



The energy for
sustainability.

Santos

ABOUT SANTOS

An Australian energy pioneer since 1954, Santos is one of the country's leading gas producers, supplying Australian and Asian customers.

Santos has been providing Australia with natural gas from the remote outback for more than 40 years. The company today is the largest producer of natural gas to the Australian domestic market, supplying 18% of the nation's gas needs.

Santos has also developed major oil and liquids businesses in Australia and operates in all mainland Australian states and the Northern Territory.

From this base, Santos is pursuing a transformational liquefied natural gas (LNG) strategy with interests in four exciting LNG projects.

This strategy is led by the cornerstone GLNG® project in Queensland – a leading project in converting coal seam gas into LNG. Also in Santos' LNG portfolio are the PNG LNG project, which was formally approved in December 2009, Bonaparte LNG, a proposed floating LNG project in the Timor Sea, and Darwin LNG, Santos' first LNG venture, which began production in 2006.

Santos has built a strong and reliable production business in Indonesia and is further developing its Asian business through development projects and exploration investment.

In 2009, Santos' total production was 54.4 million barrels of oil equivalent. We have the largest Australian exploration portfolio by area of any company – 133,800 square kilometres.

Santos has about 2,200 employees working across its operations in Australia and Asia.

VISION AND STRATEGY

Santos' vision is to be a leading energy company for Australia and Asia by delivering the base business, tapping our resource riches, being a great place to work and doing it safely and sustainably to deliver a superior shareholder return.

Santos has a robust strategy to achieve this through:

Reliable base business:

- Eastern Australia: margin growth and resource conversion
- Indonesia: established business with incremental growth
- Western Australia: growing a material domestic gas business





Transformational LNG:

- GLNG: a leading CSG-to-LNG project underpinned by quality reserves
- PNG LNG: approved in 2009 with first production in 2014
- Darwin LNG: LNG production since 2006, mature brownfield growth
- Bonaparte LNG: innovative proposed floating LNG project

Focused growth in Asia:

- Vietnam: develop Chim Sáo and exploration-led growth
- India/Bangladesh: Bay of Bengal exploration-led growth
- Kyrgyz Republic: exploration prospects in proven oil and gas provinces

VALUES

We are a team that:

- Discovers – by opening our minds to new possibilities, thinking creatively and having the courage to learn from successes and failures, to take on new challenges, to capture opportunities and to resolve problems.
- Delivers – by taking personal responsibility and pride in our work to deliver timely, quality results that benefit Santos and help achieve our vision and strategy.

- Collaborates – by recognising the value and power in diversity of thought and communicating openly to understand the perspectives of others; demonstrating leadership by sharing what we know and respectfully challenging each other to achieve the best results for all.
- Cares – by taking the long-term view to build a sustainable future for our company, our people and the environments and communities in which we operate.



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We're not just an energy company ...

Applying the principles of sustainability makes good business sense.

With evaluation criteria beyond traditional economic measures Santos can assess the full impact of activities and enable better business decisions.

Santos has the clean energy of natural gas to provide heat, light and power for Australia and the region well into the next century.

... We have the energy to be sustainable

VERIFICATION

Verification of the content of this report is provided on page 7 and greenhouse gas emission assurance statement is provided on page 12.

FEEDBACK

All reasonable effort has been made to provide accurate information in this Sustainability Report but Santos does not warrant or represent its accuracy. Anyone seeking to rely on information in this report or draw detailed conclusions from the data should contact Santos' Manager Climate Change and Sustainability via email: susie.smith@santos.com.

Santos welcomes your feedback on this Sustainability Report via the feedback form on Santos' website at www.santos.com/sustainability2009.

ABOUT THIS REPORT

This report provides a concise summary of Santos' sustainability performance across all of its operations for 2009. Santos' operations include the exploration, development and operation of oil and gas fields in both Australia and internationally (see pages 4 and 5).

Santos' Sustainability Report has been developed based on input from its stakeholders including employees, contractors, non-government organisations, regulators, investor research firms, shareholders and the broader public. This report aims to provide these stakeholders with further insight into Santos' approach to sustainability and its performance across a comprehensive suite of indicators.

Sustainability reporting is one component of Santos' framework for managing its operations sustainably. Reporting provides an opportunity to communicate with stakeholders, outlining performance on an annual year-end basis and documenting Santos' commitments for the year ahead.

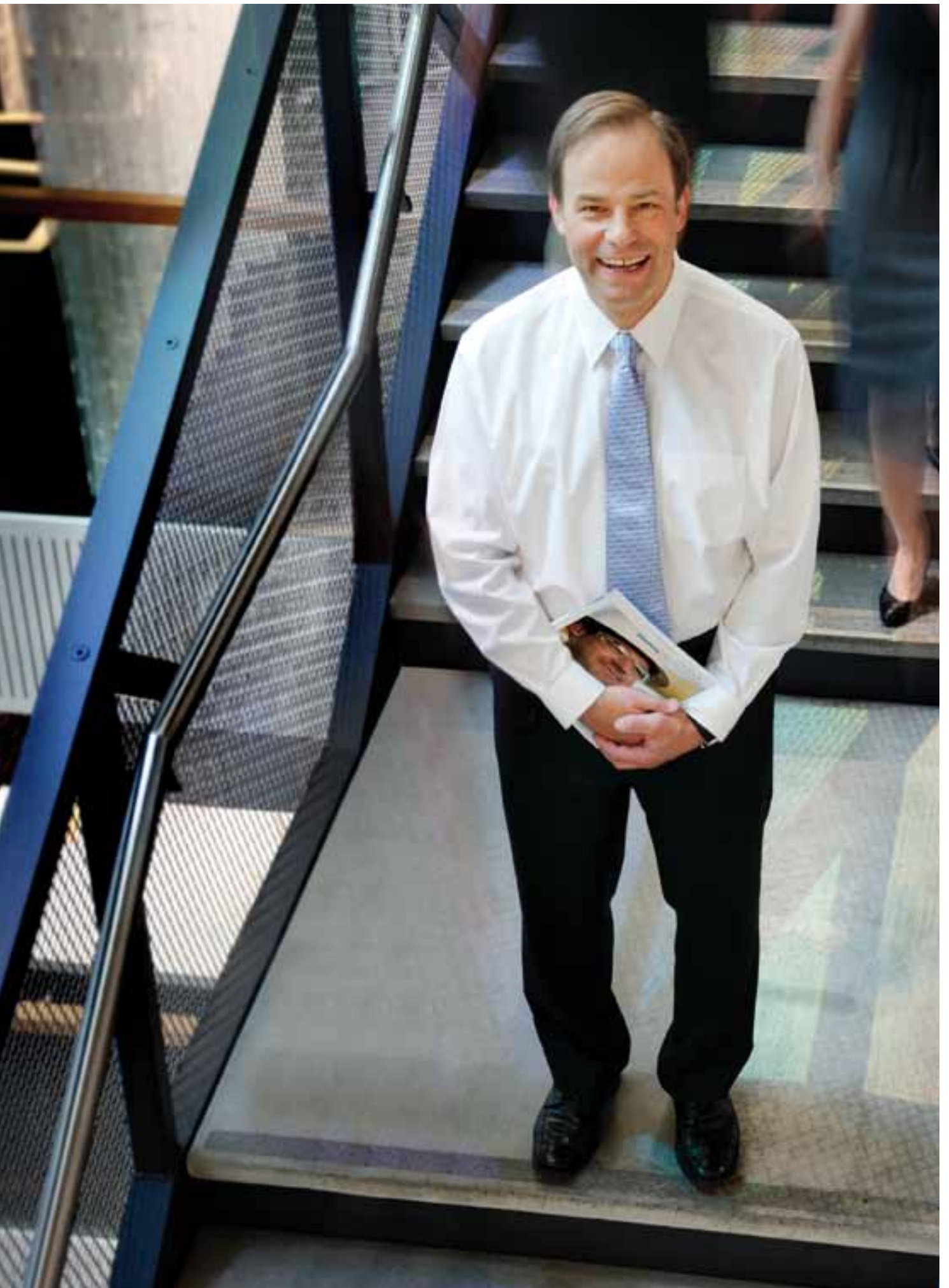
Santos' sustainability indicators have been cross-reference to the Global Reporting Initiative Sustainability Reporting Guidelines (see page 49).

In 2009, the key sustainability focus areas for Santos were climate change, water management, safety, and meaningful community engagement.

Material in this report is complemented by information contained in Santos' Annual Report 2009 and other communication media such as the Santos website at www.santos.com.

Cover photograph (from left to right): Amy Slocombe, Environmental Adviser; Susie Smith, Manager Climate Change and Sustainability; Adrian Marshall, Sustainability Adviser; Phaedra Deckart, Manager Commercial; and Derek Seret, Reservoir Engineer.

Photograph left: Drilling and completions rig, Arcadia Valley coal seam gas fields, eastern Queensland.



The energy for sustainability

A message from David Knox, Chief Executive Officer and Managing Director

Santos' vision is to be a leading energy company in Australia and Asia. Our strategy to achieve this is simple and robust: we will drive performance in the base business, deliver our suite of LNG projects and pursue focused opportunities in Asia.

In 2009, we demonstrated that we are not just an energy company, but a company with energy.

It is important that we use that energy to make meaningful contributions to the communities in which we operate.

In 2009, we continued to support many community, education, arts, environment and indigenous programs, including the Adelaide Zoo and Botanic Gardens, the Queensland Art Gallery, the Starlight Children's Foundation, and community programs in Indonesia and Vietnam. In addition we are pleased with our Santos Tour Down Under partnership.

Progress on our flagship GLNG project has continued, with the project's Environmental Impact Statement submitted to the Queensland Government in 2009, a LNG sales agreement signed with project partner PETRONAS, and engineering work on schedule.

Our GLNG team has set challenging sustainability targets and is integrating these into the project design and management systems. As a result, Santos has developed an innovative approach to using water produced during coal seam gas extraction. Santos is treating the water and using it to create a two-million-tree Chinchilla white gum plantation in eastern Queensland.

GLNG's cultural heritage management and Aboriginal engagement is well advanced with five of seven Indigenous Land Use Agreements in place, which will provide benefits to Aboriginal groups through compensation, and employment and training initiatives.

Safety continued to be a major focus in 2009. We continue to seek year on year improvement in our safety performance and I am personally committed to delivering our safety vision.

Tragically, in August a contractor was killed during a drilling rig move in our eastern Queensland fields. It was a sobering reminder of the need to always be conscious of risks in everything we do.

Overall in 2009, we achieved the lowest injury rate in the company's history, which is pleasing. This result was built on strong safety systems and a series of initiatives that were implemented to improve our focus on safety.

To eliminate rare but high consequence incidents such as fires and explosions, Santos places considerable focus on preventing and identifying process safety exceptions. To date, serious process safety incidents are rare and I am pleased to report that we achieved our maintenance targets for critical safety equipment.

The issue of climate change is an important one for Australia. We continue to identify and implement opportunities to reduce our own emissions through innovative energy efficiency projects and low emission technologies. We will also continue to promote the role natural gas can play in transitioning Australia to a lower carbon economy as a cleaner source of electricity generation.

I encourage you to read this report to find out more about what sustainability means to Santos and what we are doing to achieve it. I welcome your feedback and invite you to tell us what you think of this report via www.santos.com/sustainability2009.



David Knox
Chief Executive Officer
and Managing Director

Sustainability Achievements 2009

ENVIRONMENT

- Santos improved the energy efficiency of production, four projects were implemented saving 1,095 TJ of gas per year.
- Coal seam gas water management plan will deliver treated water for two million Chinchilla white gums in eastern Queensland.
- Santos' greenhouse gas emissions profile has reduced from over 5 million tonnes in 2005 to approximately 3.5 million tonnes.

COMMUNITY

- Santos announced more than \$6.5 million of new community initiatives including the Great Bike Ride in Perth, Adelaide Zoo, the Botanic Gardens of Adelaide, Queensland Art Gallery, Stock Up For Hope charity drive, Starlight Children's Foundation, Come Out Youth Festival and Independence Day celebrations in Indonesia.
- Extensive community consultation was conducted in Queensland including 35 community information sessions in 11 locations, more than 240 stakeholder briefings and more than 250 formal responses to enquiries.

OUR PEOPLE

- Focused safety programs reduced the total recordable injuries per million hours worked by 38% to a new record low for Santos.
- Santos responded decisively during the economic downturn with a temporary pay freeze. During this period employee turnover reduced to just 3.5%.

ECONOMIC

- Santos announced the next major step in its transformational growth strategy with approval of the PNG LNG project.
- Santos' year-end 2P reserves increased for the sixth successive year, taking the company's total 2P reserves to 1.44 billion barrels of oil equivalent.

The world of Santos



OPERATED	NON-OPERATED	
●	▲	Exploration
○	△	Development
●	▲	Operations/Production

● Santos offices

REF	LOCATION	SITE/ASSET	ACTIVITY	DESCRIPTION
1	Fergana Basin, Kyrgyz Republic		▲	Non-operated exploration in six prospecting licences.
2	North East Coast Basin, offshore India		●	Operated interests in two exploration permits.
3	Bengal Basin, offshore Bangladesh	Sangu	▲▲	Non-operated interests in one exploration permit and gas and condensate production from Sangu development area.
4	Beibuan Trough, offshore Vietnam		●	Operated interest in one exploration permit.
5	Phu Khanh Basin, offshore Vietnam		●	Operated interest in one exploration permit.
6	Nam Con Son Basin, offshore Vietnam	Chim Sáo, Dua	▲△	Non-operated interest in one exploration permit, which contains Chim Sáo oil (in development) and Dua oil and gas discoveries.
7	Kutei Basin, offshore Indonesia		▲	Non-operated interest in Popodi and Papalang PSCs.
8	East Java Basin, offshore Indonesia	Maleo, Oyong, Wortel	●●	Operated interest in Sampang PSC, which contains Oyong oil and gas production, and the Wortel gas discovery (for which development planning is currently in progress). Operated interest in Madura Offshore PSC, which contains Maleo gas production.
9	Papua New Guinea	PNG LNG, Hides, Barikewa, SE Gobe,	●▲ △▲	Non-operated interests in the PNG LNG project and the Hides field and oil production from SE Gobe. Operated interests in the undeveloped Barikewa gas resources.
10	Timor Sea and Timor Gap	Bayu-Undan, Darwin LNG, Jabiru-Challis	▲▲	Non-operated interests in four production licences, which contain gas, condensate and LPG production from Bayu-Undan, LNG production from Darwin LNG, and oil production from Jabiru-Challis.
11	Bonaparte Basin, offshore northern Australia	Barossa, Caldita, Evans Shoal, Petrel-Tern-Frigate	●▲	Operated interest in three retention licences and one exploration permit in the southern Bonaparte, which contains the Petrel-Tern-Frigate gas fields under development in a joint venture with GDF SUEZ (Bonaparte LNG). Operated interest in one exploration permit in the northern Bonaparte, which contains the undeveloped Evans Shoal gas resource, and non-operated interests in two exploration permits containing the undeveloped Barossa and Caldita gas resources.
12	Darwin, Northern Territory	Wickham Point	▲	Non-operated Darwin LNG facility.
13	Browse Basin, offshore Western Australia	Burnside	●	Operated interests in four exploration permits.
14	Carnarvon Basin, offshore Western Australia	Mutineer-Exeter, John Brookes, Barrow Island, Legendre, Reindeer, Stag, Thevenard	●▲ △ ●▲	Operated interests in three production licences which include oil production from Mutineer-Exeter, ten exploration permits and one retention licence. Non-operated interests in numerous exploration permits and production licences, which contain oil production from Barrow Island, Legendre, Stag and Thevenard, and gas and condensate production from John Brookes, and the Reindeer gas development.
15	Amadeus Basin, Northern Territory	Mereenie, Palm Valley, Dingo Brewer Estate	● ○ ●▲	Operated interests in two production licences, which contain oil, gas and condensate production from Mereenie. Non-operated interest in one production licence, which contains gas production from Palm Valley. Operated interest in one retention licence containing the Dingo field, also contains Brewer Estate liquids facility.
16	Cooper/Eromanga Basins, South Australia and Queensland	Moomba, Ballera, Jackson	●▲ ○ ●	Operated and non-operated interests in numerous exploration and production permits across South Australia and Queensland, which contain oil, gas, condensate and LPG. Main production centres are located at Moomba, Ballera and Jackson, plus satellite facilities and associated infrastructure.
17	Spencer Gulf, South Australia	Port Bonython	●	Operated processing and load-out facility.
18	Surat/Bowen Basins, Queensland	Denison, Fairview, Spring Gully, Scotia, Roma, Moonie, Wallumbilla	●▲ ○△ ●▲	Operated and non-operated interests in numerous exploration and production permits, which contain coal seam gas production from Fairview, Scotia, Spring Gully and Roma, conventional gas production from Denison and Roma and oil production from Moonie. Wallumbilla contains a LPG extraction plant and export compression facilities. Drilling of coal seam gas fields underway for GLNG.
19	Gunnedah Basin, New South Wales		●▲ ▲	Operated interests in six exploration permits. Non-operated interests in three exploration permits, one assessment lease which is to appraise coal seam gas and one production permit which contains conventional gas production.
20	Gippsland Basin, offshore Victoria	Patricia-Baleen, Kipper, Sole	● △ ●	Operated interests in three permits, which contain the Patricia-Baleen gas field and processing plant and the Sole gas resource. Non-operated interest in one permit, which contains the Kipper gas development project.
21	Otway Basin, offshore Victoria	Casino, Henry, Minerva	● ○ ●▲	Operated interests in three permits, which contain gas and condensate production from Casino and Henry/Netherby developments. Operated exploration interests in one permit. Non-operated interest in one permit which contains gas and condensate production from Minerva.

Detailed exploration maps are available on the Santos website at www.santos.com.

Percentage interests are provided in the Santos Group interests section of Santos' Annual Report 2009.

The energy to be sustainable

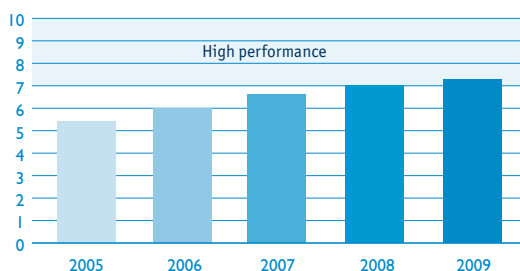
Applying the principles of sustainability makes good business sense



IMPROVED PERFORMANCE

SUSTAINABILITY SCORECARD

Score 1–10 (Average)



TRANSFORMING AUSTRALIA'S ENERGY MIX

Natural gas is a low-emission, reliable and abundant energy source that can form the cornerstone of the world's future energy mix.

Australia has the unique opportunity to provide energy security and support the growth of a cleaner energy source in the fertile economies of the Asia-Pacific such as China, India, Malaysia and Japan.

Its geographic proximity, political stability, abundant resources and track record of reliable delivery put Australia in an excellent position to fuel Asian economic growth.

The obvious growth sector for gas domestically is power generation.

Gas represents approximately 8% of the domestic electricity market in Australia, with coal 85%, hydro 6% and renewables 1%*.

Growing economies need electricity and greenhouse gas reduction targets need cleaner burning fuels to generate this electricity.

Natural gas is the ideal partner for intermittent renewable energy and is ideally placed to transition Australia to a lower carbon economy (see graph page 30).

FOCUSED ON SUSTAINABLE GROWTH

Santos' business strategy and performance is discussed in detail in its Annual Report 2009. This Sustainability Report addresses Santos' sustainability performance and describes how operating sustainably is integral to achieving this strategy.

Santos is focused on sustainable growth, built upon the global transition to a cleaner energy platform. Santos' strategy is to safely deliver the base business, develop the LNG portfolio, and pursue focused growth in Asia. Using quality assets, Santos will sustainably deliver:

Base business

- Eastern Australia
- Indonesia
- Western Australia and Northern Territory

Transformational liquefied natural gas (LNG) growth

- Gladstone GLNG – approvals phase
- Papua New Guinea LNG – approved December 2009
- Bonaparte LNG – feasibility phase
- Darwin LNG – operating since 2006

Focused growth in Asia

- Vietnam
- India/Bangladesh
- Kyrgyz Republic

Santos is Australia's largest producer of gas for domestic consumption and continues to focus on improving operating efficiency. Santos is also building a LNG growth portfolio that is unique for a company of its size. This is underpinned by its cornerstone GLNG project, the leading coal seam gas (CSG) to LNG project.

CSG is simply methane (natural gas) trapped within coal. In Australia, large coal resources lie in geological basins over a vast area of eastern Australia extending approximately 2,000 kilometres from Townsville to Sydney.

CSG produced in Australia typically has high methane content (~98%). In the absence of hydrocarbon liquids and carbon dioxide, Australian CSG requires little processing. CSG exploration, appraisal and development is benefiting from the application of conventional subsurface skills and technology, combined with specific research.

Santos' approach to upstream gas production enables efficient and economic drilling and operation of a large number of CSG wells. Integral to the success of these projects will be sustainable operations regarding safety, formation water, environmental management and genuine community engagement.

INTEGRATING SUSTAINABILITY MAKES BUSINESS SENSE

Santos recognises that an integrated sustainability framework delivers value beyond traditional economic measures.

The efficiency and effectiveness in which Santos manages environmental resources is the pathway to Santos' licence to operate within communities and with government regulators.

Reducing greenhouse gas emissions, the use of clean water, land disturbance and waste to landfill contributes to the key concept of 'doing more with less' and has a positive effect on operating and regulatory costs – ultimately benefiting both Santos and the environment.

Operations in new countries demand an understanding of geopolitical and social factors. Government regulators and financial stakeholders demand high standards of environmental and social performance. Strong relationships in the communities in which Santos operates enhance corporate reputation and the licence to operate in new countries.

In keeping with community sentiment, employee motivation is linked with environmental and ethical standards. A solid reputation in sustainability can influence the attraction and retention of skilled human capital and in return can enhance the knowledge and skills of the workforce.

Applying Santos' sustainability framework to deliver strong assets improves the company's reputation, reduces business interruption, protects its licence to operate and is a pathway to future growth.

INDEPENDENT VERIFICATION STATEMENT



To the Board of Directors, Executive and Stakeholders of Santos Limited:

Santos Limited (Santos) commissioned Net Balance Management Group (Net Balance) to provide independent verification of the information presented within the Santos Sustainability Report 2009 (the 'report'). The report presents Santos' sustainability performance over the period 1 January 2009 to 31 December 2009. Santos was responsible for the preparation of the report and the verification statement represents Net Balance's independent opinion on the reliability of information presented within the report.

The objective of the verification process is to provide Santos' Board and Executive, as well as its stakeholders, with an independent opinion on the accuracy of the information presented within the report. The Net Balance verification team is led by a Lead Certified Sustainability Assurance Practitioner (Lead CSAP) accredited by the Independent Register of Certified Auditors (IRCA UK).

The level of verification provided is moderate. Based on the scope of the verification process, it is Net Balance's opinion that the information presented within the report is fair and accurate and that the report is a reliable account of Santos' sustainability performance during the reporting period.

For additional information on the verification scope, methodology, limitations, as well as our opinion, independence and recommendations, please refer to the full independent verification statement which can be found at www.santos.com/sustainability2009.

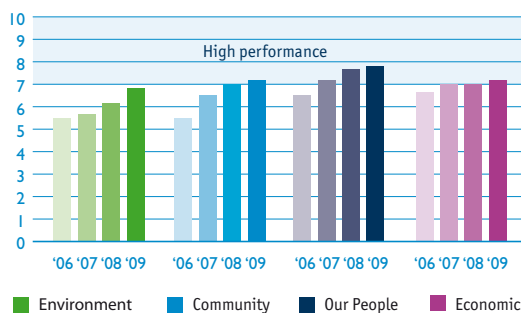
On behalf of the verification team
24 February 2010
Melbourne, Australia

A handwritten signature in black ink, appearing to read "T. Jeyaretnam".

Terence Jeyaretnam
Director, Net Balance
& Lead CSAP (IRCA UK)

Measuring our performance

SUSTAINABILITY SCORECARD Score 1–10 (Average)



SANTOS' SUSTAINABILITY FRAMEWORK

Santos' sustainability framework is based on a system of 24 indicators across four interrelated domains:

- Environment
- Community
- Our People
- Economic.

These were developed based on the Global Reporting Initiative guidelines and Santos assesses its performance across this suite of indicators on a standardised scorecard.

Measuring our performance across a comprehensive suite of sustainability indicators provides a point of reference against which Santos can recognise good performance, identify efficiency opportunities, stimulate corrective action and importantly, benchmark performance against our peers.

Sustainability performance at Santos is measured using a challenging ten-point rating scale to provide assessment of the 24 indicators.

It is also a key element supporting the way Santos assesses business risks and opportunities – it provides the basis for a broader assessment of impacts enabling better business decisions to be made.

The objective of the scorecard is not necessarily to score ten points for each indicator, but to assist Santos to assess opportunities and determine the appropriate management approach to achieve target scores. Santos applies sustainability assessment both to project approvals and operated assets.

PERFORMANCE DISCLOSURE

The sustainability scorecard provides an assessment of operations with the consideration of a comprehensive set of criteria beyond traditional economic measures.

Sustainability scorecard assessments are ongoing and form the basis of Santos' sustainability reporting, improving internal management and driving external transparency. Progress is reported quarterly to Santos' Environment, Health, Safety and Sustainability Committee of the Board.

Santos is also committed to engaging with the communities in which it operates and communicating its performance via annual sustainability reporting and disclosure via numerous sustainability indices such as the Dow Jones Sustainability Index.

Independent verification of this sustainability report not only provides the reader with assurance over the validity of the content, but also provides Santos with an opportunity to improve its reporting processes. As such, Santos commissioned Net Balance to conduct an independent verification of this report and Santos' Sustainability Scorecard (see page 7).

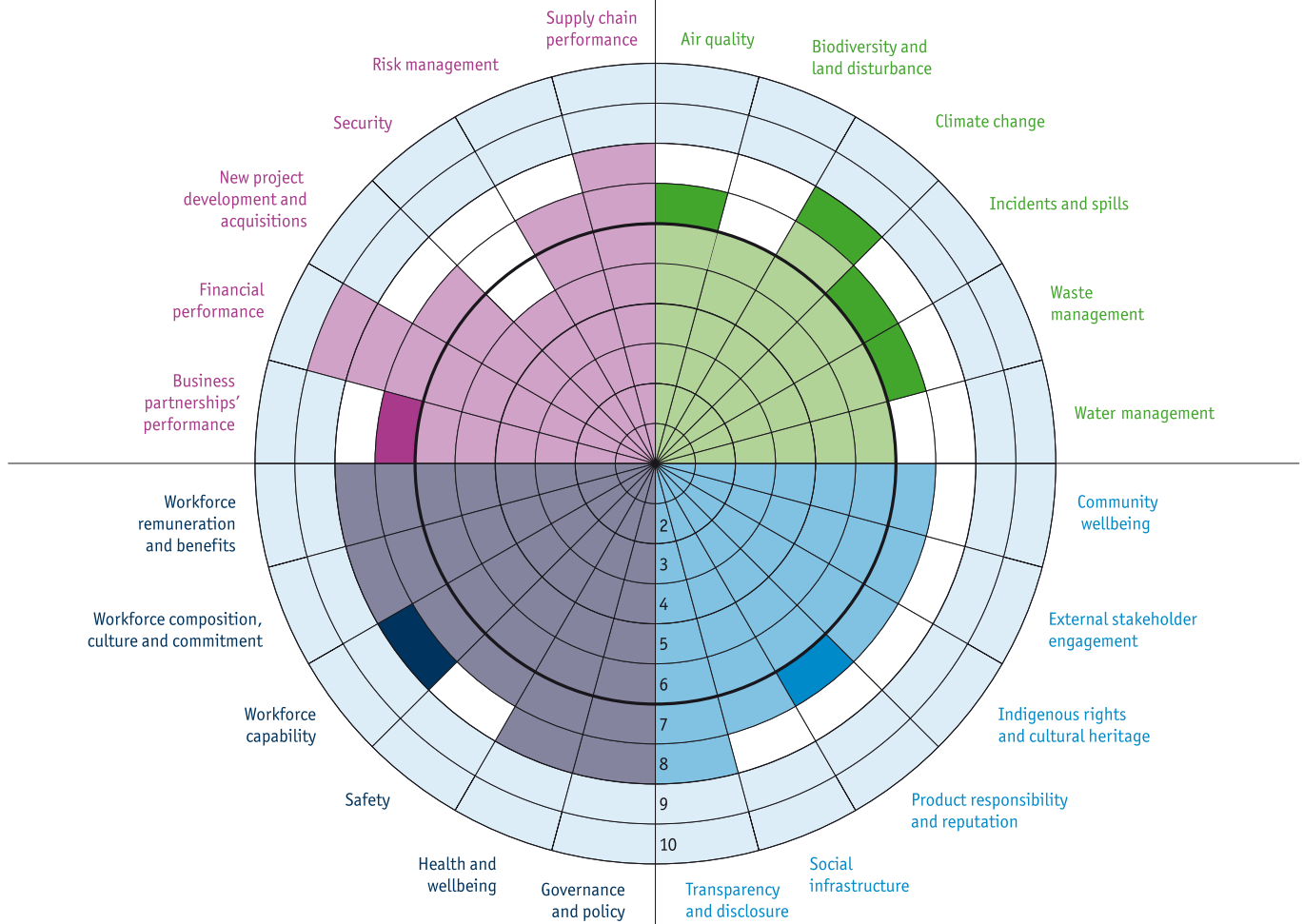
The full verification statement can be found at www.santos.com/sustainability2009.

RECOGNITION OF SANTOS' SUSTAINABILITY PERFORMANCE

- Listed in the Carbon Disclosure Project Report Australia New Zealand leaders index.
- Included in Sustainable Asset Management's *The Sustainability Yearbook 2009*.
- Listed in the top 10% of the DJSI Asia Pacific Index.
- Included in the leaders top 10% Australian Sustainability Index.
- Awarded a five-star rating in the WHK Horwath *Corporate Governance Report 2009* for the sixth time.
- Achieved a category A rating for 'excellent carbon reporting' in the WHK Horwath *Corporate Governance Report 2009*.

Economic
Page 42

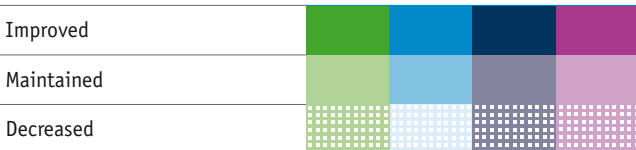
Environment
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Our people
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Community
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2009 PERFORMANCE COMPARED TO 2008



SUSTAINABILITY SCORE

1-2	No procedure in place, poor performance
3-4	Developing policy/systems
5-6	Implementation and compliance focus
7-8	High performance
9-10	Recognised leader

The natural resources in the areas where Santos operates and how efficiently they are used



Environment



KEY RISK AREAS

Incidents and spills
Biodiversity and land disturbance

OPPORTUNITIES

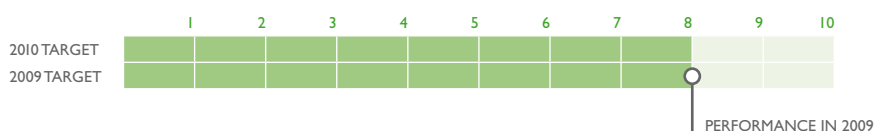
Energy efficiency
Water management and recycling

Glen Anyon, Operations Adviser, inspects new growth on Chinchilla white gums in the Fairview plantation, eastern Queensland.

Climate change

Climate change policies, governance, risk and reporting

SUSTAINABILITY SCORECARD



FOCUS AREA

Business preparedness and improving carbon intensity

PERFORMANCE IN 2009

Target achieved – carbon pricing integrated across the business and greenhouse emissions reduced

EMERGING REGULATIONS

Santos supports the implementation of a well designed, market-based mechanism and mandatory reporting in order to transition electricity to lower carbon intensity and streamline the plethora of climate change regulatory requirements.

The Australian Government introduced the National Greenhouse Energy Reporting (NGER) scheme, which requires applicable companies to annually report their emissions for the period 1 July to 30 June. As such, Santos transitioned from year-end reporting to Australian financial year reporting to meet these requirements.

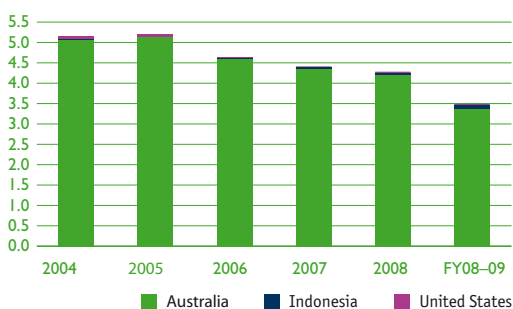
CLIMATE RISK

In addition to reducing its carbon footprint and preparing for carbon pricing, Santos has also considered the potential physical impacts of climate change on its operations. Santos' internal risk assessment process considers extreme weather events and other climate-related risks.

With a strategy and business model that is adaptive and resilient to a changing energy sector, Santos has a unique competitive advantage.

GREENHOUSE GAS EMISSIONS FROM OPERATED ASSETS

Million tonnes CO₂-e (Scope 1)



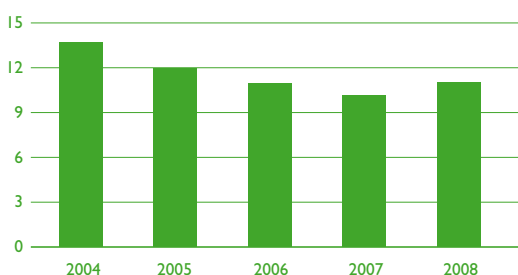
Santos is advocating for greater use of natural gas in Australia's energy mix.

Natural gas has the potential to immediately and significantly reduce Australia's greenhouse emissions output while maintaining power generation and supporting renewable energy development.

Santos is also committed to lowering the carbon intensity of its products – what this means for Santos is producing more product whilst emitting fewer emissions. To achieve this Santos has implemented a number of initiatives, including reviewing low-emission technologies, embedding a carbon price and implementing energy efficiency projects.

SANTOS EQUITY GREENHOUSE GAS INTENSITY

Emissions per unit of production (Scope 1)



Small variations in emission intensity from 2006 result from variations in production volumes from low CO₂ fields.

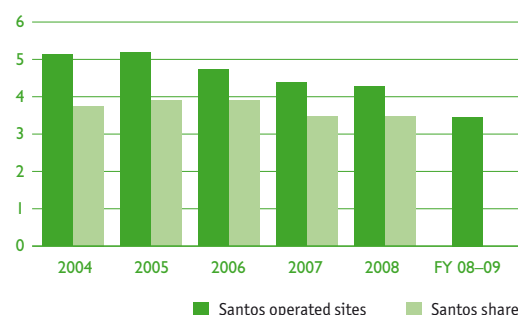
REDUCED FLARING

Santos introduced an initiative to reduce venting from Cooper Basin wells (well blow-downs). This is achieved by a cycling process where a series of flow and shut-in periods are used to clear fluid in the wells, reducing the need for well blow-downs.

Santos has also developed a flaring philosophy for the GLNG project, which provides detailed guidelines for minimising flaring activities associated with drilling, field appraisal, field development and operations.

GREENHOUSE GAS EMISSIONS FROM OPERATED ASSETS

Million tonnes CO₂-e (Scope 1 and 2)



Greenhouse Gas Emissions Assurance Statement

Santos' total scope 1 and scope 2 greenhouse gas emissions for Australian and international operations for the financial year ended 30 June 2009:

- 3,500,164 tonnes of carbon dioxide equivalent.
- Emissions have been determined in accordance with the *National Greenhouse and Energy Reporting Act 2007*, *National Greenhouse and Energy Reporting Regulations 2008*, and *National Greenhouse and Energy Reporting (Measurement) Determination 2008*.
- This amount has been subject to independent reasonable assurance by Ernst & Young in accordance with Australian Auditing and Assurance Standard ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. See www.santos.com/sustainability2009 for the Independent Reasonable Assurance Report.

Energy Efficiency Opportunities report

IMPROVING EFFICIENCY

Santos, with a total energy use of approximately 28 PJ per annum in Australia, has been actively participating in the Australian Government's Energy Efficiency Opportunities program since its introduction in 2006.

Participating in this program is part of Santos' ongoing strategy to look for ways to improve operational efficiency, thereby increasing gas sales, revenue and safety, and reducing the company's carbon footprint.

In line with this strategy, Santos has assessed energy efficiency for the majority of its Cooper Basin operations and identified a number of opportunities. These opportunities have been completed or are under way, showing good results for the business and the environment.

Santos has previously conducted a detailed energy efficiency assessment at its Moomba plant, and this year completed a detailed assessment of the Cooper Basin fields and the Ballera gas plant.

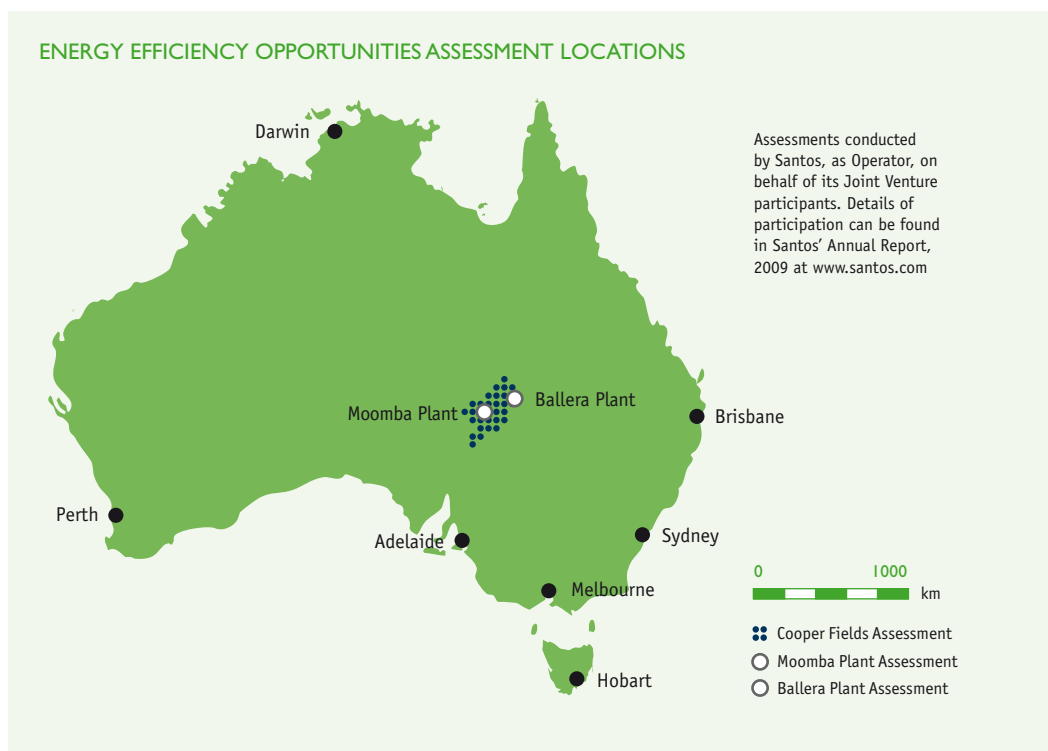
Reviews of other major sites are scheduled to occur in the five-year program cycle. To this end, Santos will meet and exceed its obligations under the Energy Efficiency Opportunities program.

SUMMARY OF ASSESSMENTS CONDUCTED

Energy efficiency assessments met the intent and key requirements of the program, identifying opportunities for improving energy efficiency. These comprehensive assessments have been based on two broad contexts:

- energy efficiency measures associated with use of fuel, for example efficiencies of equipment such as turbines, engines, heat exchangers, compressors and process plant operational procedures;
- energy recovery measures associated with reducing loss of hydrocarbon to flare.

Since last year's assessment report for the Moomba plant, three more efficiency projects have been completed.



In the Cooper Basin fields, which stretch over hundreds of square kilometres across inland Australia, an assessment of energy efficiency opportunities was undertaken between January 2006 and December 2008. The Cooper fields comprise numerous nodal and satellite compressor systems and consume approximately 6.8 PJ per annum of sales gas – equal to about 24% of Santos' total annual energy use.

At the Ballera gas plant, located in the south-west corner of Queensland, an assessment of energy efficiency was undertaken between January and June 2009. The plant is made up of two main sections. In one section raw gas is compressed into the Ballera to Moomba pipeline, while the other section takes raw gas and processes it to sales gas specifications (through removal of carbon dioxide, water and heavier hydrocarbon components) to be fed into the Brisbane and Mt Isa pipelines.

A number of energy saving opportunities were identified for the Cooper Basin fields and Ballera gas plant. Many of these have been implemented, are in the process of implementation or are undergoing further investigation.

The *Energy Efficiency Opportunities Act 2006* requires only opportunities associated with the use of fuel to be assessed and reported; therefore, only fuel use opportunities are included in the summary tables. In addition, Santos has identified and assessed opportunities associated with reducing the loss of hydrocarbon to flaring and tracks progress internally.

Energy Efficiency Opportunities report (continued)

ENERGY EFFICIENCY REVIEW – AUSTRALIAN OPERATED ASSETS

Sites assessed	Energy use in the current reporting period	Energy data accuracy (if not within $\pm 5\%$)	ENERGY DATA ACCURACY
Moomba plant	12.2 PJ	$\pm 20\%$	Given the nature of the operations, energy use is not measured to an accuracy of $\pm 5\%$. This is due to a number of factors, including the use of own product for fuel (thereby negating any prior requirement for fiscal metering), the age of certain assets developed at a time when energy metering was not required, and expected future life of the assets. Greenhouse and energy data is continuously reviewed to assess current uncertainty, determine future requirements and develop a plan to progress measurement.
Cooper fields	6.8 PJ	$\pm 20\%$	
Ballera	3.1 PJ	$\pm 20\%$	
Total	22.1 PJ		
Total as a % of total energy use of the group covered by this report	78 %		

SOLE REFRIGERATION (65) COMPRESSOR

The Moomba plant has two liquid recovery plants (LRP A and LRP B). The function of these units is to maximise the recovery of the liquid hydrocarbon components from the gas processed in the facility. In order to achieve this, refrigeration compressors (K65s) are used. Currently one turbine/compressor is used on each LRP train, and the assessment identified that an energy saving could be achieved by operating two LRP trains on a single compressor where lower volumes allowed. A project has been proposed to reconfigure the existing system to enable this operational configuration.

Within the LRP trains there are four sets of gas-turbine driven centrifugal compressors. As the train rates have decreased, three of the compressor sets have reached minimum flow points whereby some recycle of flow is needed to ensure safe and stable operation.

It is proposed that these gas turbines be reconfigured to allow one compressor from each set to provide the compression for both of the LRP trains. By reconfiguring the compressors, compressor recycling and the relative power demands will be reduced, thus reducing the fuel gas consumption level.

This is achieved by increasing the load on the single compressors that are retained in service, resulting in energy efficiency gains.

When implemented, the project is expected to save approximately 350 TJ of gas per year (18,000t CO₂-e/yr).

Additional expected benefits include significant maintenance savings, and allowing for the mothballing of the third (redundant) compressor in two of the compressor sets.



Equipment	Current configuration	Proposed configuration
Residue gas compressors	3 x 50%	2 x 100%
Refrigerant compressors	3 x 50%	2 x 100%
Ethane injection compressors	2 x 100%	2 x 100% (no change)
Propane compressors	3 x 50%	2 x 100%

Moomba plant LRP trains. Rationalisation of the compression requirements associated with processing through the two Moomba LRP trains will result in energy savings.

BOILER UPGRADE PROJECT

The Moomba plant utilises a number of boilers to generate steam for both power generation and steam requirements throughout the plant.

Currently, there is a requirement to blow down the boilers (release water from the boilers) once a day in order to lower the system's total dissolved solids (TDS). If the boilers are not blown down daily, internal boiler scale may develop, causing internal corrosion and reduction of the boiler efficiency.

Blowing down of the boiler results in a loss of energy as hot boiler water is replaced with water at a lower temperature from the de-aerators. The replacement water must be heated in order to generate the steam, requiring a large amount of energy and thus fuel gas.

The boiler upgrade project involves the installation of an automatic blow-down system (off the steam drum). Currently, the blow-down is from the mud drum and is manually operated. Changing the blow-down from the mud drum to the boiler steam drum reduces the amount of water blown down. In addition, by automating the blow-down function the volume of water released is automatically controlled rather than relying on operator judgement, which is less accurate.

The relocation and automation of the blow-down system reduces the water released from the system, creating significant energy savings as less heat/energy is required to reheat the water displaced during blow-down activities. The project will improve boiler water chemistry and reduce energy consumption by about 40 TJ of gas per year (2,000 tCO₂-e/yr).



Moomba plant relocation and automation of the blow-down systems in the boilers will result in decreased water blow down volumes and associated energy savings.

MOOMBA ENERGY EFFICIENCY ASSESSMENT UPDATE – RESULTS AND RESPONSE 2009

Energy use during the reporting period 12.2 PJ

Status of opportunities	Number of opportunities	Estimated energy savings per annum by payback period (GJ)		Total estimated energy savings per annum (GJ)	Accuracy range (%)	
		0–2 years	2–4 years			
Outcomes of assessment	Identified (accuracy ≤ ±30%)	12	4,046,000	216,000 (426,000)	4,262,000 (4,472,000)	±10% to ±30%
	Identified (accuracy > ±30%)	6	873,000	39,000	912,000	±50%
	Total identified	18	4,919,000	255,000 (465,000)	5,174,000 (5,384,000)	±10% to ±50%
Santos' response	Under investigation	5 (6)	873,000	0 (39,000)	873,000 (912,000)	±50%
	To be implemented	1	373,000	0	373,000	±30%
	Implementation commenced	2 (4)	300,000 (1,753,000)	40,000 (250,000)	340,000 (2,003,000)	±10%
	Implemented	7 (4)	3,213,000 (1,760,000)	39,000 (0)	3,252,000 (1,760,000)	±10% to ±50%
	Not to be implemented	3	160,000	176,000	336,000	±30%

Note: Moomba plant assessment was reported in 2008. Progress was updated for the 2009 report. Information in brackets contains results from the initial assessment (2008); information not in brackets provides an update (2009) of the progress of the energy efficiency opportunities, where information is unchanged only the 2009 update is provided.

Energy Efficiency Opportunities report (continued)

COOPER FIELDS ENERGY EFFICIENCY ASSESSMENT – RESULTS AND RESPONSE 2009

Energy use during the reporting period 6.8 PJ

Status of opportunities		Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)	Accuracy range (%)
			0–2 years	2–4 years	>4 years		
Outcomes of assessment	Identified (accuracy ≤ ±30%)	9	35,504	213,023	28,403	276,930	±10% to ±30%
	Identified (accuracy > ±30%)	9	248,527	177,519	21,302	447,348	±50%
	Total identified	18	284,030	390,542	49,705	724,278	±10% to ±50%
Santos' response	Under investigation	1	35,504	0	0	35,504	±50%
	To be implemented	6	142,015	106,511	14,202	262,728	±10% to ±50%
	Implementation commenced	4	0	106,511	14,202	120,715	±30%
	Implemented	0	0	0	0	0	0
	Not to be implemented	7	106,511	177,519	21,302	305,333	±50%

GAS ENGINE COMBUSTION EFFICIENCY CONTROL SYSTEM UPGRADE



Control system hardware.

The Cooper Basin fields consist of a number of satellite stations spread over a wide area located in central Australia. Production from the fields pass through these satellites, which have a number of compressors (and limited ancillary equipment), to the Moomba plant for further processing.

An opportunity exists to improve the engine fuel efficiency in a number of the large compressors at these satellites. Energy efficiency is improved by taking into account variation in ambient conditions, such as seasonal temperature swings. With the air during the winter months being cooler, drier and denser than during the summer months, the installation of engine control system allows the fuel requirements to be varied based on these parameters.

A new air/fuel engine control system is to be installed on a single compressor, real-time data will be collected and the fuel savings calculated. Once these results have been assessed, other satellites within the area considered to be suitable will have the management system installed.

The first phase of this project will have an expected saving of 35 TJ per year (1,800 tCO₂-e/yr).

MOTHBALLING OF CO₂ REMOVAL TRAIN 1 AND DEW POINT CONTROL UNIT 1

The Ballera gas plant has three CO₂ removal trains. The No.1 and No.3 trains are identical Benfield units, while the No.2 train is a membrane unit.

Historically, the two Benfield units had been run simultaneously to meet demand, with the membrane unit on standby.

The current and forecast production profile for the Ballera gas plant required only one Benfield unit to provide the CO₂ removal capacity. Even though CO₂ removal requirements had decreased, Train No.1 remained in operation because of long start-up times for this equipment.

The operating philosophy was reviewed and in second quarter 2008 the Benfield train No.1 and Dew Point Control Unit No.1 (DPCU) were mothballed in a safe condition, ensuring the equipment was maintained so that it is in a state suitable for recommissioning at a later date, with minimal remediation. The No.2 train membrane unit remains on standby if required.

The project has an expected saving of 670 TJ per year (34,400 tCO₂-e/yr).



Ballera gas plant CO₂ train.

BALLERA GAS PLANT ENERGY EFFICIENCY ASSESSMENT – RESULTS AND RESPONSE 2009

Energy use during the reporting period 3.1 PJ

Status of opportunities	Number of opportunities	Estimated energy savings per annum by payback period (GJ)		Total estimated energy savings per annum (GJ)	Accuracy range (%)	
		0–2 years	2–4 years			
Outcomes of assessment	Identified (accuracy ≤ ±30%)	5	994,755	100,000	1,094,755	±10% to ±30%
	Identified (accuracy > ±30%)	1	385,000	0	385,000	±50%
	Total identified	6	1,379,755	100,000	1,479,755	±10% to ±50%
Santos' response	Under investigation	1	385,000	0	385,000	±50%
	To be implemented	0	0	0	0	–
	Implementation commenced	0	0	0	0	–
	Implemented	2	742,950	0	742,950	±10% to ±30%
	Not to be implemented	3	251,805	100,000	351,805	±10% to ±30%

DECLARATION

Controlling Corporation – Santos Ltd

Period to which this energy efficiency opportunities report relates: 1 July 2008 to 30 June 2009.

The information included in this Energy Efficiency Opportunities report has been reviewed and noted by the Board of Directors and is to the best of my knowledge correct and in accordance with the *Energy Efficiency Opportunities Act 2006* and *Energy Efficiency Opportunities Regulations 2006*.

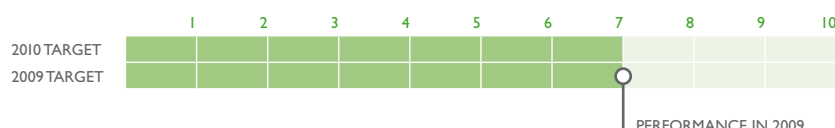
David Knox.

DAVID KNOX
Chief Executive Officer and Managing Director

Air quality

The types and levels of emissions to air and the management of those emissions

SUSTAINABILITY SCORECARD



FOCUS AREA

Impact assessment and mitigation

PERFORMANCE IN 2009

Target achieved – evaluation system for new equipment purchases implemented contributing to a decline in emissions

SANTOS AUSTRALIAN OPERATIONS EMISSIONS INVENTORY 2008*

	Santos' emissions (tonnes)
Arsenic and compounds	0.008
Benzene	59
Beryllium	0.005
Cadmium and compounds	0.039
Carbon monoxide	3,547
Chromium (III) compounds	0.041
Copper and compounds	0.062
Ethyl-benzene	3.4
Ethylene glycol	72
Hydrogen sulfide	0.066
Lead and compounds	0.011
Mercury and compounds	0.005
Methanol	57
n-hexane	104
Nickel and compounds	0.075
Oxides of nitrogen	18,278
Particulate matter ($\leq 10 \mu\text{m}$)	256
Particulate matter ($\leq 2.5 \mu\text{m}$)	256
Phenol	50
Polycyclic aromatic hydrocarbons	0.118
Sulphur dioxide	27
Toluene	42
Total volatile organic compounds (VOCs)	4,469
Xylene	29

*These data are reported mid-year to the National Pollution Inventory; 2008 emissions are presented. For greenhouse gas emissions refer to p.12

TRANSPARENT EMISSIONS REPORTING

Santos strives to minimise the impact of its operations on air quality. An important step towards this is transparency of emissions reporting.

Santos reports the air emissions for 53 facilities including 10 major plants, 41 smaller satellites, one pipeline and one trucking facility annually to the Australian National Pollutant Inventory (NPI).

Of the 93 NPI reportable substances, Santos only triggered the reporting threshold for 24. The majority of these are by-products from the combustion of natural gas. Other emission sources may include the use of production chemicals, flaring, fuel loading, fuel storage tanks and vehicles.

Santos reduced its overall emissions. This was achieved via a number of initiatives including a reduced flaring strategy.

PROJECT ASSESSMENT

Santos proposes to develop the Shaw River Power Station, a nominal 1,500 MW gas-fired power station in western Victoria, near the town of Orford.

Air quality studies are an integral component of environmental assessments at Santos.

Atmospheric dispersion modelling using the Ausplume model has been undertaken to predict the potential impact of emissions of nitrogen oxides and carbon monoxide from an indicative power station configuration.

The results of the impact assessment demonstrate that the ground-level concentrations resulting from the indicative power station configuration will easily comply with the relevant health-based ambient design criteria in the Victorian Environment Protection Policy (Air Quality Management).

LOWER EMISSION CHOICES

Santos continues to identify and assess opportunities for lower emission operations.

In 2009, two of the existing diesel-fuelled backup generators in Fairview, Queensland, were swapped out and replaced by a single gas-powered generator. This swap has lowered emissions of sulphur and nitrogen oxides as well as providing greater efficiency.

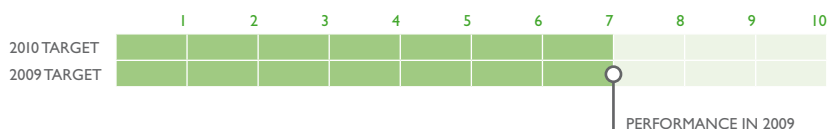
In 2009, Santos introduced an annual emissions testing program that aims to monitor levels of emissions from compressor engine sites at Fairview and Wallumbilla in Queensland.

The results of the monitoring will be used as part of the continuous improvement in air quality management and will assist in the selection of compressor engines used by Santos.

Waste management

Type and volume of waste to landfill, recycled and reused

SUSTAINABILITY SCORECARD



Santos recognises the opportunities good waste management practices can present to increase product recovery, reduce operating costs and improve environmental outcomes.

Santos is focused on ensuring a consistent approach to waste management at all of its facilities so that improvements extend to all sites and can be measured with confidence.

The effectiveness of Santos' waste management hazard standard was assessed by an independent auditor in 2009. Strengths identified included waste management facilities at Moomba and Ballera, effective waste minimisation practices by Santos building management, and effective waste management at eastern Queensland field locations.

Improvements being addressed include a focus on separating waste streams for recycling and the elimination of regulated wastes entering the general waste streams for disposal.

Waste management contracts across Santos' Australian operations were also reviewed in 2009 with a view to achieving cost savings and environmental benefits. These contracts were also revised to reflect new South Australian Environment Protection Authority (EPA) landfill design and operation compliance standards.

ZERO WASTE INITIATIVE

Paper cup substitution with thermos mugs was trialled at the Cooper Basin and Fairview sites. In addition to avoiding 89m³ of waste to landfill, Santos will save over \$35,000 each year on the purchase of paper cups.

Santos drastically reduced the amount of waste sent to landfill from the Santos Centre in Adelaide. 100% of waste was recycled for 12 out of 16 months during 2008 and 2009, with 90% recycled during the other four months.

Non-recyclable waste is used as an alternative fuel for high-temperature furnaces.

These initiatives saved the equivalent of 1,427m³ of landfill, 1,331 trees, 256 barrels of oil, and 3.2 million litres of water over 16 months.

INCREASED PRODUCT RECOVERY

Waste management and improved product recovery can go hand-in-hand. The unusable product left at the bottom of vessels and tanks typically consists of water, hydrocarbons and soil particles.

An innovative approach to managing this sludge has further reduced the volume of waste and improved the recovery of hydrocarbon production in the Cooper Basin.

RECYCLING SUCCESS AT MEREENIE

Historically, waste management at Mereenie was divided into landfill, a burn pit and offsite recycling of tyres, batteries and drums. In 2009, the Mereenie landfill and burn pit were rehabilitated and closed and a waste transfer station was established.

Mereenie personnel are committed to waste segregation using recycling streams.

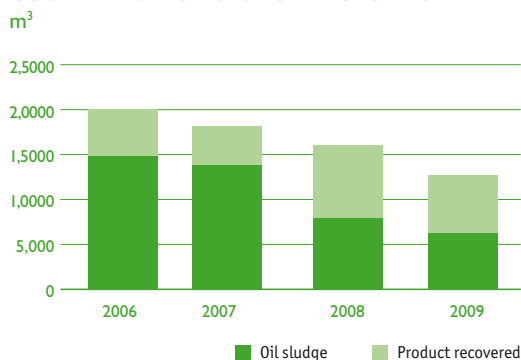
FOCUS AREA

Improving the recycling ratio

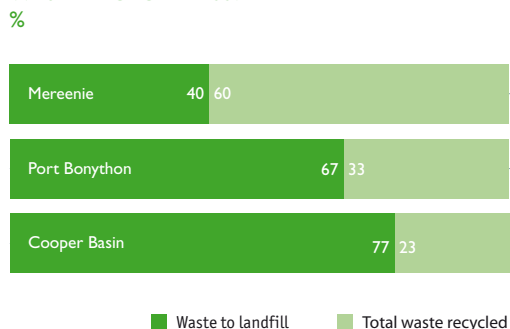
PERFORMANCE IN 2009

Target achieved – waste management improvement plans implemented and recycling ratio improved

COOPER BASIN OIL SLUDGE RECYCLING



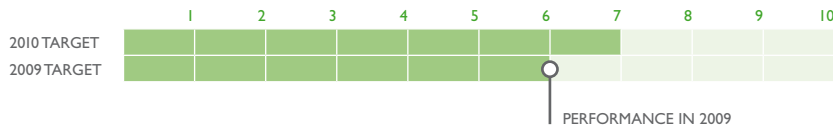
WASTE RECYCLED 2009



Water management

Volume of water used, water management and the effectiveness of the water use

SUSTAINABILITY SCORECARD



FOCUS AREA

Formation water management

PERFORMANCE IN 2009

Target maintained – water re-use projects delivered water savings



Santos employees inspect a reverse osmosis water treatment facility at the Fairview plantation, eastern Queensland.

Santos is committed to the responsible management of its water resources and aims to reduce water consumption and improve the reuse and recycling of water across its sites.

The oil and gas industry, unlike many industry sectors, requires comparatively very little water. In fact it is the separation of the naturally occurring associated water (formation water) from oil and gas that is a significant part of Santos' operations. Formation water is the water that has accumulated in the rock strata with oil and gas deposits and is brought to the surface comingled with the oil and gas from Santos' wells.

FORMATION WATER MANAGEMENT

The quality of formation water varies from well to well. It is usually unfit for human consumption as it can contain naturally occurring suspended solids, salts and hydrocarbons.

Offshore, this water is separated from hydrocarbons primarily by centrifugal separators and discharged in accordance with strict environmental licence conditions.

Onshore, the primary means of disposing of produced water has been by evaporation. Formation water in the Cooper Basin is gravity separated from hydrocarbons in process vessels before flowing through a series of bunded evaporation ponds – a common practice in the oil and gas industry.

In 2009, Santos assessed each of its formation water facilities in South Australia, Queensland and the Northern Territory.

Factors considered included the structural integrity and operational effectiveness and potential impacts on the environment, property, and infrastructure.

The assessment will inform Santos' ongoing formation water management.

WATER REUSE INITIATIVE

In 2009, Santos implemented a water saving initiative, which reused 706 mega litres of formation water for gas well fracture operations in the Cooper Basin. This represents 86% of total fracture fluid volumes.

Re-using formation water significantly reduces groundwater extraction volumes.

In 2010, Santos will focus on:

- continuing to improve water data;
- opportunities for the beneficial re-use of formation water; and
- implementing the formation water management strategy.

INNOVATIVE GLNG WATER STRATEGY

Santos has developed an innovative solution to manage formation water as part of GLNG operations.

An Associated Water Management Strategy has been developed for Santos' new coal seam gas production in Queensland. The innovative strategy goes beyond traditional water disposal via evaporation ponds and integrates alternative business opportunities with social and environmental solutions and adherence to regulatory compliance requirements.

The water quality and volume will vary from well to well and over the life of the project and thus requires an adaptable approach. The strategy includes substantial secondary water use including the supply of treated water to the local community for tree planting.

A water monitoring program will regularly assess the condition of water resources to ensure Santos continues to meet strict regulatory compliance requirements, whilst providing beneficial use to the community.

ASSOCIATED WATER REUSE

The GLNG project has created one of Australia's largest irrigated forestry plantations.

The irrigated areas currently treat and absorb approximately eight mega litres of water each day for drip irrigation onto 234 hectares of Leucaena (pasture crop) and 800,000 Chinchilla white gum trees in a plantation.

It is the first large-scale plantation project approved for the beneficial use of water produced in the extraction of coal seam gas in the world. The plantation not only delivers an innovative Australian solution to a global challenge, but also offers significant sustainable benefits to the environment and the Queensland community.

Each plantation offers opportunities for commercial timber harvesting and carbon sequestration. Timber harvesting could occur in years six and eight.

A further 234 hectares of centre pivot irrigation have been constructed which are currently providing water to winter crops, which can be utilised for beef production in the area.

There are eight local and regional contractors with 60 staff engaged in cultivation, mulching, tree planting and ongoing site preparation. Up to 20 specialist contracting companies and four full-time staff are anticipated to be needed to maintain and monitor the forest in addition to educational opportunities for schools and universities on beneficial water use and carbon emission reduction.

Santos has also installed state-of-the-art water and soil monitoring facilities at locations throughout the plantation and on local rivers and adjoining properties.

Santos is committed to the sustainable management of the plantation within strict guidelines that have been agreed with the regulators.

WATER RESOURCES 2009

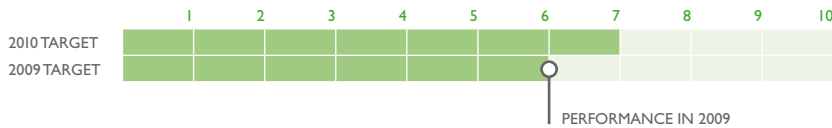
State	Formation water	Water withdrawal (m ³ /year)			Water discharge (m ³ /year)		
		Groundwater bores	Municipal supply	Evaporation ponds	Ocean/surface	Water re-use	
SA	6,684,846	1,212,850	127,365	6,684,846	-	unmetered	
QLD	6,506,658	120,214	1,351	6,493,479	13,179	unmetered	
QLD CSG	3,679,264	-	-	-	1,658,366	1,856,756	
NT	3,466	87,528	-	3,466	-	-	
VIC	-	-	-	-	-	1,752	
WA offshore	2,130,740	-	-	-	2,161,913	-	
Total	19,004,974	1,420,592	128,716	13,181,791	3,833,458	1,858,508	

- Santos aims to continuously improve data capture across all operated sites; this table represents an approximation of Santos' water use at this time.
- Data from Santos' offices and Indonesian operations is not included in this table.
- Groundwater bores are used to source water for drilling, processing plants and camp facilities. Reverse osmosis is used to generate water of a suitable quality for use in processing and camp facilities.
- Mutineer-Exeter is an offshore location in Western Australia. Reverse osmosis is used to generate water of a suitable quality for processing and amenities; 44,500m³ of seawater was extracted in 2009.

Biodiversity and land disturbance

Amount of land impacted by Santos and the biodiversity, mineral and hydrocarbon resources associated with the land, and effectiveness of the land-use

SUSTAINABILITY SCORECARD



FOCUS AREA

Improving data and conserving native ecosystems

PERFORMANCE IN 2009

Target maintained – land disturbance standard implemented



In order to minimise the impact of our operations on dingoes, Cooper Basin employees are formally briefed on the correct procedures if they are encountered in the field.

Santos is committed to achieving its environmental vision: 'We will lighten the footprint of our activities'. Santos takes steps to achieve this vision by minimising environmental disturbance and conserving biodiversity values through sustainable operating practices.

Santos operates in diverse environments and is continuously mindful of conserving natural ecology and reducing environmental impacts in all aspects of its activities.

Site-specific environmental management plans are in place to minimise the disturbance of natural environments during oil and gas operations.

Environmental constraints and reducing environmental impact are fundamental considerations in pipeline route selection. One effective mechanism Santos often implements is to align pipelines and roads within the same corridor away from significant vegetation.

To promote revegetation, topsoil is removed and stockpiled during pipeline construction and then re-spread over the buried pipeline, ensuring the impact is only short-term. In 2009, Santos improved its systems and delivered training in field operations to meet this objective.

Improvements have been seen following a land disturbance education and awareness program that aimed to prevent vehicle traffic and equipment lay-down on naturally occurring vegetation. Site assessments at field operations followed the training to reinforce the program, with non-conformances tracked in the incident management system.

The protection of fauna during trenching activities for the construction of gas flow-lines has also been a focus and new management techniques are always being considered to minimise potential impacts.

Santos monitors the rehabilitation of disturbed land and has created a database to track this.

MANGROVE PLANTING PROTECTS COASTLINE

One of the many challenges in Indonesia is balancing community livelihoods with environmental conservation.

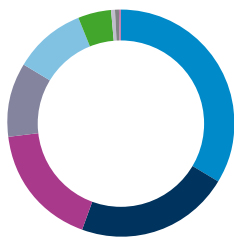
Mangroves on the fringe of coastal land provide a buffer against the elements, protecting the coastline and land, while also providing important habitat and breeding grounds for fish and other marine life.

In cooperation with the Sumenup Regency's Environmental Agency and local communities, Santos continued to revegetate the mangrove ecosystems in 2009. Santos has worked with village residents to plant seeds under the technical guidance of the agency.

LAND USE FOOTPRINT 2009

Hectares

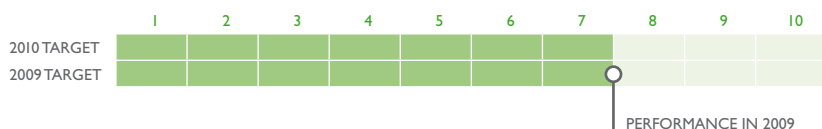
Onshore pipelines	9,146
Borrow pits	5,967
Roads	4,766
Plants	2,915
Wells	2,780
Evaporation ponds	1,281
Waste facilities	162
Offshore pipelines	123
Camps	35



Incidents and spills

Type, volume and impact of uncontrolled releases to the environment

SUSTAINABILITY SCORECARD



Santos maintains a continued focus on:

- achieving zero incidents of moderate severity and higher;
- achieving compliance with integrity management plans; and
- preventing small uncontained spills.

In 2009, Santos achieved a 94% reduction of spill volume and a 10% reduction of spill frequency from 2008 levels.

Santos minimises the risk of spills from pipelines using a number of methods, including mechanical cleaning (pigging), cathodic protection, inspections and other routine maintenance. Regular audits to assess compliance with integrity procedures are reported monthly.

While Santos' focus is on prevention, the company is well equipped to minimise the impact if a spill does occur.

MOONIE TO BRISBANE OIL PIPELINE DECOMMISSIONED

Decommissioning of the Moonie to Brisbane pipeline continued in 2009 with removal of hydrocarbons and de-pressurisation of the line ensuring it is left in a manner safe for the environment and community. Santos continues to work closely with the Queensland government and the local communities.

Santos continues to monitor and remediate the Algester, Carindale and Moonie East 2007/2008 spill sites.

Sites have now being revegetated. A final remediation action plan and close-out will be completed in 2010.

PORT BONYTHON

Santos' hydrocarbon processing plant located at Port Bonython near Whyalla is equipped with propane, butane, crude and naphtha storage tanks.

In 2008, Santos' routine environmental monitoring identified the presence of hydrocarbons in groundwater at this site. Santos notified the Environment Protection Authority (EPA) and immediately commenced management of the issue.

Santos continues to assess the site and as such the 2008 data does not yet reflect this incident.

Santos is committed to the remediation of the site and is working cooperatively with government agencies to achieve this. A below ground perimeter barrier between the coast and the plant has been constructed and a groundwater extraction and treatment system is underway.

The EPA is also conducting an independent investigation into this matter.

INFRINGEMENT NOTICE

Santos has detailed procedures on land clearance in its environmental hazard standard.

In 2009, Santos received an infringement notice and \$2,000 penalty for an instance of minor unauthorised land clearance which was carried out by Santos contractors.

Santos reported the clearance as a potential non-compliance. No criminal conviction was recorded against Santos.

Santos has taken all reasonable measures to ensure that all activities comply with relevant regulations and Santos procedures.

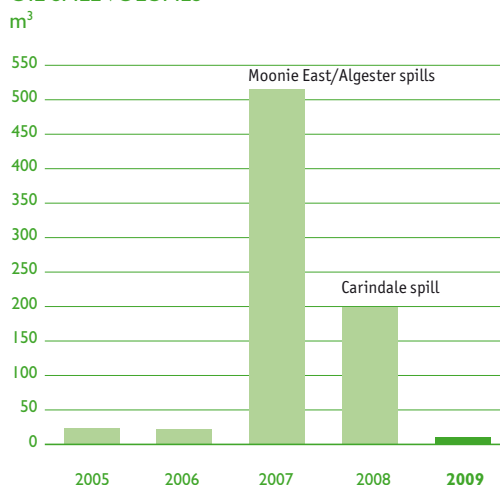
FOCUS AREA

Integrity management of pipelines, plant and equipment

PERFORMANCE IN 2009

Target achieved – built on solid integrity management procedures and successfully decommissioned the Moonie to Brisbane pipeline

OIL SPILL VOLUMES



Santos' relationship with and contribution to the communities with which it is associated and the health of those communities



Community



KEY RISK AREAS

Product responsibility and reputation

OPPORTUNITIES

Community development program

Transparency and disclosure

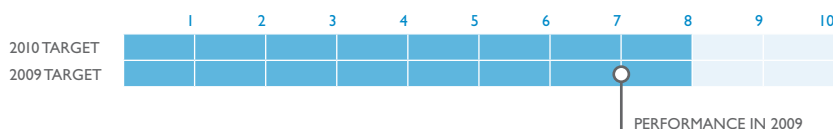
Aboriginal engagement

Santos is working with fishermen in the Madura community in Sampang Regency, Indonesia, to develop sustainable business practices.

Indigenous rights and cultural heritage

Indigenous community engagement and development

SUSTAINABILITY SCORECARD



FOCUS AREA

Improving relationships with indigenous groups

PERFORMANCE IN 2009

In progress – engagement policy developed and implementation commenced



Stone arrangements are often associated with cultural heritage sites. Santos conducts cultural heritage surveys with local indigenous communities to identify and avoid heritage sites.

Santos recognises and respects the traditional ownership of all indigenous people.

In Australia, Santos develops agreements in relation to cultural heritage and native title as they relate to Santos projects.

This approach provides Aboriginal communities with a forum for direct communication and negotiation with Santos and helps to settle development issues in a mutually beneficial manner.

An ambitious target score of eight was established and although significant improvement had been achieved, this target was not reached. It is expected that the implementation of the engagement plan will enable the target score of eight to be achieved.

CULTURAL HERITAGE

Santos' first preference for the management and protection of Aboriginal cultural heritage is to avoid cultural heritage sites.

To ensure Aboriginal participation in the identification and protection of cultural heritage and to help specify impact mitigation measures, indigenous groups are consulted and specific cultural heritage management plans are developed.

In 2009, Santos completed ten cultural heritage agreements and was involved in a further three cultural heritage agreement negotiations. The system for managing all cultural heritage approvals was improved to incorporate the specific requirements of each State and Territory government, and each indigenous group with which Santos has a cultural heritage agreement.

ABORIGINAL ENGAGEMENT

Over the past year, Santos actively engaged with Aboriginal communities and delivered practical benefits to them.

Santos takes a holistic approach to engaging with the Aboriginal communities, including addressing employment and training, business opportunities and educational support.

This approach often takes Santos beyond the minimum legal requirements of cultural heritage and native title and from a business perspective it has a positive impact on project schedules and therefore costs.

TRAINING AND EMPLOYMENT SCHEME

Santos, in partnership with its contractors, has established a forum for the purpose of establishing joint employment and training outcomes for Aboriginal Australians.

INCREASING ABORIGINAL COMMUNITY DEVELOPMENT

In 2009, the Santos Aboriginal Engagement program achieved:

- Ten employment opportunities for Aboriginal people.
- Two students per year for the next three years through a school-based trainee program at Roma, Queensland.
- Three Aboriginal apprentices employed within the Santos apprenticeship system.
- Agreement with the Department of Further Education, Employment, Science and Technology to provide an additional 50 apprentices and 50 school-based trainees under the Aboriginal Apprenticeship Program.

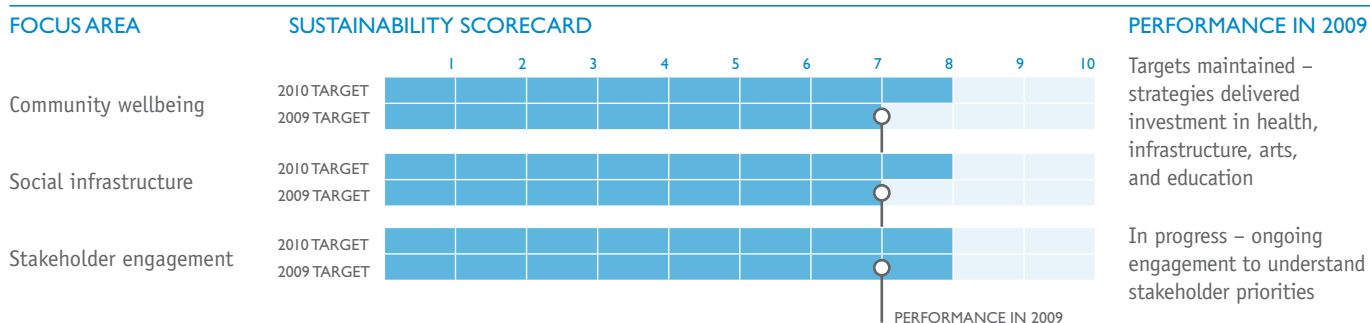
SANTOS INDIGENOUS ENGAGEMENT

	2009	2008
Aboriginal groups	23	18
Meetings held	250	150
Funding provided*	\$200,000	\$100,000

*excludes costs associated with negotiating cultural heritage and native title agreements.

Community engagement

Santos' contribution to the quality of life in the communities in which it operates



Santos has a focused community support strategy, in which the company seeks to make meaningful contributions in the areas of health, education, the environment, youth, art and culture, indigenous matters and economic development.

In 2009, there were a number of examples of Santos identifying specific community needs and directing targeted resources towards those needs.

This strategy is as relevant at grass-roots community level as it is on a global scale, where Santos is supporting endeavours in clean energy, climate research, and scientific knowledge.

Santos supports events and organisations across its areas of operation.

ROYAL INSTITUTION OF AUSTRALIA

The Royal Institution of Australia (RiAus) opened the doors to its newly refurbished headquarters in Adelaide in October 2009, with backing from Santos.

A Foundation Partner of the first and only international affiliate of the renowned Royal Institution of Great Britain, Santos' support is fundamentally linked to its business; as an energy company, science is at the heart of everything Santos does.

The RiAus will increase the level of scientific debate and literacy in the wider community, a timely development given the importance of science to current global challenges.

TARGETED COMMUNITY ENGAGEMENT IN QUEENSLAND

Santos' presence in the Gladstone and Maranoa regions is continually growing as work on the GLNG project progresses. The company wants to have a positive impact on the community there, so as a first step, it engaged an independent consultancy to study wellbeing in the region and what it means to local people.

The result was a deeper understanding of the communities and their priorities, which will help Santos direct its resources to areas of priority; for example, the \$50 million apprenticeship and training plan, a LNG curriculum in secondary schools and an indigenous training package. These projects were possible only with the vision, passion and assistance of local people, exemplifying the collaborative nature of Santos' approach.

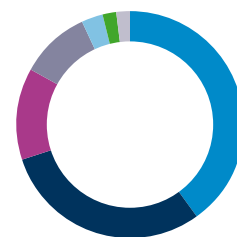
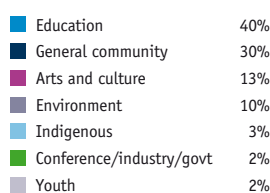
The GLNG project will have an effect on regions elsewhere in the state, on local, state and national economies, and the environment.

To address all the potential impacts of GLNG, Santos submitted a comprehensive Environmental Impact Statement (EIS) to the Queensland Government in 2009.

Following that, the EIS went through an extensive public consultation process until 17 August 2009, which included more than 30 consultation sessions, with 40 formal submissions made to the Queensland Government.

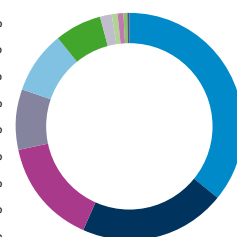
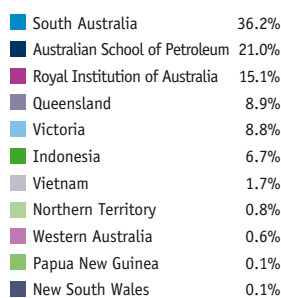
SPONSORSHIP BY ACTIVITY 2009

% Funding



SPONSORSHIP BY AREA 2009

% Funding



Community engagement (continued)



Queensland Premier Anna Bligh and Santos' President GLNG and Queensland Rick Wilkinson wave the Q150 Steam Train off from Brisbane station.

DIVERSE SUPPORT

Santos supported a number of other organisations, events and initiatives in 2009, including:

- Queensland Art Gallery and Gallery of Modern Art
- OzAsia Festival
- Adelaide Symphony Orchestra
- Asthma SA
- Starlight Children's Foundation
- Q150 celebrations, Queensland
- Food and Fire Fest, Roma, Queensland
- Roma on Bungil Gallery
- Stock Up for Hope charity drive, Queensland
- Santos Great Bike Ride, Perth
- A number of employee fundraising events
- Schools, hospitals and community groups throughout Santos' areas of operation.

THE ECOBOAT: ENVIRONMENTAL EDUCATION IN VIETNAM

Santos has partnered with Fauna and Flora International to provide an interactive learning experience, called EcoBoat in Vietnam's picturesque Ha Long Bay.

The EcoBoat aims to reconcile the twin imperatives of conservation and economic development by educating local school students.

While on board the EcoBoat, students interact with the natural environment and community. They also learn skills in marine safety, navigation, scientific measurement of the natural environment, and communication with local communities and business. The students create and debate their own sustainable vision for Ha Long Bay – considered a national treasure.

Through their support, Santos and its partners hope to see an organisation strongly rooted in the community that is committed and able to continue the EcoBoat program, and is an effective advocate of environmentally friendly management policies and decisions for Ha Long Bay.

UCL LAUNCHES ADELAIDE CAMPUS

The resources industry in Australia and Asia-Pacific will have a crucial role to play in the coming years, as economies seek to lessen their greenhouse gas emissions.

With support from Santos, the University College London (UCL) has launched an Adelaide campus – the first overseas location for the world top-four ranked university.

The new UCL School of Energy and Resources Australia will offer industry focused Masters of Science, development, research and policy courses.

The Adelaide campus gives Australia and the Asia-Pacific a local hub for students, academics, industry and governments at a time when the importance of clean energy and climate research is rising.

Santos' five-year commitment will go towards establishing the Adelaide campus, scholarships, research funds, and the professorial chair.

COMMUNITY DEVELOPMENT IN INDONESIA

Santos' Indonesia team has continued its commitment to helping local communities. In particular in 2009, the team focused its attention on economic development.

Working with the Association of Advancement for Small to Medium Enterprises (AASME, an NGO in Sampang Regency) Santos is helping food production businesses and local fishermen to develop sustainable business practices.

Food production business owners are being taught how to reach broader markets through packaging and marketing, obtaining food licences, business management and production equipment. Eight local enterprises are involved in this program.

In a new initiative in partnership with the Sumenep AASME and the Sidoarjo Fishery Academy of Sampang, Santos has assisted 28 groups of fishermen to construct 53 fish traps in Sampang and Sumenep.

In the Madura community in Sampang Regency, Santos installed 1.2 kilometres of pipeline to deliver clean water to the Taddan Village in Camplong, including distribution to 50 homes. The company also supported road development and coastal lighting.

PUBLIC CONSERVATION CENTRE

Conservation is as important at community level as it is nationally or internationally. To help local conservation groups, Santos has supported the construction of a freely accessible public exhibition space and theatre at the new entrance to the Adelaide Zoo.

The centre will be used by community conservation groups to raise awareness of nature and conservation.

PROMOTING SUSTAINABLE LIVING

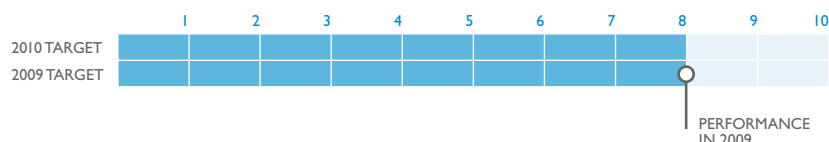
Santos has supported the restoration of the Museum of Economic Botany, the establishment of a seed conservation program and a kitchen-garden program at the Adelaide Botanic Gardens.

These projects will help increase understanding of sustainable living amid the challenges of water scarcity and a changing climate.

Transparency and disclosure

Public disclosure of reliable and timely information that enables stakeholders to make informed decisions on the company's financial condition and performance, its business activities, and the risk related to those activities

SUSTAINABILITY SCORECARD



FOCUS AREA

Quality reporting and disclosure

PERFORMANCE IN 2009

Target maintained – reinforced commitment to disclosure with Extractive Industry Transparency Initiative membership

Santos continually seeks to be open and transparent. The company is committed to providing accurate, up-to-date information about its activities, to the public and to the market. Santos has implemented policies and procedures to maintain this commitment and to ensure the company fulfils its obligations.

COMPLETE DISCLOSURE

The policies that Santos has in place to ensure complete disclosure state clearly that selective disclosure must not occur. It is a requirement of all at Santos – from the Directors to all employees – to notify a designated disclosure officer as soon as they become aware of information that should be considered for release to the market.

Company market announcements are released to the Australian Stock Exchange (ASX), the only market in which Santos is listed.

Responsibility for communications with the ASX rests with the Company Secretary. All material information – including news announcements, annual reports, sustainability reports, notices of meetings and presentations to investor briefings – is freely available on the Santos website at www.santos.com.

Anyone seeking automatic notification of company announcements can register for email alerts and RSS feeds. Santos also takes general enquiries and feedback through its website.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

In 2009, Santos became a member of the Extractive Industries Transparency Initiative (EITI). The move endorses the initiative's principles and criteria as a way to improve the transparency of payments and revenues in the extractives sector in developing countries.

The EITI is an international scheme that sets a global standard for transparency in oil, gas and mining. The initiative's broad aim is for natural resources to benefit all, for companies and governments to work together, and to be open about monetary exchanges. More information can be found at www.eitransparency.org.

Santos already has a strong commitment to open and transparent international dealings, as well as a solid track record. Formal support of the EITI further enhances the company's growth strategy, which has delivered significant growth in Australia and in the Asia-Pacific region over the past five years. The company now has interests in Indonesia, Vietnam, India, Bangladesh, Papua New Guinea and Kyrgyz Republic, and is contributing to the EITI's aims in those countries.

Support for this initiative reflects the success of this strategic direction, is consistent with the company's governance principles, and backs the manner in which Santos seeks to develop relationships with communities and governments.



ANNUAL REPORT 2009

The Sustainability Report provides a brief overview of this indicator. More detail is provided in Santos' Annual Report 2009 online at www.santos.com.



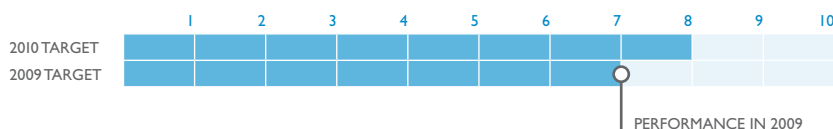
QUALITY OF DISCLOSURE RECOGNISED

The quality of Santos' transparency and disclosure was recognised in 2009 with a Gold Award at the 58th Australasian Reporting Awards. This award recognises the quality of information provided in Santos' 2008 Annual Report and the level of disclosure about the company's performance and outlook.

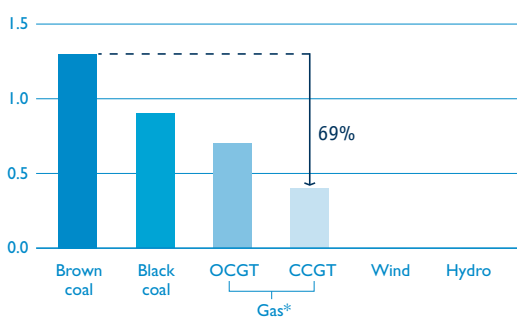
Product responsibility and reputation

Santos' products, their application and its reputation

SUSTAINABILITY SCORECARD



EMISSIONS INTENSITY OF VARIOUS FUEL TYPES FOR ELECTRICITY GENERATION (CO₂-e /MWh)



*Note: OCGT and CCGT refer to open cycle and closed cycle natural gas turbines.

Source: Department of Climate Change – Tracking to the Kyoto target; Santos internal data.

CLEAN ENERGY

As Australia's largest domestic gas producer, Santos is in a unique position to help Australia and the Asia-Pacific significantly cut greenhouse gas emissions.

By increasing the use of natural gas as a source of electricity generation, Australia can immediately and significantly reduce its carbon footprint, while supporting the development of intermittent renewable power technology.

Modern combined-cycle gas turbine generators typically produce 60–70% fewer carbon emissions than Australian coal-fired power stations, and use a fraction of the water.

By progressively replacing coal-fired power generation, natural gas can underwrite a 20% reduction of carbon emissions in power generation by 2050 while still doubling the level of power available to Australian industry and homes.

Australia has a natural gas resource base equivalent to hundreds of years of current use. Natural gas is also comparatively affordable; prices in eastern Australia are among the cheapest in Organisation for Economic Cooperation and Development countries.

Santos is poised to play a pivotal role in moving the Australian economy towards a cleaner energy portfolio and provide a lower carbon fuel for established, growing and emerging energy markets in Asia.

FOCUS AREA

Product stewardship and enhancing Santos' reputation

PERFORMANCE IN 2009

Target achieved – Santos' corporate identity revised to reflect Asia-Pacific growth strategy

INFLUENTIAL CORPORATE IDENTITY

In 2009, Santos reviewed and updated its corporate identity to reflect the company's transition from a local energy producer to a major energy company in the Asia-Pacific region.

Coupling a more prominent profile with consistent and compelling communication, Santos hopes to influence clean energy debate and policy to increase the use of natural gas as a cleaner power generation source.

A clear and positive identity builds goodwill and preference among key stakeholders, and assists the attraction and retention of employees, investors and partners.

SECURITY OF SUPPLY

Santos supplies sales gas to all mainland Australian states and territories, ethane to Sydney, and oil and liquids to domestic and international customers.

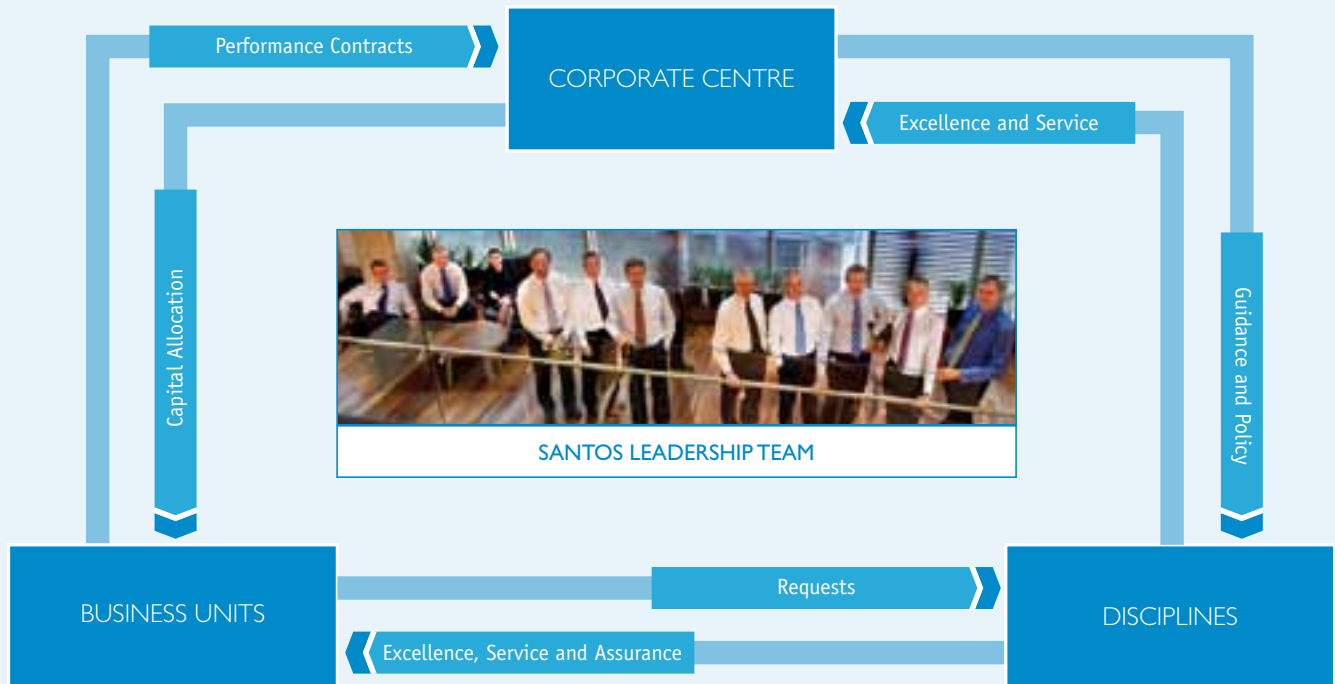
With a large customer base, maintaining the quality and quantity of product to meet sales specifications is critical.

The transportation and transfer of Santos hydrocarbon product is managed under strict safety protocols. Santos is well regarded by its customers for the reliable supply of high quality product.

Santos' customer base is restricted to a small number of large corporate clients, therefore operational issues are resolved directly without the need for retail based grievance mechanisms.

However, the opportunity to make general enquiries and provide feedback is available via the company website at www.santos.com.

ORGANISATIONAL MODEL



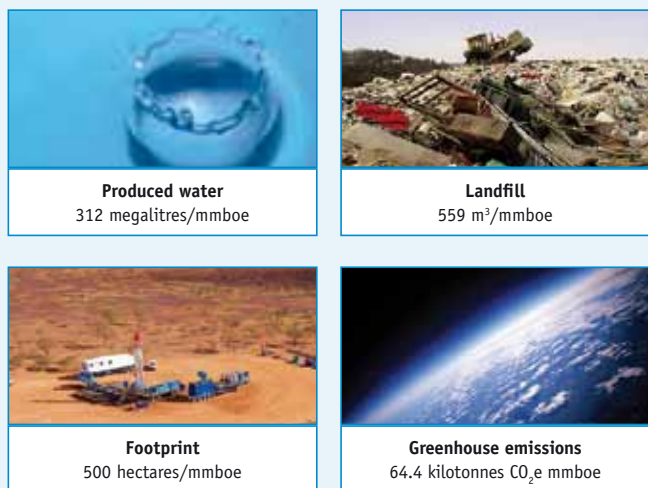
PRODUCTS



Product figures (mmboe) for this diagram are calculated as gross annual production from Santos-operated sites in Australia. Net production from all Santos operated sites is published in Santos' Annual Report 2009; in 2009 this was 54.4 mmboe, broken down as 41.2 mmboe of sales gas, ethane and LNG; 3.0 mmboe of condensate; 2.0 mmboe of LPG; and 8.4 mmboe of crude oil.

Santos continues to work towards capturing data across all operated and non-operated sites, which will be incorporated progressively into future sustainability reporting.

ENVIRONMENTAL EFFICIENCY



Produced water (page 20) and footprint (page 22) data have been calculated for Santos-operated sites in Australia.

Landfill data (page 19) have been calculated for major Santos-operated sites in central Australia.

Greenhouse gas emissions (page 12) for all Santos-operated sites are calculated and verified mid-year therefore this ratio represents financial year 2008-09 emissions and production data.

The health, safety, skills, capabilities and effectiveness of the people in Santos' workforce



Our People



KEY RISK AREAS

Safety

Governance and policy

OPPORTUNITIES

Health and wellbeing

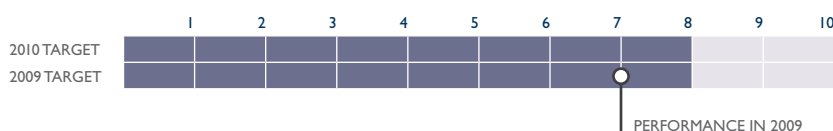
Workforce capability

The Santos Centre in Adelaide is a safe, environmentally friendly workplace that helps employees work effectively together.

Safety

Safety performance of Santos' employees and contractors

SUSTAINABILITY SCORECARD



FOCUS AREA

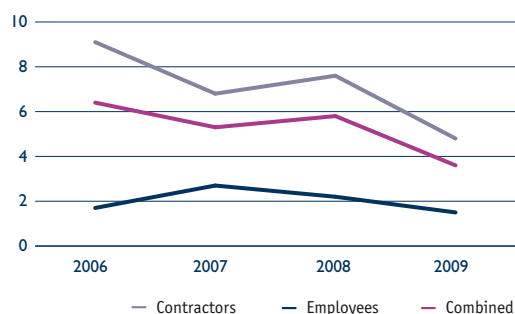
Identifying hazards and reducing TRCFR

PERFORMANCE IN 2009

In progress – improved performance reflected in TRCFR, offset by fatality

TOTAL RECORDABLE CASE FREQUENCY RATE

Recordable injuries per million hours worked



A focus on safety is at the heart of Santos' work practices. At the core of Santos' safety practices is the key policy that 'we all go home without injury or illness'.

Santos has developed a culture of safety and believes there is no job so important that it cannot be done safely.

Santos' safety performance in 2009 was much improved, achieving the lowest injury rate level in the company's history.

Santos achieved its target total recordable case frequency rate (TRCFR, a statistical representation of injury rate) of below 4.8. This equates to a 38% drop in the injury rate from 2008. This result was achieved with a lot of hard work by a lot of people throughout the company.

However, the overall pleasing results were marred by the tragic death of a contractor in August. All at Santos were deeply saddened by the death of colleague Cameron Cole who died during rig move operations in the Fairview field. A full investigation into the incident was carried out to identify the underlying causes of the incident and do everything possible to ensure it does not happen again, including changes to contractors' practices.

Santos has also spent a considerable amount of time improving process safety. As a result, Santos' plant and pipeline asset integrity programs have improved substantially and demonstrate a proactive approach to asset integrity.

Santos goes further than just reporting injury and incident data. Santos' environment, health and safety management system includes the reporting of hazards, high potential (near miss) incidents and asset integrity. These indicators include corporate targets, regular corporate reporting and contribution to the Australian Petroleum Production and Exploration Association.

A FOCUS ON PROCESS SAFETY

Process safety is an essential element of Santos safety management.

Process safety centres on the loss of containment of hydrocarbon and seeks to eliminate rare but high consequence incidents such as fires and explosions. Process safety requirements are integrated into Santos' environmental health and safety management system standards, guidelines and audit requirements, and exceptions are reported via Santos' incident management system.

To date, serious process safety incidents are rare and therefore Santos places considerable focus on prevention and identifying process safety exceptions – events where a failure in one of the layers of protection has occurred.

Process safety exceptions are reported and where necessary detailed reviews are conducted to identify lessons to improve process safety performance.

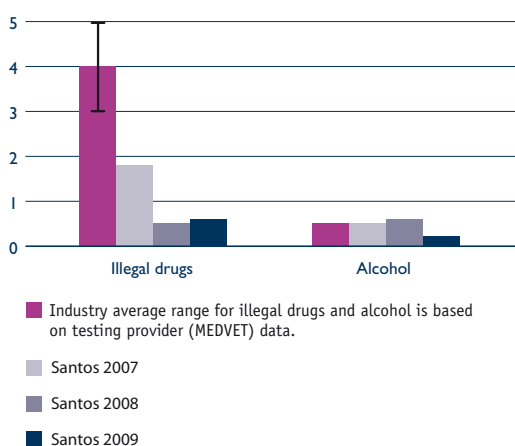
In 2009, the pre-start-up environment health and safety review was upgraded. This standard ensures that all new, modified or maintained equipment is systematically checked to confirm its integrity prior to the introduction of hydrocarbon and ultimately start-up.

Compliance targets for the achievement of maintenance of critical safety equipment such as pressure vessels, pressure safety valves and other safety devices were also achieved.

In addition, Moomba commenced its formal safety assessment which is a campaign of quantitative risk studies and assessments to identify possible process safety scenarios, enabling them to be addressed. The Moomba formal safety assessment will also be required for future Major Hazardous Facilities legislation, which is expected to apply in the future.

RANDOM DRUG AND ALCOHOL TEST RESULTS

Positive test results %



STEPBACK FOR SAFETY

To continue to reduce Santos' injury rate, stand together for safety sessions were held with all teams. In May and November 2009, sessions were held to discuss the importance of the Santos safety initiative 'Stepback'.

Stepback is a work process that prompts employees to step back and assess all safety risks before conducting any task, no matter how simple or routine. Stepback also promotes the importance of looking out for colleagues.

DRIVER SAFETY

Following the completion of a successful trial, in-vehicle monitoring systems were implemented in all Santos' light passenger and heavy vehicles to improve driving safety performance.

The result of this program is an improvement in driver safety culture and a substantial reduction in vehicle incidents throughout operations.

CONTRACTOR PERFORMANCE

Santos employs a high proportion of contractors. To manage this, Santos established a targeted program to engage contractors on safety management. As a result, the contractors' TRCFR improved by 37% during 2009.

In 2009, contractors were asked to develop specific hand safety management plans and complete hazard hunts for pinch points, rotating parts and sharp objects. Santos also established an industry working group to examine best practice and share safety learning.

AVOIDING HEAT STRESS

Santos' field operations occur in a wide range of climatic environments. In the Cooper Basin ambient temperatures can reach well above 40°C. Annual heat stress management training and awareness has been in place for several years and results have been pleasing.

OCCUPATIONAL HYGIENE

An occupational hygiene program is in place throughout Santos and includes the monitoring and management of exposure to hazardous chemicals and substances.

DRUG AND ALCOHOL TESTING

The drug and alcohol testing program has continued in 2009. Santos conducts random drug and alcohol tests at field and office locations. Results indicate a low failure rate for illegal drugs and alcohol.

A Drug and Alcohol Review Panel, comprising employee and management representatives, is in place to oversee and review the program and results.

The Employee Assistance Program (EAP), which offers free confidential counselling for employees and families, has continued.

SANTOS DIRECTORS' EHS AWARDS

More than 400 Santos employees and contractors from all over Australia gathered for the sixth Santos Directors' EHS Awards.

The Directors' EHS awards program was put in place to recognise and celebrate superior performance and valuable innovation in environment, health and safety.

In early 2009 a record 63 entries were received – more than three times the number of entries received in 2008.

Awards were given for the best safety performance within Santos, best safety performance by a contractor, best safety project or innovation, and best environmental project or innovation. High commendations were given to other high performers.



EHS AWARDS 2009

Best safety performance within Santos was awarded to the Indonesia business unit for its low injury rate, five years without a lost time injury (approximately 7.5 million work hours) and consistent delivery of improvements to safety systems and performance.

Best safety performance by a contractor went to Expro Group. There were no recordable injuries and a sustained improvement in performance was achieved while exposed to field-based hazards such as heat, driving and manual handling.

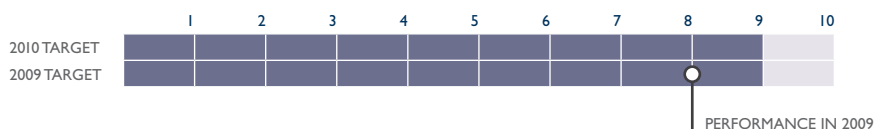
Best environmental project or innovation was won by the Coal Seam Gas Drilling and Completions team for its clear demonstration of reducing the land-based footprint of drilling activities. Lease footprints were typically reduced by 46% and earthworks by 97%.

Best health and safety project or innovation was received by the Wood Group for demonstration of real innovation in the design and fabrication of a casing head make-up skid. The casing eliminates hazards for drillers who make the connection to the rig floor, eliminating time pressure and exposure to drilling personnel.

Health and wellbeing

Physical and mental health of Santos' employees

SUSTAINABILITY SCORECARD



FOCUS AREA

Employee health risks

PERFORMANCE IN 2009

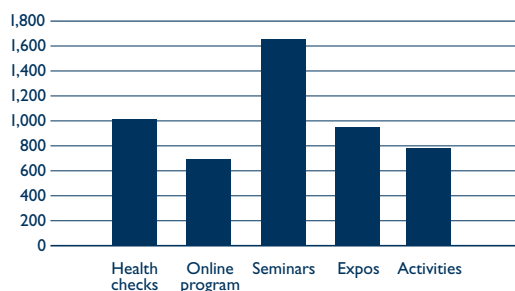
In progress – tailored health programs helped to deliver improved health check results



Gym participation is 30% for the office and field participation is at 25%, which continues to be higher than the average of community usage of 10–15%.

PARTICIPATION IN HEALTH PROGRAMS 2009

Number of employees



HEALTH AND WELLBEING PROGRAM

There are considerable two-way benefits to a healthy, happy and physically fit workforce. Employees benefit from having a good quality of life and reduced risk of serious illness and disease, while the company benefits from increased productivity, reduced absenteeism, and attracting and retaining employees.

The Santos Health and Wellbeing Program, in place since 2006, has had consistently high participation rates in a range of events each year.

The program continues to deliver on measurable indicators including high participation rates, improved health check results, the identification of personal health risk factors, weight loss results and gym participation.

A calendar of activities has been developed to target the risk factors of employees at each site, such as high blood pressure and high cholesterol, encouraging healthy eating, exercise and maintaining a healthy weight to reduce the risk of illness and disease.

Many activities conducted during the year are aligned to community health awareness initiatives, which raise awareness on health issues such as asthma, diabetes, breast cancer and prostate cancer. Employee donations raised through these activities totalled \$33,000 – combined with matching Santos sponsorship.

VOLUNTARY HEALTH CHECKS

Voluntary health checks include weight measurement, and tests for blood pressure, blood glucose (diabetes indicator), cholesterol, diet, flexibility and abdominal strength.

In addition to health checks, some employees have been provided with assistance in weight loss programs. Approximately 1.5 tonnes of weight has been lost since 2006 with employees participating in programs such as the weight watchers and 'biggest loser' competitions.

In 2009, health expos were held across field and office locations, with approximately 1,000 employees attending. These expos included a dietician, food displays, blood pressure check, fitness check, cancer awareness, heart disease education, diabetes awareness, massage, sports challenge, podiatry and foot care.

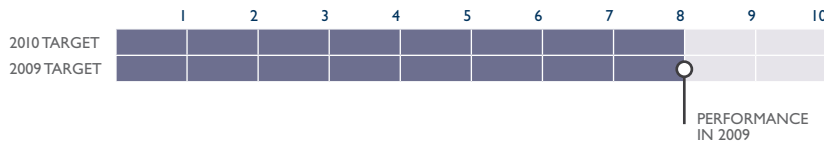
ONLINE HEALTH SERVICES

To optimise the delivery of advice and information, an online health services information site was launched in 2009. This site allows employees to complete a wellness record, receive specific feedback on their health, and participate in online programs for weight loss, diet, and assistance to quit smoking. The online tool also contains articles and access to health information.

Workforce capability

Attraction and development of employees' skills, knowledge and behaviours to enable achievement of business goals

SUSTAINABILITY SCORECARD



Despite challenging labour market conditions during 2009, Santos continues to view recruiting specific technical skills and accelerating capability development internally as critical for Santos' future success.

Santos' approach to development is underpinned by technical and behavioural competencies based on globally researched capabilities that drive high performance and support the organisational approach and values required for success at Santos.

PERFORMANCE AND DEVELOPMENT

An online performance and development portal was launched in 2009. It provides a central location for employees to access resources that assist with performance planning and career development.

This self-help resource enabled Santos to achieve the objective that all employees have a development plan in 2009.

Training programs and action learning aligned to particular development pathways are available for office and field based employees to develop their skills in relevant areas.

To ensure Santos develops necessary technical abilities in geoscience and engineering disciplines, relevant employees are involved in regular competency reviews and development planning reviews as part of the Santos Technical Ladder process.

Santos' approach to technical review and development planning was benchmarked globally during 2009 to ensure the program is competitive and delivers the best outcome for Santos.

DEVELOPING THE LEADERSHIP PIPELINE

A new people planning framework has been implemented to drive organisational design, talent and succession planning, executive and talent development, diversity and retention.

Identifying and managing the leadership pipeline was a focus of this framework in 2009. This approach enables Santos to identify and develop people with leadership potential early in their career and to plan and implement appropriate development experiences to prepare them for future roles.

Leaders are provided with training through its structured leadership program – The Santos Way of Managing and Leading, which helps develop the necessary skills required at successive stages of leadership.

SUCCESS IN TARGETED PROGRAMS

Santos continues to place a significant focus on its highly regarded graduate program for geoscience and engineering disciplines, with 30 graduates starting in 2009 and 35 vacation opportunities provided for students in their final year of studies.

Additionally, Santos supports the School of Petroleum at the University of Adelaide and in 2009, embarked upon a relationship with the University College of London (UCL) to support its establishment in Australia.

Santos' apprenticeship program ensures a pipeline of qualified trades people are entering the workforce. In 2009 this program was extended to Santos' GLNG operations in Queensland. Santos has also commenced the first of its indigenous traineeships in the same region.

FOCUS AREA

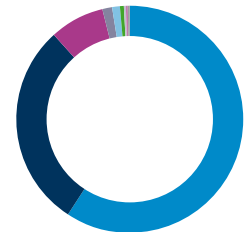
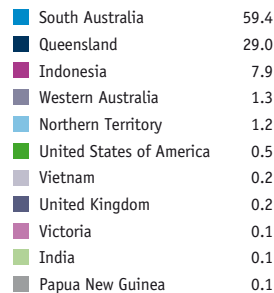
Identification and development of skills, knowledge and behaviours needed for business success

PERFORMANCE IN 2009

Target achieved – people planning framework and leadership program implemented

LOCATION OF EMPLOYEES

%



WORKFORCE TRAINING

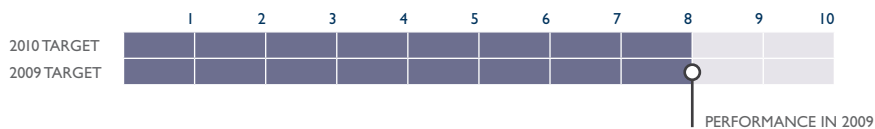
Category	Total employees	Average training hours per employee
Strategic leader	14	6.0
Functional leader/ Manager	120	14.0
Team leader/ Supervisor	238	30.0
Technical specialists	243	17.0
Other team member	1,317	30.0
Summary	1,932	27.0

*This represents only Australian employees.

Workforce composition, culture and commitment

Alignment of business practices with shared values and principles to maximise the commitment and retention of our people

SUSTAINABILITY SCORECARD



FOCUS AREA

Alignment to common purpose and shared values to maximise commitment and result

PERFORMANCE IN 2009

Target maintained – organisational review completed



Understanding of and compliance with the Code of Conduct is part of Santos' induction for all employees.

Santos is proud of its dedicated and high achieving workforce. Santos' organisation structure is modelled around a Corporate Centre, Technical Disciplines and Business Units.

The structure achieves greater transparency and accountability with a focus on performance through the business and excellence through the discipline.

The review resulted in only 4% of the workforce being redeployed to more suitable roles and 2% leaving the company via redundancies. All staff leaving Santos as a result of this review were provided with severance packages and offered career transition services.

SUPPORTING DIVERSITY

Santos recognises the benefits inherent in building a diverse workforce. It supports diversity through regular reviews and provision of flexible working arrangements. The availability of paid maternity leave to 16 weeks and one week paid paternity leave continues to be viewed very positively by employees.

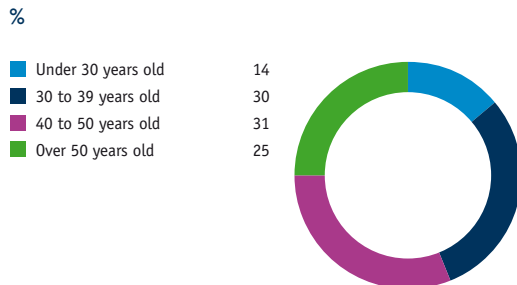
In 2009, Santos submitted its Equal Opportunity for Women report. Santos has demonstrated it has taken steps to advance women in the workplace and remove barriers through workplace programs, consultation and actions. Organisations that can demonstrate this level of performance over three consecutive years are eligible to extend their reporting periods. In 2009 Santos achieved this.

Santos also conducted a people planning framework review in 2009, which specifically reviewed issues relating to gender and cultural diversity in the leadership pipeline. Findings of this review will be integrated into capability planning processes.

EMPLOYEE COMMITMENT

The biennial employee survey will be conducted again in 2010. In 2009 an employee engagement strategy was prepared in readiness for the employee survey.

WORKFORCE AGE PROFILE



CEO COMMUNICATION SESSIONS

David Knox and the Santos Leadership Team conducted communication sessions across Australia and in Indonesia, focusing on company strategy and 'must win' objectives.

The sessions also continued to emphasise the importance of working safely and sustainably and making Santos a great place to work.

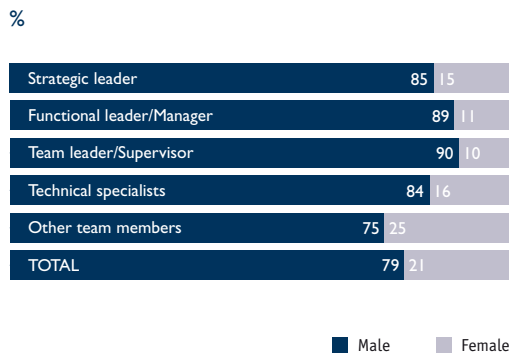
ORGANISATIONAL REVIEW

During 2009, it was necessary for Santos to be prudent about organisational requirements in response to the extremely challenging economic conditions.

As a result, Santos embarked upon an organisational review which led to an emphasis on maximising redeployment opportunities and minimising impact on employees.

A critical factor in determining final outcomes was to ensure Santos could continue to operate safely and deliver on the three-pronged strategy of base business performance, delivering LNG projects and a focus on energy markets in Asia.

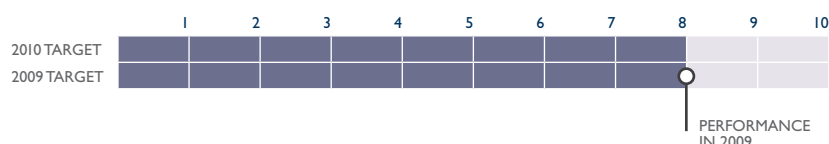
WORKFORCE GENDER PROFILE 2009



Workforce remuneration and benefits

Reward policies to attract and retain talent, pay for performance and promote long-term shareholder interests

SUSTAINABILITY SCORECARD



FOCUS AREA

Impact of business conditions on supply and demand for skills

PERFORMANCE IN 2009

Target maintained – prudent management of remuneration to achieve the Company's objectives

Santos' remuneration and benefits policies aim to strike a balance between the company's ability to compete for talent and its ability to manage costs.

The Remuneration Committee of the Board sets Santos' remuneration policy objectives and oversees the major programs aimed at achieving those objectives. Santos' remuneration policies aim to:

- responsibly facilitate the attraction and retention of people able to contribute to the company's success;
- encourage employees to strive for superior performance by rewarding achievement of targets that are challenging but fair; and
- with regard to senior executives, encourage creation of long-term shareholder value.

REMUNERATION PRINCIPLES DURING THE ECONOMIC DOWNTURN

In response to the impacts of the global financial crisis, Santos implemented various measures including a pay freeze which applied to the CEO and all senior executives and employees except for changes in roles and responsibilities and exceptional reasons. These measures resulted in cash savings in excess of \$10 million and were among the most decisive among employers in the Australian exploration and production industry.

Santos applies the principles of performance differentiation to prioritise its remuneration expenditure underpinned by a program which rates performance with regard to achievement against targets and alignment with the company's values. These performance ratings heavily influence the distribution of funds allocated by the Board for short-term incentives and pay rises.

While base remuneration was contained during the downturn, strong performance was rewarded via payment of a competitive short-term incentive, demonstrating the Board's commitment to rewarding performance.

SHARE-BASED REMUNERATION

Santos considers linking the interests of its employees and shareholders important to the sustainable management of its human capital.

The majority of employees have equity in the company through share-based remuneration. For non-executive employees this is provided via an annual share grant and an annual opportunity to purchase company shares at a discount. Shares issued under both plans cannot be sold, transferred or otherwise until minimum periods have expired.

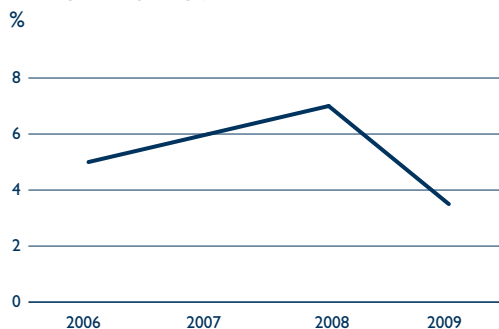
All share-based remuneration provided to the CEO is subject to performance hurdles measured over three years, therefore strongly linking the interests of the company's shareholders with that of its key leader.

SUSTAINABLE MANAGEMENT OF REMUNERATION

The challenge for Santos in 2010 is to maintain sound governance of remuneration and benefits practices as the demand for skills in the oil and gas industry rebounds following the global financial crisis.

Santos' Directors recognise the importance of shareholder and community expectations regarding the management of remuneration and benefits. As such, Santos' remuneration policies and practices are continually reviewed in light of externally driven changes, such as the Australian Productivity Commission's inquiry into executive remuneration.

EMPLOYEE TURNOVER



CERTIFIED AGREEMENTS

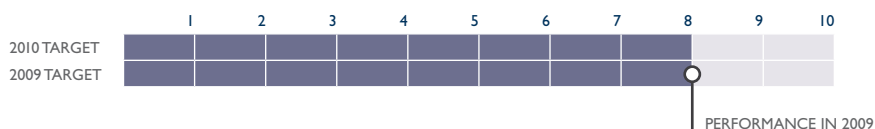
Two collective union agreements cover approximately 16% of employees. These are the Santos Ltd Cooper Basin Workplace Agreement and the Santos Petroleum Management Collective Workplace Agreement.

Conditions provided under the agreements exceed those in their underpinning Federal Enterprise Awards.

Governance and policy

Santos' systems and policies to manage a socially responsible work environment

SUSTAINABILITY SCORECARD



FOCUS AREA

Delivering strong governance systems

PERFORMANCE IN 2009

Target achieved – multiple governance and compliance tracking systems enhanced

POLICIES AND SYSTEMS IN PLACE

Ethical business conduct policies

- Anti-corruption
- Asset development policy
- Company resources
- Confidentiality
- Conflict of interest
- Corporate identity
- Financial governance
- Financial management and accounting
- Gifts and benefits
- Guidelines for dealing in securities
- Local industry participation
- Political affiliation
- Privacy
- Recruitment and selection
- Reporting misconduct
- Risk management
- Shareholder communication and market disclosure

Environment and community policies

- Community
- Environment
- Climate change
- Health and wellbeing
- Human rights
- Safety

Workplace and employment policies

- Conditions of employment
- Equal opportunity
- Information systems
- Internet and electronic communications
- Issue resolution
- Leave
- Performance management
- Remuneration and benefits
- Training and development

CORPORATE GOVERNANCE POLICIES

To ensure Santos meets the requirements of the *Corporations Act 2009* and the Listing Rules of the Australian Securities Exchange (ASX), the Santos Board has established corporate governance policies.

It is the opinion of the Santos Board that the policies comply with best practice, including the ASX Corporate Governance Principles and Recommendations.

Santos updates its policies as required to comply with legislation and best practice.

More information on the company's policies and procedures is available in the corporate governance section of the Santos Annual Report 2009, and on the Santos website at www.santos.com.

A FRAMEWORK FOR GOOD GOVERNANCE

Santos has documented its management and governance system in *How Santos Works*. The purpose of *How Santos Works* is to outline the framework in which the company sets policies, manages risk, and assures operational systems and corporate behaviour are consistent with its vision, values and strategy.

The assurance component of *How Santos Works* was assessed and significantly improved in 2009, to enhance the means by which management and the Board receive assurance that the Company is well managed as defined by Santos' management system objectives.

The introduction of *How GLNG Works* extended this concept to define and outline how the framework of the GLNG business will support the company's objectives and business plans. In 2009–2010 *How GLNG Works* is being reviewed to ensure the business continues to meet its obligations to its owners, employees, external stakeholders and the community in which it operates.

COMPLIANCE

Santos has in place a standard tool for tracking and recording its compliance obligations (such as permits, licences, and legal instruments) called ComTrack. The use of ComTrack continued to expand in 2009 to cover an increasing scope of compliance obligations.

COMPLETION OF SQAD REVIEW

In 2009, the Santos Quality Asset Development (SQAD) system upgrade was completed.

This governance process establishes the critical link between the executives responsible for determining and guiding the strategic direction of an organisation, and those responsible for executing and supporting those strategies.

SANTOS INTERNAL AUDIT

The Santos internal audit is required to report to senior management, the Board and the Audit Committee of the Board, providing independent and objective assurance of the effectiveness of Santos' risk management and internal control systems.

The Santos internal audit is accountable to the Board of Directors, through the Chairman of the Audit Committee.

RECOGNITION

Santos' focus on corporate governance has again been recognised by accounting and management firm WHK Horwath.

In its 2009 independent Corporate Governance Report, WHK Horwath awarded Santos the maximum five-star rating for its corporate governance. Santos is one of only two companies to achieve a five-star rating in all seven Horwath Reports.

Organisation chart and committees

In 2009, Santos adopted a new organisational structure which focuses on generating growth options and building functional excellence.

The new operating model is structured around three key elements – The Corporate Centre, Technical Disciplines, and Business Units – and is managed by the Santos Leadership Team. It will enable Santos to drive business performance through Business Units and drive excellence through the Disciplines with the Corporate Centre ensuring alignment with the company's overall strategy.

The composition of the Board is determined in accordance with Santos' Constitution and Board Guidelines. The names and details of the experience, qualifications, special responsibilities, and term of office of each Director and the Company Secretary are set out in Santos' Annual Report 2009.

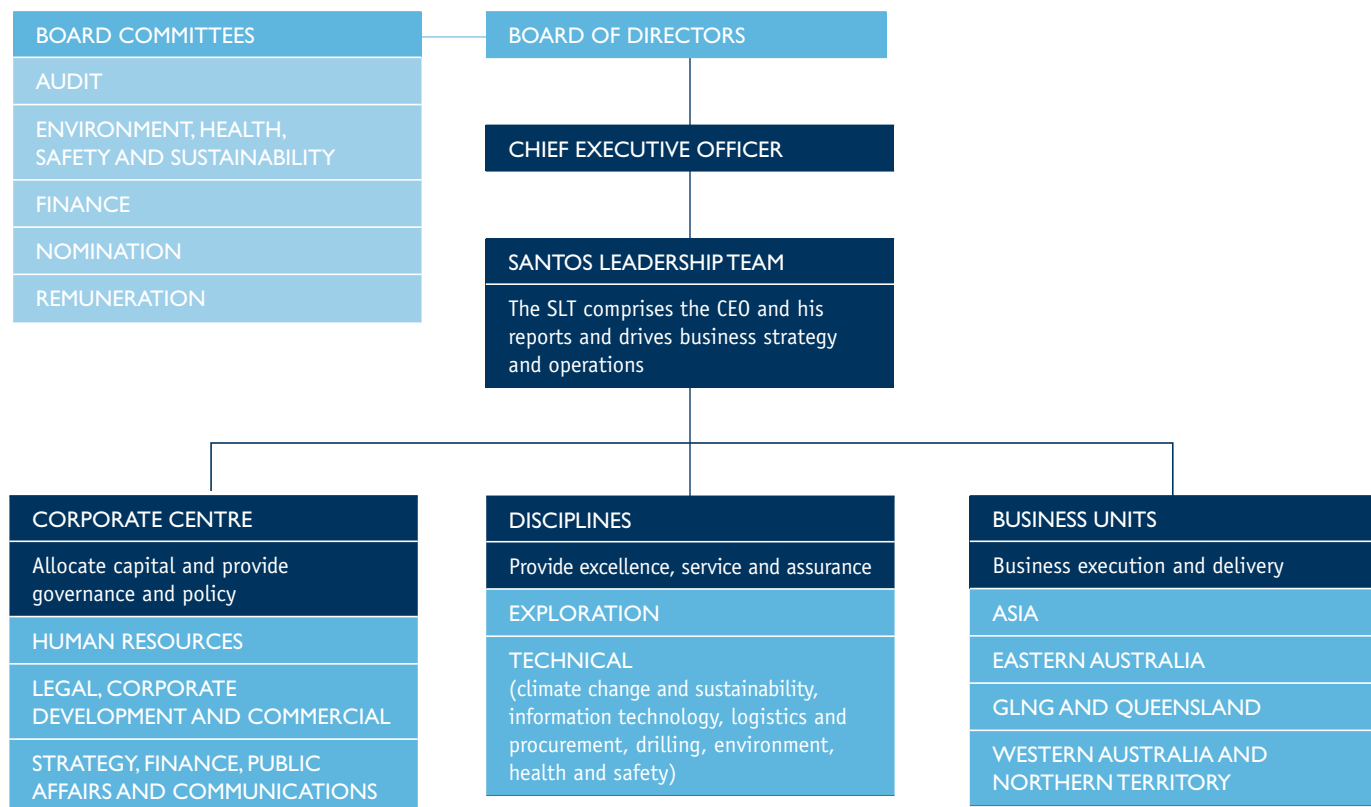
To achieve the highest standards of corporate governance, the Board has established corporate governance policies and charters including:

- Board Guidelines
- Board Committee Charters
- Risk Management Policy
- Code of Conduct
- Guidelines for Dealing in Securities
- Continuous Disclosure Policy
- Shareholder Communications
- Market Disclosure Policy



ANNUAL REPORT 2009

The Sustainability Report provides a brief overview of governance and policies. More detail is provided in Santos' Annual Report 2009 at www.santos.com.



The economic impact of Santos' activities



Economic



KEY RISK AREAS

Risk management
Maintaining strong
financial performance

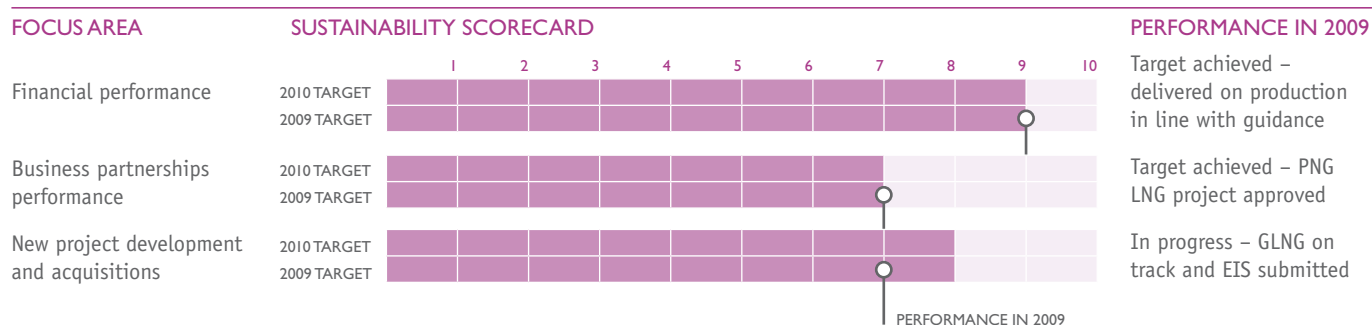
OPPORTUNITIES

LNG development
Clean energy

The safe and reliable transportation of liquid natural gas to overseas customers is pivotal to Santos' growth trajectory.

Financial performance

The contribution made by Santos directly and indirectly through its financial performance and outcomes



	2009	2008	2007	2006
SOCIOECONOMIC CONTRIBUTION				
Number of employees (full-time equivalent)	2,095	1,918	1,774	1,679
Number of shareholders	107,138	78,933	77,498	83,566
Wages and salaries (\$million)	312.5	282.4	253.0	230.7
Materials, goods and services (\$million)	1,129.0	1,426.0	947.4	754.2
Royalties and taxes (\$million)	688.0	545.6	534.6	427.5
Sponsorship (\$million)	6.5	7.5	3.8	3.8
FINANCIAL PERFORMANCE AS AT 31 DECEMBER				
Santos average realised oil price (A\$/bbl)	78.83	117.45	92.0	89.35
Financial performance (\$million)				
Product sales revenue	2,180.5	2,761.8	2,488.5	2,750.3
Net profit after income tax attributable to the shareholders of Santos Ltd	433.5	1,650.1	359.3	643.4
Financial position (\$million)				
Total assets	11,361	9,801.9	7,320.2	6,902.9
Net debt (cash)	(605.4)	506.0	1,838.7	1,449.7
Total equity	6,967.1	4,478.3	3,093.1	3,355.5
Reserves and production (mmboe)				
Proven plus probable reserves (2P)	1,440	1,013	879	819
Production	54.4	54.4	59.1	61
Exploration				
Wells drilled (number)	6	13	10	25
Expenditure (\$million)	266.4	233.1	149.8	258.5
Other capital expenditure (\$million)				
Delineation and development	1,158.7	1,290.3	954.6	865.5
Buildings, plant and equipment	172.2	105.1	202.2	182.1

This section provides a brief summary of Santos' socioeconomic performance and reports against key sustainability metrics. Further detail on Santos' financial performance is provided in Santos' Annual Report 2009 (www.santos.com).

Santos' robust performance in 2009 delivered production in line with original guidance and lower operating costs.

Net profit after tax of \$434 million compared to the \$1.7 billion result reported for 2008, which was boosted by the \$1.2 billion profit from the sale of a 40% interest in the GLNG project to PETRONAS.

Santos is well positioned for growth, with a simple and robust strategy backed by a strong balance sheet. This position was strengthened by the successful \$3 billion equity raising held in 2009, which received strong institutional and retail investor support and commendation from financial media and industry.

Santos continued to progress its transformational LNG strategy, and now holds a LNG portfolio unique for a company of its size: its cornerstone GLNG project, the recently approved PNG LNG project, the existing Darwin LNG project, and the proposed Bonaparte LNG project.

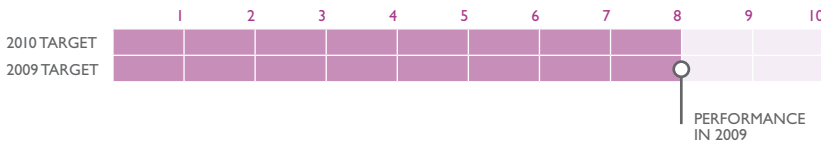
In its Australian base business, Santos acquired significant additional acreage in the Gunnedah Basin of NSW, and progressed new projects in Victoria and Western Australia. In Asia, the company has a new project online in Indonesia, and has approved its first oil project in Vietnam.

Shareholder dividends were declared at 42 cents per share, unchanged from 2008.

Supply chain performance

The composition and efficient operation of the supply chain used by Santos, including the use, impact and concentration of the supply chain in companies and communities

SUSTAINABILITY SCORECARD



FOCUS AREA

Investing in local suppliers

PERFORMANCE IN 2009

Target maintained – principles and practices embedded across the business

USING LOCAL SUPPLIERS

Santos recognises that working with local suppliers is a catalyst for local employment and business development. Partnering with local businesses to deliver positive outcomes in its areas of operation is part of Santos' strategy.

The company encourages local suppliers to register their interest in working with Santos to enhance procurement activities and local business development.

In a bid to boost local economies through the multi-billion-dollar GLNG project, the procurement team has partnered with the Queensland-based Industry Capability Network to help source potential suppliers of services and materials to support GLNG.

CENTRALISING CONTRACTOR EHS PLANS

An online portal has been created to collate the environment, health and safety management plans of Santos' contractors and suppliers for moderate and high risk activities.

Centralising this information online makes it easier for plans to be maintained, updated and distributed as required.

CHALLENGING PROCUREMENT DECISIONS

Santos has adopted a procurement review process that delivers a streamlined and sustainable procurement system.

The review process involves procurement boards overseeing and challenging procurement operations in each of the three Santos business units, Eastern Australia, Western Australia and Northern Territory, and Asia-Pacific.

The boards aim to achieve agreements that deliver maximum value and align individual activities with Santos' overall business strategy.

DEVELOPING PEOPLE

Working effectively with contractors and suppliers who support Santos operations and projects is paramount to the success of the company.

In 2009, an e-learning development program was launched aimed at embedding a thorough understanding of the roles and responsibilities held by contract sponsors, contract representatives and site representatives charged with managing contracts.

Santos is now better placed to mitigate risk and generate value through contractor and supplier relationships with effective engagement and management.

PROCUREMENT AND LOGISTICS

A new program was implemented in 2009 to build competency and knowledge in procurement and logistics activities.

The program aims to increase understanding of Santos' business processes over four modules including assessment. The program is another measure to help Santos to continue to build its procurement and logistics capability.

COMMUNITIES OF PRACTICE

Santos has established what is being called communities of practice, to informally link procurement and logistics team members who work in different business areas and locations but perform similar roles.

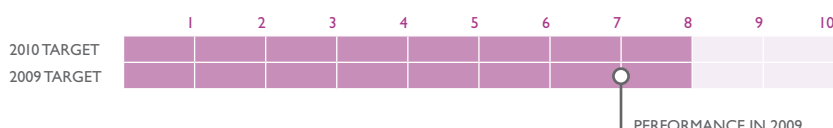
The thrust of the concept is to create an environment where like-minded professionals share information, knowledge and experience with their peers. Individual communities of practice have been established for both the procurement and the logistics teams.

Learning from experience and, more importantly, sharing knowledge is another step towards Santos achieving more sustainable business practices.

Risk management

Identification and assessment of all business risk and mitigation within the company's tolerance, including appropriate insurance cover

SUSTAINABILITY SCORECARD



FOCUS AREA

Risk management is applied consistently

PERFORMANCE IN 2009

In progress – improved monitoring and understanding of risks across the business

RISK RESPONSIBILITY MATRIX

Risk rating	Required action
5	Vice President and CEO to be notified immediately. Immediate action required to reduce risk to a rating of 4 or suspension of activity unless specific authorisation for continued tolerance received.
4	Manager responsibility must be allocated. Action required within two weeks.
3	Manager responsibility must be allocated. Action required within one month.
2	Superintendent/Team leader responsibility must be allocated. Manage by specific monitoring of controls.
1	Manage by routine procedures and regular monitoring. Record in risk register.

NEW RISK MANAGEMENT STANDARD

In December 2009, ISO31000 Risk Management was ratified as the new risk management standard. Previously, Santos had based its risk management processes on the standard AS/NZS 4360:2004. Santos' current risk processes comply with the new standard.

NEW RISK MANAGEMENT SOFTWARE

Santos has introduced a new application called Risk Assessor, to improve risk tracking and monitoring of actions required to mitigate risks across the business.

Initially implemented for the GLNG project, Risk Assessor use has been extended to record and monitor all significant risk assessments that Santos undertakes.

Advantages of Risk Assessor include the ability to send email alerts to identified task owners and the overall project owner if tasks are overdue. The software also facilitates the amalgamation of reporting risks across the business.

RISKS RETAINED

Santos undertakes significant financial modelling to understand its capacity to retain financial risks where the cost of transferring the risk to an insurer is not beneficial.

The company self-insures workers' compensation in South Australia up to a financial threshold, after which insurance is purchased.

All third-party liability risk that can be insured is insured. This includes environmental and pollution exposures. Third-party risks that cannot be transferred are retained and reviewed as part of Santos' risk register. The company's international growth strategy takes into account the sovereign risk associated with investing internationally.

RISKS TRANSFERRED

Santos reviews all risks capable of being transferred financially or commercially. A company-wide procurement contracting practice ensures Santos' insurance and indemnity regime with contractors is consistently applied.

Santos has an insurable risk register, which is reviewed annually with its insurance brokers in contemplation of the annual renewal of the company global insurance program. Santos maintains appropriate insurances that would be expected from a company of its market capitalisation.

CLIMATE CHANGE RISKS

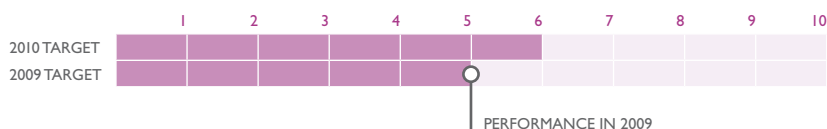
Santos has reviewed the integration of climate change into the company's risk assessment process. Key climate change risks for Santos include sea level rise and the impacts associated with the potential increasing frequency and severity of extreme weather events.

The review determined that climate change could be integrated into existing risk categories and will be registered as either a technical or environmental risk under the category Operational Risk Process – Natural Perils.

Security

Prevention, preparation, response and recovery to ensure the resilience of Santos' people, assets, information systems and communities in which we operate

SUSTAINABILITY SCORECARD



FOCUS AREA

Systems and procedures that ensure Santos' resilience

PERFORMANCE IN 2009

Target maintained – management systems expanded to facilitate detection and mitigation of security risks

Sound governance and sustainable use of natural resources are vital to human security, political stability and conflict prevention.

Santos works collaboratively with governments and communities to detect, deter and mitigate potential security risks. Santos sites comply with relevant domestic and international regulations for maritime, aviation and land transport security.

Santos also tailors security to each of its operating locations, providing effective arrangements for employees, contractors and the community.

ADDITIONAL SECURITY

Security systems and procedures were enhanced in 2009 with the placement of a security adviser to support the GLNG project in Brisbane.

This position complements the security adviser positions in the Cooper Basin, and security management positions in Kyrgyz Republic and Indonesia. A dedicated security management structure is supported corporately by Santos' Principal Security Adviser.

These positions play a key role in supporting the integration of new security procedures and practices as they are rolled out through 2010.

SECURITY ACCESS CARD

To coincide with the opening of new Santos offices in Brisbane and Perth, a new 'One Santos' security access card was successfully rolled out to employees in Adelaide, Brisbane and Perth, and field locations in the Cooper Basin, south-west Queensland and Port Bonython.

With this introduction, employees and contractors with relevant permissions can access multiple Santos offices and field locations with a single card. This reduces the need for staff to carry multiple cards, and will ensure that Santos' environment, health and safety inductions are more efficiently completed.

Following initial success, other Santos locations such as eastern Queensland and Indonesia will be incorporated into this system.



PANDEMIC RESPONSE

Santos activated its pandemic planning arrangements in response to the Influenza A (H1N1) swine flu outbreak in 2009. The outbreak exposed Santos to a unique threat at a local and international level. The company used a risk-based approach that allowed elements of its response plan to be applied appropriately to given situations.

Santos' response included:

- implementing existing protocols e.g. infectious disease protocols at Moomba;
- readily available supplies of antiviral drugs;
- personal protective equipment;
- responding to individual cases in accordance with both organisational and medical advice;
- updates and alerts for staff; and
- a calm and mature approach to the outbreak response by staff.

With a commitment to the health and safety of its employees, Santos was pleased that at the time of printing no employee or their direct family members were seriously affected by this virus or associated medical conditions. From a business perspective, this meant that any potential effect on Santos' operations through absenteeism was avoided.

Glossary

barrel/bbl

The standard unit of measurement for all production and sales. One barrel = 159 litres or 35 imperial gallons.

biodiversity

The natural variability of plants and animals, and the environments in which they live.

boe

Barrels of oil equivalent. The factor used by Santos to convert volumes of different hydrocarbon production to barrels of oil equivalent.

carbon dioxide equivalent (CO₂-e)

CO₂-e is a measure of greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide) with the same global warming potential as carbon dioxide when measured over a specific time.

climate change

Climate change is a term used to define the result of changes in weather patterns because of an increase in the earth's average temperature, caused by increases in greenhouse gases in the atmosphere.

the company

Santos Ltd and its subsidiaries.

condensate

A natural gas liquid that occurs in association with natural gas and is mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.

crude oil

A general term for unrefined liquid petroleum or hydrocarbons.

cultural heritage

Definitions of cultural heritage are highly varied. Cultural heritage can be considered to include property (such as landscapes, places, structures, artefacts and archives) or a social, intellectual or spiritual inheritance.

exploration

Drilling, seismic or technical studies undertaken to identify and evaluate regions or prospects with the potential to contain hydrocarbons.

greenhouse gas

A gas that contributes to the greenhouse effect by absorbing infrared radiation.

- Scope 1 – direct greenhouse emissions
- Scope 2 – indirect greenhouse emissions

hazard

A source of potential harm.

hydrocarbon

Compounds containing only the elements hydrogen and carbon, which may exist as solids, liquids or gases.

Joules

Joules are the metric measurement unit for energy.

- A gigajoule is equal to 1 joule x 10⁹
- A terrajoule is equal to 1 joule x 10¹²
- A petajoule is equal to 1 joule x 10¹⁵.

liquids

A sales product in liquid form; for example, condensate and LPG.

LNG

Liquefied natural gas. Natural gas that has been liquefied by refrigeration to store or transport it. Generally, LNG comprises mainly methane.

lost-time injury frequency rate (LTIFR)

A statistical measure of health and safety performance. A lost-time injury is a work-related injury or illness that results in a permanent disability or time lost of one complete shift or day or more any time after the injury or illness. LTIFR is calculated as the number of lost-time injuries per million hours worked.

LPG

Liquefied petroleum gas. A mixture of light hydrocarbons derived from oil-bearing strata which is gaseous at normal temperatures but which has been liquefied by refrigeration or pressure to store or transport it. Generally, LPG comprises mainly propane and butane.

market capitalisation

A measurement of a company's stock market value at a given date. Market capitalisation is calculated as the number of shares on issue multiplied by the closing share price on that given date.

medical treatment injury frequency rate (MTIFR)

A statistical measure of health and safety performance. A medical treatment injury is a work-related injury or illness, other than a lost-time injury, where the injury is serious enough to require more than minor first aid treatment. Santos classifies injuries that result in modified duties as medical treatment injuries.

mmboe

Million barrels of oil equivalent.

oil

A mixture of liquid hydrocarbons of different molecular weights.

sales gas

Natural gas that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.

Santos

Santos Ltd and its subsidiaries.

seismic survey

Data used to gain an understanding of rock formations beneath the earth's surface using reflected sound waves.

top quartile

Top 25%.

total recordable case frequency rate (TRCFR)

A statistical measure of health and safety performance. Total recordable case frequency rate is calculated as the total number of recordable cases (medical treatment injuries and lost-time injuries) per million hours worked.

CONVERSION

Crude oil	1 barrel = 1 boe
Sales gas	1 petajoule = 171,937 boe
Condensate/ naphtha	1 barrel = 0.935 boe
LPG	1 tonne = 8.458 boe

For a comprehensive online conversion calculator tool, visit the Santos' website at www.santos.com

GRI and IPIECA /API index

Santos' 24 sustainability indicators are based on the Global Reporting Initiative (GRI) G3 reporting guidelines and the International Petroleum Industry Environmental Conservation Association (IPIECA) and American Petroleum Institute (API) reporting guidance.

Below is an index referencing Santos' 24 sustainability indicators to international sustainability reporting guidelines.

This report provides a succinct overview of Santos' performance against its sustainability indicators.

Further detail on many of these indicators is provided in Santos' Annual Report 2009 and website at www.santos.com/sustainability2009.

SANTOS SUSTAINABILITY INDICATORS	GRI G3 GUIDELINES	IPIECA/API GUIDANCE	SANTOS SUSTAINABILITY REPORT 2009
Environment			
Air quality	EN19, 20	ENV-A6, 4	p. 18
Biodiversity and land disturbance	EN11, 12, 13, 14, 15	ENV-A9	p. 22
Climate change	EN3, 4, 5, 6, 7, 16, 17, 18, EC2	ENV-3, 4, A6, 5, A8	pp. 12-17
Incidents and spills	EN23, 25, 28, 30	ENV-1, A1, A2	p. 23
Waste management	EN22, 24	ENV-A3, A4, A5	p. 19
Water management	EN8, 9, 10, 21, 25	ENV-2, A7	pp. 20-21
Community			
Community wellbeing	SO1, EC9	SOC-8, A3, A4, A5	pp. 27-28
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