Marathon Oil is proud to play a role in maintaining U.S. energy security and fueling the world in which we live. Being a safe, responsible and ethical operator, and being mindful of our neighbors and communities, is critical to our ability to run efficiently and create long-term value for shareholders. This is a foundational belief that’s rooted deep within our culture and forms the basis of our license to operate.

Our 2018 Sustainability Report outlines the disciplined approach we take in all aspects of our business. We’ve made deliberate changes to this report as we continuously seek to improve our disclosure and respond to stakeholder needs on environmental, social and governance (ESG) issues. There’s more work to do to meet our own high performance standards as well as our stakeholders’ expectations, but we’re making meaningful progress.

By living our values to collaborate, take ownership, be bold and deliver results, we believe we’re securing our future with strong operational, financial and nonfinancial performance through a business strategy guided by sustainability. We’re committed to continuing to set sustainability goals and make capital investments in ESG-relevant technology. Our 2018 report was developed with you in mind, so we welcome any feedback you may have to help us continue to improve.

Sincerely,
Lee Tillman
Chairman, President & CEO

Marathon Oil is solution driven and we believe we’re taking action to continuously improve our ESG performance, while delivering the energy the world needs. We have a variety of stakeholders, and we have to balance their interests and expectations. If we don’t operate responsibly and generate a profit, we aren’t serving our shareholders and employees. If we don’t generate profits, our communities won’t garner the jobs and economic strength we bring with our presence. Safety remains at the core of our values and is never part of the balancing act. We believe we’ve made progress on environmental performance, and Marathon Oil’s commitment to social responsibility is genuine and strategic.

We thrive on change to deliver differentiated performance and have a track record of transformative actions to adapt to business opportunities. This places us in good stead to manage current and future ESG risks such as climate change.

Companies with good governance, strong business ethics, and good safety and environmental performance tend to be the same companies that have good financial results. We believe that this is no coincidence, and that understanding and responding to dynamic ESG risks is part of our broader license to operate.

The board of directors and its Health, Environmental, Safety and Corporate Responsibility (HES&CR) Committee believe the company is moving in the right direction for all of our stakeholders. Marathon Oil will address our ESG issues and risks, and we will be open and forthright with our investors and other stakeholders.

Sincerely,
Lisa Hyland
Chairman, HES&CR Committee

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Our Commitment to the Environment

We believe protecting the environment is a direct and critical result of operational excellence, and that it’s more about earning our license to operate than just about complying with regulations. Marathon Oil has an obligation to evaluate our impact on the people and communities where we operate, and on the welfare of all living things in those areas. As a publicly traded company, we recognize that our reputation affects our enterprise value and that we must maintain the trust of our stakeholders. We’re proud of our long-standing commitment to environmental progress and to harnessing innovation to lessen our environmental impacts.

EXPANDING OUR DISCLOSURES

Our Environmental Management Standard guides our business units in identifying and mitigating the risks our operations pose to the environment. We’ve developed sound practices for local and regional management of emissions, water and waste to eliminate or reduce operational impacts on the environment.

We’re committed to keeping our stakeholders informed about our practices in these areas in response to stakeholder interest in global climate change and air quality. Our 2016 sustainability report concluded that the risks related to our methane and other air emissions, in addition to water and waste, remained important to stakeholders.

In response to stakeholder interest in global climate change and air quality, our 2018 sustainability report expands disclosures related to our methane and other air emissions. In addition, we will issue a report on our climate-related governance, strategy, risk management and metrics consistent with the format advocated by the Task Force on Climate-related Financial Disclosures (TCFD) in 2019.

OVER THE LAST FIVE YEARS, OUR METHANE EMISSIONS INTENSITY HAS DECLINED BY 31%.

A PRIORITY FROM THE TOP DOWN

Our sustainability efforts inform our risk management process and our business strategy. The executive vice president of operations has leadership accountability for our environmental performance, with oversight from the HES&CR Committee of the board of directors. We manage and minimize environmental risks using our Responsible Operations Management System (ROMS).

Our cross-functional Sustainability Focus evaluates internally generated emissions reduction projects and makes recommendations to our senior leadership team. We will also review the risk related to climate change in our own operations and aggregate our greenhouse gas (GHG) emissions and climate-related risk.

Reducing our operational impact on air, water and land helps preserve the environment and benefits our business by protecting our reputation, reducing costs, improving efficiency and allowing employees to focus on operating safely. We’re committed to reducing greenhouse gas emissions, mitigating water risks, and promoting responsible water management and land stewardship.
Excellence in Social Stewardship

Engaging with stakeholders and building relationships of trust and mutual understanding are vital to our operations as well. We build relationships with landowners, contractors, suppliers, community organizations, lawmakers, elected officials, regulators, industry peers, business partners and others. This stakeholder engagement is an essential part of risk management and strengthens our ability to manage community impacts, access new resources, operate efficiently and avoid project delays.

In addition, we work to mentor critical and new contractors and suppliers, and those with HES concerns. These efforts are based on our belief that building relationships, helping contractors improve their performance and maintaining a stable workforce is more sustainable than operating with high contractor turnover.

To enhance the quality of life in the communities where our employees live and work, we make social investments targeting identified local issues. The same values that drive our business performance – to collaborate, be bold, take ownership and deliver results – also influence the social programs we choose. We select nonprofit partners that offer research-based programs, and bring our community partners together whenever possible to amplify our programs and extend the benefits to a broader range of people in our communities.

Our social investments in the U.S. in 2018 totaled $3 million, with much of that going toward education projects like literacy and science, technology, engineering and math (STEM) programs. The balance was directed toward economic development, health, and conservation and beautification efforts in the communities and regions where we operate.

Proud of Our Social Responsibility Efforts

We prioritize social responsibility in everything we do, from the highest levels of our organization. Our senior vice president, general counsel and secretary is accountable for Marathon Oil’s social responsibility at the leadership level, with oversight from the HES&CR Committee of the board of directors. We’re proud of all we have accomplished in our corporate social responsibility efforts, and we’ll continue to evaluate how we can improve in the future.
It All Starts with Safety

At Marathon Oil, we believe that everyone deserves a safe workplace. Given our role in the exploration and production of oil and gas, we also recognize that safety plays a critical role in mitigating risk within our company and the communities where we operate.

Safety directly impacts our ability to maintain the trust of our stakeholders. We have a number of systems to integrate a culture of safety throughout the exploration and production lifecycle. Although Marathon Oil aims to be a low-cost, high-margin operator, we recognize that taking the time to run our business properly and safely is more important than doing it quickly. Without safety and operational excellence, the sustainability of our company is compromised.

Our 2018 U.S. recordable injury rate for both employees and contractors was below the AXPC average.

Safety is Fundamental to Responsible Stewardship

Marathon Oil maintains our culture of safety and health by attracting, developing and retaining individuals and partners who share our values. We believe a tone of safety and operational integrity is established at the top and must be reinforced at every level.

Our HES and security (HES&S) performance is managed by ROMS, which includes HES&S standards and procedures, Life Critical Expectations & HES Beliefs. In addition, safety risks and mitigations are identified and assessed as part of ROMS. We provide training and engage our workforce to reinforce safety leadership. In 2018, employees recorded approximately 55,000 hours of HES training in our Learning Management System. Training for designated contractors who perform safety-sensitive work on our locations totaled approximately 19,500 hours in 2018. Once they’ve received training, employees and contractors are expected to take responsibility for their own safety and the safety of people working around them.

We consistently evaluate the strength of our safety efforts. To improve safety performance in 2018, we addressed contractor performance challenges with a safety leadership program for frontline field employees and contractors, as well as bolstered our contractor management plans. In addition, stronger collaboration among our U.S. assets increased operational efficiency and led to more consistent implementation of safety policies and practices across our operations. The result of our efforts was a decline in our Total Recordable Incident Rate (TRIR) for employees and contractors combined to 0.53 in 2018 compared to 0.64 in 2017.

Safety Oversight

The executive vice president of operations has overall leadership accountability for our safety performance, with additional oversight from the HES&CR Committee of the board of directors. In addition, seven of our eight directors bring experience in or a strong understanding of HES and industry regulatory issues to their board oversight role. We incorporate key enterprise-wide safety metrics in our annual incentive plan formula.

A superior safety record has been a hallmark of our company’s performance for many years. Yet, we’re never satisfied, and we’ll continue to incorporate lessons learned from recent years to further refine the quality and safety of our operations as we move forward.
GOVERNANCE

UNDERSTANDING OUR RISKS

Running our company responsibly means managing and mitigating environmental, social and reputational risks effectively. Marathon Oil prioritizes best-in-class corporate governance, including robust risk management, and processes and principles that govern the way we do business. We believe that strong governance produces a corporate culture and a business environment conducive to sustainability.

Under our Corporate Governance Guidelines, the Marathon Oil board of directors oversees corporate governance are critical to good stewardship and a company's longevity. We believe that strong governance produces a corporate culture and a business environment conducive to sustainability.

Strong leadership and corporate governance are...