

## ***Staatsolie's strategy for success: 2016 -2020***

The international oil industry has become a commodity market characterized by ongoing oil price volatility with an overall lower price for a longer time (low for longer) in shorter cycles, i.e. with lower and shorter peaks and deeper valleys. Against this context of low oil prices, and our conviction that Staatsolie's offshore PSC partners will make a commercial discovery in the short term, we must step up and prepare ourselves to be their partner of choice. The Board of Directors has therefore formulated this strategy for success that consists of the following key elements:

1. **HSEC:** We plan to move up the HSE ladder by focusing on leading instead of lagging indicators, while with regard to communities, we are shifting our CSR focus towards the areas we operate in, i.e. Saramacca and Tout Lui Faut.
2. **Refocus Upstream:** In the past 10 years we spent a lot of effort, time and money in the development of Downstream activities. In the view of the Board, considering the changed environment, we should refocus our business on finding and producing oil. In this regard:
  - a. **Exploration:** we are redefining our Exploration Strategy for the onshore, near shore and shallow offshore acreage in a joint effort across directorates. We also continue to seek JV partners to accelerate exploration activities, and share expertise and risk.
  - b. **Production:** we must remain a 1st quartile oil producer (i.e. producing within the lowest 25% of the cost curve). Operating in a low oil price environment requires continuous cost awareness, striving for excellence, accountability for results, and performance management throughout the organization. For this purpose, the asset structure has been implemented and the KPIs-based incentive program linked to asset performance has been introduced. We will aggressively pursue Enhanced Oil Recovery in order to increase our current Recovery Rate from 20% to 25-30%.
  - c. **Offshore PSCs:** We will continue to actively promote our offshore acreage. Staatsolie has to become a partner of choice for IOCs within the next 3-5 years. To this end, we need to continuously improve our processes, systems and capabilities to be able to participate in JV operations as an equal partner.
3. **Optimize Downstream:** The introduction of the asset management structure with ownership of results will allow us to optimize the business by striving for continuous improvement, reducing operational costs while pushing production above the nameplate capacity.
4. **Prepare for partial privatization through an IPO:** in order to secure access to reserves for our long-term existence, we need to step out of our current 'onshore Suriname' comfort zone. To access resources via participation in JOAs in offshore Suriname, we will need to obtain funds from the international capital market through an IPO. This requires stepping up to world-class standards, strengthening our Corporate Governance Structure, and e.g. delivering audited financial statements within 10 weeks after year closure.
5. **Simplify our processes and procedures:** to be successful in any of the mentioned key areas, we need to simplify the way we run our business all across the organization. We need to eliminate the time-consuming, error-prone and non-value adding steps in our day-to-day operations, both physically and administratively. We can then spend much more of our time and energy on analyzing our opportunities, making informed decisions, and growing our business.
6. **Be people focused:** as the Board, we have to ensure Staatsolie has the right people in the right roles at all times, properly equipped to step up to more senior roles across the business. We are therefore putting in place policies and programs for capabilities assessments and 360-degree feedback, job rotation, secondments to IOCs, and succession planning, together with coaching and mentoring to make our pool of young people ready by design. Also, the Culture Change program is being conducted to imbed integrity, excellence, accountability and performance management in our daily operations. In the end it is our aim to have our entire workforce coming to work every day with a true sense of purpose and leaving with a sense of accomplishment.