

Engagement case study – Premier Oil

Background

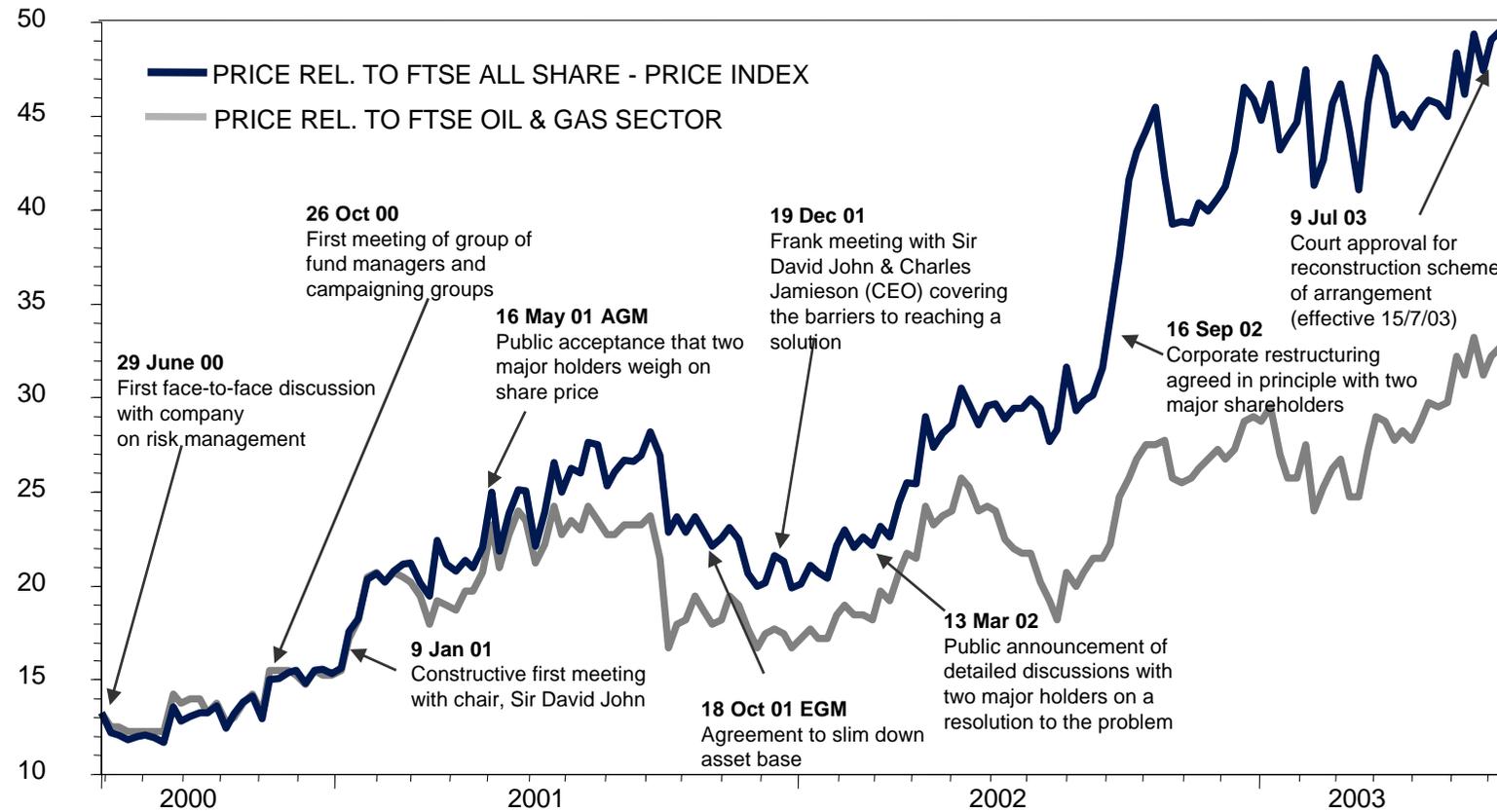
- Capital structure: two dominant shareholders (each 25%) and overburdened with debt
- Governance: Six of eight non-executives not independent
- Risk management: largest UK investor in Myanmar (Burma)
- Strategic: locked into mature assets, not lightweight explorer where could have competitive advantage
- Long-term share price underperformance

Engagement Issues

- Find route to give company independence from dominant holders as intended strategy now abandoned; cut debt
- Remove some, add new independent directors
- Justify the risk taken by being present there, or exit the country
- Exit mature assets, slim down and refocus on fleet-of-foot exploration and production activities
- Improvement to come from addressing agenda issues above

Engagement addresses CSR and its value impact

Case study (cont.) – Premier Oil



Source: DATASTREAM/Hermes 22/7/03

Managing investments to create value



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