and international acceptance of the AR-4 values. GHG data from prior years have not been restated because the impact on GHG emissions was not material (about 1 percent).

**Operated Emissions (Scope 1 and 2)**

In 2014, of the 5.5 million tonnes of gross GHG emissions from our operated oil and gas assets, 4.8 million tonnes were Scope 1 emissions, primarily from flaring and fuel combustion, and slightly over 0.6 million tonnes were Scope 2 emissions (gross) from purchased electricity. The increase in emissions over 2013 was primarily related to one-time additional flaring during the shutdown and re-start of the Tioga Gas Plant during its expansion. Process operations (primarily fuel combustion), flaring and indirect emissions (purchased electricity) accounted for 31 percent, 54 percent and 12 percent of GHG emissions, respectively.

**Net Equity Emissions (Scope 1 and 2)**

Since 2007 Hess has also tracked GHG emissions from our operated and non-operated oil and gas assets based on our equity interest.

Our major sources of emissions from non-operated oil and gas assets in 2014 included the Malaysia/Thailand Joint Development Area (MTJDA) and SonaHess (Algeria) joint ventures. Total emissions from these assets accounted for approximately 1.8 million tonnes of our net equity emissions.

In 2014 major sources of emissions from operated assets included those from our Equatorial Guinea and North Dakota assets and the Seminole and Tioga Gas Processing Plants, which altogether accounted for 3.4 million tonnes of net equity emissions. All of our other operated and non-operated assets made up the balance of net equity emissions of 0.8 million tonnes. The primary reason for the 0.6 million tonne decrease in emissions year-over-year is related to asset sales.

Between 2008 (our baseline year) and 2014, we have reduced net equity GHG emissions from oil and gas operations by 4.8 million tonnes of absolute emissions or over 40 percent, primarily through a combination of improved operating processes, selective asset sales and shutting down refinery operations. If our 2008 baseline were restated for all collective asset sales, our GHG emissions reduction between 2008 and 2014 would be 3.7 million tonnes instead of 4.8 million tonnes.

**Scope 3 Emissions**

Our largest source of Scope 3 emissions is customer and consumer use of sold products. Our methodology for calculating product use emissions addresses the refined petroleum products that we sell, as well as the natural gas that we produce and sell for third party consumption. Due to downstream divestitures, use of sold

products emissions have declined from 47 million tonnes in 2008 to 11 million tonnes in 2014, or by about 77 percent.

In 2013 we evaluated the materiality and relevance of each of the 15 categories included in the Corporate Value Chain (Scope 3) Standard. We joined the CDP Supplier Initiative for that year to improve our understanding of third party GHG emissions associated with purchased goods and services and transportation, and disclosed information on all 15 Scope 3 categories in our CDP Climate Change disclosure. As a result of this exercise, we eliminated nine categories that were not relevant.

In 2014 we recalculated emissions from six Scope 3 categories based on available data for the full calendar year for E&P and for the nine months that Hess operated the Retail Marketing business before divesting. These categories, in order of magnitude of emissions, were Use of Sold Products, Purchased Goods and Services (refined petroleum products for resale), Processing of Sold Products (natural gas), Waste, Fuel and Energy Related Services and Business Travel.

Hess has also been a participant in IPIECA's Scope 3 Task Force, which has been developing sector-specific guidance. With the completion of our transformation to a pure play E&P company and the expected finalization of the IPIECA Scope 3 guidance by the end of 2015, we plan to revisit our evaluation of relevant and material Scope 3 categories based on our new company profile.

We have purchased carbon credits annually since 2010 to offset at least 100 percent of business travel emissions. For the past three years we have

purchased these credits from The Climate Trust. In 2014, combined emissions from employee business travel via commercial air carrier and rail was about 19,800 tonnes. We offset 125 percent of these emissions through the purchase of 25,000 carbon credits.

**EMISSIONS REDUCTION INITIATIVES**

We track and monitor changes in air emissions at each of our assets. We then examine opportunities at our largest emitting facilities, where it is technically and economically feasible within their operating rhythm to potentially reduce GHG emissions.

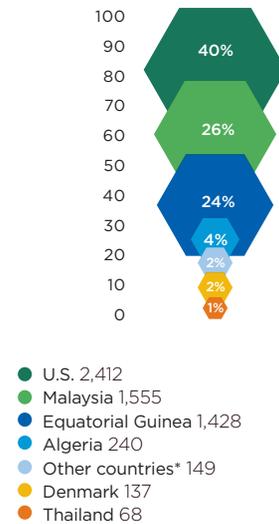
**Flaring**

In 2014 our gas flaring from operated assets increased to 36,000 million standard cubic feet (MMSCF), primarily due to temporary circumstances in Equatorial Guinea and North Dakota.

In Equatorial Guinea, gas produced that is not used for running our operations or being stored in the formation for future use is currently being flared. In the third quarter of 2013, we brought a new oil well online with an unusually high associated gas content, which resulted in increased flaring in 2014. However, with the maturation of this Ceiba oil field, flaring thus far in 2015 has been considerably lower.

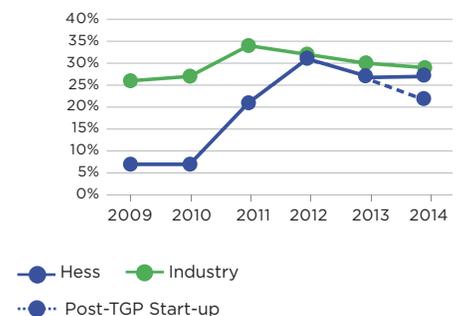
Several years ago, our expansion by acquisitions in the Bakken formation included acreage in remote areas, where gas gathering infrastructure was not in place. This resulted in a significant increase in our flaring rates in North Dakota. To capture and monetize natural gas from our wells and minimize flaring, we are investing more than \$1.5 billion in infrastructure in North Dakota. In March 2014 we completed the expansion of the

**2014 Net Equity Emissions by Country**  
Thousand Tonnes CO<sub>2</sub>e



\*Other countries include China, Ghana, Libya, Norway, the U.K. and the U.S. Virgin Islands.

**North Dakota Flaring Rates at the Wellhead**  
Percent of Natural Gas Production



Flaring rates for conventional and unconventional wells. Source: North Dakota Industrial Commission, Department of Mineral Resources Oil and Gas Division.

2014 Scope 3 Emissions	
Million Tonnes CO <sub>2</sub> e	
Use of Sold Products	11.5
Purchased Goods and Services	2.9
Other*	0.5

\* Includes the following Scope 3 categories as set forth in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard: Fuel-and-energy-related activities, waste generated in operations, employee business travel and processing of sold products.

Tioga Gas Plant, one of our major infrastructure projects. This expansion more than doubled the plant's capacity from 100 million to 250 million standard cubic feet per day (MMSCFD) and increased the liquids processing capacity almost tenfold, from 260,000 to 2.5 million gallons per day.

Hess has played a key role in the formation of the North Dakota Petroleum Council's (NDPC) Flaring Task Force and the initial recommendations from the Task Force that helped shape North Dakota Industrial Commission (NDIC) Order #24665. NDIC Order #24665 mandates operators to capture 77 percent of produced gas in 2015, increasing to 85 percent in January 2016 and increasing again to 90 percent in October 2020. No further targets have been established. Expansion of our gas gathering infrastructure, including the addition of compression lines and low and high pressure gathering lines, was a top priority in 2014 and continues into 2015 and 2016. These infrastructure projects leave Hess well positioned to achieve each of North Dakota's stated capture targets. With a regulation now in place and given current oil economics, we plan to meet this requirement in lieu of our 2017 projection. Through our involvement with the NDPC, Hess continues to be actively engaged in ongoing discussions around flaring concerns in North Dakota.

Flaring at the wellhead in North Dakota increased from 27 percent of associated gas production in 2013 to 28 percent in 2014, as a result of the shutdown of the Tioga Gas Plant to complete the expansion project. However, post shutdown, between April and December 2014, flaring at the wellhead averaged 21 percent. We are currently on target to meet the established capture rates of 77

percent in 2015 and 85 percent in January 2016.

### Natural Gas Capture

In addition to addressing our long term flaring, in the nearer term we are also mitigating flaring by exploring ways to capture gas at the wellhead for use in our drilling operations and for conversion to natural gas liquids.

### Bi-Fuel Rigs and Boiler Conversions

In 2013 we launched a bi-fuel installation project by retrofitting diesel engines to gas/diesel engines on seven of the 14 drilling rigs operating for Hess in the Bakken. This engine retrofit captures and uses natural gas at the wellhead, which reduces fuel costs from fewer diesel delivery truck trips and lowers air emissions from the cleaner burn of natural gas compared to diesel. As part of this project, nine boilers were also converted to operate exclusively on natural gas during winter operations.

In 2014 this project saved 520,945 gallons of diesel fuel and resulted in 65 fewer truck deliveries. Hess is also exploring ways to capture gas at the wellhead and convert it to compressed natural gas or liquefied natural gas, which would allow us to utilize it throughout our North Dakota operations.

### Natural Gas Liquids

In 2013 we began a wellhead gas capturing project in North Dakota that uses a mobile system to recover high-BTU gas from locations that are flaring and produce natural gas liquids (NGL) and treated lower-BTU gas. This project provides dual economic and environmental benefits by converting gas into marketable products, which reduces the amount of gas flared and the associated air emissions. The project began with two prototype units and soon

expanded to include a 500 thousand cubic feet per day (MSCFD) built-for-purpose unit. When operating at full capacity, the 500 MSCFD unit is designed to average four to five gallons of NGL per MSCF processed and result in emission reductions of 30 percent for nitrogen oxides and carbon monoxide, 64 percent for volatile organic compounds and 42 percent for carbon dioxide. The NGL capture units are deployed throughout the Hess Bakken acreage where field flaring is occurring. More than 3 million gallons of NGL were captured in 2014, resulting in more than 150 MMSCF of gas that was not flared. Wellhead gas capture was expanded in 2014 as we ordered 14 additional built-for-purpose units, and we will be at full contracted capacity of 10,000 MSCFD in the second quarter of 2015. For the last half of 2015 we anticipate 90 percent utilization, which will capture over a million gallons of NGLs per month, equivalent to a 3,000 tonne per month reduction in CO<sub>2</sub>e.

### Power Generation

Power generation utilizing Bakken gas was also pursued in 2014 with the first working project in place in the first quarter of 2015. This pilot project involved replacing diesel power generation with gas and was implemented at a stranded site that is utilizing eight 170 kilowatt generators. As a result of the project, the site is now using 200 MSCF of gas to directly power all of its electrical needs. A review of all remote power generation is currently underway.

### Transportation

In 2013 in North Dakota we began using flexible hose for freshwater transport instead of trucks. This type of hose collapses flat when not in use, like a fire hose, and can be used to pipe water directly from the water source to our

wells. The 600-foot sections of hose can be connected to lengths of several miles. We conducted our first pilot in September 2013 with four well pads and have now expanded its use to 20 percent of our wells. Use of these flat hoses eliminates the need for trucks to haul water, resulting in less noise and lower GHG emissions, transportation costs and risk of vehicle accidents. In 2014 our North Dakota frac team piped 43 percent of the water used for fracturing, exceeding its 25 percent target. Approximately 4.5 million barrels of water were piped, removing approximately 41,174 truckloads from the road. The frac team developed operating procedures for cold weather operations, and, with the cooperation of vendors, piping was successfully utilized throughout the cold weather months.

See our CDP Climate Change response at [hess.com/s/cdpclimatechange](http://hess.com/s/cdpclimatechange)

### ENERGY USE

Energy management is an integral part of Hess' lean approach because it makes economic sense and reduces greenhouse gas emissions.

Our operations make and purchase energy primarily for power, processing, heating and cooling. In 2014 energy consumption from Hess E&P operated assets was approximately 34 million gigajoules, essentially flat compared to our 2013 energy use. Seventy-five percent of our energy use was generated directly by our operations, primarily at our Seminole and Tioga Gas Processing Plants, at our production facilities in North Dakota, South Arne and Equatorial Guinea and from our Global Drilling Operation. The remaining 25 percent was gross indirect energy (including energy burned by utilities to provide net purchased electricity) purchased for our North Dakota and Permian basin operations and gas processing plants.

The 16 percent increase in electricity usage in 2014 is primarily attributable to the use of new electric turbines to power the Tioga Gas Plant expansion project. While electricity consumption is increasing, the expanded gas plant is capable of processing significantly more natural gas (previously flared), which is being captured and transported to the gas plant for processing.

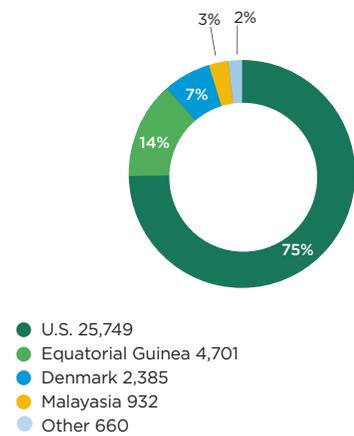
Energy Source	Thousand MWh	Percentage
Coal	480	56%
Natural Gas	212	24%
Wind	101	12%
Nuclear	36	4%
Conventional Hydroelectric	22	3%
Biomass, Solar, Other Renewables	14	2%

\* Approximate figures based on U.S. Energy Information Administration 2013 state electricity generation profiles.

In 2014 our U.S. operations accounted for essentially all (approximately 865,000 megawatt hours) of our purchased electricity. Based on U.S. electricity generation profiles, we estimate that approximately 14 percent of this electricity was generated from renewable sources, primarily wind power. An element of our climate strategy is to use more renewable energy through the purchase of renewable energy certificates (RECs) equivalent to at least 10 percent of net electricity used in our operations. In 2014 we purchased 125,000 Green-e Energy certified RECs for wind power, equivalent to 125,000 megawatt hours or about 12 percent of our purchased electricity from E&P operated assets. Overall, approximately 26 percent of our indirect energy use was from renewables.

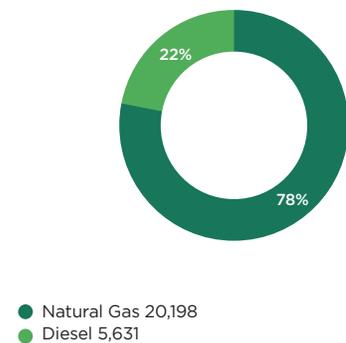
### 2014 Energy Use by Country

Thousand Gigajoules



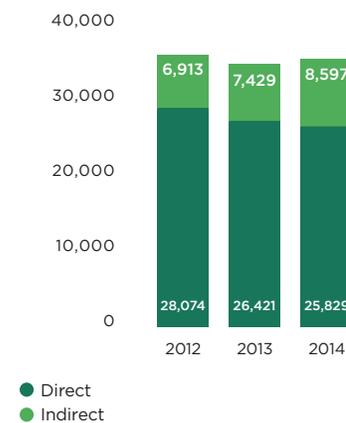
### 2014 Direct Energy Use by Fuel Source

Thousand Gigajoules



### Energy Use

Thousand Gigajoules



## IMPROVING OUR UNDERSTANDING OF METHANE EMISSIONS

Methane emissions come from a range of sources and sectors of the economy that are unevenly dispersed across the landscape. Methane is emitted by natural sources as well as by human activities, such as from natural gas systems and agriculture. The cleaner burning characteristics of natural gas will enable it to play a critical role in the nation's diverse energy future. The issue of fugitive emissions of methane during natural gas production has received attention as shale energy production in the United States has resulted in an increasing supply of abundant, low cost natural gas. While technology has made it possible for the industry to produce more natural gas, questions related to attribution and measurement have led to uncertainties in estimates of current and projected methane emissions.

In 2014, the U.S. Environmental Protection Agency (EPA) released an analysis of methane

emissions and trends in the United States. The study indicated that methane emissions decreased by almost 11 percent between 1990 and 2012. Methane emissions from agricultural activities were found to have increased, but emissions from sources associated with the exploration and production of natural gas decreased. During this same time period, natural gas production increased 40 percent. Despite these decreasing methane emissions trends, our industry and Hess specifically are investing in efforts to improve methane data collection and measurement, to improve our understanding of methane sources and trends and to enable more effective management of opportunities to reduce methane emissions.

Hess, together with a number of other companies, has collaborated with Colorado State University (CSU) and the Environmental Defense Fund (EDF) to study methane emissions

associated with the natural gas industry's gathering infrastructure and processing plants. This study is one of 16 studies sponsored by EDF and its industry partners to quantify natural gas emissions across the value chain. The CSU study, which was published in February 2015 in *Environmental Science & Technology*, is the largest and most comprehensive field study to date for the oil gathering and processing sector. In this study, researchers found wide variations in the amount of methane being emitted at various sites – especially in the gathering sector. The study found that less than 1 percent of the methane that passed through natural gas gathering and processing facilities in the United States leaks. It also revealed that roughly one-third of gathering facilities account for 80 percent of methane emissions. The study went on to say that variations among similar facilities were being driven by differences in inlet and outlet pressure and abnormal process conditions. The research team is using the measurement data to develop an estimate of total methane emissions from all gathering and processing facilities in the country. Those results are expected to be published later in 2015. Hess is also collaborating with six other oil and gas companies, EDF and the Southwestern Research Institute in the Methane Sensor Challenge. This challenges technology developers and engineers to develop low cost methane monitors that can help the oil and gas industry better detect, and ultimately reduce, methane emissions.

In January 2015 the Obama Administration announced plans to cut methane emissions from oil and gas operations by 45 percent by 2025 from 2012 levels. While we view this goal as ambitious, the Administration is focused first on regulation of new and modified sources of emissions and has deferred direct regulation of existing sources of methane emissions in hopes that voluntary initiatives such as ONE Future,



Gas Plant, Seminole, Texas

which is described below, will minimize the need for regulatory action to control existing sources.

Hess is a founding member of the ONE Future Coalition, which was established in late 2014. ONE Future is a coalition of companies from across the natural gas industry focused on identifying policy and technical solutions that yield continuous improvement in the management of methane emissions associated with the production, processing, transportation and distribution of natural gas. ONE Future offers a performance-based, flexible approach to managing methane emissions that is expected to yield significant reductions in emissions. The goal is to voluntarily lower methane emissions to less than 1 percent of gross natural gas production across the value chain. ONE Future's approach will be for each of the four industry sectors to aim for reduction targets proportional to their share of total emissions. As shown at right, emissions across the full natural gas value chain are averaging 1.31 percent, according to the EPA's established methodology.

ONE Future, through the use of an external consultant, will review current methane emissions factors, in light of the recent EDF coordinated research studies, to determine whether those methodologies are representative and include all major sources. This will allow ONE Future to establish and agree on an emissions protocol with the EPA. After a baseline is established, ONE Future will set sector targets for proportional reductions beyond current emissions rates. Consideration will also be given to the safety, practicality and cost effectiveness of potential reductions and, if appropriate, they may place increased emphasis on specific processes and sectors. Each of ONE Future's member companies seeks to provide maximum value to the consumer, and it is for that reason that

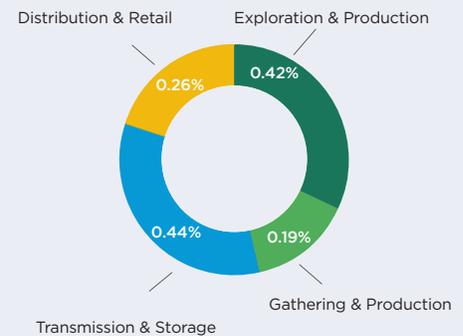
our approach to reducing methane emissions is focused on identifying and addressing the most cost-effective emissions sources. To resolve potential conflicts, ONE Future has commissioned independent technical studies by leading researchers in the field that will determine specific emission reduction targets for each sector in order to achieve the overall goal of an industry-wide average target of 1 percent or less of gross production.

With improvements in measurement methodology and strategies to reduce methane emissions that will likely result from studies like the CSU study, we are confident that we can gain a better understanding of the methane issue. The company commits to work toward setting reasonable methane reduction targets over the next one to three year period, working in collaboration with the ONE Future coalition.

For the past 18 years, Hess has been a partner in the EPA's Natural Gas Star program. This program created a partnership between the EPA and industry to identify and share best practices that yield reduced methane emissions. Since joining the Natural Gas Star Program in 1997, Hess has achieved cumulative methane emission reductions of 1.6 million tonnes of CO<sub>2</sub> equivalent (3,325,333 MCF). These results have been achieved through employing the Natural Gas Star methane reduction technologies and practices shown in the pie chart at the right.

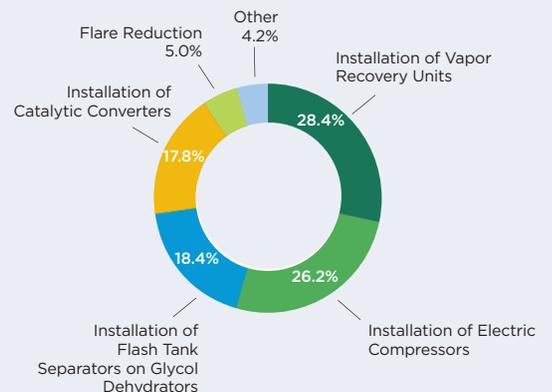
The EPA is currently developing the next generation of Natural Gas Star through a program called Enhanced Natural Gas Star, which Hess is helping to shape through ONE Future and the American Petroleum Institute. While all of this collaborative activity is going on, Hess is continually looking for opportunities to reduce our methane footprint.

**Methane Leakage Rates Across the Natural Gas Value Chain\***  
Percentage Gross Natural Gas Production

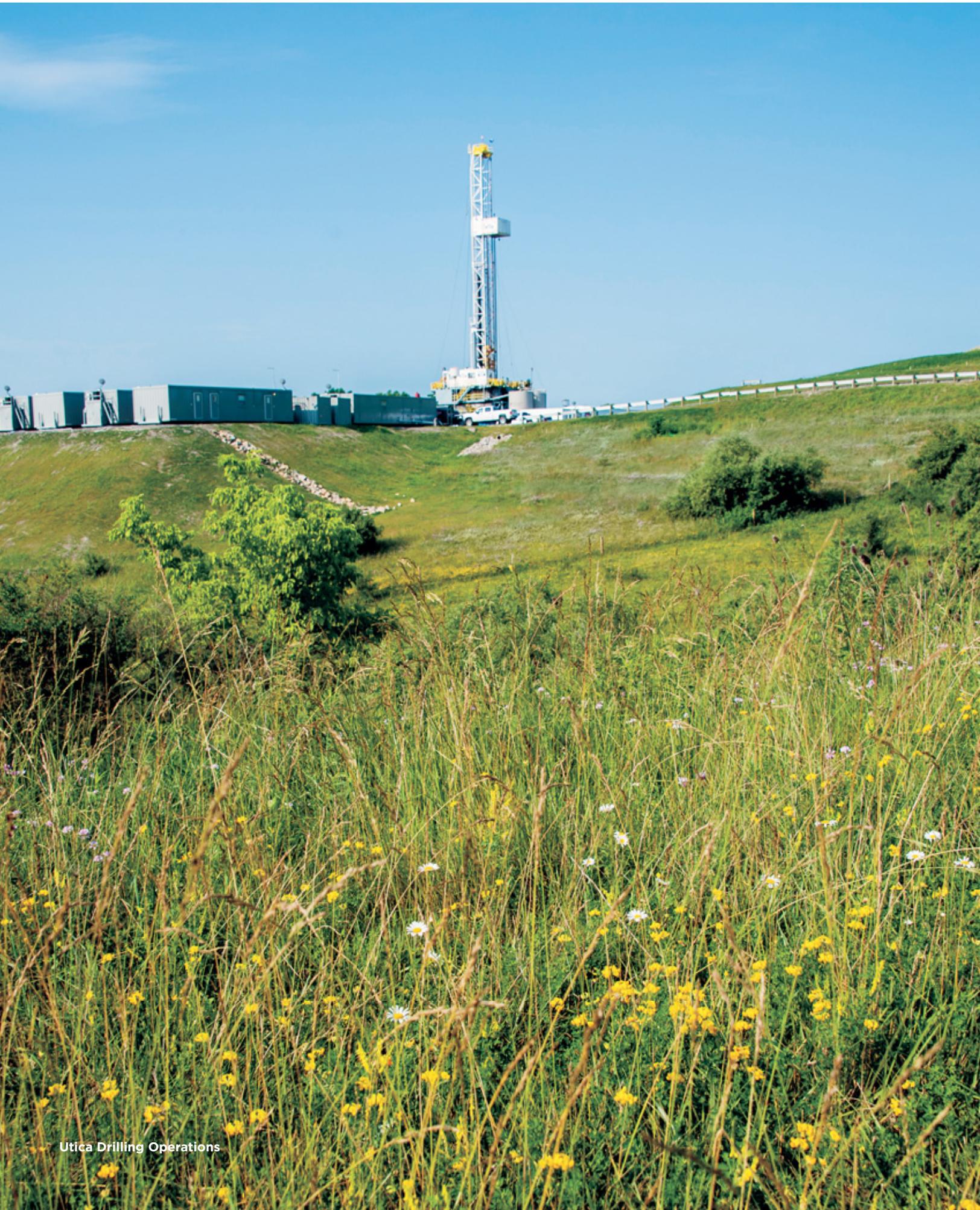


\* of 1.31% overall average methane leakage rate

**Hess Cumulative Methane Emission Reductions Through the Natural Gas Star Program\***



\* of 1.6 million tonnes of CO<sub>2</sub>e emission reductions



## 2014 KEY DEVELOPMENTS

- > Conducted study to evaluate water efficiency options at Seminole Gas Plant
- > Continued progress on environmental and social impact assessments at several of our assets

## 2015 GOALS

- > Continue initiatives to reduce environmental impacts of shale energy development
- > Utilize Environmentally Friendly Drilling scorecard to assess drilling performance in North Dakota
- > Conduct hydrogeological study to assess capacity of Ogallala Aquifer to better understand long term availability and yield

We consider responsible management of our environmental footprint to be an important component of our operational excellence. We dedicate significant staff and resources to ensuring compliance with environmental laws and regulations, international standards and our voluntary commitments.

We have several key performance metrics that we track at the asset and enterprise levels, and performance on these metrics is included in the employee bonus formula. Our assets have spill preparedness and response plans and conduct emergency response exercises. Through these efforts, we continuously strive to reduce the amount of water and energy we use, limit our emissions to air, and prevent spills and other unplanned releases.

## WATER

At Hess, we recognize public concern about our industry's use of water, and we are committed to using water wisely in our operations. We understand the importance of a risk-based approach to water management, which means considering the entire water lifecycle – from sourcing to use to disposal. We closely monitor our water use and are always looking for ways to reduce our water footprint. We also work hard to safeguard underground drinking water aquifers in the areas near our wells, as discussed in the Shale Energy section of this report.

Our total exploration and production water use increased by 11 percent

year-over-year, due to growth in our shale operations in Ohio and North Dakota.

Our Seminole Gas Processing (SGP) plant in West Texas remains our biggest single water user, accounting for 66 percent of our usage in 2014. The SGP plant uses water primarily for process cooling and sources it from a Hess owned and operated groundwater well field that withdraws from the Ogallala Aquifer.

The SGP plant is located in a region where baseline water stress is categorized as “high risk,” based on evaluations we have conducted using the World Resources Institute’s Aqueduct water risk mapping tool. Water demand in the region is driven primarily by agricultural uses, and Hess’ consumption is a small fraction of that use. According to Texas Water Development Board data, our withdrawals from the aquifer represent only 0.1 percent of estimated annual water demand.

We have been working for several years to find ways to reduce our water use at the SGP plant. 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.” This blowdown water, which totaled 939,000 cubic meters in 2014, is reused in our Permian production operations to maintain reservoir pressure.

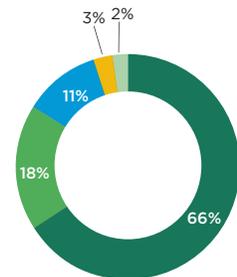
In 2014 a consultant completed a feasibility study of water efficiency options for the SGP plant. The study  
*(continued on page 49)*

## Freshwater Use Million Cubic Meters



- Surface Water
- Municipal Water
- Groundwater

## 2014 Freshwater Use by Business and Facility Thousand Cubic Meters



- Seminole Gas Plant 6,078
- North Dakota 1,688
- Ohio 1,000
- Tioga Gas Plant 271
- International 192

## SHALE ENERGY

In recent years Hess has made significant investments in unconventional oil and gas plays – first in the Bakken formation in North Dakota, the premier tight oil play in the United States, and more recently in the Utica formation in Ohio, an emerging shale gas play. In both plays we extract hydrocarbons from tight rock formations using horizontal drilling and hydraulic fracturing. The oil and gas from these two plays constitute about 30 percent of Hess' total production.

We recognize that the public has voiced concerns about the potential effects of shale energy operations on the environment, public health and safety. At Hess, we aim to develop our resources responsibly and with minimal impacts. To do this, we employ multidisciplinary risk management processes in our planning and decision making. Our enterprise risk management process, discussed in the How We Operate section, includes activity aspect identification and technical review as well as value assurance activities.

All of our assets also undergo several stages of detailed, activity-based risk assessment during the capture, appraisal, development and production phases. These multidisciplinary risk assessments help us identify mitigation measures we can pursue to ensure protection of the environment, protection of the communities in which we operate, and the safety of our combined contractor and employee workforce.

We also have a multi-year internal audit plan in place that ensures we perform Environment, Health and Safety (EHS) audits of our assets regularly. Our North Dakota and Ohio assets were audited in 2013, and our Tioga Gas Plant was audited in 2014. Going forward, we will be conducting focused EHS audits at our unconventional assets on an annual basis. Furthermore, we continue to identify and address stakeholder concerns to improve our performance and enhance our "license to

operate," as discussed in the Community and Social Performance section.

### Protection of Water Quality

To help ensure that water resources are protected, we make groundwater and surface water monitoring a priority. In Ohio we determine baseline groundwater and surface water conditions at sites prior to drilling. We also perform post-drilling assessment and, depending on risk, we annually sample wells and surface water at select assets. In North Dakota, the state operates a regional network of groundwater quality monitoring wells. We sample surface water where requested by landowners and when the surface water body is close to our activities and test the water to assess its suitability for hydraulic fracturing.

Groundwater resources are protected by sensible onsite operating practices, including the development of plans to prevent spills of chemicals used in well construction and completion. We employ closed-loop fluid containment systems for drilling fluids at our North Dakota and Ohio shale energy drilling sites. Frac fluid flowback is stored in closed top tanks with secondary containment. These practices prevent potential surface water and groundwater impacts. In addition, the practices allow for the recycling of drilling materials and reduce the volume of waste that needs disposing onsite in lined impoundments or transported offsite for disposal at regulated facilities.

### Water Use

A recent study showed that, on average, hydraulic fracturing uses less water than conventional drilling to retrieve the same amount of oil or gas.<sup>1</sup> That said, fracturing does require significant amounts of fresh, locally sourced water, and that water is sent deep underground and thus removed from the Earth's water cycle. We understand the importance of managing this precious resource responsibly, and as part of our

environmental commitment, we aim to reduce our freshwater use.

Hydraulic fracturing accounted for about 28 percent of Hess' total freshwater consumption in 2014, with North Dakota at 18 percent and Ohio at 10 percent.

No flowback water was reused, due to high salinity in North Dakota and limited quantities in Ohio.

In early 2015 we analyzed our full-year 2014 water use in the Bakken compared to 12 major peers in the region. Using publicly available data reported to state regulatory authorities, we found that Hess used 46,000 barrels of water per well fractured, which was significantly less than our peers.

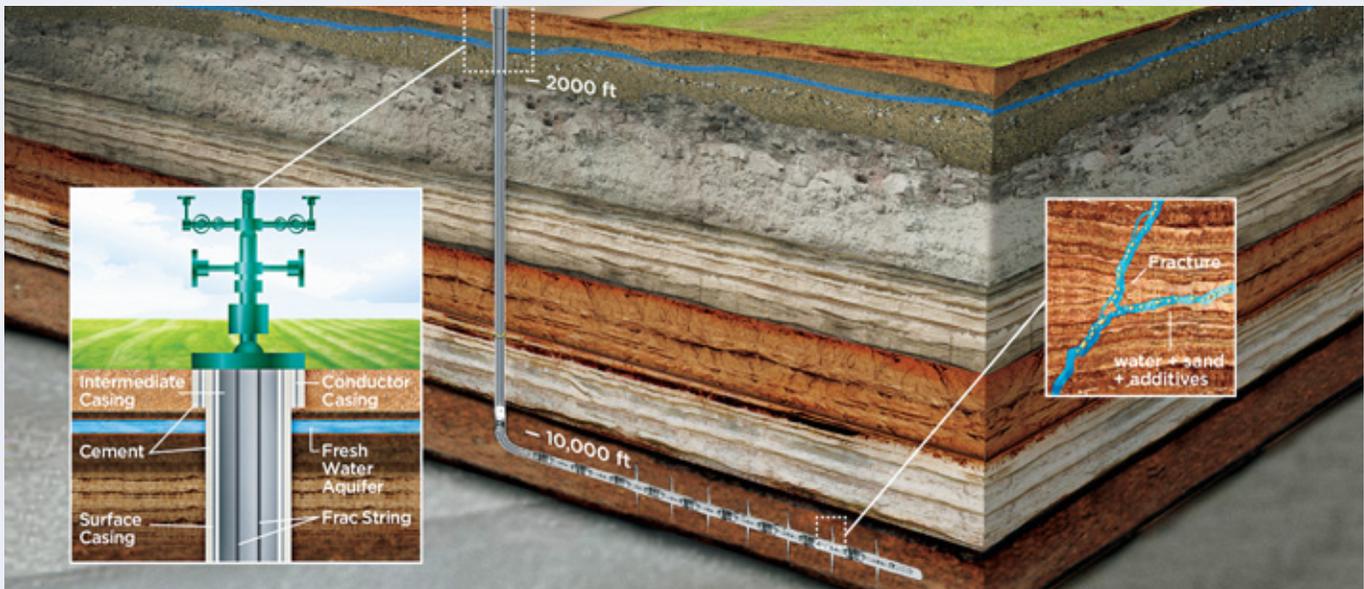
In recent years we have tested several alternatives to fresh water – including non-potable water sources such as treated domestic wastewater, saline water and frac fluid flowback – to assess their suitability for hydraulic fracturing. In North Dakota, we do use small quantities of non-potable, underground water (from the Beaver Lodge Devonian Unit formation) for workover and drilling operations. In Ohio, in early 2015 we successfully piloted the use of produced water for pump down operations in one well, and the use of produced water for additional wells is planned. Though several projects have shown promise, most have not proven economically feasible to date.

### Well Integrity

Whether for conventional or unconventional resources production, the key to protecting underground water resources is well integrity – that is, ensuring strong and impermeable physical barriers between our wellbores and the surrounding rock and underground aquifers.

While the well completion and hydraulic fracturing processes occur miles below the Earth's surface, our wellbores pass through

1. Comparison of Water Use for Hydraulic Fracturing for Unconventional Oil and Gas versus Conventional Oil. B. R. Scanlon, R. C. Reedy, and J.-P. Nicot. *Environmental Science & Technology* 2014 48 (20), 12386-12393. DOI: 10.1021/es502506v



Note: Bakken example. Drawing is not to scale and numbers are approximate.

groundwater at shallower depths during drilling and well construction. Therefore before designing or constructing any well, we investigate the depth and lateral extent of any underground fresh water to ensure that we protect that water and conform to regulatory requirements and internal standards.

In the U.S. we are typically required by state agencies to design casing and cementing plans that will isolate any underground fresh water from the contents of the wellbore. We submit this information in applications for well construction permits, which must be reviewed and approved by regulators. Even in locations where such permitting processes are not in place, we use prudent industry well construction standards, as described below. Well completion designs can vary from asset to asset due to differences in the formation, the management of drilling risks and technology applications.

To help ensure well integrity, our wellbores are lined with multiple layers of steel pipe and encased in cement to depths well below the deepest freshwater zones. Specifically:

- A “surface casing” is installed from the surface to below the lowest known freshwater zone and then cemented in that interval from the deepest point to the surface around the casing, thereby creating a physical barrier between the materials in the well and the strata containing the groundwater being protected.
- Inside the surface casing, a second “intermediate” casing is installed and cemented in place.
- An acoustic cement bond log is selectively employed to ensure the cement barrier is in place, which prevents fluid migration.
- The well completion is performed through a third casing (Ohio) or liner (North Dakota) placed inside the intermediate casing to the depth of the lateral. In North Dakota, a “frac string” is then run and connected to the top of the liner. This provides an additional physical barrier to isolate fluids within the well.
- Due to potential fracture stimulation interference (i.e., stimulating one well and observing increased pressure on nearby producing wells), nearby oil and gas wells are shut-in during fracturing activity (based on distance from the well being stimulated), and wellhead systems are tested for integrity prior to any activity.
- During hydraulic fracturing, procedures are in place to operate surface and downhole equipment within their design ratings.
- Monitoring of microseismic events is conducted in real-time, for two purposes:
  - to monitor the growth, i.e., the orientation and dimensions of induced hydraulic fractures, which are created during the completion of wells, and
  - to monitor for any low-level seismicity.

Using these and other practices, we ensure annular integrity in our well construction operations. In North Dakota we have drilled over 200 new wells annually for the past several years and experienced zero cases of failed well integrity in our unconventional operations.

## SHALE ENERGY CONT.

**Frac Fluid Additives**

To conduct drilling and fracturing operations effectively and safely, we use water mixed with very small concentrations of chemical additives in the wellbore. Each additive has an essential purpose, such as reducing friction, killing bacteria or inhibiting corrosion or scale deposits. The well casing and cementing processes described previously help to ensure that the chemicals in our fracturing fluid never come into contact with groundwater or surface waters.

We know that some stakeholders are concerned about the makeup of these fluids, however, and we have worked to select the compositions of least concern. For instance, we do not use diesel or benzene, toluene, ethylbenzene or xylene (BTEX) in our frac fluids. Also, we require our hydraulic fracturing contractors to provide non-proprietary data regarding the chemicals used in each fractured well. This information is publicly available on the FracFocus website, and we conduct periodic audits of FracFocus submissions to ensure accuracy.

We participate in stakeholder forums that are developing science-based frameworks for the evaluation of hazards and risks associated with chemical additives and the promotion of safer and more protective alternatives. We respect our frac fluid and service providers' desire to keep proprietary formulations confidential, while we also encourage our suppliers to voluntarily disclose all chemical additives.

**Air Emissions**

In our shale energy operations, greenhouse gases and other air pollutants are emitted during flowback and production operations when the infrastructure is not available for immediate connection to the wellhead. Where a pipeline connection is unavailable, flaring of the natural gas produced during flowback may be utilized to create a safe working environment during that process.

In Ohio, during well completions, we typically direct gas directly into the gas gathering

infrastructure. This eliminates the need to flare, although we do occasionally need to flare gas for testing purposes. In some well locations in North Dakota, this type of infrastructure is still being built. We have a flaring reduction strategy for North Dakota and have been steadily investing in infrastructure, as discussed in the Climate Change and Energy section.

See the Climate Change and Energy section for more information on greenhouse gas emissions, and the Environment section for more on other air emissions.

**Land Use**

We seek to minimize land use and reduce the number of well sites needed to develop our acreage. In North Dakota, we continue to transition from a single well per pad to hold the lease to multi-well pad drilling. In 2015 we are developing one "super pad" that will contain 19 wells on a single well pad with shared surface facilities. In Ohio, we have employed a geographic information systems (GIS) tool for use during appraisal activities in order to minimize impact on the environment and streamline permitting. The tool incorporates environmental and social baseline data as GIS layers and is used to identify sensitive areas and select well pad locations.

**Transportation Impacts**

We are sensitive to stakeholder concerns about increased trucks on the road in areas of high drilling activity. In North Dakota, we have participated in multi-stakeholder initiatives aimed at minimizing the oil industry's impact on public roads and traffic congestion. And we have collaborated with community partners and state officials in North Dakota to ensure adequate infrastructure funding to improve traffic safety and support road maintenance. In 2015 we plan to remove additional trucks from the road through the use of remote truck offloading at the Ramberg truck facility and the addition of new crude oil booster pumps, which will deliver oil from Ramberg to the Tioga Rail Terminal.

Since 2013 in North Dakota we have been rapidly increasing our use of flexible hose for transporting fresh water to drilling sites, rather than trucks. In 2014 more than 43 percent of our water was transported this way, and we expect to reach 60 percent in 2015. See the Climate Change and Energy section for more information on this initiative.

**Crude-by-Rail Safety**

The transport of crude oil by rail has become an issue of increasing concern in the United States and Canada, as shipments have increased alongside the increase in shale oil production, and several high-profile derailments have occurred. Improving crude-by-rail safety is a shared effort among railroad companies, regulators and operators. At Hess, we are taking the issue very seriously and are committed to doing our part to minimize the risks involved.

Hess' Tioga Rail Terminal is fed by pipeline and a truck offloading facility. Hess was the first company in the industry to have a fleet comprised entirely of the AAR Petition P-1577 railcar, which was designed to safely transport crude oil, including the light sweet crude found in the Bakken. In 2015 Hess will be one of the first companies to procure crude oil tank cars equipped with thicker shells and full height head shields for puncture resistance, enhanced thermal protection, and bottom fittings protection as called for in the latest DOT-117 enhanced tank car design standard.

We have an internal, cross-functional Rail Transport Working Team, which meets weekly to share information regarding any and all issues relating to rail safety. We are also actively engaged with oil and gas industry efforts to further improve the safety of rail crude oil transport. We are represented on the American Petroleum Institute (API) Rail Policy Committee, Government Affairs Committee and Rail Transportation Group, and are active on several multi-stakeholder task forces addressing these issues. Also, we work closely with railroad companies to help ensure that our oil is delivered safely.

included both practice- and technology-based recommendations for reducing water use. For 2015, we have contracted for a hydrogeological study to be completed, to assess the capacity of the aquifer and help us better understand long term water availability and yield.

Drilling and completion activities in North Dakota and Ohio comprise our second-largest water use. Most of this water is used for hydraulic fracturing. As discussed in the Shale Energy section of this report, in North Dakota we have tested several options for using nonpotable water for this purpose, though none have proven economically feasible to date.

Because water optimization is a concern not just for our company but for our entire industry, we participate in two industry forums focused on this issue. A Hess representative is vice chair of a water working group convened by IPIECA, the oil and gas industry association for environmental and social issues. The working group aims to help companies improve their water use performance and reduce their water footprint by providing sound analysis, assessment tools, good practices, credible data sources and appropriate indicators.

We are also a founding member of the Energy Water Initiative, a collaborative effort among 18 oil and natural gas companies to study, describe and improve lifecycle water use and management in upstream unconventional oil and natural gas exploration and production.

## BIODIVERSITY

At every Hess location around the globe, we include the protection of biodiversity in our project decision making and management.

We typically conduct formal environmental and social impact assessments (ESIAs) on all major capital projects as part of site evaluation, selection and risk assessment. These ESIAs include biodiversity baseline studies as well as screenings of identified species against the International Union for Conservation of Nature (IUCN) Red List and other threatened, endangered and protected species lists. The results of the ESIAs are used to create mitigation strategies. When a full ESIA is not appropriate, we still routinely conduct biodiversity risk screenings and impact assessments and undertake appropriate mitigation activities. In addition, we conduct assessments where the classification of species and habitats change in areas where we operate.

In 2014 we completed two full ESIAs – one for our deepwater Stampede project in the Gulf of Mexico and one for our onshore Pires asset in Kurdistan. The Stampede ESIA found no species of concern and recommended no mitigation efforts beyond those already outlined in the regulatory permits. The Pires ESIA identified three birds and one plant from the IUCN Red List in our area of operation. We subsequently developed mitigation measures to help protect these species, which included surveying drilling locations for these species.

In the United States we have been monitoring the addition of new species to the national endangered and threatened species lists by the U.S. Fish and Wildlife Service (FWS). (The FWS is expected to add approximately 250 new such species by the end of 2015.) We are identifying locations where we may need to conduct new biological risk assessments and develop mitigation plans as a result of

these listings. Already, we have adjusted drilling site locations to accommodate habitat features and priorities for certain species.

In the Permian Basin in Texas, we conducted a biological survey of lesser prairie chicken habitat, as this species was listed by the FWS as threatened in early 2014. We determined that our leased areas did not overlap with habitat for this species. As part of an Environmental Assessment process that is currently underway, we are working with the FWS in North Dakota to help ensure that our proposed Hawkeye pipeline does not unduly impact the Dakota skipper, a butterfly species listed as threatened in October 2014.

We maintain a list of IUCN Red List species with habitat that overlaps with our operations (see table).<sup>1</sup>

We also identify IUCN protected areas (categories I-III) adjacent to our operations. In 2014 there were three such areas – two in North Dakota (Lostwood Wilderness Area and Theodore Roosevelt National Park) and one in Australia (Wanjarri Nature Reserve).<sup>2</sup>

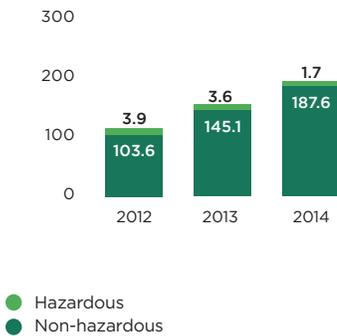
IUCN Category	Number of Species
Critically Endangered	13
Endangered	30
Vulnerable	141
Near Threatened	188

<sup>1</sup> The numbers in this table – especially for vulnerable and near threatened species – are greater than reported in previous years because both our operational footprint and our internal measurement techniques have changed. We are now using internationally verified data sets at a less granular scale for consistency across our assets, while previous measurement was based more on individual biological assessments, localized to each asset.

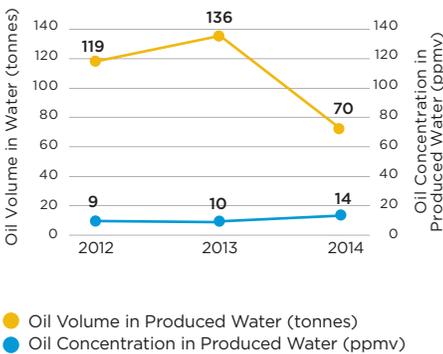
<sup>2</sup> Our reporting on IUCN protected areas has also become more robust compared to past years, as we now have tools to categorize protected areas in an internationally consistent way.

**Waste**

Thousand Tonnes



**Oil in Produced Water Discharges to Sea**



We regularly work with our industry peers on biodiversity-related issues. For example, we are an active member of the Biodiversity and Ecosystem Services working group of IPIECA, the global oil and gas industry association for environmental and social issues. In October we helped lead (and had several staff members participate in) the working group’s first peer-to-peer training workshop on managing biodiversity and ecosystem services in the oil and gas industry.

We also participate in the Cross Sector Biodiversity Initiative (CSBI), a partnership of IPIECA, the International Council on Mining and Metals and the Equator Principles Association. This initiative brings the mining, oil and gas and financial sectors together to develop and share good practices for safeguarding biodiversity and ecosystems. In 2014 the CSBI published a timeline tool designed to help align project development, biodiversity impact management, and financial timelines and milestones.

Hess is also a sponsor and active member of the Environmentally Friendly Drilling (EFD) program. The EFD program is a partnership among multiple oil and gas companies, academia and environmental organizations and is coordinated by the Houston Advanced Research Center. It aims to provide unbiased science and develop solutions to address environmental issues associated with oil and gas development. For example, the EFD developed a scorecard that provides oil and gas companies with a means for objectively assessing and continually improving their environmental performance and that of their service providers. In 2014 we used the scorecard to assess and improve

practices at our Ohio assets; we plan to use it at our North Dakota assets in 2015.

**WASTE**

Our operations generate a variety of waste streams, including construction debris; scrap metal and wood; oily tank bottoms; contaminated soil; office and domestic waste such as paper, cardboard and light bulbs; and other waste items specific to drilling and production operations. It should be noted that, consistent with IPIECA reporting guidelines, our waste data do not include mud and cuttings generated in our onshore operations. Wastes are managed according to the waste management plan specific to each operating location. The waste management plan is designed to comply with all applicable regulatory requirements and to protect human health and the environment. Following our lean philosophy, our operations try to minimize waste generation and recycle wherever possible.

In 2014 we generated approximately 188,000 tonnes of waste, nearly all (99 percent) of which was deemed non-hazardous according to applicable regulations. In addition, we disposed of 84,693 tonnes of drill cuttings from our North Dakota and Ohio operations at licensed disposal sites in 2014.

**DISCHARGES**

Discharges from our offshore facilities include drilling mud, drill cuttings and produced water. At some of these facilities, these waste streams are reinjected for disposal or reservoir management, whereas others discharge directly to the ocean. In some other cases we ship drilling waste to shore for treatment and disposal.

Offshore discharges of non-aqueous drilling mud and cuttings in Equatorial Guinea and Ghana in 2014 contained approximately 140 tonnes of low toxicity synthetic fluid. This represents an increase from the previous year because of an increase in the number of offshore wells drilled.

Offshore produced water discharges totaled 6 million cubic meters in 2014. Produced water discharges had an average oil content of 14 parts per million volume (ppmv), totaling 70 tonnes of oil discharged. This reflects a year-over-year decrease in total oil discharged and an increase in the average oil content, primarily due to the divestiture of our offshore operations in Indonesia which had high volumes of discharges with relatively low oil content.

**SPILL PREVENTION**

The number of spills remained relatively flat year-over-year. The volume of non-hydrocarbon spills decreased, while the volume of hydrocarbon spills increased due to a handful of larger spills in our Denmark and North Dakota operations.

In 2014 we conducted a detailed analysis of our spill reporting. The aim of this analysis was to better identify root causes and to make recommendations

with respect to improved data collection and indicators and to provide targeted input to spill mitigation strategies. Based on encouraging results from this analysis we embarked on a more detailed analysis as part of our 2015 EHS “Must Do’s.”

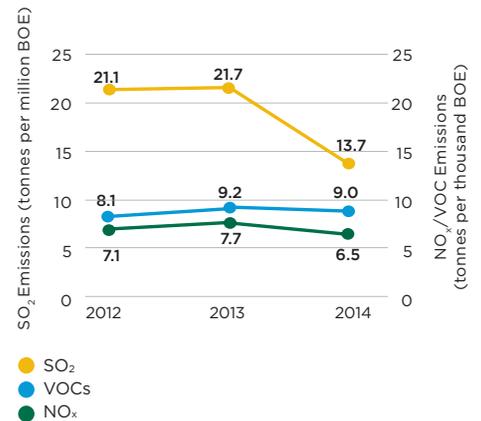
We maintain strong relationships with mutual aid and emergency response organizations at the local, regional and global levels to enhance our ability to respond swiftly and effectively to any incidents. More information about our emergency response program, including our memberships and partnerships with spill response organizations, is provided in the Safety and Health section of this report.

**CRITERIA POLLUTANTS**

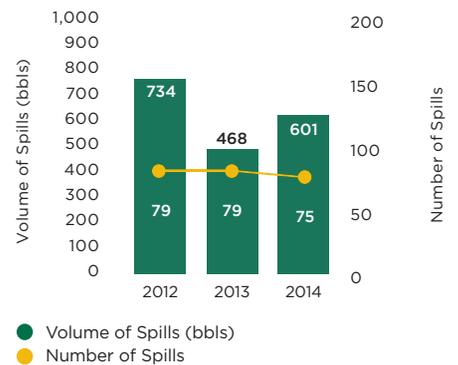
Air emissions of nitrogen oxides (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) result from fuel combustion, process operations and flaring activities. Volatile organic compounds (VOCs) are mainly emitted during product loading and storage. In 2014 our normalized emissions of VOCs remained relatively consistent with the previous year, while emissions of NO<sub>x</sub> and SO<sub>2</sub> decreased. The decrease in NO<sub>x</sub> emissions is due to reduced drilling activity in 2014. The decrease in SO<sub>2</sub> emissions is due to the completion of the Tioga Gas Plant expansion.



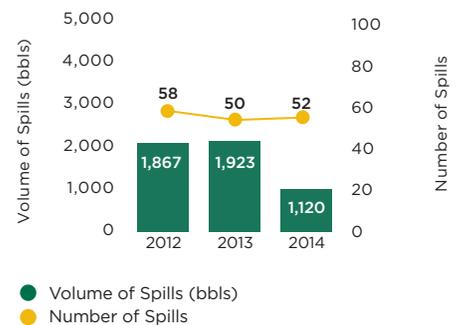
**Criteria Pollutants**



**Hydrocarbon Spills**



**Non-Hydrocarbon Spills**



## PERFORMANCE DATA

	Units	2014	2013	2012	2011	2010
<b>Business Performance</b>						
Sales and other operating revenue	\$ Million	10,737	11,905	12,245	10,647	9,123
Net income attributable to Hess Corporation	\$ Million	2,317	5,052	2,025	1,703	2,125
Total assets	\$ Million	38,578	42,754	43,441	39,136	35,396
Total debt	\$ Million	5,987	5,798	8,111	6,057	5,583
Stockholders' equity	\$ Million	22,320	24,784	21,203	18,592	16,809
Debt to capitalization ratio	%	21.2	19.0	27.7	24.6	24.9
<b>Exploration and Production</b>						
Total net hydrocarbons produced	Thousand BOE/D	329	336	406	370	418
Proved reserves (total)	Million BOE	1,431	1,437	1,553	1,573	1,537
Liquids (crude oil (light and medium oils), condensate & natural gas liquids)	%	78	77	75	74	72
Gas	%	22	23	25	26	28
Reserve life	Years	12	12	10	11	10
Replaced production	%	158	118	141	147	176
<b>Economic Contributions</b>						
Capital and exploration expenditures	\$ Million	5,606	6,209	8,152	7,462	5,855
Operating costs	\$/BOE	21.0	22.6	20.6	19.7	14.5
Income tax	\$ Million	744	565	1,529	702	1,188
Royalties and other payments to governments	\$ Million	707	807	920	947	1,542
Cash dividends paid to shareholders	\$ Million	303	235	171	136	131
Employee wages and benefits (U.S.)	\$ Million	1,040	1,037	1,045	1,057	992
Interest expense before income taxes	\$ Million	323	406	419	383	361
Supplier spend * (approximate)	\$ Billion	8	8	8	6	2
<b>Communities and Social Performance</b>						
Total social investment	\$ Million	42	37	40	23	18
Education	%	80	52	47	33	34
Health	%	1	2	4	5	12
Disaster relief	%	2	3	13	5	9
Community contributions (not in-kind)	%	13	25	22	20	19
In-kind	%	4	12	9	28	18
Arts and culture	%	—	6	5	8	7
Environment	%	<1	<1	<1	1	1
<b>Our People</b>						
Number of permanent employees	#	3,045	12,128	13,277	13,021	12,587
U.S.	%	78	91	90	91	91
International	%	22	9	10	10	9
Part time employees	%	1	27	23	24	NC
Full time employees	%	99	73	77	76	NC
Employee turnover – voluntary ♦	%	9.1	13.1	10.4	7.9	NC
Employee layoffs ♦	%	19.8	14.6	3.2	1.1	NC
Female employees (U.S. and International)	%	28	43	40	39	40
Minority employees (U.S.)	%	24	39	38	37	36
Employees represented by collective bargaining agreements	%	1	4	6	7	9
<b>Safety Performance</b>						
Fatalities – employees + contractors	#	0	0	1	0	0
Hours worked – workforce (employees + contractors)	Million hours	37.8	47.1	45.3	35.5	22.5
Employee Recordable Incident Rate	Per 200,000 hrs worked	0.20	0.20	0.14	0.25	0.24
Contractor Recordable Incident Rate	Per 200,000 hrs worked	0.45	0.60	0.71	0.75	0.50
Workforce (employees + contractors) Recordable Incident Rate	Per 200,000 hrs worked	0.40	0.52	0.60	0.64	0.42
Employee Lost Time Incident Rate	Per 200,000 hrs worked	—	0.05	0.05	0.08	0.09
Contractor Lost Time Incident Rate	Per 200,000 hrs worked	0.14	0.16	0.20	0.12	0.08
Workforce Lost Time Incident Rate	Per 200,000 hrs worked	0.12	0.14	0.17	0.11	0.08
Products with Material Safety Data Sheets	%	100	100	100	100	100
Health and safety fines and penalties – operated	\$ Thousand	37.5	0	0	0	0

Where relevant, all data are restated to exclude joint ventures and the downstream businesses. See Our Approach to Reporting for details.

\* Supplier spend for 2010 is U.S. only; 2013 and 2014 data are E&P only.

♦ Reflects data for exploration and production only.

	Units	2014	2013	2012	2011	2010
<b>Greenhouse Gas Emissions</b>						
Volume of flared and vented hydrocarbons	MMSCF	35,987	29,356	26,386	21,604	15,491
Operated direct emissions (Scope 1)	Million Tonnes CO <sub>2</sub> e	4.8	4.4	5.0	4.3	3.7
CO <sub>2</sub>	Million Tonnes CO <sub>2</sub> e	4.4	4.2	4.7	4.2	3.5
CH <sub>4</sub>	Thousand Tonnes CO <sub>2</sub> e	403.1	166.5	207.4	139.6	123.7
N <sub>2</sub> O	Thousand Tonnes CO <sub>2</sub> e	28.4	31.1	24.5	21.8	23.6
Operated direct emissions (Scope 1) by source						
Flaring/venting	%	61	54	49	43	36
Fuel combustion	%	35	41	46	55	61
Other	%	3	5	5	2	3
Operated indirect emissions (Scope 2)						
CO <sub>2</sub>	Million Tonnes CO <sub>2</sub> e	0.64	0.75	0.76	0.74	0.78
CH <sub>4</sub>	Thousand Tonnes CO <sub>2</sub> e	0.29	nil	0.15	0.15	0.15
N <sub>2</sub> O	Thousand Tonnes CO <sub>2</sub> e	2.7	3.1	7.8	7.2	6.7
Net equity GHG emissions (includes HOVENSA)	Million Tonnes CO <sub>2</sub> e	6.0	6.5	8.0	9.1	9.0
Scope 3 emissions – use of sold products	Million Tonnes CO <sub>2</sub> e	11.5	13.9	22.1	35.7	40.2
<b>Energy Use</b>						
Production energy intensity	Gigajoules/BOE	0.29	0.28	0.24	0.25	0.22
Operated direct energy use	Thousand Gigajoules	25,829	26,421	28,074	27,125	26,617
Operated indirect energy use (gross)	Thousand Gigajoules	8,597	7,429	6,913	6,729	6,447
Net purchased electricity by primary energy source **	Thousand MWh	865	688	663	646	619
Green-e certified renewable energy certificates (wind power)	Thousand MWh	125	140	140	180	140
<b>Freshwater Use</b>						
Groundwater	Million m <sup>3</sup>	6.2	6.3	6.5	8.5	6.6
Municipal water	Million m <sup>3</sup>	2.2	1.5	2.0	0.7	0.2
Surface water	Million m <sup>3</sup>	0.89	0.45	0.07	0.02	0.04
Reused/recycled (estimated)	%	10.2	10.7	11.0	11.1	NC
<b>Waste</b>						
Non-hazardous waste	Thousand Tonnes	187.6	145.1	103.6	152.8	83.5
Hazardous waste	Thousand Tonnes	1.7	3.6	3.9	4.0	4.2
Basel Convention (recovery/reuse/recycle)	Tonnes	0	22	10	0	0
<b>Spills</b>						
Hydrocarbon spills – number	#	75	79	79	56	23
Hydrocarbon spills – volume	bbls	601	468	734	445	306
Non-hydrocarbon spills – number	#	52	50	58	86	38
Non-hydrocarbon spills – volume	bbls	1,120	1,923	1,867	4,351	436
<b>Air Emissions (Excludes GHGs) ◇</b>						
Sulfur dioxide (SO <sub>2</sub> )	Tonnes	2,016	2,888	3,168	3,069	2,911
SO <sub>2</sub> intensity	Tonnes/Million BOE	13.7	21.7	21.1	21.3	18.9
Nitrogen oxides (NO <sub>x</sub> )	Tonnes	9,595	10,270	10,600	9,784	8,882
NO <sub>x</sub> intensity	Tonnes/Thousand BOE	6.5	7.7	7.1	6.8	5.8
Volatile organic compounds (VOCs)	Tonnes	13,288	12,279	12,175	7,152	10,879
VOC intensity	Tonnes/Thousand BOE	9.0	9.2	8.1	5.0	7.1
<b>Exploration &amp; Production Discharges</b>						
Oil in produced water to sea	Tonnes	70	136	119	149	221
Oil in produced water to sea	ppmv	14	10	9	10	13
Produced water to sea	Million m <sup>3</sup>	6.0	16.7	16.5	17.4	20.1
<b>Other Environmental Indicators</b>						
ISO 14001-certified operations	% of production	7	2	8	12	13
ISO 14001-certified operations	#	2	2	3	3	3
Environmental fines and penalties – operated	\$ Thousand	84	509	105	115	–
Environmental expenditures – remediation	\$ Million	12	16	19	19	13
Environmental reserve	\$ Million	80	65	55	60	55

Where relevant, all data are restated to exclude joint ventures and the downstream businesses. See Our Approach to Reporting for details.

\*\* Third party power generation

◇ The gross operated hydrocarbon production (normalization factor) was 403,781 BOE/D in 2014.

## 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 (UNGC) 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](https://hess.com/investors) and in our Securities and Exchange Commission (SEC) forms 10-K and DEF 14A. An expanded GRI Index is available at [hess.com/gri-index](https://hess.com/gri-index).

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>Strategy and Analysis</b>							
1.1	Message from the CEO	2–3	●				
1.2	Key impacts, risks and opportunities (a)	2–5	●				
<b>Organizational Profile</b>							
2.1–2.9	Organizational profile (a)	4	●				
2.10	Awards received during reporting period	58	●				
<b>Report Parameters</b>							
3.1–3.4	Reporting period, scope and boundary	6–7	●				
3.4	Contact point for questions regarding report	59	●				
3.5–3.8	Determination for content	6–7	●				
3.9	Data measurement techniques and basis of calculations	6–7	●				
3.10–3.11	Explanation of restatements and significant changes	6–7	●				
3.12	GRI content index (c)	54–56	●				
3.13	External assurance	7, 57	●				
<b>Governance</b>							
4.1–4.7, 4.9, 4.10	Information on highest governance body (a, b, c)	9–10	●				
4.8	Internal values, codes of conduct and principles	12–13, 20–21	●		1–10		
4.11	The precautionary approach	OCI	●		7		
4.12	Externally subscribed or endorsed voluntary initiatives (c)	17	●		1–10		
4.13	Key memberships and associations	27, 58	●				
4.14–4.17	Stakeholders, types of engagement, key topics and concerns	6–7, 17–20	●				
<b>Economic</b>							
EC DMA	Disclosure on management approach to economic performance (a, b)	2–4	●				
EC DMA	Disclosure on management approach to market presence	2–4	●				
EC DMA	Disclosure on management approach to indirect economic impacts	4, 14–15, 17–23	●				
EC1	Direct economic value (a, b)	4, 52	●			SE4, SE13	
EC2	Financial implications of climate change	35–37	●		7		
EC3	Defined benefit plan obligations (a, b, c)	OCI	●				
EC4	Significant financial assistance received from government (c)	OCI	○				
EC5	Comparison of standard entry level wage with local minimum wage (c)	OCI	●		1		
EC6	Local supplier spend at significant locations of operation	14–15	○			SE5, SE7	
EC7	Local hiring at significant location of operation	32–33	●		6	SE5, SE6	
EC8	Development and impact of infrastructure investments and services	21–23, 52	●			SE4	
EC9	Understanding and describing significant indirect economic impacts (c)	21–23, 52	○			SE6	
OG1	Volume and type of estimated proved reserves and production	4, 37, 52	●				
<b>Environment</b>							
EN DMA	Disclosure on management approach to environmental aspects	34–51	●		7		

OCI: GRI Online Content Index

NM: Not Material

a – See also Annual Report and SEC 10-K

b – See also [hess.com/investors](https://hess.com/investors)

c – See Online GRI Content Index ([hess.com/gri-index](https://hess.com/gri-index))

GRI Indicator	General Description	Page(s)	GRI Status	UNGC Principle(s)	IPECA Indicator
<b>EN1, EN2</b>	Materials used and percentage recycled input materials (c)	45, 53		8	
<b>EN3, EN4</b>	Direct and indirect energy use by primary source	41, 53		8	E2
<b>OG2, OG3</b>	Total amount invested in renewable energy and total amount generated by source (c)	OCI		8, 9	
<b>EN5</b>	Energy conservation and efficiency initiatives and improvements	39–41		8, 9	E2
<b>EN6</b>	Initiatives to provide energy-efficient or renewable products and services (c)	OCI		8, 9	E3
<b>EN7</b>	Initiatives to reduce indirect energy consumption and reductions achieved	39–41		8, 9	E2
<b>EN8, EN9</b>	Total water withdrawal by source, significantly affected water sources	45–46, 49		8	E6
<b>EN10</b>	Water recycled and reused	45, 49, 53		8, 9	E6
<b>EN11, EN12</b>	Proximity of protected areas/areas of high biodiversity	49–50		7, 8	E5
<b>EN13</b>	Habitats protected or restored	49–50		8	E5
<b>EN14</b>	Strategies, current actions and future plans for managing impact on biodiversity	49–50		8	E5
<b>OG4</b>	Significant operating sites in which biodiversity risk has been assessed and monitored	49–50		7, 8	
<b>EN15</b>	Number of IUCN Red List and national conservation list species	49		7	
<b>EN16, EN17</b>	Total direct and indirect and other relevant greenhouse gas emissions	38–39, 53		8	E1, E4
<b>EN18</b>	Greenhouse gas reduction initiatives and results	39–43		8	E1
<b>EN19</b>	Emissions of ozone-depleting substances (c)	OCI	NM	8	E7
<b>EN20</b>	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	51, 53		8	E7
<b>EN21</b>	Total water discharge by quality and destination	50–51, 53		8	E9
<b>OG5</b>	Volume of formation of produced water (c)	50–51, 53		8	
<b>EN22</b>	Total weight of waste by type of disposal method	50, 53		8	E10
<b>EN23</b>	Total number and volume of significant spills	51, 53		8	E8
<b>EN24</b>	Basel Convention waste management summary (c)	OCI		8	
<b>EN25</b>	Biodiversity value of receiving waters for water discharges and runoff	49–51		8	
<b>OG6</b>	Volume of flared and vented hydrocarbons	39–40, 53		8	
<b>OG7</b>	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	50–51		8	
<b>EN26</b>	Mitigation of environmental impacts of products and services	34–51		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 (c)	OCI		8	
<b>EN29</b>	Transportation impacts	38–41, 48, 53		8	
<b>EN30</b>	Environmental expenditures (c)	OCI		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 (c)	30–33			
<b>LA DMA</b>	Disclosure on management approach to occupational health and safety (c)	24–29			
<b>LA1</b>	Total workforce by employment type, contract and region	31, 52			
<b>LA2</b>	Total number and rate of employee turnover by age group, gender and region	31, 53		6	
<b>LA3</b>	Benefits provided to full time employees that are not provided to temporary or part time employees, by major operations (c)	OCI			
<b>LA4</b>	Percentage of employees covered by collective bargaining agreements (c)	52		1, 3	
<b>LA5</b>	Minimum notice period of significant operational charges (c)	OCI		3	
<b>LA6</b>	Percentage of total workforce represented in joint safety committees (c)	OCI		1	HS1, SE16
<b>LA7</b>	Injury, occupational illness, lost days, absenteeism and fatalities by region (c)	25, 52		1	HS3
<b>LA8</b>	Disease prevention programs (c)	28		1	HS2
<b>LA9</b>	Health and safety topics covered in collective bargaining agreements (c)	OCI		1	SE16
<b>LA10</b>	Average hours of training per employee by employee category (c)	OCI			SE17
<b>LA11</b>	Programs for skills management, lifelong learning and career endings	32–33			SE17

## GRI CONTENT INDEX

GRI Indicator	General Description	Page(s)	GRI Status	UNGC Principle(s)	IPECA Indicator
<b>LA12</b>	Employees receiving regular performance and development reviews	32–33	●		SE17
<b>LA13</b>	Governing bodies and employees by category according to diversity indicators (c)	33	●	1, 6	SE15
<b>LA14</b>	Ratio of basic salary of women to men by employee category (c)	OCI	●	1, 6	
<b>LA15</b>	Return to work and retention rates after parental leave, by gender (c)	OCI	NM		
<b>IPECA</b>	Process safety	25–26	N/A	—	HS5
<b>Human Rights</b>					
<b>HR DMA</b>	Disclosure on management approach to human rights aspects	8–15, 20–21	●		
<b>HR1</b>	Human rights and significant investment agreements (c)	14–15, 20–21	●	1–6	SE8
<b>HR2</b>	Significant suppliers/contractors screened for human rights (c)	14–15, 20–21	●	1–6	SE9
<b>HR3</b>	Employee training on policies and procedures concerning human rights	20–21	●	1–6	SE8
<b>HR4</b>	Total number of incidents of discrimination and actions taken (c)	OCI	●	1, 2, 6	SE18
<b>HR5</b>	Operations and significant suppliers at risk re: freedom of association and collective (c)	OCI	●	1, 2, 3	
<b>HR6</b>	Operations and significant suppliers at risk re: child labor (c)	OCI	●	1, 2, 5	
<b>HR7</b>	Operations and significant suppliers at risk re: forced and compulsory labor (c)	OCI	●	1, 2, 4	
<b>HR8</b>	Security personnel trained on human rights	15, 21	●	1, 2	SE10
<b>HR9</b>	Violations of indigenous peoples' rights (c)	OCI	●	1, 2	
<b>OG9</b>	Indigenous communities present or affected by operations; location of engagement strategies	19–21	●		
<b>HR10</b>	Operations that have been subject to human rights reviews and/or impact assessments (c)	20–21	●		
<b>HR11</b>	Grievances related to human rights filed, addressed and resolved through formal grievance mechanisms (c)	OCI	●		
<b>Society</b>					
<b>SO DMA</b>	Disclosure on management approach to corruption, public policy, anti-competitive behavior and compliance	8–15	●	10	
<b>SO DMA</b>	Disclosure on management approach to community	16–23	●		
<b>SO1</b>	Programs and practices that assess and manage impacts of operations on communities	16–23	●		SE1–SE5
<b>SO2</b>	Business units analyzed for risks related to corruption (c)	OCI	●	10	SE11–SE12
<b>SO3</b>	Employees trained in anti-corruption policies and procedures (c)	12–13	●	10	SE11
<b>SO4</b>	Actions taken in response to incidents of corruption (c)	OCI	●	10	SE11
<b>SO5</b>	Public policy positions/participation in public policy development and lobbying (c)	13–14	●	1, 10	SE14
<b>SO6</b>	Political contributions (c)	13–14	●	10	SE14
<b>SO7</b>	Legal actions for anti-competitive behavior and outcomes (c)	OCI	●		
<b>SO8</b>	Fines and penalties for non-compliance with laws and regulations (c)	OCI	●		
<b>SO9, SO10</b>	Operations with significant potential or actual negative impacts on local communities	16–23	●		
<b>OG10</b>	Significant disputes with local communities and indigenous peoples (c)	OCI	●		
<b>OG11</b>	Number of sites that have been decommissioned and sites that are in the process (c)	OCI	●		
<b>OG12</b>	Extent and impact of involuntary resettlement (c)	OCI	●		
<b>OG13</b>	Number of process safety events, by business activity	26	●		
<b>Product Responsibility</b>					
<b>PR DMA</b>	Disclosure of management approach (c)	OCI	●		
<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)	OCI	●		

ERM Certification and Verification Services (ERM CVS) was engaged by Hess Corporation (Hess) to provide assurance in relation to the 2014 Corporate Sustainability Report (the Report).

**Engagement Summary**

<b>Scope:</b>	<ul style="list-style-type: none"> <li>• Whether the report is presented fairly, in all material respects, in accordance with GRI G3.1 including the Oil and Gas Sector Supplement guidelines.</li> <li>• Confirmation of Hess' self-declared GRI Application Level.</li> <li>• Confirmation that the report meets the common elements of the IPIECA/API reporting requirements.</li> </ul>
<b>Reporting Criteria:</b>	The Sustainability Reporting Guidelines G3.1 of the Global Reporting Initiative (including the Oil and Gas Sector Supplement) and the International Petroleum Industry Environmental Conservation Association (IPIECA) – Oil & Gas Industry Guidance on Voluntary Sustainability Reporting, 2nd Edition, 2010
<b>Assurance Standard:</b>	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements (ISAE 3000) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information
<b>Assurance Level:</b>	Limited assurance
<b>Respective responsibilities:</b>	Hess is responsible for preparing the Report and for the collection and presentation of the information within it. ERM CVS's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement

**Our conclusions**

Based on our assurance activities, nothing has come to our attention to indicate that the report is not fairly presented, in all material respects, with the reporting criteria.

**GRI application level and IPIECA reporting requirements**

We conclude that the Application Level A+ as stated on page 6 and based on the GRI Content Index on page 54 of the Report is consistent with the GRI criteria for this Application Level. We also confirm that the report meets the IPIECA/API reporting requirements.

**Our assurance activities**

A multi-disciplinary team of sustainability and assurance specialists performed the following activities:

- A review of external media reporting relating to Hess to identify relevant sustainability issues in the reporting period.
- Interviews with relevant staff to understand Hess sustainability strategy, policies and management systems.
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes) used for collecting and reporting the information.
- Visits to production and drilling sites in Utica, Ohio, the Tioga Gas Plant in North Dakota, and the Baldpate platform in the Gulf of Mexico, USA to verify the source data and review sustainability management systems.
- An analytical review of the year end data submitted by all sites included in the consolidated 2014 group data.
- A visit to Hess Exploration and Production office in Houston, Texas to review the data from all sites, the consolidation process and the results of the internal data validation process.
- Reviewing selected evidence related to the design, information collection, and production of the Report in accordance with GRI requirements.
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings, including the results of ERM CVS separate engagement providing verification of the Hess 2014 CDP submission.

**The limitations of our engagement**

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

**Our Observations**

We have provided Hess with a separate detailed management report. Without affecting the conclusions presented above, we have the following key observation:

- Hess' restructuring now means that the focus for collecting and managing HSE data for the purposes of annual reporting has shifted from the Woodbridge, New Jersey office to the E&P function in Houston, Texas. This change has highlighted the need for additional user guidance and instruction to be implemented to ensure the ongoing consistency of reporting and review of annual GRI/IPIECA performance data from operations.



Jennifer Iansen-Rogers  
Partner, Head of Report Assurance  
27 June 2015

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ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented 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.

## AWARDS AND RECOGNITION

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### Sustainability

- CDP
  - S&P 500 Leadership Index
  - S&P 500 (#1 in Energy Sector)
- Dow Jones Sustainability Index North America
- *Corporate Responsibility Magazine* 100 Best Corporate Citizens
- *Newsweek* Green Rankings
  - U.S. Energy Sector (#1)
- STOXX Global ESG Leaders Index
- MSCI ESG Indexes
  - MSCI Global Sustainability Indexes
  - MSCI Global SRI Indexes
  - MSCI KLD 400 Social Index
- Corporate Knights' Global 100 Most Sustainable Corporations
- Environmental Investment Organization Environmental Tracking Carbon Rankings
  - Global 800
  - North America 300

### Workforce

- *Workforce Diversity for Engineering & IT Professionals* magazine's Top 50 Employers
- *Woman Engineer Magazine's* Top 50 Employers List
- Gas Processors Association Safety Award
- North Dakota Safety Council Occupational Safety Merit Award

## MEMBERSHIPS AND ASSOCIATIONS

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- IPIECA, the global oil and gas industry association for environmental and social issues
- Extractive Industries Transparency Initiative
- U.S. Oil and Gas Association
- International Association of Oil and Gas Producers
- Council on Foreign Relations
- American Petroleum Institute
- Center for Strategic and International Studies
- Center for Offshore Safety
- MIT Energy Initiative
- Business Roundtable
- U.S. Chamber of Commerce
- Brookings Institute
- Greater North Dakota Chamber

For copies of our Environment, Health and Safety Policy, Corporate Social Responsibility Policy or Human Rights 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 to request more information or additional copies of this report, please contact:

Vice President,  
 Environment, Health and Safety  
 Hess Corporation  
 1501 McKinney Street  
 Houston, TX 77010

You can also send us an email at [sustainability@hess.com](mailto:sustainability@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 PCW recycled fiber is used in place of virgin fiber:

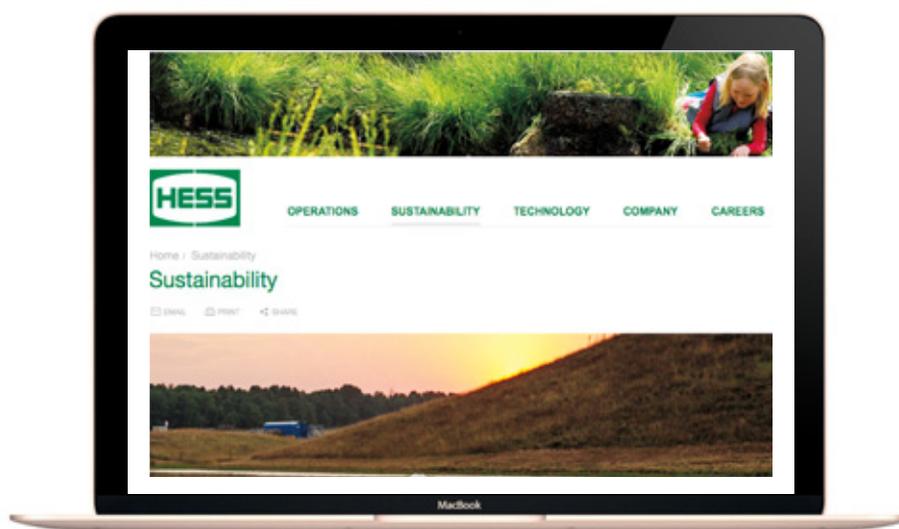
-  112 trees preserved for the future
-  322 lbs. water-borne waste not created
-  47,370 gallons wastewater flow saved
-  5,241 lbs. solid waste not generated
-  10,319 lbs. net greenhouse gases (GHGs) prevented
-  78,988 BTUs energy not consumed

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

-  5,244 lbs. GHG emissions not generated
- Displaces this amount of fossil fuel:
-  5 barrels of fuel oil unused
- In other words your savings from the use of wind-generated electricity are equivalent to:
-  Not driving 5,190 miles or
-  Planting 357 trees



Learn more at  
[www.hess.com/sustainability](http://www.hess.com/sustainability)



### **Community and Social Performance**

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[www.hess.com/sustainability/climate-change-energy](http://www.hess.com/sustainability/climate-change-energy)

### **Safety and Health**

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### **Environment**

Responsible management of our environmental footprint

[www.hess.com/sustainability/environment](http://www.hess.com/sustainability/environment)

### **Our People**

Creating a company culture and high quality workforce that innovates, leads and learns

[www.hess.com/careers/life-at-hess](http://www.hess.com/careers/life-at-hess)

### **GRI Content Index**

Performance against GRI G3.1 indicators

[www.hess.com/sustainability/sustainability-reports/GRI-Index](http://www.hess.com/sustainability/sustainability-reports/GRI-Index)



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