

TULLOW OIL PLC
CREATING
SHARED PROSPERITY



Tullow Oil plc is Africa's leading independent oil company. We have more than 150 licences across 25 countries, including 17 countries in Africa. We are one of the world's most successful explorers and have opened up four new oil basins since 2006. This includes the discovery of oil in the South Lokichar Basin in Kenya in 2012. We are headquartered in London and have a total global workforce of over 1,700 people. Our shares are listed on the London, Irish and Ghana stock exchanges.

CREATING SHARED PROSPERITY

Our business model

Our vision is to be the leading global independent exploration and production company and we have a clear and consistent exploration-led growth strategy to achieve this. Our business model has two dimensions aligned to how we create value and, equally importantly, how we run our business.

We create value in the areas of exploration, operations and financial management. We run our business responsibly through a focus on risk management, governance & values, organisation & culture and creating shared prosperity. Consequently, our responsibilities and opportunities to contribute to economic and social development are across the breadth of our business model and activities.

For more information on our business model



ABOUT CORPORATE RESPONSIBILITY REPORTING

In 2012, we asked for feedback on how we could improve our corporate responsibility reporting. This included a review of best practices, gathering views from, amongst others, socially responsible investors (SRI), host country stakeholders and key internal user groups. As a result, we have made a number of important changes this year. We have enhanced our disclosure with new content, including transparency on payments to governments. We have also provided greater insight into our materiality process.


This report focuses on our 2012 performance. It is published in full in print and online, and in summary in print and online, in both English and French. Reported data is for the financial year ending 31 December 2012. In response to requests for more customised country-specific information we will publish country reports for Ghana, Uganda, Kenya and Ethiopia in 2013.

We have applied the Global Reporting Initiative (GRI) G3.1 Guidelines and Oil and Gas Sector Supplement and this report has achieved an Application Level A+. Our GRI index and basis of reporting can be found at www.tullowoil.com/ccr2012/gri. Where appropriate, we have also taken into account the International Petroleum Industry Environmental Conservation Association (IPIECA) good practice guidance on corporate responsibility reporting.



OIL LIFE CYCLE

We have created an illustration of the oil life cycle as a tool to help our stakeholders understand both our activities and our responsibilities, at each stage of our operations. This year we will be rolling the oil life cycle out across the Group and online and plan to develop a range of complementary tools and illustrations. We would be delighted to receive any feedback on how we can improve this or any aspect of our report. Write to us at csr@tullowoil.com.


More information 
10, 11

We are committed to ensuring that the success of the oil and gas industry brings long-term benefits to local people and economies where we operate. This means we seek to manage our business in a responsible way to maximise sustainable development opportunities for host nations. In support of this commitment, which we call 'creating shared prosperity', we bring together and report on eight aspects of our activities. Creating shared prosperity is integral to our business model and is synonymous with our Corporate Responsibility strategy. Each of the eight key elements has a dedicated section that reports on the issues that are the most important to our business and to our stakeholders.

The foundation of shared prosperity is to be a successful and profitable company. This enables us to meet our obligations to governments, employees and suppliers and to generate returns for shareholders and providers of finance for our business. Our approach to governance, the environment, health and safety (EHS), people, supply chain, local content and social performance directly affects our ability to run our business successfully and stakeholder engagement is a critical tool to ensuring the long-term acceptance of our operations. Being a responsible operator enables us to play our part in achieving sustainable economic development, strong environmental stewardship and a positive social contribution in our host countries.

DEFINITION OF MATERIALITY

We define materiality as the issues that have the potential to impact the execution of our exploration-led growth strategy and three year business plans as well as the issues that have the most significant prospective social, environmental and economic impacts on society. Our definition of materiality is consistent with that of IPIECA, the global oil and gas industry association for environmental and social issues. In 2012, we undertook a materiality review to ensure that the issues in this report are those that are of most significance to Tullow as a business and to our key stakeholder groups.

More information 
25



SCHOLARSHIP STUDENTS



In 2012, the Tullow Group Scholarship Scheme awarded over 90 scholarships to students from Ghana, Uganda, Kenya, Mauritania, Côte d'Ivoire, Gabon and Ethiopia. Students began their studies in September 2012.

Courses range from Exploration Geophysics and Law to Supply Chain Management and Hospitality and Tourism at universities in the UK, France and Ireland. The scheme aims to build capacity in our host countries and increase the pool of potential local employees, enabling more people to participate in the industry and related sectors.

Students

1. Meseret Kachera – Ethiopia
2. Anita Appiah – Ghana
3. Dennis Mali Kwena – Kenya
4. Elizabeth Kanagwa – Uganda
5. Alain Kapitho – Gabon
6. Yaa Boateng-Marfo – Ghana
7. Tesfaye Kebede Fita – Ethiopia
8. Rosina Obeng – Ghana
9. Faustina Koomson – Ghana
10. Tedesse Niquise – Ethiopia
11. Helen Nakiryowa – Uganda
12. John Antw – Ghana

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2012 OVERVIEW

As Africa's leading independent oil company we support the transparent disclosure of payments received by governments from the oil and gas industry in their respective countries.

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STAKEHOLDER ENGAGEMENT

We undertook a review of the issues raised in our key stakeholder engagements during 2012. We have distilled our most material issues into a risk-based overview of what matters to our stakeholders and to Tullow as a business.

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2012 PERFORMANCE

2012 was a year of major progress for the Group. In 2013, we are in a stronger position than ever to add real and sustainable value for all our stakeholders.

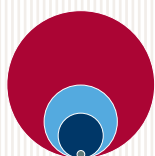
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SUPPLEMENTARY INFORMATION


We have included information on payments to governments by country for our development projects and key producing assets. We have also increased the level of our assurance and the number of indicators we report on.

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TRANSPARENCY


Our Chairman sets out the case for transparency on payments to governments in his statement. This is complemented by transparency case studies on Ghana and Uganda, a detailed transparency review by our Chief Financial Officer and country level information in section four of this report.

More information 
8, 12, 14, 16, 37, 76

CREATING SHARED PROSPERITY IN ACTION

CREATING SHARED PROSPERITY IN ACTION

One of the areas highlighted in the feedback on last year's report was the need to demonstrate with practical and business-related examples what creating shared prosperity looks like in action. Across this report we have included a variety of examples to address this request.

More information 
14, 26, 36, 46, 54, 64

CREATING SHARED PROSPERITY IN ACTION

In 2012, we made good progress in our creating shared prosperity initiatives. We also enhanced our materiality process which, we believe, is improving the quality of our reporting and accountability in this area.



GOVERNANCE

Oil and gas revenues can be a significant driver of economic and social development, particularly in countries that are resource dependent or have an emerging oil industry. This year we are publishing details of our economic contribution, including payments to governments, in line with our commitment to revenue transparency and accountability. In 2012, governments received \$573 million in taxes and other payments and over three million barrels of oil.

\$905 MILLION¹
2012 payments to governments

We have zero tolerance of bribery and corruption in our business. In 2012, over 1,100 people or 60% of our total workforce, including the Tullow Board, participated in Code of Business Conduct awareness training. There were 18 reports to our whistle blowing telephone line leading to 16 investigations. As a result two employees and 12 contract staff left Tullow.

ZERO

Tolerance of any form of bribery or corruption.

1. For illustrative purposes, we use Tullow's 2012 realised oil price of \$108 per barrel to approximate the value of payments in kind in barrels of oil, which are included in this total.



PEOPLE

Employing local nationals is a core pillar of how we help to build capacity for a nascent oil industry in host countries. Known as localisation, this also creates a diverse team of committed and motivated employees, who become advocates and ambassadors for Tullow and the industry. This year, in delivering our localisation strategy, we increased the proportion of locals working in Uganda and Ghana to 88% and 86% respectively.

Competitive remuneration is an important aspect of recruiting and retaining our employees. During 2012 we participated in 16 global surveys, benchmarking our employee compensation. We commissioned local surveys in Ghana, Kenya, Ethiopia and Uganda. We measure our staff turnover rate annually and it is one of our main non-financial KPIs. In 2012, our total workforce, including permanent and contract staff, grew 15% to 1,778 people. Staff turnover was 2.9%.

80%

Local national employees in Tullow

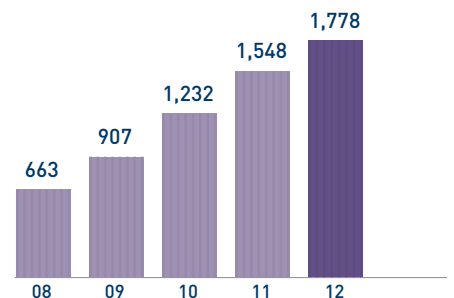
\$252 MILLION

2012 employee payroll

Total workforce

1,778

15% ↑



STAKEHOLDER ENGAGEMENT

Stakeholder engagement takes place across the business, from local communities through to national and international stakeholder engagement, led by our Chairman and Executive Directors. It helps us to manage what are often complex political, social and environmental challenges. It informs our understanding of which issues are material to our business and how we address these in terms of our business activity. In 2012, over 200 stakeholders were interviewed in one of the most comprehensive stakeholder engagement programmes undertaken to date by Tullow in Ghana.

400+

Stakeholder issues analysed in 2012

More information

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SOCIAL PERFORMANCE

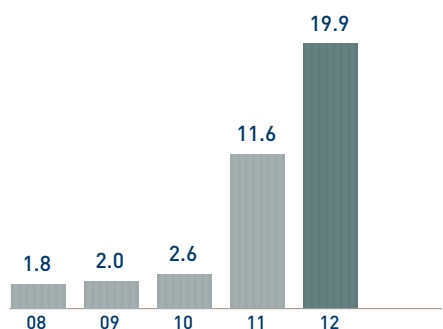
We recognise that our growing portfolio and new areas of operation require us to engage with our stakeholders more effectively, to successfully manage our social impacts. This helps us to manage both our 'above ground' risks and our relationships with host governments, local communities and civil society organisations. In 2012, we enhanced our social performance capability and we will start the process of developing a new Tullow social performance standard in 2013.

NEW

approach to Social Performance

As part of our social impact management, we invest in projects mainly in the areas of capacity building through education. In 2012, we invested \$19.9 million in discretionary projects, a 72% increase on 2011. This included over 90 international scholarships in oil and gas related studies for students from Africa.

Discretionary social investment
\$19.9 MILLION ↑ 72%



ENVIRONMENT, HEALTH & SAFETY

We manage our EHS performance by measuring a mix of nine leading and lagging indicators in an EHS scorecard which is agreed annually with the Tullow Board. This EHS scorecard is one of the components of the performance related elements of Directors' remuneration. In 2012, we achieved a score of 22 out of a possible 27 for EHS, which represents a strong overall performance, but one we continue to work to improve upon.

22/27

2012 EHS performance

A new EHS Board sub-committee has been formed to reflect how material EHS management and performance are to our business. The committee will focus on personal and process safety, occupational health and the environment and will advise the Board on EHS policies, standards, performance and regulatory and technical developments related to EHS management.

NEW

EHS Board sub-committee



SUSTAINABLE SUPPLY CHAIN

Over 80% or \$1.6 billion of our 2012 capital expenditure was invested in our African operations. Supply Chain Management is at the heart of implementing our capital expenditure programme. It is also integral to achieving high EHS standards, maximising local content opportunities and meeting our regulatory obligations on anti-bribery and corruption.

\$1.6 BILLION

2012 capital expenditure in Africa



LOCAL CONTENT

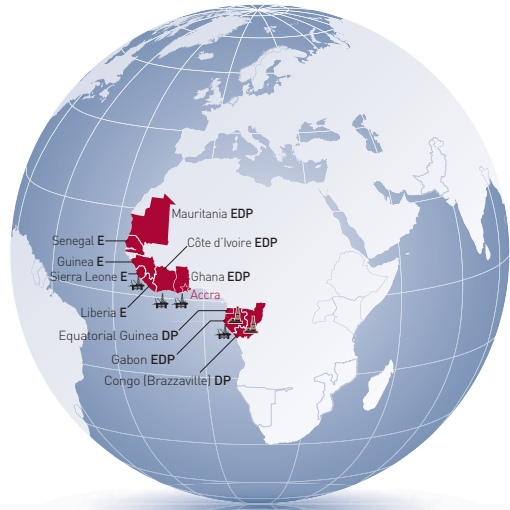
In 2012, we spent \$145 million with suppliers which are majority owned by local nationals. Local suppliers sometimes need extra support and skills transfer to enable them to achieve supplier pre-qualification and compete for business opportunities. In 2012 we held 'closing-the-gap' seminars in Uganda and Ghana to help local companies understand the requirements of the oil and gas industry. We also funded the opening of an Enterprise Centre in Uganda to support small to medium sized businesses.

\$145 MILLION

Local supplier expenditure in 2012

TULLOW AT A GLANCE

We have a growing portfolio of exploration, appraisal and production assets in 25 countries across over 150 licences. We achieved a strong operating and financial performance in 2012 and are very well positioned for future growth.



GROUP OVERVIEW

We organise our activities into three regions: West & North Africa, South & East Africa and Europe, South America & Asia. In 2012, we entered five new countries – Guinea, Mozambique, Greenland, Norway and Uruguay. We also announced the planned disposal of our assets in Pakistan, the UK and the Netherlands; and in early 2013, announced the sale of Tullow Bangladesh. Our operational activities span the oil life cycle, from exploration and appraisal (E&A), to major development projects and production operations.

Tullow's operations	2012 Group totals
Countries	25
Licences	151
Acreage (sq km)	328,996
Working interest production (boepd)	79,200
Reserves and resources (mboe)	1,203
Sales revenue (\$billion)	2.3
Capital investment (\$billion)	1.9
Operating cash flow (\$billion)	1.8
Operating profit (\$billion)	1.2
Profit after tax (\$million)	666.0

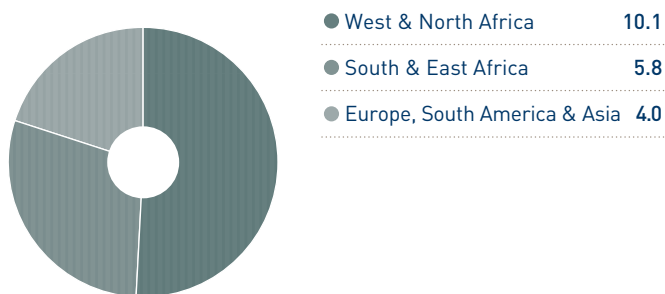
WEST & NORTH AFRICA

Tullow's production in Africa comes from the operated Jubilee field in Ghana and a number of non-operated fields in Equatorial Guinea, Gabon, Côte d'Ivoire, Congo (Brazzaville) and Mauritania. Elsewhere in the region, we have continued to explore for high-impact prospects and in 2013 our exploration focus will be on offshore Mauritania and Côte d'Ivoire.

Regional information	2012 Total
Countries	10
Licences	43
Acreage (sq km)	101,769
Working interest production (boepd)	57,850
Reserves and resources (mboe)	647.0
Sales revenue (\$million)	1,964
E&A success ratio (%)	15/19 wells, 79
Development wells	79

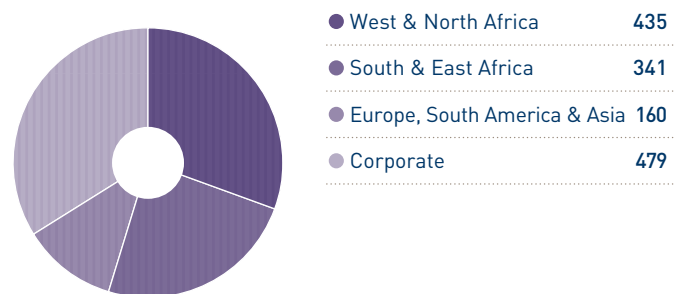
2012 social investment spend

\$19.9 MILLION



2012 permanent employee numbers

1,415 EMPLOYEES



 2012 offshore drilling activity
  2012 onshore drilling activity
E Exploration **D** Development **P** Production
 Key offices **E&A** Exploration & Appraisal



SOUTH & EAST AFRICA

2012 was an important year for Tullow in East Africa. The successful conclusion of the \$2.9 billion farm-down of our Lake Albert Rift Basin interests to CNOOC and Total in February 2012 was followed by major basin opening exploration success in Kenya. In Uganda, the partners are working with the Government to decide on the best development plan and in Kenya follow-on exploration and appraisal activity continues.



EUROPE, SOUTH AMERICA & ASIA

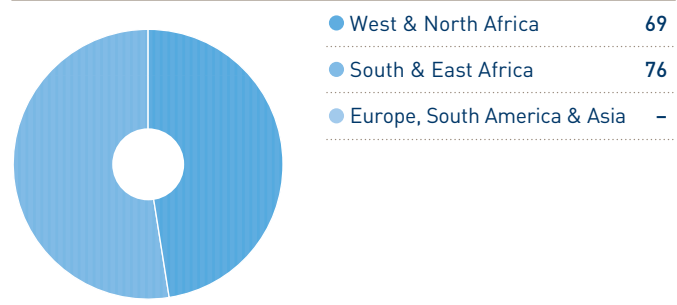
During 2012, we announced our intention to dispose of our gas assets in the UK, the Netherlands and Pakistan. In January 2012, we also completed the acquisition of a successful Norwegian exploration company, Spring Energy. In April 2013 we announced the sale of Tullow Bangladesh. In South America we continue to seek to replicate the success of our West African exploration campaign with Jubilee-type prospects.

Regional information	2012 Total
Countries	6
Licences	16
Acreage (sq km)	139,473
Working interest production	-
Reserves and resources (mmbobe)	441.6
Sales revenue	-
E&A success ratio (%)	16/21 wells, 76
Development wells	-

Regional information	2012 Total
Countries	9
Licences	92
Acreage (sq km)	87,754
Working interest production (boepd)	21,350
Reserves and resources (mmbobe)	114.3
Sales revenue (\$million)	381
E&A success ratio (%)	3/6 wells, 50
Development wells	3

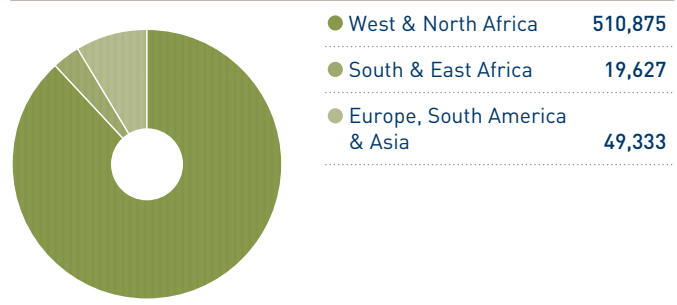
2012 local content expenditure

\$145 MILLION



2012 total air emissions

579,835 TONNES OF CO₂E



DEMONSTRATING THE CASE FOR TRANSPARENCY

Tullow is one of the most successful explorers in the world today. This places a significant responsibility upon us to play our part in ensuring that the oil we have discovered is converted into sustainable economic and social development.



Simon Thompson with Ike Duker, Executive Chairman, Tullow Ghana Limited

Dear Reader

Over the past seven years, Tullow has discovered four new oil basins – in Uganda in 2006, in Ghana in 2007, in French Guiana in 2011 and most recently in Kenya in 2012. The Jubilee field offshore Ghana is now in production and, subject to government approval, Uganda will shortly progress to the development phase. Both French Guiana and Kenya are still in the exploration and appraisal phase.

Oil is not a renewable resource, but it is a remarkable source of wealth creation that can kick-start a country on the path to sustainable economic growth. However, for oil wealth to be a blessing, it must be well-managed, and transparency is a critical first step towards achieving this. In order to play our role in promoting greater transparency, this year we are publishing the social and economic contributions that Tullow makes where we operate, including all payments to governments.¹

The case for transparency

Ghana is a good example of transparency in action. Each quarter the Government publishes the numbers of barrels of oil received from the Jubilee field and the data is independently verified by the Public Interest and Accountability Committee. This level of transparency has helped to manage expectations, particularly when production was less than anticipated prior to the successful remediation of the field in 2012. It has also encouraged a lively public debate on how the country's oil wealth should be managed.

While the full potential of oil offshore Ghana is still being explored and appraised, current P90 reserves and resources are estimated to be approximately 700 million barrels of oil. The Government's share of this will amount to some 70% of net revenues which, based on current estimates of costs and the future price of oil, could amount to \$53 billion. To put this in context, in 2011 Ghana's GDP was \$39.2 billion while foreign aid amounted to \$1.8² billion. While the numbers vary, a similar picture is emerging in several other nascent oil and gas producing nations in Africa and the decisions taken over the next few years on the investment of oil revenues have the potential to transform the economies of these countries. The payments we made to major stakeholder groups in Ghana in 2012 are set out on pages 14 and 15.

“For oil wealth to be a blessing, it must be well-managed, and transparency is a critical first step towards achieving this.”

Simon Thompson Chairman

You can now watch Simon and Ian's video interview online to find out more about our approach to transparency on payments to governments.

Video online

www.tullowoil.com/crr2012/transparency



Understanding the project life cycle

In order to interpret the data provided in this report, it is necessary to have an understanding of the life cycle of an oil project – from discovery, through appraisal, development and production to abandonment – and the different social and economic obligations that arise at each point. Before embarking upon the exploration phase, both Tullow and our host governments need to be satisfied that we have negotiated agreements that are fair and will stand the test of time. As long-term investors, we need assurance that the legal, fiscal and regulatory regime will remain stable over the life of the project, while the government must be satisfied that the agreements provide for an equitable sharing of risk and reward.

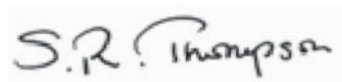
Stakeholder engagement is critical from the outset, to ensure that we inform affected parties of our proposed activities, understand and address their concerns, and earn their trust and support. During the exploration and appraisal phase, investment in the local workforce is steadily ramped up as we provide on-the-job training and scholarships for vocational and academic study. During the development phase we aim to establish a sustainable supply chain, working with domestic businesses and entrepreneurs to identify opportunities to increase local content and create linkages with the rest of the national economy. Investment in social enterprises is stepped up at this stage in order to provide tangible benefits to the communities most affected by our activities. We also have to manage expectations, which can often run ahead of reality. Throughout the life cycle of a project, all of our activities must be underpinned by strong governance to maintain high standards of ethics and integrity and an absolute commitment to the health and safety of our workforce and local communities and to the protection of the environment.

Since the exploration, appraisal and development phases all consume cash, transparency is perhaps most critical during the operating phase, when significant revenues accrue to our host governments. In this report, we set out the total payments we make to governments including payments in kind in barrels of oil, corporate and other taxes. Increased transparency is a vital first step to enable the citizens of our host countries to hold both us and their governments to account, but it is not sufficient to ensure that oil wealth will result in sustainable development. For that to happen, both the source and the application of funds need to be transparent, and oil wealth management must form part of a coherent national development plan. This clearly goes well beyond our remit, but we are working in partnership with governments, civil society and multilateral and bilateral development agencies to raise awareness of this issue and to build institutional capacity.

Achieving a better outcome

Over the past year I have had the opportunity to discuss some of the challenges we face with stakeholders from Gabon, Ghana, Kenya, Mauritania and Uganda. I have also had discussions with the Extractive Industries Transparency Initiative (EITI), development agencies, Non-governmental organisations (NGOs), academics and ethical investors active in the natural resources sector. From these discussions it is clear that there is a keen awareness, particularly within Africa itself, of the need to learn from the mistakes of the past. Recent initiatives, such as the establishment of Ghana's Public Interest and Accountability Committee, give solid grounds for optimism that with new and emerging oil countries it will be different.

At Tullow, we do not under-estimate the scale of the challenge, but we are determined to play a full and constructive role and hope that the increased transparency provided by this report will contribute to this.



Simon R Thompson
Chairman

TULLOW OIL LIFE CYCLE

One of the challenges we often face in new oil countries is both explaining the life cycle of an oil project and managing expectations. In order to help us do this we have created the oil life cycle on pages 10 and 11 and plan to build on this to enhance understanding of our role and responsibilities.



1. All references to tax and government payments are on an accounting basis, and therefore represent amounts accrued for the 2012 period as opposed to physical cash payments made during 2012.

2. Source: Organisation for Economic Co-operation and Development.

THE OIL LIFE CYCLE

The oil life cycle illustrates the stages, risks and opportunities from initial entry into a country, through to when oil is depleted and operations close. At Tullow, we are committed to ensuring the oil and gas industry brings sustainable, transparent and tangible benefits where we operate. As a consequence, we have responsibilities to local communities and national governments across the oil life cycle and work to understand and manage the impact of our presence in host countries.

5. CLOSING OPERATIONS

5 to 10 years

All natural resources are finite and at some point production will cease and the operations will be shut down. This is why we plan for the long term at each stage of the oil life cycle. At the end we need to be able to return the location as close as possible to its original state, minimising the effect on the environment. Through creating shared prosperity we aim to ensure that our investment and presence in a country makes a positive contribution, one that endures long after we have gone.

4. PRODUCING OIL

20 to 50 years

Oil production can span decades and brings with it real opportunities for economic and social development. Governments who put the substantial revenues from oil production to good use can bring long-term benefits in improving health, increasing education, building infrastructure and generating wider economic development. We also have our role to play. We must achieve production in a safe, environmentally careful and cost effective way. Plus, we must maximise the developmental opportunities and minimise any adverse impacts of oil.



START HERE

1

1. LICENCE AWARD

1 to 5 years

Tullow's exploration team identifies the best places to explore for oil by carefully studying the geology of the area. This means looking at what lies deep beneath the surface of the earth or sea bed, including the rocks and how these were formed. In entering a new country we also consider the natural habitat, the local community as well as the political and security environment. Then we apply for a licence to explore, which is granted by the host government.

2. EXPLORING FOR OIL

5 to 10 years

We do a lot of planning before we drill our first well to give ourselves the best chance of long-term success, both in finding oil and in working in harmony with local communities. We often explore in remote places of outstanding natural beauty. Our presence can have a significant impact and we want it to be a positive one. If we make a discovery, we drill a series of wells to assess the quantity and quality of the oil that we have found.

3. DEVELOPING DISCOVERIES

5 to 10 years

Developing an oil field requires complex decision-making. The starting point is to ensure it is commercially viable. We also need to understand the views of government, local communities and other interested parties. Our goal is to take into account all of the social and environmental impacts of the project in the planning and building phases. This helps us to deliver on our commitment to social contribution, environmental stewardship and lasting economic development in host countries.



2

3

AFRICA'S LEADING INDEPENDENT OIL COMPANY

Tullow is in a unique position as Africa's leading independent oil company and one of the continent's most prolific explorers. We have almost 1.1 billion barrels of oil in reserves and resources in the region with 3.4 billion barrels more of upside potential.



Aidan Heavey with Lekoitip, Wildlife Officer at Sirikoi Lodge, Kenya

We have worked hard and invested heavily to become Africa's leading independent oil company. We prize the reputation this title confers on us and see it both as a privilege and a responsibility. The larger Tullow grows and the wider our sphere of influence becomes, the more important it is for us to demonstrate and communicate the principles of how we run our business and what 'creating shared prosperity' means to us. This is particularly relevant as we increasingly see business opportunities outside of our African heartland in fulfilling our vision to be the leading global independent exploration and production company.

Zero tolerance of bribery and corruption

When I started Tullow in 1986, one of my founding principles was zero tolerance of bribery and corruption. That has not changed over the course of nearly 30 years. We were ahead of our time in this respect. The business and regulatory landscape has changed significantly in the meantime, and today, UK regulation on bribery and corruption is one of the toughest in the world. Stakeholder expectations have also never been higher and digital communications mean every activity of a business can be scrutinised. Allegations of bribery in Uganda, which we first faced and fully defended in 2010, have resurfaced again recently. To be crystal clear, Tullow has not, does not, and will not pay bribes or consider paying bribes under any circumstances. We not only have a zero tolerance policy with regard to bribery and corruption but also strive to be an example and an advocate in the fight against it.

Proactive disclosure of payments to governments

To borrow a phrase from a fellow Irishman, disclosure is the 'best vaccine against corruption'. This analogy illustrates that while there may not be a cure, we can increase immunity. As Simon Thompson, our Chairman, has outlined, we are publishing details of our payments to governments, employees, local suppliers, shareholders and our social investment expenditure for 2012. In addition, we are publishing payments to governments in 12 individual countries covering our major areas of operation. As we prepared for disclosing payments, it became clear that we needed to shift the focus of our discussions. Disclosure is a business and social responsibility issue, and transparency in all its forms is important. Therefore, the debate should focus on what is disclosed, not on whether the information should be disclosed.

“One of our founding principles was zero tolerance of bribery and corruption. That has not changed over the course of nearly 30 years in business.”

Aidan Heavey Chief Executive Officer

Watch Aidan's video interview online to find out what responsibilities come with being Africa's leading independent oil company.

Video online



www.tullowoil.com/crr2012/ceointerview

By showing the world what we contribute, we can play our role in allowing governments, wherever we work, to be held to account. We also want to demonstrate the significant contribution that is made to society by our day-to-day business and to show that we are not afraid of being held to account. There is, of course, another reason to support disclosure. As with bribery and corruption, being transparent and taking a leadership role in supporting disclosure is another important quality that defines who we are as a business.

Socially responsible

Our approach to aspects of our corporate responsibilities continues to develop. While this is an inevitable consequence of our pace of growth, it also reflects what we are learning along the way. As an oil explorer we frequently operate in very remote areas of the world, many of which are almost untouched by the 21st century. Local communities are often largely pastoral, can be in conflict with each other and lack access to basic human needs like water, food, health and education. Power, transport and infrastructure are also usually lacking. As a result, our arrival in a community can often have a major impact.

Our understanding of our social responsibilities continues to mature. They vary widely depending on the nature of the project and the phase our operations are at in a country. As we move further into the life cycle of an oil project, defining and managing our social responsibilities becomes increasingly complex. For local communities, issues of resettlement, compensation, protection of their livelihood or way of life, fairness and equity come to the fore. This is in addition to seeking opportunities for employment or becoming a supplier of goods and services to Tullow.

Undoubtedly, there have been challenges along the way but our capabilities, planning, systems and processes in the area of social performance are becoming increasingly robust, from new country entry through to safe production. This should ensure our social responsibilities are fully met, proportionately and in line with our business activities. Our reputation is increasingly characterised by our social contribution and we intend to make sure that we demonstrate internal and external leadership in this area, recognising the very significant challenge this presents.

Engaging with people

Every aspect of our business involves people or stakeholder groups. Employees execute our business plans and run our business on a day-to-day basis. Investors and banks provide the financial support and access to capital we need to grow and develop our business. Local communities and host governments allow us to explore for oil in their countries and to work side-by-side with them in building their oil industry. Third-party opinion formers and experts such as the media and civil society organisations challenge and check our performance and activities. Partners and peers work with us in our operations and across the industry through forums, initiatives and associations.

The cohort of people we engage with is wide and varied and in many instances this is the strongest reputational risk and opportunity we have to manage. As a result, we put an ever increasing amount of effort into engaging with all of the people who are impacted by Tullow and into understanding their and our material issues. The breadth and depth of our stakeholder activities are reported in detail in section two including a material issues review and discussion.

Throughout this report we recognise and celebrate people who work at Tullow or interact with our business and play a role in our continued success. This underlines the multi-disciplinary and skilled nature of our industry and demonstrates our commitment to diversity, local employment and building capacity.



CREATING
SHARED
PROSPERITY
IN ACTION



Ghana



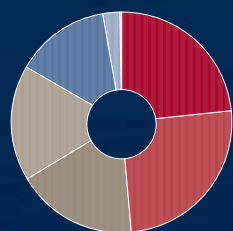
Aerial view, Takoradi Port, Ghana

Direct economic benefit derived from Ghana's oil industry

We are the operator of the Jubilee field, offshore Ghana. The field straddles the Deepwater Tano and West Cape Three Points licences and our overall interest is 35.48%. First Oil was produced in late 2010 and gross production for 2012 was 26.4 million barrels of oil.

In 2012, under Petroleum Agreement obligations the Ghanaian government received 464,051 barrels of oil in royalties, representing 5% of Tullow's working interest. In 2012, we accrued corporate tax of \$40.7 million and \$52.8 million in relation to VAT, PAYE and withholding tax.

\$296 MILLION



	(\$'000)
Local content expenditure	69,200
Payroll	75,132
Other taxes	52,843
Payments in kind ¹	50,118
Corporate taxes	40,664
Social investment	7,895
Other payments	314

Separately as a joint venture partner, the Ghana National Petroleum Corporation, the state oil company, received almost 3.6 million barrels of oil, equal to a 13.64% share of 2012 gross Jubilee production. This equates to an approximate value of \$388 million.

2012 total benefit from Ghana's oil industry

\$684 MILLION

Revenue
\$996
MILLION



Tullow Ghana generated sales revenue of \$995.6 million in 2012, 43% of total Group revenue.



Investment
\$669
MILLION

Tullow invested \$669 million in Ghana in 2012, 35% of our 2012 capital expenditure.



Production
110,000
BOPD

Jubilee field production at the end of 2012 was 110,000 barrels of oil per day (BOPD).



Employees

86% LOCAL EMPLOYEES

We have a strong localisation strategy and 86% of our 281 employees are Ghanaian.



Training
50+
SCHOLARSHIPS

In 2012, we awarded 50 scholarships to Ghanaians for industry related studies.

Environmentally responsible

Protection of the environment is one of the biggest concerns our stakeholders have. They care about a wide range of issues including climate change, water scarcity, operating in sensitive areas, oil spill response, and protecting biodiversity. As we usually explore in new oil regions, we have a particular responsibility to be aware both of the impact that we have and what measures we can take to mitigate that impact. EHS is a very high priority for Tullow. Paul McDade, our Chief Operating Officer, has responsibility for EHS management and performance and we have Board-level oversight with a new EHS Committee. EHS performance also forms part of our remuneration policy. In 2012, we continued to enhance our EHS capacity, systems and processes. We know that almost all of our EHS breaches occur in our supplier base or with contractors. Therefore EHS is not just embedded in our contract strategies but is now a part of the management of our supply chain. There is always a tension between delivering projects on time and on budget and effective risk management. However, there can be no compromise in striving to maintain the highest levels of environmental stewardship and health and safety standards. The price for neglecting this fundamental aspect of our business could be very high indeed.

Lots done, lots more to do

There are high expectations of oil companies to share equitably resource wealth with host governments and to improve the lives of local people through their activities. We are fully committed to running our business in a way that both creates and builds shared prosperity. During the year, we made further progress in this area. This mirrors the major strategic and operational progress Tullow made in 2012.

In the conduct of our responsibilities our goals have not changed. We want to help build the strongest possible external operating environment for our business, to align this with creating shared prosperity and to improve the track record of our industry in the areas of economic, social and environmental responsibility. Feedback from stakeholders is that we need to articulate a longer-term view of what creating shared prosperity is aiming to achieve. I think we have gone some way in this report to address this feedback with the many enhancements we have achieved in transparency, materiality, social performance and creating shared prosperity in action. For next year, we are aiming to develop a range of performance targets that are comparable over time so that our progress can be measured more meaningfully.

Aidan Heavey
Chief Executive Officer

1. For illustrative purposes, we have calculated a notional \$ value for royalties paid as barrels of oil using Tullow's realised oil price after hedging for 2012 of \$108 per barrel.

OPEN, TRANSPARENT DISCLOSURE OF PAYMENTS TO STAKEHOLDERS

Part of our commitment to creating shared prosperity is to ensure that there is transparent disclosure of payments to governments and other stakeholders in the countries in which we operate. This helps to hold governments and Tullow to account.



Ian Springett with Martin Mbogo, Country Manager, Kenya

“In 2012, we are disclosing our payments to major stakeholders including all payments and taxes to governments, monetary or in kind. Typically, over the life cycle of a project some 60% to 80% of net oil revenues after costs accrue to our host governments.”

Ian Springett Chief Financial Officer

You can now watch Simon and Ian's video interview online to find out more about our approach on transparency of payments to government.

Video online

www.tullowoil.com/crr2012/transparency



Revenues from natural resources can, and should, have a transformative effect on the development prospects of emerging economies. Investing and managing those revenues on behalf of a country's citizens is the role of government. However, there is international recognition that a number of mechanisms, voluntary and/or regulatory, are needed to provide further encouragement and support for revenue transparency. This helps to mitigate any potential for corruption or dissipation of the benefits that natural resources can bring.

As outlined in the Chairman's statement on pages 8 and 9 of this report, we support revenue transparency and disclosure as a means of providing a country's citizens with information to enable them to hold their government and, equally as importantly, to hold Tullow as a business, to account. Transparency also creates the opportunity to more effectively manage expectations of what socio-economic impact the discovery of oil can have and over what time frame. Further, it provides greater insight into how our industry operates and demonstrates the range of economic contributions that we can bring to a country.

Voluntary and regulatory disclosure developments

The Extractive Industries Transparency Initiative (EITI) is a broad coalition of governments, companies and civil society, which adopts a multi-stakeholder approach to setting a global standard to promote transparency in the oil, gas and mining sectors. In May 2011, Tullow became a corporate supporter of the EITI and we are actively involved in supporting countries that are implementing the EITI standard.

We are taking a leadership role in disclosure of payments to governments and acting ahead of regulatory changes. In April 2013, the European Union (EU) reached a political agreement on the final measures regarding amendments to existing EU legislation governing accounting and transparency standards. The proposals are comparable to the US Dodd-Frank Act, which requires extractive industry companies registered with the Securities and Exchange Commission to publicly report payments to governments on a country and project-specific basis.

The measures from the EU Directive must still be formally adopted by EU member states and the European Parliament, and translated into law. UK based companies may therefore be required to publish all payments to government on a project-level basis from the end of 2013.

Effective tax governance

A critical element of revenue transparency is good tax governance. A stable, fair and transparent fiscal regime is a fundamental aspect of the governance of a country. As a business we have a responsible tax strategy. We engage with tax authorities and are compliant with tax legislation. The oil and gas industry is capital intensive, long term and high risk by its nature. Good tax governance creates an appropriate predictable environment and facilitates a commitment to the billions of dollars of investment that are required across the oil life cycle. It is this investment that generates revenues for government.

2012 disclosure

In 2012, we are disclosing payments to major stakeholder groups including all our payments and taxes to governments, monetary or in kind. Typically, over the life cycle of a project some 60% to 80% of net oil revenues after costs accrue to host governments. We are also disclosing other areas of economic contribution such as payroll, local content expenditure, dividends to shareholders and social investment. This information is summarised at a Group level. We have not included in these payments the working interest production of governments or national oil companies, local employment or local content by our international suppliers. Also excluded, are the additional social investments we make as part of contractual obligations, which in 2012 were in excess of \$6 million. At a regional and country-level we are disclosing all payments and taxes to government in relation to our major development projects and key producing assets. This can be found on page 76. While our 2012 data on tax and royalties has not been audited, selected indicators have been assured by Deloitte LLP and the information used is consistent with that used to prepare our 2012 Annual Report and Accounts.

2012 payments to major stakeholder groups

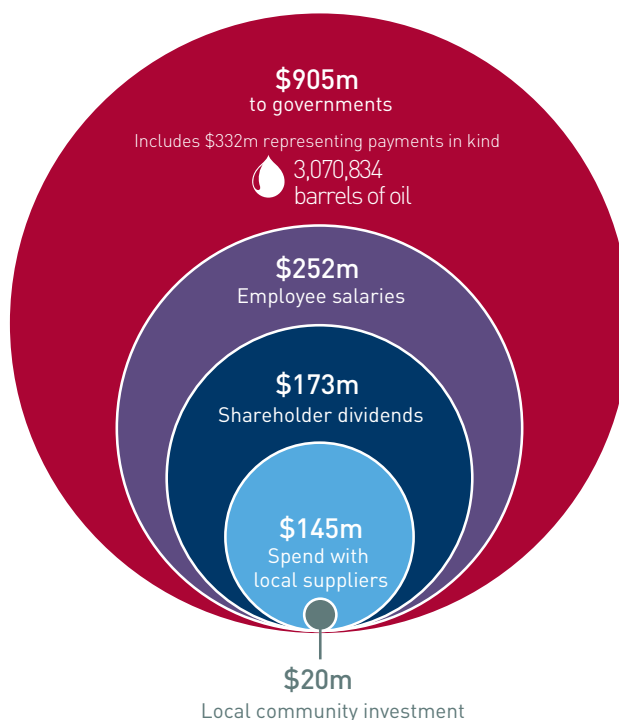
In 2012, Tullow generated sales revenue of \$2.3 billion. Governments received \$573 million in taxes, royalties and other payments and over three million barrels of oil in relation to petroleum agreements from Tullow. In monetary terms, based on Tullow's 2012 average realised oil price of \$108 per barrel, this equates to approximately \$332 million. In total, this is equivalent to \$905 million. On a regional basis 87% or approximately \$790 million of this will be paid to governments in Africa. Our total contribution to major stakeholder groups amounted to almost \$1.5 billion, including \$252 million in payroll globally, \$145 million spent with local suppliers and \$20 million invested in social investment, mainly in education through scholarships.



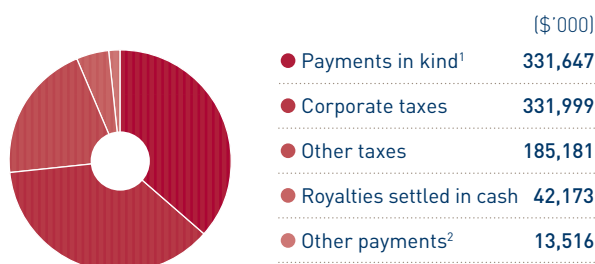
Ian Springett
Chief Financial Officer

Payments to major stakeholder groups

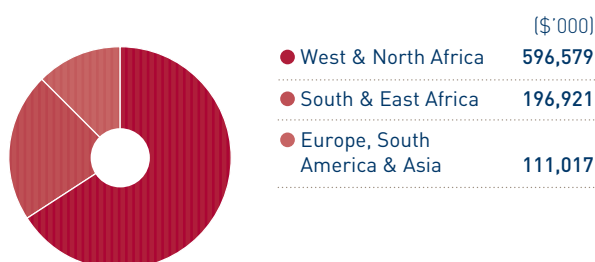
\$1,495 MILLION



2012 payments to governments



2012 payments to governments by region



1. For illustrative purposes, we have used Tullow's 2012 realised oil price of \$108 per barrel to approximate the value of payments in kind to governments.

2. Other government payments includes land rentals and training allowances.

BUILDING A BUSINESS WITH AN UNRIVALLED COMPETITIVE POSITION

Our vision is to be the leading global independent exploration and production company and we have a clear and consistent exploration-led growth strategy to achieve this.

Our business model



What we want to do is build a business that has an unrivalled competitive position that is differentiated from our peers. We will do this through having a balanced yet diversified portfolio of high-impact exploration, selective developments and material production. We will fund the growth and development of our business by cash from operations, monetisation of assets and access to debt and equity markets.

Success will be long-term sustainable value growth for Tullow that delivers substantial returns to shareholders and shared prosperity to all our stakeholders. We recognise that our exploration-led strategy, the scale of our business and the dynamic environments within which we operate require disciplined and ongoing strategic attention to continue to deliver a robust, well-funded business.

HOW WE CREATE VALUE

We create value in two simple ways. We find oil and we sell oil. We find oil through our high-impact exploration programme, strategic acquisitions and New Ventures. We sell oil by farming-down or divesting at any point in the oil life cycle or by developing our discoveries through to production. This generates cash flow for investment in our exploration-led growth strategy and supports a range of funding options to ensure we have a strong balance sheet and financial flexibility.

HOW WE RUN OUR BUSINESS

Our approach to running our business reflects the most material issues for our continued success and delivery of our business plans. These include strong and effective risk management, maintaining high standards of governance, transparency and anti-corruption, developing a multi-disciplined and diverse entrepreneurial team and making a positive and lasting contribution where we operate.

Strategic priorities

Performance indicator

<p>1. Exploration & Appraisal Execute selective high-impact E&A programmes.</p>	<p>Resource growth Exploration success ratio Portfolio replenishment Finding costs</p>
<p>2. Development & Operations Deliver all major projects and production operations increasing cash flow and commercial reserves, while ensuring safe people, procedures and operations and minimising environmental impacts.</p>	<p>Yearly operations targets EHS scorecard Timely delivery of projects</p>
<p>3. Finance & Portfolio Management Manage financial and business assets to enhance our portfolio, replenish upside and support funding needs.</p>	<p>Operating cash flow Debt profile and capacity Gearing cash operating costs and finding costs per boe Capital expenditure and cost management targets Realised commodity prices Funding of projects</p>
<p>4. Risk Management Deliver substantial returns to shareholders.</p>	<p>Long-term Total Shareholder Return (TSR)</p>
<p>5. Governance & Values Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.</p>	<p>Code of Conduct training and certification TSR performance</p>
<p>6. Organisation & Culture Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.</p>	<p>Staff turnover Recruitment for key roles</p>
<p>7. Shared prosperity Create sustainable, transparent and tangible benefits from the presence of oil in host countries.</p>	<p>Long-term TSR</p>



Go online to learn more about our strategy, governance and risk tulloil.com/ara2012

Our Integrated Governance and Risk framework

RISK MANAGEMENT

The Board is collectively responsible for risk management and each Executive Director is responsible for designated risks. Regional Business Managers and the Business Unit organisations are responsible for managing day-to-day operations and the safe delivery of the Group's business plan. Corporate functions are responsible for managing designated Group-wide corporate risks and providing oversight, together with regional business management, of Business Unit activities and operational and financial performance.



Key risks to our performance	Risk owner	Risk assurance	Corporate responsibilities
Sustained exploration failure Information and cyber security	Angus McCoss Exploration Director	Global Exploration Leadership Team	Information systems management
Key operational or development failure EHS failure or security incident	Paul McDade Chief Operating Officer	Development & Operations Leadership Team EHS Committee	Crisis management EHS
Insufficient liquidity, inappropriate financial strategy Cost and capital discipline Oil and gas price volatility Supply chain failure	Ian Springett Chief Financial Officer	Financial Risk Committee	Supply Chain Local Content Shareholder relations
Strategy fails to meet shareholder expectations	Executive team	Board	Sustainable long term growth
Bribery and corruption Governance and legal risk	Graham Martin General Counsel & Company Secretary	Compliance Committee	Governance Ethics Compliance
Loss of key staff and succession planning	Graham Martin General Counsel & Company Secretary	Executive team	People Localisation
Failure to manage social and socio-economic impacts Political and social risk	Aidan Heavey Chief Executive Officer	Executive team	External Affairs Stakeholder engagement Social performance



LOCAL CONTENT



Tullow's local content strategy supports local companies to enter the oil industry's supply chain. We work with people and businesses, building their capacity to provide competitive local goods, services and skills to international standards.

Our local content managers work with local suppliers, which are defined as majority owned by local nationals, providing seminars and workshops to increase their understanding about our contract criteria, including the EHS and governance standards we adhere to. Go to our local content section on page 60 to find out more.

Local suppliers and supply chain staff

1. Losike Dickson – Kenya
2. Ebenezer Tei – Ghana
3. Will May – Kenya
4. Nebere Konya – Ethiopia
5. Dinah Asare – Ghana
6. Joseph Odong – Uganda
7. Frank Kibuule – Uganda
8. Yusef Bwenge – Kenya
9. Vincent Kisémbó – Uganda
10. Ernestina Dzidzah – Ghana
11. Sileshi Bekele – Ethiopia
12. Surafel Teshome – Ethiopia

2

STAKEHOLDER ENGAGEMENT

22 Stakeholder engagement

Stakeholder engagement represents one of the eight components of creating shared prosperity. By engaging with, listening and responding to our stakeholders, we aim to secure and maintain our social licence and to create a strong external operating environment for our business.

24 Material issues

We undertook a major review of the issues raised through key stakeholder engagements during 2012. We have distilled our most material issues into a risk-based overview of what matters to our stakeholders and to Tullow as a business.

28 Engagement activities

We provide a summary of the engagement activities we undertook in 2012, from environmental groups in Suriname, through to media training in partnership with the African Centre for Media Excellence.

30 Our stakeholders

We describe who our key stakeholders are, why engaging with them is important, how we engage with them, key stakeholder events that took place in 2012 and the most material issues that each stakeholder group raised.

NURTURING LONG-TERM RELATIONSHIPS

Building a strong foundation of understanding between Tullow and our different stakeholder groups can help to secure a stronger external operating environment and smooth the path from exploration, through to production.



HIGHLIGHTS

400+

We have evolved our approach to materiality and as part of our reporting process documented over 400 issues across our stakeholder groups.

FIRST

We held our first EHS focused multi-stakeholder forum with representatives from NGOs, civil society, academia and socially responsible investors.

241

Stakeholders were interviewed in an independent study we commissioned on the social and economic impact Tullow has had in Ghana since discovering oil offshore in 2007.

60+

interviews were conducted with shareholders, potential investors and analysts in an investor 'Perception Study' in 2012.

STAKEHOLDER ENGAGEMENT IN CONTEXT

In the oil and gas industry, stakeholder engagement is an increasingly important component of a company's social performance and non-technical or above ground risk management. Smooth and efficient operations are dependent on working with a wide range of people who can have an influence over a company's activities or who are affected by them.

IMPORTANCE TO TULLOW

Nurturing long-term and meaningful relationships with local governments, communities and other key stakeholders is an integral part of delivering our business plans. A failure to manage our impacts appropriately or fulfil our social responsibilities can lead to a deterioration or even loss of our ability to run our operations effectively. This can have a significant consequence for the business including project delays and budget overruns.

A key element of ensuring a robust external operating environment is stakeholder engagement. As our business operations continue to expand, the range of relationships and expectations we must manage becomes more complex. Therefore, a significant part of our engagement remit is to build an understanding of the oil industry and our activities among external stakeholders, as we benefit from operating in an informed environment. Engagement also helps us to identify the impacts we might have and to manage these effectively.

“The development experience Tullow has gained in Ghana puts them in a good position in terms of proving that they can execute and get projects done.”

UK shareholder/2012 Investor Perception Survey

Our overriding aim is to build trust and demonstrate we are taking specific action that is appropriate to our strategy and business plans in response to stakeholder feedback.

OUR STAKEHOLDER PRIORITIES

An overview of our stakeholder issues is provided in the materiality review on pages 24 and 25. The basis of our stakeholder issues list is an analysis of our formal engagement activities undertaken during 2012. In countries where we have major operations, existing or planned, a topic frequently raised is the desire for more proactive communication by Tullow. Host governments and local communities, in particular, would like to have a better understanding of our activities and more information about our environmental and social performance. We have already taken a number of steps to address this including increasing the number of Field Stakeholder Engagement Officers (FSEOs) and enhancing our in-country communications programme and activities. We are also publishing four individual country reports in 2013 for Ghana, Uganda, Kenya and Ethiopia.

PERFORMANCE INFORMATION ●●●

On page 29 you will find detailed information on how we performed against our 2012 key objectives. We also set out our new objectives for 2013.



More information

34 Anti-bribery & corruption

49 EHS performance

52 Localisation

OUR ENGAGEMENT

We engage on a daily basis with a broad range of stakeholders, formally and informally, across our business. Our stakeholders include anyone who is working with or for Tullow, who is impacted by our activities or who can influence our business plans and the successful execution of our exploration-led growth strategy. As a business, we need to engage effectively whether that be at an individual or group, social or institutional level, to ensure we manage our non-technical and reputational risks. Our major stakeholder groups include local communities, local and international NGOs, governments, employees, investors, regulators, policy makers, partners, industry peers, local and international businesses, shareholders and the media. On pages 30 and 31 we articulate why we engage, the key issues raised and the main activities we undertook in 2012.

Engagement strengthens partner and government relationships as we continue to develop our portfolio. Tullow has many characteristics and skills, which form part of our reputation as an organisation. It is important to Tullow that host governments are aware of these qualities when deciding on licence awards, qualifying as an operator or approving Plans of Development and acquisitions. Communicating these qualities can help us protect and maintain our reputation. Our success in entering four new countries clearly demonstrates the competitive and strategic benefit this has for Tullow. In essence, stakeholder engagement is an important tool for the business and underpins our ability to gain access to the best exploration acreage in the market.

MANAGING OUR PORTFOLIO

We have activities in 25 countries and as part of our business planning processes we have developed a portfolio management tool that covers financial/commercial and technical/operational risks as well as non-technical risks for each of those countries. Our strategic areas of operation and interest include Africa and the Atlantic Margins, comprising the North, Central, Equatorial and South Atlantic. As a result, our activities extend from the African Rift Basins to the high latitudes of the Arctic. To help us understand and manage the risks and opportunities inherent in our portfolio we have developed a comprehensive data-based tool which combines external expert data and our own internal assessments. The above ground risks this database covers include environmental, social, health & safety, security, bribery and corruption, political, legal and reputational risks. This enables us to get an overview of our portfolio risks and to drill down to a country-specific level to assess risk and opportunity. We incorporated the non-technical risk issues into our materiality review.

**GHANA SOCIO-ECONOMIC STUDY**

We first acquired Ghanaian offshore licences in 2006. Oil was discovered in the Jubilee field offshore Ghana in 2007. First oil was produced in late 2010 and we exited 2012 at 110,000 barrels of oil per day. In 2012, we commissioned an independent survey on the social and economic impact that our presence has had in Ghana. The study involved interviews with 241 key stakeholders, comprising MPs, regulators, community representatives, environmental groups and employees. The majority of participants felt positively about the Group and its activities, describing Tullow as a responsible operator, who wants to “do the right thing”. The survey revealed, however, that local employment and development of local suppliers had not been as significant as the government, local businesses and citizens of Ghana had anticipated. It is clear from this that we need to ensure we manage expectations as to the size and timing of these opportunities in the life cycle of an oil project. The socio-economic research findings will be reviewed by an external panel in Ghana before publication in 2013. An internal document was published on lessons learned from stakeholder feedback to address the points raised in our operations and approach.

More information
[Ghana economic contribution page 14](#)

Our material issues

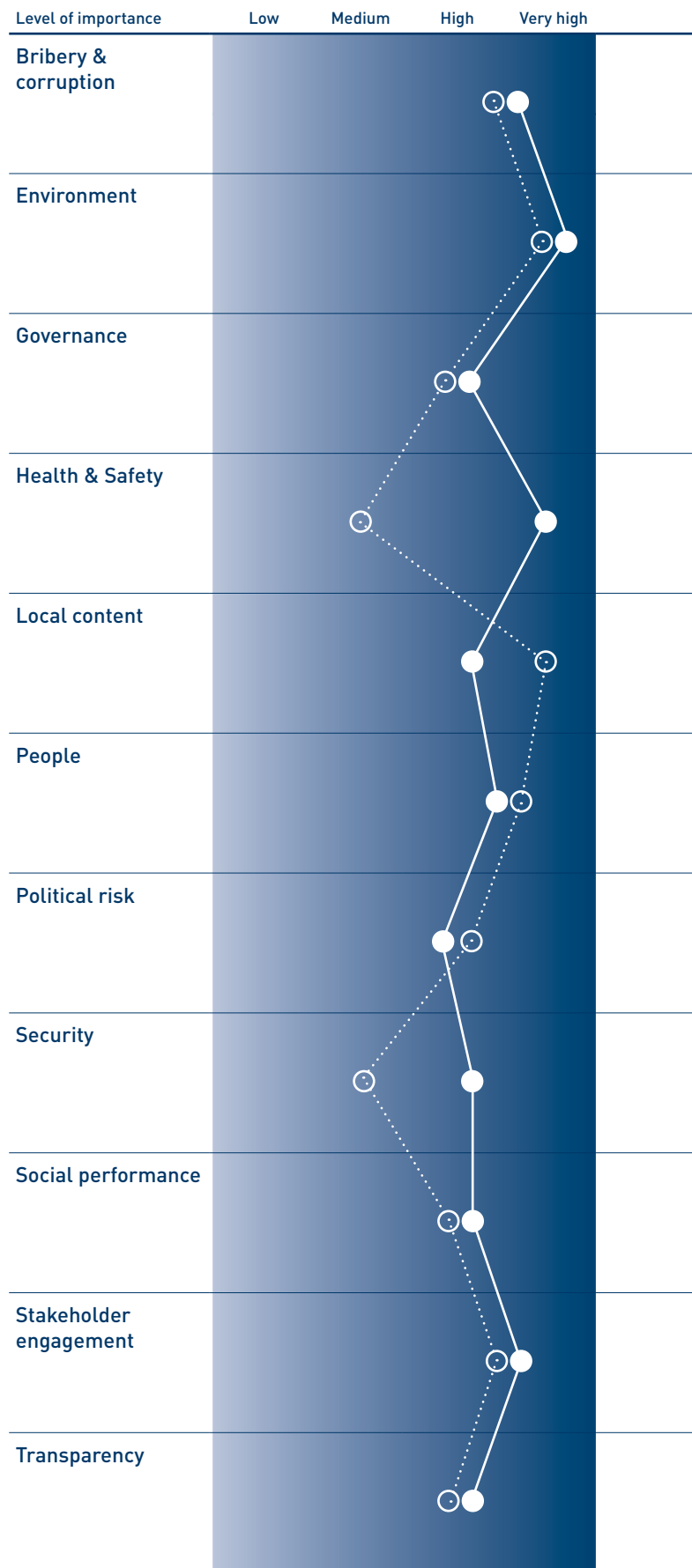
In late 2012, we undertook a materiality review to ensure that the issues we are reporting on are those that are of most significance to Tullow as a business and to our key stakeholder groups. Our definition of materiality is aligned with that of IPIECA – “Issues that can significantly affect the execution of the business strategy and those that have the greatest social, environmental and economic impacts on society”. We identify the material issues for our business by engaging with internal and external stakeholders, by monitoring policy, regulatory trends and best practice and by reviewing our internal policies, procedures, performance metrics and principal risks.

The materiality review involved the prioritisation of issues for Tullow and our stakeholders. Issues were ranked in order of importance, depending on the extent to which they feature in the Group’s strategy, risk management and key corporate policies, and the frequency with which the issues were cited by stakeholders. The material issues list was developed by processing over 400 issues from stakeholders, captured in the more formal documentation that was readily available. The output of this analysis was then discussed and validated with senior managers, the Executive and the Chairman to get a holistic view from a Tullow perspective. In 2013, we intend to increase the input of in-country stakeholder perspectives and regulatory frameworks in our analysis.

The materiality review affirmed that the eight components of creating shared prosperity are areas that our stakeholders have most interest in. The review highlighted that EHS performance and management is our most material issue across all stakeholder groups, and bribery and corruption is ranked as one of the most material issues by Tullow. Throughout 2012 and into 2013, transparency has moved up the agenda. It was an issue raised by participants of the EHS Multi-stakeholder Forum and SRI roadshow. Key issues amongst governments, regulators, local communities and businesses are the opportunities for local employees and suppliers, as well as capacity building, that supports their participation in the industry.

There is a detailed risk management section and information on our financial and operating performance in our 2012 Annual Report & Accounts which is published at www.tulloil.com/ara2012. We have included our corporate responsibility performance information throughout this report.

OVERVIEW OF TULLOW’S MATERIAL ISSUES



● Significance to Tullow ● Significance to Stakeholders

Why this issue is important

Tullow does not tolerate bribery or corruption in any form and our culture has always been to operate in a transparent and accountable way. However we have activities in several African countries that are named by Transparency International, the global coalition against

corruption, as being high risk countries. Bribery and corruption therefore continues to be a high priority material issue for Tullow and international stakeholders. As a UK-registered company, Tullow has legal obligations under the UK Bribery Act.

Environmental management is one of our most material issues. It is a concern across all stakeholder groups and vitally important to the success of our operations. A major EHS failure or security incident presents a perennial risk to our longer-term performance and could

result in significant destruction of reputational and financial value. Commonly raised concerns include environmental protection, areas of high biodiversity, minimising flaring, establishing emissions reductions targets, and mitigating the impacts of our operations on local communities.

Maintaining high standards of governance without compromising Tullow's unique culture is central to our risk management. As a UK-registered company, we comply with the UK Corporate Governance Code (2010). Our governance is a key issue for shareholders, SRIs and

expert third parties. While Tullow's Board provides strong leadership, our good reputation depends on every employee or contractor's behaviour, which is why we seek to maintain an environment where everybody is responsible for our continued success.

Occupational health, along with safe operations, is a key priority for the management of Health & Safety across the business. Maintaining the safety of our employees, contractors and local communities is an issue raised by a number of in-country expert and international stakeholders.

Community health and the impact of our operations in terms of emissions and noise, for example, is often raised through Environmental Social Impact Assessments (ESIAs).

Working with local businesses and developing a local supplier base is very important for host governments and local communities. It builds capacity through skills and technology transfer and fosters opportunities for joint ventures or partnerships between our local and international

suppliers. Creating opportunities for local businesses is a core part of building a sustainable supply chain for Tullow and local content development is one of our contracting criteria.

Building a strong unified team is one of our key strategic priorities and 'people' are a focus within our Group KPIs, long-term risks and Board objectives.

Creating employment opportunities for local nationals and ensuring senior management has good representation of local nationals are among the most frequently cited issues for in-country stakeholders.

Tullow manages political risk at a strategic and an operational level. Mitigation plans are incorporated at every stage of the oil life cycle, from new country entry to exploration, appraisal, development and production.

We conduct high level screening of country-specific risks, identify key stakeholders and define stakeholder management plans. Our investors cite political risk as a potential long-term risk to our business.

The prevailing security environment is one of our criteria for evaluating countries before we apply for a licence and invest. We regard the security of all of our employees and contractors as very important

to the business along with the security of our operations and protection of our assets. Security is not raised frequently by stakeholders, however, some raise this in relation to political or social unrest.

Identifying and managing our social impacts and developing strong community relationships are a vital part of ensuring our projects run on time and on budget. Respecting the local communities and people impacted by our business is also a fundamental value at Tullow.

Most commonly cited issues include the call for increased community consultation; managing impact of our operations on traditional livelihoods, such as fishing; local employment and business opportunities for local SMEs; and land rights and access to adequate compensation for damage to land.

Our objective as a business is to build an effective operating environment in which to conduct our operations and execute our business plans. Stakeholder engagement is fundamental to achieving this as it helps us to nurture long term relationships.

As our global footprint and operations continue to grow in-country international stakeholders are asking for greater levels of and depth to our stakeholder engagement activities.

Transparency of payments to governments, is a key legislative and political issue in Europe and the USA. The USA is mandating disclosure on a project-by-project basis for the financial year ended 2013 and a EU legislation expected to be enacted this year.

Transparency is a key issue for our Board and Executive, who are committed to drive the transparency agenda within Tullow and across the Group's related stakeholder engagement initiatives.



THE ROLE OF TULLOW'S FIELD STAKEHOLDER ENGAGEMENT OFFICERS

Lobuwa Kakuta is one of three FSEOs in our Ethiopian operations. He lives near the base for the entire drilling campaign, close to the South Omo Block, one of seven blocks in the Kenyan and Ethiopia region.

“The main purpose of my role is to educate and raise awareness among local people about the activities taking place in their region and what impacts they are likely to have, but most importantly to listen to their issues. I have a strong knowledge of local cultures and tribes, an understanding of Tullow’s business, good listening skills and understanding of the people. I speak five languages: English, Amharic, which is the main language spoken in Ethiopia, and three local dialects, so that I can speak with people in their own language. The main people I interact with on a day-to-day basis are the local communities and government and businessmen working in the area.

“The most challenging part in the operations so far has been engaging with the local people regarding the impact of the 2D seismic surveys undertaken in October 2012. Local pastoralists believed the big machines used for seismic surveys would chase away the god of rains, and later lead to climatic change. They resisted the idea of these machines operating in their region. The communities were creating delays to the project by occupying the Chew Bahir line, where the seismic activity was taking place. I managed to work with the local communities to help them understand that the work being undertaken was not going to have a lasting social and environmental impact and that Tullow would fully restore the ground being surveyed.

“The operations successfully resumed as a result. I also suggested that an influential elder from the village acts as an advisor to Tullow, so that he could learn more about Tullow’s operations and relay back to his village what was happening. This has been instrumental in supporting our community relations.”



Seismic operations at Chew Bahir, Ethiopia

CREATING
SHARED
PROSPERITY
IN ACTION



Ethiopia





© Chelo C. van Leeuwen

ENGAGING WITH ENVIRONMENTAL GROUPS IN SURINAME

Environmental groups are an important and influential stakeholder for Tullow in Suriname. Previous activity in relation to oil exploration in neighbouring French Guiana had been met with local environmental opposition and Tullow has been keen to build a co-operative relationship with local environmental groups in Suriname. The country is host to a rich and diverse ecosystem and local authorities protect this through environmental laws and with the dedication of environmental organisations.

In 2012, we began a 3D seismic survey in an area covering 3,800 square kilometres (sq km), located 300 kilometres offshore. We shared weekly marine mammal sighting reports from the observers on the offshore survey vessel with the local branch of World Wide Fund for Nature (WWF) and other local environmental organisations. The study revealed species of whale not previously sighted including the Sperm Whale, Common Bryde's Whale, Melon Headed Whale and False Killer Whale. We also presented key marine data at a specially organised conference in Paramaribo, the country's capital, and discussed the cetaceans and seabirds observed during the survey process. Taking these additional steps is helping to build trust in our activities and provide assurance on how we plan our work programme.

Commenting on the importance of providing the environmental data, Monique Pool, the head of the Green Heritage Fund in Suriname, said, "The sharing of information in such an open forum helps in actually managing our living natural resources better and it will help in protecting cetaceans from the impact of human activities, including oil exploration and oil exploitation activities."

TEN stakeholder engagement

During 2012 the Group made good progress with the Plan of Development (PoD) for the Tweneboa – Enyenra – Ntomme (TEN) project which culminated in the Declaration of Commerciality and the PoD, now awaiting approval, being submitted to the Minister of Energy during the year. Extensive stakeholder engagement, involving 50 stakeholder group engagements in 22 communities in Ghana's Western Region, took place as part of the ESIA element of the PoD. Stakeholders who took part were traditional, district and regional authorities, fishing communities, community youth groups, the Environmental Protection Agency and NGOs.

Presentations outlining the TEN partners' plans to develop the field were given, followed by a question and answer session. Key issues raised included discharges, air and water quality, waste management, potential for oil spills and the impact on the livelihoods of fishing communities. These are issues that are similar to those raised as part of the Jubilee field ESIA, which was published in 2009. All of the issues will be incorporated into the social and environmental plans and tracked in the project's issue management log. Stakeholder engagement activity is ongoing and any group affected by the PoD is being kept informed about any activity or progress relating to the TEN project. As the project moves ahead, communications will focus on the building of the Floating Production Storage and Offloading vessel and the subsea production infrastructure, EHS issues, social investments and local content opportunities.

EHS Multi-stakeholder Forum

In April 2012, Tullow invited representatives from investment funds, NGOs, civil society and academia to meet our EHS, operational and technical staff for Tullow's first environment-focused Multi-stakeholder Forum (MSF). The Chairman of Tullow also participated. The discussion ranged from Tullow's EHS vision, to a desire for Tullow to take a leading role in driving industry best practice, to the position of Tullow in the broader context of the oil and gas industry and oil as a finite resource.

"Tullow should be firmer in its engagement with regulators and governments, particularly in holding governments to account. It should push governments in the right direction on revenue governance as well as on setting robust environmental and social standards."

Comment from an EHS MSF participant

A report on some of the actions and responses to the key issues can be found on tullowoil.com/EHSMSF. In summary, this year we have published payments to governments and plan to engage host countries on the substance and benefit of this information. We undertake our work to international EHS standards and expect our contractors and suppliers to do the same. In 2013, we are enhancing our environmental approach and addressing how we will conduct any activity in internationally identified protected areas. New country entry assessment and approval processes improved significantly during the year with greater emphasis being placed on understanding the social impact challenges in countries where we have current or expected large-scale operations, especially onshore in places like Uganda, Kenya and Ethiopia. Restructuring our business into three regions, as we did in 2011, has allowed us to focus on particular areas of our approach to social impacts and standards. We have identified the need for additional capacity and expertise in this whole area and recruitment is well under way.

Global Reputation Survey

In 2012 we conducted a follow-up to the 2011 Global Reputation survey, assessing the perceptions of 40 expert external stakeholders, including government representatives, international NGOs and policy makers. The issues most frequently cited by interviewees were localisation, local content, transparency of operational and contractual information and Tullow's approach to stakeholder engagement. Participants expected more opportunities for both local employees and suppliers, underpinned by further capacity building initiatives. On transparency, there was recognition that Tullow does a good job in Ghana, where the Group fully supports the international best practice standards required by our International Finance Corporation (IFC) funding. On stakeholder engagement, there was a call for greater community engagement and better management of local expectations.

Working with media

The media influences all our key stakeholders, particularly with the growth in online and social media. As a result, it is in our interests to engage proactively with the media across all our business to try to ensure that our work is understood and fairly and accurately reported. Alongside our regular interaction with the media, during 2012, Tullow supported the African Centre for Media Excellence and the Revenue Watch Institute to help African journalists gain a better understanding of the issues relating to the oil and gas industry. We also hosted journalists from Ghana and Uganda in May 2012 at one of our Ugandan rig sites to give a good insight into the operational context of our activities. Tullow also invited Kenyan journalists to the Ngamia-1 well site in April 2012 after we reported a major oil discovery.

Working with government

Among the stakeholder groups that have the most significant influence over our entry into a country and the progress of our projects are the governments of host countries. Open and transparent dialogue with governments and regulators is vital throughout the oil life cycle. We are working to ensure that key decisions are made with an awareness of and respect for the broader economic and social objectives of host countries. We consult with government representatives on important aspects of the planning and execution of our activities. The goal of effective political risk management in Tullow is to maintain good relations with host-country stakeholders, with the objectives of protecting the value of our assets, achieving our business plans and creating growth opportunities for Tullow.

KEY PERFORMANCE TARGETS

2012 Objectives	Progress	Performance	2013 Objectives
Develop a three-year External Affairs (EA) strategy	●	A three-year EA strategy has been rolled out	Our Board objectives for stakeholder engagement are: <ul style="list-style-type: none"> • Continue to enhance Board-level interaction with shareholders, employees, politicians, key decision-makers, NGOs and other stakeholders; and • Arrange Board visit to Kenya.
Define, develop and roll out best-in-class corporate policy, standards, guidelines and tools for stakeholder relationship management	●	A stakeholder relationship management policy is ready to be rolled out across the Group, including training of Community Liaison Officers	
Update stakeholder engagement competency framework to ensure that the right capabilities exist at corporate regional and business unit level	●	An EA competency framework has been completed, including competency mapping for political risk, social performance, public policy and stakeholder engagement	

● Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target

OUR STAKEHOLDERS

Investors & SRI analysts

ACCESS AND INFLUENCE IN THE CAPITAL MARKETS

Why we engage

Our strategic objective is to deliver substantial returns to shareholders. We engage to make sure that our shareholders understand and support our strategy so that we can continue to pursue and successfully execute our business plans. We engage with SRIs to provide extra detail on how we are managing our non-technical risks.

How we engage

We have an active investor relations programme where our Executive regularly meets major shareholders. In 2012 the Investor Relations team and senior management met some 350 institutions and the Group also participated in 13 investor conferences. Key events included a perceptions study in August 2012, which involved 56 interviews with Top 50 investors, and sell-side analysts.

Key issues raised

- Effective risk management in politically unstable countries
- Effective management of Bribery & Corruption risk, through our Code of Business Conduct (SRIs)
- EHS performance and management, including how we maintain high environmental standards when operating in sensitive areas (SRIs)
- Governance issues including transparency of payments to government and Board responsibility for EHS

Our people

MAINTAINING OUR ORGANISATION AND CULTURE

An engaged and motivated workforce is essential to our continued growth and success. Our internal communications help ensure our people understand and are committed to helping execute the Group's activities and help preserve and enhance a values-based entrepreneurial culture as we grow.

Our leaders hold regular town hall meetings with staff. The intranet publishes news from across the business. Employees have the opportunity to meet the Executive once a month and also provide feedback via employee engagement surveys held once every two years. In the most recent survey, 84% of Tullow Employees and contractors were surveyed.

- Fair reward, particularly for employees who are experiencing inflationary pressures on their take-home salary
- Training opportunities to support career development
- Ensuring continued efficiency as the organisation grows
- Effective change management, against a growing headcount

Governments

MAKING SURE WE ARE THE PARTNER OF CHOICE

To explore, develop and produce oil and gas, we need to obtain licences from governments. Ongoing dialogue with national and local governments helps create an informed environment, from new country entry through licence award to rehabilitation after production ceases.

We hold regular formal meetings with local and national government ministers and regulators. In addition we host visits to our operations. Our Introduction to Oil and Gas courses also help build capacity and understanding around issues concerning our industry. Key engagements included a Reputation Survey of 40 expert-level interviewees.

- Providing strategic plans for local content development
- Providing technical and vocational capacity building initiatives to support local employment and local business opportunities through our supply chain
- More proactive communication and information flow on our operations and the issues that affect our stakeholders
- Providing transparency on the criteria for social investments, and more NGO and community involvement in the decision making process
- Meeting regulatory requirements on biodiversity and forestry conservation, water resource management, and land use and compensation

Communities

OBTAINING OUR SOCIAL LICENCE TO OPERATE

Oil exploration and development can have significant impacts on the lives of the communities where we operate. Regular engagement helps us identify and mitigate the key impacts, and to understand the concerns and needs of our stakeholders.

Our Field Stakeholder Engagement Officers (FSEOs) are dedicated to providing information about our projects, in the local languages and dialects of our communities. Key engagements included the Ghana Socio-Economic Study, which involved interviews with five communities in Western Region of Ghana, MPs, contractors, staff, regulators, other government, NGOs, media, leaders/specialists in education, health and fisheries.

- Improve community consultation, involving the community in ESIA processes. Additionally, Tullow should extend engagement to all community members, not just chiefs
- Impact of operations on the environment and traditional livelihoods, in particular, managing perception that decline in fish stocks is related to the oil industry
- Local employment and business opportunities for local SMEs
- Land rights, and compensation for limitation of access or damage to land
- Ensuring local communities receive a fair share of oil revenue

Local and international businesses

GROWING SKILLS AND BUILDING CAPACITY FOR OUR INDUSTRY

Our supplier development programme is designed to provide support to local SMEs, help them to respond to tenders, and improve their business processes, allowing them to compete with international suppliers.

In 2012, we held industry partner forums in Bangladesh and Kenya involving 89 companies from a variety of sectors. In addition, we opened an Enterprise Development Centre in Uganda to support capacity building among SMEs. Separately, over 1,000 companies have registered via the supplier centre, since its launch in 2010.

- Opportunities for local companies to enter our supply chain
- Transparency on Tullow's contracting policy and process
- How local companies can meet industry standards to qualify as a potential supplier
- Providing regular updates to competing companies on the progress of the tender process

Opinion formers

INDUSTRY AND PEER GROUP ISSUES AND BENCHMARKING

We maintain a number of industry memberships and affiliations that enable us to participate in, learn from and contribute to industry issues and benchmark our practices, particularly in operational areas. We also take part in cross-sector debate on key policy issues to both help develop our own position and identify opportunities for collaborative working.

We engage with policy makers, international aid agencies, NGOs, industry peers, the wider private sector, relevant government interest groups and subject matter experts through formal meetings and conferences. The key 2012 engagement was the EHS Multi-stakeholder Forum.

- Transparency of payments to governments
- Capacity-building for resource revenue management in new oil countries
- Effectiveness of our human rights management framework to the environment we operate in and how we apply new industry guidelines
- Tullow's ability to respond to an oil spill
- Operating in internationally recognised protected areas





SOCIAL INVESTMENT AND COMMUNITY ENGAGEMENT



Our social investment managers are responsible for ensuring Tullow's discretionary spend on social projects is aligned to the needs of local communities and Tullow's strategic objectives.

Our Field Stakeholder Engagement Officers (FSEOs) are responsible for managing inclusive engagement with our local communities.

The main focus of their role is to educate and raise awareness among local people about the activities taking place in their region and what impacts they are likely to have. Most importantly they listen to local community issues.

Social investment managers and FSEOs

1. Sisay Zerihun – Ethiopia
2. Karen Atugonza – Uganda
3. Ben Miranga – Kenya
4. Jane Nyendwoha – Uganda
5. Stellah Atugonza – Uganda
6. Lobuwa Kakuta – Ethiopia
7. Fridah Kunihiro – Uganda
8. Konya Gnermeta – Ethiopia
9. Emmanuel Komurubuga – Uganda
10. Nana Yaa Afriyie Ofori-Koree – Ghana
11. Wendi Stanley – Uganda
12. Nana Frema Amankwah – UK

3

2012 PERFORMANCE

34 Governance

We highlight our core governance systems, our approach to tackling bribery and corruption, and demonstrate our economic contribution in Uganda.

38 Environment, Health & Safety

As our most material issue, we have dedicated extensive reporting to EHS. This includes our performance against our 2012 scorecard; our approach to issues that are important to our stakeholders, such as operating in sensitive areas, green house gas (GHG) emissions management and water scarcity; as well as key EHS programmes for 2013.

50 Our people

Our people are at the heart of our success. This section provides an overview of our HR strategy, how it connects with the overall business strategy, and describes our approach to localisation, diversity and human rights.

56 Sustainable supply chain

Our Supply Chain Management vision is to create value and manage risk for Tullow by providing an integrated supply chain built on exceptional performance and empowered people, in support of Tullow's strategy and business plans.

60 Local content

Our strong commitment to local content in our supply chain can contribute significantly to the capacity of local businesses to enter the oil industry's supply chain.

62 Social performance

Respecting local communities and people impacted by our business is a key value of Tullow. This section provides an overview of some of the notable social performance events in 2012 as well as details on key projects invested in as part of our discretionary social investment programme.

COMMITTED TO HIGH STANDARDS

We are committed to the highest standards of corporate governance in order to deliver responsible and successful operations. This is underpinned by our core values, our commitment to ensuring people, procedures and operations are safe and environmentally responsible, and our vision of being the leading global independent exploration and production oil company.



HIGHLIGHTS

18%

Women now make up 18% of the Board as we continue to address the legacy of poor gender diversity in the oil industry.

60%

The majority of our total workforce has now participated in Code of Business Conduct training and this work continues in 2013.

ZERO

Our zero tolerance of bribery and corruption led to 18 cases raised through our whistle blowing facility, resulting in two employees and 12 contractors leaving the Group.

NEW

We have overhauled and simplified our remuneration policy after consultation with major shareholders.

GOVERNANCE IN CONTEXT

Companies listed on the UK's London Stock Exchange are required, under UK Listing Rules, to comply with the UK Corporate Governance Code published in 2010. Companies' governance systems have received heightened attention after the introduction of the UK Bribery Act in 2010 and the expected EU Transparency Directive has also led to increased attention on tax governance and payments to government.

IMPORTANCE TO TULLOW

Achieving strong governance across all Tullow activities is a strategic priority within our business model. We remain focused on effective risk management in order to create long-term sustainable value for the benefit of all stakeholders. As a business that has had a presence in Africa for decades, we have a clear supporting role to play in forming the foundations of economic growth and social development, and in demonstrating accountability and strong ethics.

In 2012, we established a new EHS sub-committee of the Board, following a review of risk management, to enable greater focus on these issues. Go to pages 38 and 39 for more information.

PERFORMANCE INFORMATION ● ● ●

On page 35 read how our compliance function performed against its 2012 objectives, and the new objectives for 2013.

IMPORTANCE TO STAKEHOLDERS

Our shareholders and SRI analysts take an active interest in our governance structures, in particular how key risks relating to bribery and corruption, transparency of payments to governments, human rights and political risk are managed within Tullow. We are required to meet anti-bribery and corruption IFC guidelines, which form part of their funding criteria. Bribery and corruption also forms part of the industry's IPIECA guidelines.



Graham Martin with Jimmy Mugerwa, Country Manager, Uganda

“Our good reputation depends upon the behaviour of every single employee and contractor. This is why we seek to maintain an environment where everybody feels responsible for the future success of the business.”

Graham Martin General Counsel and Company Secretary

Governance, risk and corporate responsibility framework

We have a strong framework for governance, risk and corporate responsibility management. Our principal 2013 risks and uncertainties in relation to the Group's financial and operational performance are set out in our 2012 Annual Report and Accounts (ARA). It explains how risk management is integrated into our organisation, how we managed our 2012 risks and our long-term performance risks. Each Executive Director has risk management and risk assurance responsibilities. They also have individual operational and corporate responsibilities, see the table on pages 18 and 19 for more details. As part of our 2013-2015 business plan, we have identified key risks and uncertainties in relation to our financial and operational performance for the period. These are:

- To receive appropriate approvals from Ugandan authorities, followed by commencement of the PoD; receive TEN PoD approval from the Ghanaian government and commence development;
- Successful management and mitigation of above-ground risk given local elections and political uncertainty in key African countries of operations; and
- Successful delivery of exploration programme and asset monetisation options.

Board objectives

Simon Thompson, Tullow's Chairman, lays out the 2013 objectives and performance against 2012 objectives in detail in his introduction to corporate governance on page 86 of our 2012 Annual Report and Accounts. The 2012 Board performance highlights included an overhaul and simplification of our remuneration policy after consultation with major shareholders.

The Board also increased engagement with employees, politicians, NGOs, partners and shareholders, in order to ensure their views are taken into account in Board discussions.

Our 2013 Board objectives include a number of specific corporate responsibility related risks, including continuing to ensure appropriate systems and processes exist to identify, monitor and manage evolving risks such as social impacts, external stakeholder relations, EHS, security and human rights. The Board will also focus on maintaining and enhancing Tullow's culture and values and reinforcing compliance with the Tullow Code of Business Conduct. Additionally, the Board will continue to strengthen organisational capacity and enhance its interaction with shareholders, employees, politicians, key decision-makers, NGOs and other stakeholders. In 2012, almost a third of the Board's discussions were devoted to issues relating to Tullow's corporate responsibilities.

2012 Board time



KEY PERFORMANCE TARGETS

2012 Objectives	Progress	Performance	2013 Objectives
Develop and enhance the capability of the compliance team and network of compliance champions.	●	Eight compliance champions appointed. Two compliance team members in Ghana and UK recruited.	<ul style="list-style-type: none"> • 80% of employees and contractors to have attended the Code awareness training sessions. • Delivery of a new bribery risk management process and implementation of an updated due diligence strategy. • Early involvement of compliance function to mitigate risk of bribery and corruption in projects and transaction.
Continue to roll out the Code of Business Conduct awareness programme across Tullow.	●	60% of the workforce and all Executive and Board members attended half-day awareness session.	
Enhance bribery and corruption risk assessment and due diligence procedures.	●	Independent review of our programme. Recommendations incorporated in our 2013 plan.	
Ensure early involvement in major projects or areas of risk to embed compliance.	●	Engaged from start of TEN development and input into new country assessments.	

● Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target

CREATING
SHARED
PROSPERITY
IN ACTION



Uganda

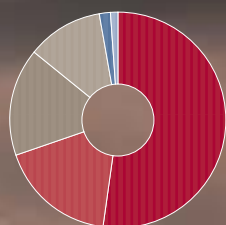


Operations at the K900 rig site, Uganda

Our economic contribution to Uganda

Tullow has interests in Uganda's Lake Albert Rift Basin, together with its partners CNOOC Ltd and Total.

In 2012, Tullow paid \$142m¹ to the Uganda government in corporate taxes and a further \$31 million in VAT, PAYE and withholding tax. In addition, Tullow spent \$47.5 million with local suppliers² and made a \$600,000 discretionary investment to support the opening of an enterprise centre in Hoima, which provides capacity building initiatives for local SMEs. \$44 million was spent on payroll for our Ugandan employees.



	(\$ '000)
● Corporate taxes	142,000
● Local content expenditure	47,500
○ Payroll	43,555
○ Other taxes	30,802
● Social investment	4,775
● Other government payments	2,605
● Payments in kind	-

Tullow and its partners are currently working with the Uganda government to decide on the best development plan for the discoveries. The potential in-situ value of Uganda's oil reserves discovered to date amounts to about \$100 billion. The government's share of this is projected to be some 70% of net revenues. Based on current estimates of costs and the future price of oil, that could amount to around \$50 billion over the life of the field. Put in context, Uganda's 2011 GDP was \$17 billion³, while foreign aid was less than \$2 billion⁴.



Investment

\$265 MILLION

We invested \$265 million in Uganda in 2012, 14% of our Group capital expenditure.



Exploration and appraisal success

76%

In 2012, 13 of the 17 exploration and appraisal wells we drilled in Uganda were successful.



Local employees

88%

In 2012 88% of our 177 employees in Uganda were local nationals.

Local nationals in Uganda's management team

67%

In 2012 we successfully recruited a local General Manager and local Finance Manager for our Ugandan business.

Additional payments

\$7.4 MILLION

Tullow spent an additional \$2.6 million in land rentals and training allowances, and \$4.8 million on social projects in Uganda.

Facilitating whistle-blowing

We support our people in reporting actual or potential breaches of our Code of Conduct. Our independent, external 'speaking up' line provides a confidential and secure way for employees, contract staff, suppliers and partners to raise concerns about conduct that is contrary to our values and standards. 18 speaking up cases were raised, leading to 16 investigations. Two employees and 12 contract staff left the Group as a result.

Compliance governance

2012 marked several milestones in our efforts to continue enhancing our bribery and corruption programme. We formed a compliance committee at the beginning of 2012, chaired by Graham Martin, General Counsel, and represented by Ann Grant, Non-executive Director, and Gordon Headley, Chief HR Officer, as well as several functional heads, a regional business manager and a business unit leader. The committee met three times during the year and endorsed the compliance strategy and associated operational plan. It also provided valuable input throughout the year to ensure compliance and ethics risks are identified and properly mitigated.

Improved risk assessment

We also improved risk assessment and due diligence procedures by establishing a formal bribery risk assessment process, where risks are regularly reviewed and updated. Additionally, the Good Corporation reviewed and benchmarked the effectiveness of our programme against an independent framework. All significant recommendations are incorporated in our 2013 plan and we have an active programme to implement these.

Code of Business Conduct awareness programme

We made good progress in enhancing our Anti-Bribery and Corruption (ABC) programme, which includes the Group-wide implementation of Tullow's Code of Business Conduct, associated policies and extensive communications. Over 1,100 employees and contractors attended sessions during 2012, representing over 60% of the workforce. All members of the Executive and the Board have participated in the half-day awareness session. In addition, we conducted supply chain industry partner forums in Bangladesh and Kenya, involving 89 companies. The forum provided an overview of anti-bribery legislation, including the UK Bribery Act 2010 and Tullow's Code of Business Conduct.

1. \$142 million represented 30% of a \$473 million capital gains tax that the Ugandan Revenue Authority (URA) has assessed as owed on Tullow's farm-down of its interests to CNOOC and Total, which Tullow is currently disputing before the Tax Appeals Tribunal in Kampala.
2. Tullow has defined local suppliers as majority owned by local nationals.
3. Source: World Bank.
4. Source: Global Humanitarian Assistance.

RESPONSIBLE THINKING

As a responsible business, we are committed to protecting the environment for current and future generations and ensuring local communities, our people and suppliers are kept safe and well. We aim to reduce any adverse effect we may have and continually assess new methods and technologies to help us operate more efficiently.



HIGHLIGHTS

22/27

We scored 22 out of a total possible 27 points in a new scorecard, tracking nine EHS corporate key performance indicators.

NEW

An EHS Management Board level committee has been established, chaired by our Non-executive Director, Anne Drinkwater.

100%

We completed all actions resulting from investigations into potential and actual Level 4 and 5 incidents.

\$1.5M

We invested in a joint research project with the Wildlife Conservation Society to deliver biodiversity data to help quantify the rich offshore marine habitat of Gabon.

EHS IN CONTEXT

Oil and gas exploration involves the use of trucks, aircraft and boats. Energy is used to produce oil and gas, and waste is generated in the process. The extraction and transportation of oil and gas has the potential to damage the environment and its combustion generates greenhouse gases. The raw materials extracted are a finite resource. The nature of this work is inherently risky and presents significant health and safety challenges. In this context, a robust approach to Environment, Health & Safety for oil and gas companies is paramount.

IMPORTANCE TO TULLOW

Poor EHS performance represents a strategic risk to our business. Therefore we embed EHS in our day-to-day work activities and processes supported by an agreed strategy, including governance. We work to secure both the health and safety of people and operations whilst minimising environmental impacts. Our KPIs provide a strong performance measure including both leading and lagging indicators which are aligned to our proactive management of EHS.

IMPORTANCE TO STAKEHOLDERS

Our management of EHS issues comes under scrutiny from a wide range of stakeholders at a local community, national and international level. Our EHS performance is one of the highest priority issues from a stakeholder perspective and is an essential area to add business value. Issues captured through our materiality review include, EHS performance and management, how we undertake our ESAs, operating in sensitive areas, oil spill contingency planning, GHG emissions management, discharges, air and water quality, waste management, impact on the livelihoods of fishing communities and the health and safety of affected communities, amongst others.

PERFORMANCE INFORMATION ●●●

On page 49 of this report you will find detailed information on how we performed against our 2012 key objectives and our new objectives for 2013.



“The committee aims to support and further the important progress being made in managing EHS risks. We will monitor existing practices and play an important role in seeking future improvements.”

Anne Drinkwater Non-executive Director and Chair of EHS Management Board level committee

EHS Management

We made important progress during 2012 to further embed and evolve good EHS practices and ensure we have a consistent and effective approach to EHS management across the organisation.

In May, the EHS team launched a new vision, designed to help Tullow employees incorporate 'Respect, Reflect, Protect, Think!' into their everyday lives. The vision is designed to build a culture and set of behaviours based on confident interventions, where people are encouraged to think and take responsibility for driving EHS in their area of the business. The focus on proactively managing EHS risk is essential in keeping people safe, minimising our environmental footprint and successfully implementing projects. The vision is supported by a comprehensive set of policies and standards, including our EHS Policy, Tullow Oil Environmental Standards (toes) and Tullow Safety Rules. A full list of EHS-related policies and standards used to manage our EHS performance can be found on page 80.

2012 EHS Performance

Each year the EHS leadership team, Executive and Board approve the leading and lagging indicators by which our EHS performance is measured. We prioritise nine Key Performance Indicators across the business. Six 'leading indicators' focus on key activities that aim to deliver an improved performance in targeted areas. Three 'lagging indicators' demonstrate how we have performed against quantitative targets. An overview of how we have performed against each KPI can be found on pages 40 and 41.

In 2012, two members of the public were killed in Kenya and Ghana as a result of vehicle accidents involving Tullow contractors. We deeply regret this and have been working to address driving behaviours and skill through our Land Transport Safety programme, on which further information is provided below. We will be focusing further on this through the introduction of two new KPIs in 2013 which are detailed on page 48.

LAND TRANSPORT SAFETY

Throughout 2012 we have taken steps to improve driver awareness and behaviour through awareness raising and driver training. Initiatives included a monthly 'Tullow Drivers' Recognition and Reward Scheme', recognising good driving behaviours; driver safety awareness presentations and competency assessments. Those meeting the competency standards receive a certified Tullow driving licence. We have balanced our recognition programmes with the ability to monitor driving performance by utilising real time vehicle tracking systems.



PERFORMANCE AGAINST LEADING INDICATORS

Incident investigation

Successful operations require detailed planning and engagement supported by effective safety management systems and the ability to learn and implement change. In 2012, we introduced a new KPI to ensure completion of investigations of all 'high potential' and 'actual' Level 4 and 5 incidents within the agreed investigation standard time frame, and completed 100% of the actions. In previous years 'Lost Time Injuries' was a headline KPI. While we continue to report on the number of LTIs, the new KPI helps ensure effective and timely investigation and action close out to ensure we learn from incidents and near misses, with the aim of reducing the likelihood of future accidents. To support the measurement of this KPI we revised Tullow's incident reporting system and introduced new reporting procedures. Incident investigation training was delivered by international H&S experts in Ghana, Uganda, Kenya, Bangladesh, Cape Town, London and Dublin.

Safety cases

Since the Deep Water Horizon disaster in 2010, the industry has re-doubled its efforts to ensure adequate plans are in place to deal with a major incident. These efforts will come under greater scrutiny as a result of an EU Directive on offshore safety, due to come into effect in 2014. The Directive will stipulate oil and gas companies are 'fully liable' for environmental damage caused to protected marine species and natural habitats, with the territorial remit significantly expanded.

In 2012, we established safety cases for all operated production facilities and achieved several key milestones to enhance the robustness of our emergency preparedness, incident management and business continuity plans. Our crisis management plan was reviewed and significantly improved. We introduced quarterly training sessions with our crisis management team (CMT), including joint sessions with the incident management teams (IMT) and field response teams in-country. In addition, we reviewed and revised the composition and competencies of our CMT, established a new emergency call centre, and reviewed the effectiveness of our IMT plans across our operations. We also have effective communications plans in place, which help us to monitor and respond to the requirements of all stakeholder groups in the event of a crisis.

Managing EHS risks with suppliers and contractors

Our suppliers and contract workforce are integral to the success of Tullow Oil operations, not only in achieving our EHS objectives but in delivering our business performance. In order to reflect this importance Tullow is working to establish consistent and quality processes. We have developed a new contractor management standard, which is being implemented across the Group; and revised our EHS Terms and Conditions for high, medium and low risk contracts, with additional terms for drilling and seismic surveys. In addition, we have embedded EHS participation in contractor and contract evaluation, especially medium and high risk contracts.

Strengthening our ESIA's and ESMPs

In order to improve the quality, consistency and standards of the Environmental Social Impact Assessments (ESIA), we have introduced Framework Agreements (FAs) with preferred suppliers of ESIA's. Five providers were selected following a rigorous tender process. It is hoped that through the process of improving the quality of our ESIA's, the effectiveness of the resulting Environmental and Social Management Plans (ESMPs) will ultimately help us to manage our environmental and social impacts. As a result of the agreements, we have stronger relationships with our suppliers, who in turn are conversant with the standards Tullow applies in the ESIA process.

toes self-assessments

At the beginning of 2012, 'toes' were revised with updates to standards on biodiversity, greenhouse gases, resource management and socio-economic impacts. One of our 2012 leading indicators was to monitor compliance with the new toes standards. Eleven countries self-assessed their performance against toes. The themes arising from the assessments have become key focus areas for improvement in 2013. These include:

- support for Environmental Impact Identification process in-country, where the potential environmental impacts of a project are evaluated once it has been framed;
- consistent management of chemicals used as additives to manage drilling muds, including a review of the processes around the receipt, handling, storage and substitution of chemicals at our sites; and
- further integration of EHS into our contract and procurement processes, building on the work we have done on Framework Agreements with preferred suppliers.



PERFORMANCE AGAINST LAGGING INDICATORS

MALARIA MANAGEMENT

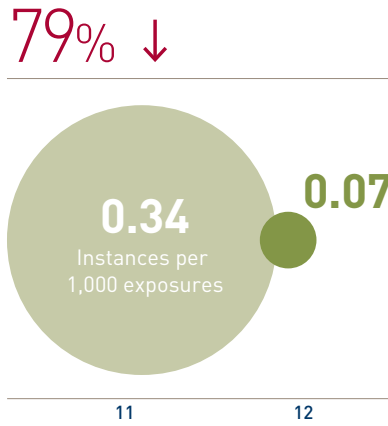
Malaria is one of the most serious potential health risks our employees and contractors face when working in malaria-endemic regions. Malaria is an infectious blood disease caused by a parasite that is transmitted by the bite of infected anopheles mosquitoes. Malaria is both preventable and curable, but can be fatal if diagnosis and treatment are delayed. We are committed to protecting the health of people working across the organisation. During the year we introduced a number of policies and approaches to mitigate this risk, including hosting a World Malaria Day aimed at raising awareness of the behaviours our employees can adopt to avoid contracting the disease. In line with the World Health Organisation, we follow an ABCD approach to malaria:

- **A**wareness: education about how malaria is transmitted
- **B**ite prevention: control of mosquito breeding grounds and the use of personal protection measures
- **C**hemoprophylaxis compliance: anti-malaria medication
- **D**iagnosis & treatment: the immediate response to any case of malaria with prompt treatment

We also updated our Tullow Malaria Management Policy and released a new group standard for malaria management. It is Tullow policy for all travellers to malarial areas to undergo mandatory training.



Reduction in malaria cases



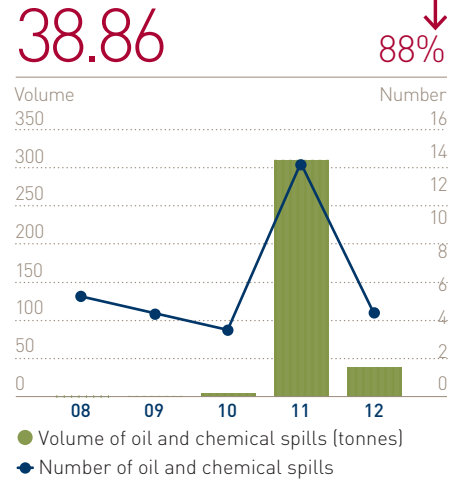
Following the death of one of our contractors in 2011 from malaria, in 2012 we introduced the KPI to reduce malaria case incidents by 10% year-on-year per 1,000 exposures. Our 2011 base line was 0.34. Our 2012 target was 0.30. We have met our KPI with an average of 0.07 instances of malaria per 1,000 exposures over the 12-month period.

Closeout of investigation actions

100% COMPLETED

100% of actions raised through the rigorous investigation process have been completed within the agreed time frame. Our high potential incident frequency rate increased as a result of a change in reporting methodology and a lower threshold of what is classified as a high potential incident.

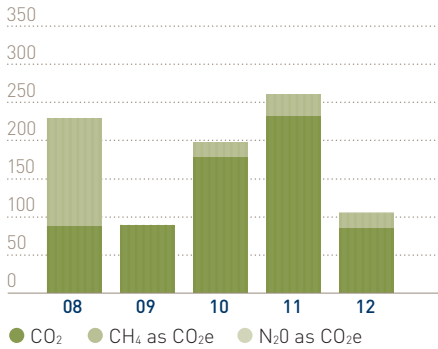
Oil and chemical spills (tonnes)



We achieved a significant decrease in spills, with five spills in 2012, against a target of three, compared with 14 spills in 2011. 38.86 tonnes of materials were spilled in 2012, compared with 310.93 tonnes in 2011, representing an 88% decrease. There were three spills in Ghana and two in Kenya and none were significant. We have finalised our Oil Spill Preparedness and Response Standard and have reviewed all existing oil spill contingency plans against the new standard.

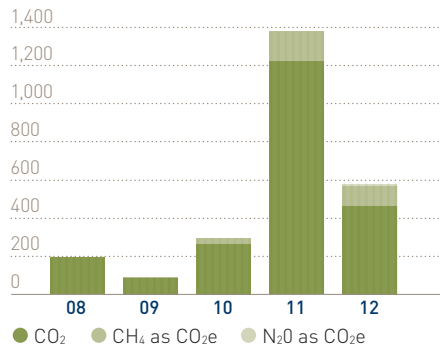
CO₂e emissions per 1,000 tonnes of hydrocarbon produced

106 TONNES ↓ 59%



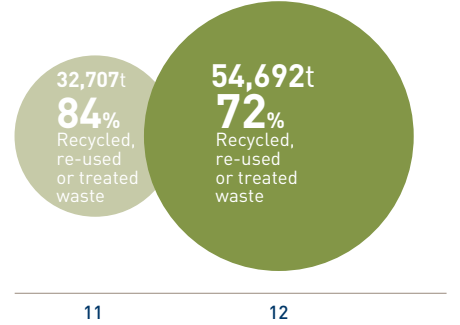
Total CO₂e air emissions

580 TONNES ('000) ↓ 58%



Waste disposal

54,692 TONNES ↑ 67%



Against a steady production in 2012 from the Jubilee field, we reduced our Group-wide greenhouse gas emissions per 1,000 tonnes of hydrocarbon produced by 59% as a result of the planned gas reinjection on Jubilee field. Our N₂O emissions for 2012 were negligible.

The Jubilee field offshore Ghana represents 90% of our Group-wide Carbon Dioxide (CO₂) emissions. Despite production from this asset being relatively steady in comparison to 2011, we achieved a 62% decrease in CO₂ emissions, with emissions down from 1.2 million tCO₂ in 2011 to 464,844 tCO₂ in 2012. This reduction was largely a result of decreased flaring on the Jubilee field Floating Production Storage and Offloading Vessel (FPSO), where we injected approximately 86% of the gas back into the field. The remaining gas was used for power generation on the FPSO and fuel for the pilot flare, an essential safety system. While we continue to report on our Group-wide CO₂ emissions, our CO₂ equivalent (CO₂e) emissions, which includes CO₂ emissions Methane (CH₄) and Nitrous Oxide (N₂O), was assured for the first time this year. We are therefore treating 2012 as our baseline year for CO₂e.

During 2012, 54,692 tonnes of waste were disposed from our sites. This represents a 67% increase compared to 2011 and is a result of the increased scale and activity of our operations. Of this waste, approximately 72% has been recycled, re-used or treated. In the countries where we operate, the waste infrastructure is relatively undeveloped and it is challenging to identify environmentally safe disposal routes. We work with local waste companies, helping to develop their waste expertise so that they can better support our requirements. The roll-out of our Drilling Fluids and Cuttings Disposal Standard in 2012 helped deliver more consistent practices and improve the integrity of our operations. Our Group position on waste management is under development and will be published in 2014.

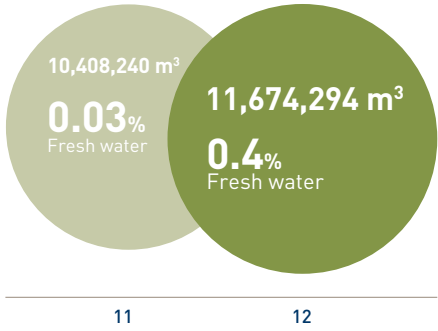
GHG EMISSIONS

We are addressing emissions reduction through both activity-led internal targets and reviewing the need for numerical Group targets, against our evolving operational footprint and production profile. As part of our toes management standards we incorporate emissions controls in the design phase of all major projects and developments. An example of this is including numerous design improvements in the design of equipment used for the TEN project, based on learnings from the Jubilee project. This will result in significantly reduced emissions when we reach development and production.

We are now focusing on reducing emissions through operational controls. A flare reduction strategy is being developed for normal steady state production with the goal of minimising or eliminating flaring when technically and economically feasible on a Group-wide basis. We are currently evaluating the GHG emissions reduction target for the Jubilee field for 2014.

Our Environmental Management System and ISO14001 certifications in Ghana, Uganda, South Africa, Bangladesh, UK and Ireland require Tullow to commit to avoiding releases as well as demonstrate continual improvement in environmental performance.

Total water usage
11,674,294 m³ ↑ 12%



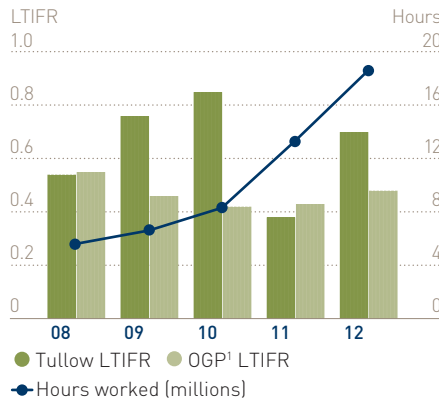
Seawater usage on the Jubilee field offshore Ghana, where we use a water reinjection system, represents 98% of our Group total water usage. Overall, water usage increased by 12% in 2012. Total fresh water usage was 42,342m³.

Ground water abstraction increased from 108,368m³ in 2011, to 143,569m³ in 2012. Fresh water usage represented 0.4% of total water usage. Increased water usage was required in line with our increased activity in Kenya, where we had three rigs in operation (Ngamia, Twiga and Paipai) and seismic surveying on three blocks (13T, 10 BA and 10 BB). 2012 was the first year we began reporting on water usage in Ethiopia, Madagascar, Suriname and Mauritania.

LTIFR rates

0.70 LTIFR

↑ 84%



In 2012 Tullow had 13 Lost Time Injuries (LTIs), Our Lost Time Injuries Frequency Rate (LTIFR) increased by 84% to 0.70.

KEEPING OUR PEOPLE FIT, SAFE AND WELL

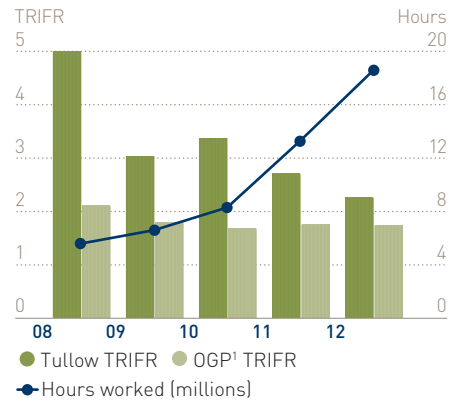
In 2012, Tullow appointed a Group Occupational Health (OH) Manager to focus on raising Group-wide OH standards, lay the foundations for best practice and ensure there is a consistent approach to OH across the business. One objective is to develop and implement a consistent health strategy globally that will help us minimise health risks arising in the workplace and ensure the health and safety of our people and communities is accounted for. We have reviewed and refined our medical processes to ensure people joining Tullow and those already in employment are fit specifically for the role they have been employed for. We have worked to reduce delays to the medical review process, which previously had the potential to impact operations.

In country, to ensure our people and our suppliers have the appropriate medical care available to them, we work with local medical services to ensure the facilities and standards of care meet our requirements. We use existing facilities and skills in-country and upgrade training and equipment as necessary. In cases where Tullow needs to invest more significantly in the quality of medical services provided, we create a sustainable

TRIFR rates

2.26 TRIFR

↓ 17%



In 2012, we had 42 Total Recordable Incidents (TRIs) and our Total Recordable Incident Frequency Rate (TRIFR) decreased by 17% to 2.26.

development plan, where the running and maintenance of the facility is ultimately returned to the local government.

In the year ahead, we will be developing a Tullow Fit Note. Before anyone is sent overseas, they must receive a Fit Note, signifying they have met the standard of health required for the role they are expected to fill and have completed the necessary safety training. We will also be evaluating health requirements as part of the new country entry process, involving the profiling of diseases in countries we already operate in and those we plan to enter.

“The focus of our Occupational Health at Tullow is to ensure our people stay fit and healthy at work, so they can go home safely to their families at the end of the day or project.”

Paul McDade Chief Operating Officer

1. International Association of Oil and Gas Producers (The)

Geographic Information Systems and risk mapping process

Tullow's exploration-led strategy requires us to look in frontier areas, which can be environmentally and culturally sensitive. We operate in an age when the industry has accumulated a wealth of technical know-how and experience and increasingly high standards of environmental stewardship and performance are expected. We operate with a focus on understanding environmental and social risk and operating for the long-term, carrying out our activities in a way that ensures the sustainability of eco-systems.

Following the revision and re-launch of toes in early 2012, the EHS and GIS teams have been working on the provision of an environmental Geographic Information Systems (GIS) database, to support the business in its activities. GIS, one of the systems available within the toes toolbox, is a key tool to help achieve the objectives we have within toes, in particular for biodiversity:

- Maintain a GIS database, covering Africa and the Atlantic Margins, to provide high-level screening of environmental, biodiversity and social risk information for business development teams; and
- Complete detailed site specific assessments on environmental sensitivities which may impact our geophysical, drilling, development and production activities to enhance the high level screening, enabling informed decision making by Corporate, Business Unit Management and technical teams.

An initial high level GIS database of environmentally sensitive and protected sites is available via our in-house developed application Tullow Maps for all Tullow staff to visualise. The GIS layers, sourced from the Integrated Biodiversity Assessment Tool (IBAT), are intended to provide an initial high level overview of the location and designation of protected and

sensitive areas. A further database has now been created to detail and record all protected areas that are located within our onshore acreage or in coastal proximity to our offshore acreage.

In 2012, we integrated GIS with our new country/block entry evaluation process. The assessment process aims to identify the key issues related to operating in a particular area of interest, particularly with regard to internationally recognised protected and sensitive areas, from both an environmental and socio-economic perspective. Associated project impacts and recommendations for mitigation activities are included in the assessment outputs. Several decisions regarding new country entry and exploration campaigns taken by the Global Exploration Leadership Team (GELT) in 2012 were significantly influenced by the heightened awareness of health, security and environmental issues the prospective fields presented.

Exploring in Greenland

In October 2012, Tullow took a 40% non-operated equity position in Block 9 (Tooq licence) in North-West Greenland where Maersk is the operator. During 2014, Tullow and its partners are due to make a decision on whether to drill an exploration well, following analysis of data from 3D seismic surveys that took place in 2012. As Maersk and Tullow are committed to meeting the stringent environmental standards required of companies operating in this area, we have jointly commissioned an international consultancy, working in tandem with local specialists, to evaluate the potential impacts associated with the 2012 survey activities through an ESIA. Maersk and Tullow are collaborating with operators in the area and the Greenland Oil Industry Association in order to evaluate and reduce cumulative impacts associated with the industry's activities.



BIODIVERSITY RESEARCH WITH THE WILDLIFE CONSERVATION SOCIETY

In 2012 Tullow launched a marine environmental research programme in Gabon that will deliver biodiversity data to help quantify and qualify the area's rich offshore habitat. Tullow has invested \$1.5 million in the two-and-a-half year project which is in partnership with the Wildlife Conservation Society (WCS). In some instances, oil operations can aid the protection of marine biodiversity in an area, because rig sites must be kept secure with no go zones for several kilometres around them. The research on marine wildlife activities, in particular those of endangered turtles, dolphins and whales, is helping Tullow to formulate best practices for its planned 2013 offshore operations and minimise any negative environmental impacts.



Aerial view, Turkana, Kenya

WATER SCARCITY

Access to potable water is a fundamental human right which we actively support. When designing projects, we examine the need for water and look to understand direct and indirect, negative and positive impacts of our operations on water sources. Water is used in varying degrees at all stages of the life cycle. In the production phase, typical volumes of water involved would be approximately 50 gallons of water for every barrel of oil produced.

We operate in countries with water stressed areas, such as Ethiopia and Kenya. We are still in the exploration phase in these countries and commercial development is yet to begin. Notwithstanding this, we are taking measures to carefully assess where access to the volumes of water that might be needed could potentially come from. If we reach the commercial development phase, this issue will need to be carefully managed and agreed with stakeholders.

To mitigate water risks encountered if our Ethiopian and Kenyan projects reach development, we are mapping local water sources through a hydro-geological survey, which will establish a baseline of water sources in the region, as well as undertaking a strategic impact assessment, which will detail potential water impacts.

We are working with different stakeholders across the industry, including industry bodies and NGOs, such as IPIECA and will evaluate international water programmes, initiatives and standards including, amongst others, the IFC, UN Water and World Water Council. In 2013 we aim to define Tullow's position on water management, which will describe how our sourcing, use and discharge of water is managed to minimise the impact to water resources, biodiversity and communities.

CREATING
SHARED
PROSPERITY
IN ACTION



Uganda



Murchison Falls, Uganda



UGANDAN ENVIRONMENTAL BASELINE STUDY

Exploration Area 2 (EA2) in Uganda lies within the Lake Albert Rift Valley, which is recognised by conservation organisations as one of Africa's most important areas for biodiversity. It is characterised by the presence of numerous endangered, endemic and emblematic species, such as elephants, giraffes and chimpanzees, as well as important natural habitats.

Several nationally protected areas lie within or in close proximity to EA2, including Murchison Falls National Park, Uganda's largest and second-most visited park. Tullow is committed to undertaking its Ugandan development in line with the IFC's Performance Standards (PS) on Environmental and Social Sustainability, which require a net gain in biodiversity when operating in such areas.

In preparation for the ESIA that will be undertaken in relation to the proposed Uganda development, Tullow has commissioned an independent, landscape-scale biodiversity baseline study of EA2 and adjacent areas. The first, desk-based phase of the study has provided an overview of the important species and habitats present in the area, as well as an initial appraisal of the distribution of modified, natural and potentially critical habitats, as defined by the IFC PS.

The study included a comparative analysis, using satellite imagery, of land use and habitat changes between 2002 and 2012. The analysis revealed how remaining natural habitats are under pressure from increasing population, as grasslands are converted to agriculture and forests are cut down to provide fuel and building materials. Ecosystem services are fundamental to livelihoods in the region, and it is recognised that they will be important to the viability of the development as well.

The second phase of the biodiversity baseline study will be based largely on field surveys, and will aim to confirm and refine the findings of the desk-study. In turn, this will inform the development ESIA in terms of the detailed evaluation of the development project's potential impacts on biodiversity and ecosystem services, and formulation of the measures necessary to avoid or mitigate those impacts.

Land transport safety

Land transport represents one of the most significant safety risks to our onshore operations. Some of the countries that we operate in have very high vehicle accident rates and therefore Tullow must take significant measures to minimise the land transport risks associated with our operations. Such measures include a clear Driving Safety Policy, journey management planning procedures, vehicle specifications, vehicle monitoring systems (so called black boxes) and of course extensive driver training.

However, in 2013, Tullow recognised that we needed to further increase our focus on land transport safety and has therefore formed a Land Transport Safety Committee. The objective of the committee is to achieve a step change in the management of land transport through improved leadership, resources, processes, training and awareness. This will result in reduced risk to not only Tullow employees, but also to the communities in which we operate.



Managing our performance in 2013

A significant development is the establishment of a new EHS Board sub-committee, chaired by Non-executive Director, Anne Drinkwater. The new committee will oversee the management of our key EHS operational risks.

Following the review of our performance at the close of 2012 by the EHS leadership team, the Executive and Board, three new KPIs have been introduced into the 2013 scorecard to focus on improvements we intend to make in the year ahead. One of the KPIs relates to our emergency response and crisis management, and will measure our efforts to improve the robustness of our approach in this area. The KPI is to 'ensure a high standard of emergency preparedness and incident management capability, including requisite plans and competent resources, across all Tullow Operations.' In 2013 we will also publish an 'Emergency Preparedness, Incident Management and Business Continuity' standard, aligned to international best practices, outlining the key requirements for risk assessment, organisational structures, roles and responsibilities and plans required to effectively manage a crisis situation. This will be supplemented by guidelines and self-assessment tools, allowing business units to assess their preparedness levels against the standard, the outcome of which will be reported on a quarterly basis.

Two new corporate KPIs focused on driving safety will be included in the scorecard in 2013. One leading KPI will focus on delivering the action plan from the recent Tullow Land Transport Safety audit. One lagging KPI will monitor our Vehicle Accident Frequency Rate.



Transportation route, Turkana, Kenya

2012 EHS PERFORMANCE SCORECARD

KEY PERFORMANCE TARGETS

2012 Leading Objectives	Progress ¹	Performance	2013 Objectives
Develop and implement action tracking system tracking incidents and investigations.	●	Rolled out incident investigation process and closed out associated corrective actions.	<ul style="list-style-type: none"> • Ensure a high standard of emergency preparedness and incident management capability across all operations.
Establish safety cases for all operated production facilities.	●	Safety cases for all operated production facilities in place.	<ul style="list-style-type: none"> • Ensure all operated projects have a safety case and all drilling rigs and contractors use an EHS system.
All medium and high risk contracts have effective EHS process in place.	●	Contractor management standard and revised EHS T&Cs in place. Increased EHS participation in contractor and contract evaluation.	<ul style="list-style-type: none"> • Implement Supply Chain Management in EHS Process standard; monitor progress and complete actions within agreed time frame.
Monitor performance of and compliance with revised toes.	●	All BUs self-assessed against 'toes'. Findings have determined six key focus areas for improvement in 2013.	<ul style="list-style-type: none"> • Deliver Tullow Land Transport Safety audit action plan; monitor progress and complete actions.
All ESAs implement Environmental and Social Management Plan (ESMP).	●	New framework agreements with ESIA preferred providers driving improved standards and resulting ESMPs.	<ul style="list-style-type: none"> • Close-out ESMP action plans, issue closure reports and complete audit of selected reports.
Drive more visible EHS leadership.	●	Operational managers demonstrated proactive EHS leadership in 2012. Non-operational managers demonstrated lower levels of leadership.	<ul style="list-style-type: none"> • Action plans for senior leaders to improve EHS leadership and the wellbeing of staff.

2012 LAGGING KPIS

2012 Lagging Objectives	Progress	Performance	2013 Objectives
Number of uncontrolled releases/ loss of containment incidents (water, diesel, oil, chemicals) >50 litres with < 3 incidents.	●	There were five spills (38.86 tonnes) in 2012, which had minimal environmental impact. Despite narrowly missing our target, this is a significant decrease from 14 spills (310.93 tonnes) in 2011.	<ul style="list-style-type: none"> • Number of uncontrolled releases/loss of containment incidents (water, diesel, oil, chemicals, etc) > 50lt ≤ 3.
Reduce malaria case incidents by 10% year-on-year per 1,000 exposures. 2011 base line: 0.34. 2012 target: 0.30.	●	We have met our KPI with an average of 0.07 instances of malaria per 1,000 exposures over the 12 month period.	<ul style="list-style-type: none"> • Ensure Vehicle Accident Frequency Rate (VAFR) is ≤ 1.3 motor vehicle crashes (MVC) per million km driven.
Close-out 100% of Level 4 and 5 incident investigation actions, ensuring maximum learning from serious incidents.	●	This KPI is linked with the leading indicator to develop and implement an action tracking system to report and track incidents and investigations, as reported above.	<ul style="list-style-type: none"> • Closeout 100% of investigations of actual and potential level 4 & 5 & LTIs incidents, including full management review, approval and action closure.

● Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target

¹ Score is out of a potential 3 points, ● completed = 3, ● Partially completed = 1, ● not completed = 0.

WORKING TOGETHER

We are proud of our culture and the values that help defines what it means to work at Tullow. Our people are the reason behind why we have achieved the reputation as Africa’s leading independent oil company, and we continue to develop our approach to ensure our people continue to thrive.



HIGHLIGHTS

2.9%

Our employee turnover was 2.9% in 2012. Over the past five years the Group has consistently achieved a staff turnover rate of less than 4%.

16

We participated in 16 compensation surveys on a global basis, benchmarking our employee compensation.

\$7,880

The average spend on training and development per employee in 2012 was almost \$8,000.

NEW

Tullow became members of the Voluntary Principles of Security and Human Rights. For more information, go to page 55.

PEOPLE IN CONTEXT

The oil and gas sector requires deep technical and industry expertise to successfully search for and extract oil. This presents a significant human capital challenge with the increasing pressure from governments to ensure in-country workforces are represented by a majority of locals, where extensive management and technical expertise are not always prevalent.

IMPORTANCE TO TULLOW

Organisation and culture are core components of our business model. Our strategic priority in this area is to continue to build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair. The loss of key staff members is one of the long-term performance risks for the business. The Board’s 2013 objectives relating to organisational capacity are to:

- Continue to build organisational capacity through recruitment, induction, development, recognition and reward;
- Ensure organisational design is fit for purpose and evolves to reflect the growth in size and complexity of the business;
- Continue to monitor senior executive development plans to provide succession for all key positions; and
- Continue to increase the diversity of the management team.

OUR STAKEHOLDER PRIORITIES

Employment opportunities for locals is the most important issue to the majority of our external stakeholders, particularly national governments and host countries. The human rights of the communities which are affected by our operations and those employed through our supply chain are

also a key issue, particularly for international stakeholders. The safety of people and operations are issues often cited by both in-country and international stakeholders.

PERFORMANCE INFORMATION ● ● ●

On page 55 of this report you will find more detailed information on how Tullow’s HR function performed against in 2012 and its 2013 objectives.



Ike Duker (right) with Job Nyaoko, Trainee Well Engineer, Kenya

“Creating jobs is one of the main preoccupations of our stakeholders within the industry. At least 85% of employees in our key locations in Africa are locals and this is consistent with our vision.”

Ike Duker Executive Chairman, Tullow Ghana Limited



HEALTH & SAFETY

Go to pages 41-43 in our EHS section to learn about our approach to managing the safety of our workforce and local communities, occupational health and employee wellbeing, as well as review our 2012 health and safety performance.

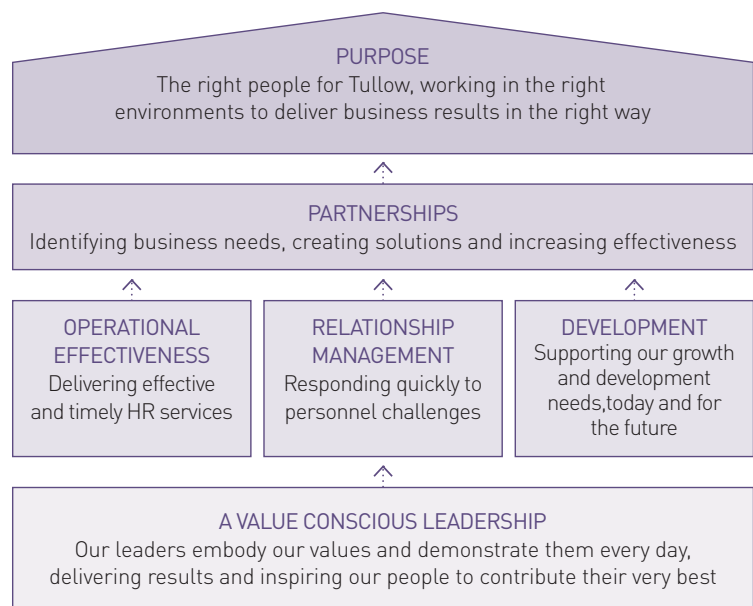
Our people strategy

The overriding aim of Tullow's HR function is to help the business to manage people to meet its needs. This is achieved by securing and developing the talent we need to maintain Tullow's integrity and effectiveness. It also involves creating effective working environments by having the right organisational architecture in place. Finally, HR supports the business in ensuring programmes are executed in the right way, meaning how we do things is as important as what we do, underlining the importance of our values and culture in a successful business.

Our entrepreneurial culture is widely recognised by the industry as a competitive advantage and is part of the DNA of Tullow. It is reflected in our values, the way we work and our track record of success. The strength and quality of our team enables us to execute successfully as a business and maintain a strong culture. This in turn helps us to attract and retain highly skilled people from different cultural backgrounds, in a competitive employment market.

The Group-wide HR metrics we use to measure our success are staff turnover, localisation and diversity. We also assess levels of employee and contractor engagement via a global survey conducted every second year. Additional KPIs by which our HR function is measured can be found on page 55. Our strong commitment to creating employment opportunities for nationals of our host countries was demonstrated by 81% of new recruits in 2012 being local nationals.

Tullow's people strategy



Our people strategy sets out HR's core purpose. It includes how we work as a partner to the business, and our three main areas of delivery, underpinned by leaders who we support to ensure they live our values.

OUR VALUES

Focus on results

Strong sense of focus on results, driving tasks and projects through to completion, with the flexibility to adapt to changing situations.

Integrity and respect

Work with integrity and with respect for people and for the environments in which we operate.

Entrepreneurial spirit and initiative

Maintain our entrepreneurial and creative spirit as we challenge ourselves to develop the business and ourselves.

Commitment to Tullow and each other

Work in a collaborative manner, empowering ourselves and others, whilst taking responsibility for our actions.

Localisation

Our localisation vision is to run each of our country-operated assets with a majority of local leaders, managers and staff. However, an ongoing challenge the business faces is to work with host governments in growing their knowledge of the oil and gas industry and the realistic scale of the associated employment opportunity. A producing asset will only result in several hundreds of job opportunities, compared to the thousands involved in other extractive industries, such as mining. Jobs in the oil industry also tend to be highly specialised and require significant training and experience. Governments and regulators have in the past focused on headline numbers for “nationalisation” or localisation of the work force. This can have the unintended consequence of filling positions in the quickest way possible, instead of focusing on more strategic skills transfer and development over the longer term.

We take a strategic and long-term approach to localisation, through internal training and development programmes and investing in capacity building projects externally. This moves the focus away from quotas, visas and work permits to a more meaningful discussion with governments about how to develop capacity in host countries. We focus on the skills and experience we need and developing staff for managerial, technical and commercial roles, as well as the support function roles.

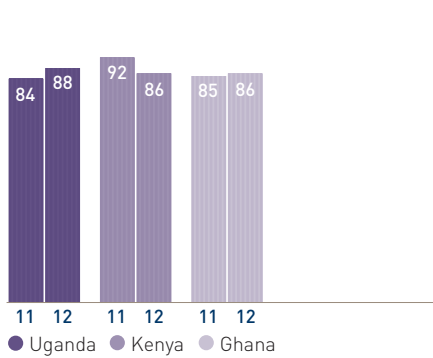
Evaluating talent from our countries of operation in our Group-wide succession planning provides Tullow with the broadest range of skills, experience and perspectives and offers nationals from our host countries global career development opportunities. An example of how we do this is providing opportunities for our employees in-country to work at Tullow’s UK headquarters or in other country locations, and gain valuable exposure to other parts of our business.

In countries with a nascent oil and gas industry, targeted investments will be made to develop long-term talent capability in technical skills, such as providing scholarships to study abroad through our social investment programme.

“Localisation at Tullow is more than ensuring our country assets are operated by a majority of local managers and staff. Our talent development in host countries forms part of our succession plans for international as well as local job opportunities.”

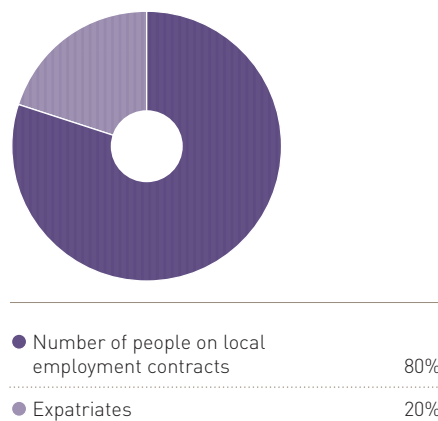
Gordon Headley Chief Human Resources Officer

% of local nationals employed



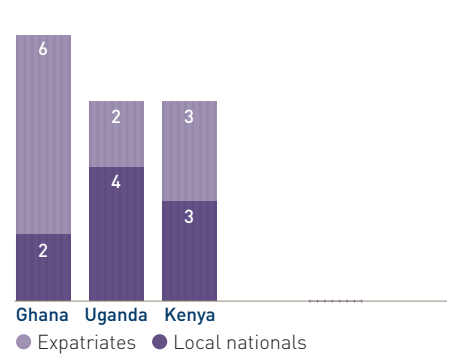
Our localisation policy includes detailed KPIs which monitor localisation rates within each business unit. In 2012, we maintained high levels of representation of local nationals as a proportion of the overall employee base. Ghana, Uganda and Kenya are the countries outside our corporate centres in the UK, Ireland and South Africa where we have the highest numbers of employees.

Workforce by employment type



Expatriate staff continue to have an important role to play in our operations. We capitalise on their experience and expertise to transfer and develop skill sets across the Group.

Local nationals in senior management



We continue to invest in our people to ensure that over the long-term our senior management in-country has increased representation from the locals of the host country. Our largest operated production asset and major development project is in Ghana. The personnel required to manage these complex operations require 10 to 15 years of industry experience. However, the local pool of talent is relatively limited. There are few local oil and gas engineers, but there is a larger pool of experienced support professionals such as lawyers and accountants. As a result, these roles are localised faster than senior management or specialist technical roles.

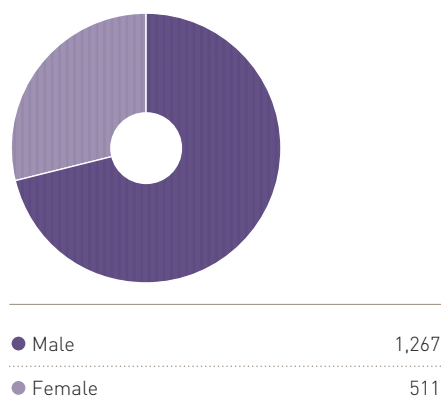
Reward & recognition

During 2012, we participated in 16 global compensation surveys, benchmarking our employee compensation against the oil and gas sector. We also commissioned surveys in Ghana, Mauritania, Kenya and Uganda, which found our compensation offerings were in line with or better than our peer group and/or those of industry averages. In Ghana, in response to the survey findings, we improved two aspects of our compensation packages, placing it around the 75th percentile, compared with the average offering at the 50th percentile. The results of the benefit surveys carried out in Mauritania, Kenya and Uganda will be reviewed in 2013. We remain committed to ensuring that all our employees globally benefit from our highly competitive share options scheme.

Training and development

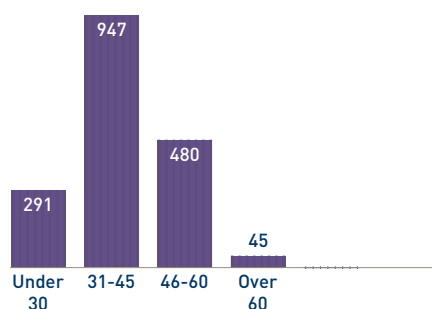
In 2012, we rolled out our career and competency frameworks across a number of functions to ensure our people can properly plan their careers and have meaningful development conversations. In addition, our executives have identified a range of business drivers and challenges we need to deliver against, so that we not only deepen our technical expertise, but also further develop our leaders to build strong relationships in all the countries we operate. This also includes clearly mapping our skills, competencies and development needs in our operations. Succession planning, identifying internal candidates for key roles and vacancies and progressing against functional development plans will be the key focus areas in 2013.

Gender profile



At the end of 2012, 29% of our workforce was female, up 2% on 2011. Women currently represent 19.3% of management, and we will continue to focus on increasing this proportion in the coming years. One of our three regional business managers, one of the most senior positions in the Group, is female.

Age profile



Career planning and development is one of three key focus areas within our HR strategy. This priority is aligned to the demographic profile of our workforce, where 53% of people are between 30 and 45 years old.

“We continue to regard the development of a diverse, high calibre pipeline of senior executives, with Board potential, as our highest human resource priority. However, the challenge of dealing with a long legacy of under-representation of females in senior executive roles in the oil industry remains.”

Simon Thompson Chairman

Our diversity policy

We are committed to eliminating discrimination and supporting a diverse workforce. Our equal opportunities policy aims to create a working environment where individual differences and the contributions of all our staff are recognised and valued. We work to ensure that every employee is treated with dignity and respect. No form of intimidation, bullying or harassment is tolerated and training, development and progression opportunities are available to all.

Tullow's Chairman and Board regard the discussion of a broad range of views at Board level as an essential element in maintaining our competitive advantage. A truly diverse Board consists of people with different personal attributes, skills, experience and backgrounds, as well as differences in nationality, race and gender. Women represent 18% of our Board.



Go online to visit our people profiles at www.tulloil.com/peopleprofiles

CREATING
SHARED
PROSPERITY
IN ACTION



Ghana



Ghanaian Navy patrol, Jubilee Field area, Ghana

Asset security and human rights

Security and human rights are a real risk in some of the African countries in which we operate, where the sensitive social environments potentially pose significant security risks to our personnel, assets and operations. Ensuring the safety and security of the people who live and work in and around Tullow's operations is a fundamental priority. In addition, managing our business in an ethical manner, while treating all stakeholders with respect and dignity, is a vital element of our continued growth.

Tullow has always embraced the Voluntary Principles on Security and Human Rights (VPSHR) in aspects of its work that are sensitive to human rights, prior to formal participation in the initiative in early 2013. In Ghana, for example, the Ghanaian Navy provides security support to the Jubilee field and Tullow has provided a 'train the trainer' programme to Navy representatives.

This course covers an introduction to offshore oil and gas operations, safety, VPSHR and adherence to the UN Code of Conduct for Law Enforcement Officials and basic principles on the use of force and fire-arms.

Last year Tullow introduced a Group Security Standard to safeguard people and property against potential security threats and to ensure that a common level of security is maintained wherever we operate. This standard sits within an operating framework that upholds respect for human rights. Our own policies and VPSHR membership provide a solid foundation on which to build our security relationships with host nation governments and security providers, and will support our management of the challenging security situations we may face in-country. Tullow also has a human rights statement in place and is committed to releasing a human rights policy in 2013.

Established in 2000, the Voluntary Principles on Security and Human Rights — an initiative by governments, NGOs and companies — provides guidance to extractives on maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. The Voluntary Principles are the only human rights guidelines designed specifically for oil, gas, and mining companies.

“Upholding the principle of operating transparently, and respecting the rights and dignity of the communities affected by our operations, is fundamental to our success as a business.”

Garry Evans Asset Protection Manager, Tullow Oil

KEY PERFORMANCE TARGETS

2012 Objectives	Progress	Performance
Maintain staff turnover below 5% per annum.	●	Staff turnover in 2012 was 2.9% against a 17% increase in our employee numbers.
Deliver actions from the Talk Back survey.	●	Three key software systems implemented in response to the need to enhance our systems and processes.
Deliver Board HR objectives in organisational capacity and further embedding our values.	●	Strategic roles recruited in line with key projects. Executive workshop became a blueprint for embedding values across the business.
Complete global succession plans and review with all functions.	●	Board reviewed and approved succession plans for Executive Directors.

2013 Objectives

- Maintain staff turnover below 5% per annum.
 - Successfully complete employee engagement survey in 2013.
 - Deliver Board HR objectives.
 - Put Board succession plans in place. Monitor senior executive development and succession plans.
- Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target

CREATING VALUE AND MANAGING RISK

Our Supply Chain Management vision is to create value and manage risk for Tullow by providing an integrated supply chain built on exceptional performance and empowered people, in support of Tullow’s strategy and business plans.



HIGHLIGHTS

NEW

Supply Chain Management vision launched.

89

Companies participated in Anti-bribery & corruption industry partner forums in Kenya and Bangladesh in 2012.

300

Land safety is critical with over 300 land vehicle movements a week, totalling 135,000km. Our Vehicle Accident Frequency Rate reduced by 11% in 2012.



Visit our supplier centre where over 1,000 local suppliers have registered to date. www.tulloil.com/supplier_centre

SUSTAINABLE SUPPLY CHAIN IN CONTEXT

Supply chain sustainability is being recognised more and more as a critical component of a company’s corporate responsibilities. As well as being the right thing to do, it helps a company to manage the social, environmental and economic impacts of its activities and combat corruption. As a consequence, building a sustainable supply chain can create, protect and grow long-term social and economic value for all stakeholders.

IMPORTANCE TO TULLOW

A failure in our supply chain is one of the key risks identified to our performance as it has the potential to result in project delays, causing significant financial penalties and a loss of reputation with stakeholders. Supply Chain Management (SCM) is also a very important enabler of Tullow’s ability to create shared prosperity as it has major responsibility for many of the most significant economic, environmental and social impacts that the Group has, across the oil life cycle.

IMPORTANCE TO STAKEHOLDERS

There are three material issues relating to supply chain. SCM has significant influence over the environmental impact of our activities, which is one of the most important issues for our stakeholders. Development of business opportunities for local suppliers is of concern to local governments, regulators and communities. For Tullow one of our most material issues as a business is to ensure high standards of compliance with our Code of Business conduct in anti-bribery and corruption. Supply Chain Management has responsibility for this across our extended supplier network, including international and local suppliers.

PERFORMANCE INFORMATION



On page 59 of this report you will find detailed information on how we performed against our 2012 key objectives. New objectives for 2013 are also set out.



“We are moving from compliance assurance to a wider remit which is explicitly focused on supplier performance management. Our goal is to build a more sustainable supply chain, the environmental, social and economic benefits of which are far reaching. The challenge, however, is implementation where our supply chains are often new, large and complex.”

David Mooney Group Supply Chain Manager

Building new supply chains

SCM is the second largest function in Tullow and is integral to how we run our business and execute our operational activities, from high-impact exploration in frontier areas, to production in West & North Africa, Asia and Europe. We build and operate our own supply chain because in many regions we are opening up new exploration areas and basins. The supply chains we create are both international, local and physical supply chains for materials and services. Because of the underdeveloped nature of some of the local supply markets where we operate, an integral part of our supply chain is connecting trading partners from when an order is placed to the receipt of payment. In this way we oversee the flow of financial information and money, as well as the flow of goods and services. The Supply chain team are some of the first Tullow employees on the ground, paving the way for us to be able to operate in these countries. This makes supply chain a significant contributor to the overall operational efficiency of the Group.

An integrated supply chain with a single vision

This year SCM launched a new vision to 'create value and manage risk for Tullow by providing an integrated supply chain built on exceptional performance and empowered people.' The objective is to further develop Tullow's supply chain in a way that aligns completely with the Group's strategic goals and business plans. Our integrated teams work together across the three components of supply chain – Logistics & Materials, Contracts & Procurement and Local Content – as well as with the business and the Group's external stakeholder community. This gives SCM visibility from the initial demand in the Group's business plan right the way through to executing delivery in the field. This higher level of co-ordination also allows us to have greater management of how we build the supply chains we need in a sustainable way through joined-up planning with operations, early engagement with stakeholders and developing a strong interface with local and international supply markets.

The goal as a performance driven supply chain is to deliver fit for purpose SCM strategies and processes, to drive operational and cost efficiencies, manage risk, embed EHS and measure performance. This will help us to ensure our contracts are cost competitive which is an important consideration in the context of circa \$2 billion capital expenditure per annum. We are currently opening up a new operation in Ethiopia, which has meant getting to a new well site that is 1,600km from the coast in a landlocked country. This requires a massive amount of co-ordination with governments, customs, suppliers and local communities, as well as physical logistics to manage our environmental and social impacts. Therefore careful consideration of the risks associated with our activities and building in strategies to mitigate those risks is vital not just to SCM but to EHS risk and overall risk management in Tullow.

The third element of SCM's vision is a strong focus on talent management. This is a significant issue because of the complexities associated with the industry's supply chain, the skills needed to operate the Group's supply chain in a sustainable manner and Tullow's commitment to localisation in our host countries.

Evolution in 2012 and more planned in 2013

During 2012 SCM evolved further to suit the new size and scale of Tullow. Group standards were implemented in terms of the types and shapes of contracts. Progress was made in working with Tax, Legal, Risk, Compliance and Finance to establish the Tullow standard for contract terms and conditions. We have also put in place framework agreements with many of our biggest suppliers so that they understand the demands Tullow is going to place on them in terms of meeting our high EHS and delivery standards. This has also served to strengthen our relationships with these suppliers, which will help with compliance and performance monitoring. We have streamlined the contract approval process to create a sharper focus on closely evaluating suppliers against our five key contract criteria. These include EHS standards, technical requirements, local content opportunities, ethics and compliance and the best technically acceptable commercial offer. We will continue to build and further expand on these areas in 2013.

Addressing risk within our supply chain

Addressing risk in our supply chain is a big focus area for SCM. These can include physical risks to supply, interruptions to the supply chain, or risks associated with companies that we do business with, relating to their financial stability or ownership. We recognise that we will have to work a lot more closely with our suppliers to ensure we consistently meet high standards and to manage the higher level of risk we have in our growing supply chain. More internal visibility, through our integrated approach to SCM, will help us to better understand where current and future risks might be within our supply chain. Effective supply chain risk management demonstrates that we are a responsible operator and protects and enhances Tullow's brand and reputation.

Transparency in contracting

The management of our supply chain and potential failure within the supply chain is recognised as a key corporate risk by Tullow from business, financial and governance perspectives. While local companies and national governments clearly need to understand our procurement processes and contract criteria, this is a challenging issue because of the standards we must achieve to manage supply chain risk. The consequences of a significant failure within supply chain management could result in disruption to our operations, delays to major projects or environmental, health and safety and security incidents; each of which could cause a significant loss of reputation with stakeholders or the imposition of financial penalties that destroy shareholder value.

SUSTAINABLE SUPPLY CHAIN CONTINUED

In host countries, particularly in developing regions, what we need to achieve to manage supply chain risk is often perceived as complex and a barrier by local firms that are new to the oil industry. The onus therefore is on us to create a greater understanding of our procurement and contract award processes.

In 2012, we have introduced greater levels of transparency for suppliers, governments and the general public in how we award contracts. This helps give confidence in our procurement and contract awards. We will also continue to work with governments to establish good ethical procurement practices that will maintain a free market, avoid monopolies and underpin competitive pricing for their oil industry.

Developing local suppliers

At its simplest level, local content is about making sure that at every opportunity we have we involve local companies, either directly where we contract with them or indirectly through our contracts with international suppliers. We believe that to maintain a competitive advantage and our licence to operate, Tullow must make a real contribution to sustainable economic growth by sharing prosperity from oil and gas with host countries. In our local content policy and strategy, we do this by involving local individuals and businesses in supporting the development of their country's oil and gas industry and in helping them to grow and contribute to the wider economy.

We provide a number of tools and training initiatives that help local business and host governments understand that we can assist local companies to win business, not just with Tullow but with other international companies by improving standards in critical areas.

A significant part of the remit of our local content teams in-country is to engage with and educate local stakeholders on our guidelines and standards. This helps local companies achieve pre-qualification as a supplier. In the event that a local company is not successful in a contract award we provide direct feedback on how they can improve their business and their tender for the next time and what issues we identified thereby increasing their chances of becoming a supplier. Our 'closing-the-gap' seminars are another mechanism we use. We also have an online supplier centre, where over 1,000 companies have registered since it was launched in late-2010.

Once a contract is awarded to a local company we provide monitoring and oversight to ensure that the local company succeeds in fulfilling the contract and that they consistently meet the standards required. Unfortunately, we are also faced with making some hard decisions when a local supplier fails to achieve or adhere to the contract award requirements, particularly if it creates unacceptable risks within our supply chain. We also place specific demands on our international suppliers to make sure they meet their local content commitments, as well as adhering to our Code of Business Conduct and EHS standards. This drives good sustainable business practices across our supply chain.

HELPING TO MANAGE EHS

Tullow EHS standards are agreed by the EHS function, which is the responsibility of Tullow's Chief Operating Officer and has Board-level oversight with a new EHS Committee. Through our contractor management processes, SCM oversees supplier EHS standards and performance at both pre-contract and post award stages.

In 2012, we changed how we manage EHS in our supply chain and we now have EHS expertise embedded into SCM in Ghana, Uganda and at a Group level. Their role is to ensure all our suppliers are operating to the agreed high EHS standards and that contracts are properly designed to meet those commitments. Our people in the field pre-qualify suppliers and make sure they meet the EHS standards and if not, help them get to the required level. Where we have breaches in EHS such as Lost Time Incidents we manage this through our supply chain by reviewing and enforcing the contract requirements.

EHS decides how to sustainably manage our environmental footprint. Supply chain then puts conditions into our contracts to meet those requirements. We also put some mechanisms in the contracts to incentivise suppliers and reward them to come up with better, cleaner and more sustainable solutions.

In 2012, we needed to transport tonnes of rig equipment close to Lake Albert in Uganda, a journey with poor roads and hazardous conditions. A new route was devised following risk assessment and mitigation planning. The trucks were transported across Lake Albert saving time and over 80,000km. This reduced the environmental impact and the potential significant safety risks of the rig transfer.



Improving land transport safety

Land transport represents one of the biggest safety risks in the oil and gas industry. In 2012, Ghana, Kenya and Uganda took steps to improve driver awareness and behaviour through education, training and strong leadership. The results of the programme have led to improved driver safety and a reduced number of driving incidents. A monthly "Tullow Drivers Recognition and Reward Scheme" was introduced for safe driving behaviours. In addition a real-time vehicle tracking system, which monitors driving performance, has greatly reduced the number of speeding incidents. To evaluate a driver's ability and identify gaps where additional training might be required, employees, contractors and suppliers undergo driver competency assessments. Those meeting the competency standards receive a certified Tullow driving licence. Drivers also receive safety awareness presentations. In Uganda, newly established Land Transport Safety Teams in Kampala, Buliisa and Kisinja are responsible for vehicle management including vehicle acquisition and inspection; driver training; issue and management of Tullow driving licences; real time vehicle tracking, journey management procedures; contractor performance reviews; disciplinary procedures and fuel management.



A new Land Transport Safety Committee is being established in 2013 and information on this is in the EHS section on page 48.

SCM IN ACTION IN KENYA

In the next phase of investment in Kenya we will be spending circa \$800 million on our activities. The challenge for Tullow is to manage this expenditure in terms of transparency, supplier due diligence and standards, while maximising local content. In preparation for this, the SCM team held a workshop in Kenya with well engineering, general management and Development & Operations to agree an operational readiness checklist that addressed these issues and contractor management and performance. We also held industry partner forums for local suppliers to provide an overview of how Tullow's SCM works, the EHS standards that we adhere to, our Code of Business Conduct and anti-bribery legislation. In 2012, we spent almost \$30 million with local suppliers in Kenya. This figure almost doubles when the local content expenditure of our international suppliers is taken into account.



KEY PERFORMANCE TARGETS

2012 Objectives	Progress	Performance	2013 Objectives
Continue with industry partner forums.	●	Industry partner forums were held in Kenya and Bangladesh during the year and over 89 companies participated.	● Use supplier performance management to drive increased local content development with key international suppliers.
Improve land vehicle safety with the roll-out of mandated supplier driving training and standards.	●	Major land transport safety programmes undertaken in Ghana, Kenya and Uganda. In total over 12 million km were driven in 2012 and the VAFR reduced to 1.31 (2011: 1.46).	● Mitigate risk within the supply chain by focusing on higher risk areas and activities such as well engineering.
Innovate in logistics management to improve our environmental footprint.	●	This is an ongoing initiative.	● Improve overall logistics performance and introduce a Group standard for logistics operations.

● Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target

BUILDING FUTURES

Our local content strategy and policy sets out the requirement for Tullow to optimise supply chain opportunities for local businesses and individuals at every stage of our activities.



HIGHLIGHTS

\$145M

In 2012, we spent \$145 million with local suppliers in key countries of operation.

TWO

We funded the opening of an Enterprise Centre (EC) in Uganda during the year and in May 2013 another EC opened in Ghana.

NEW

Work on a pilot vocational training programme commenced in Uganda to develop local construction skills for the development phase of this major project.

1,000

By the end of the year, over 1,000 local suppliers have registered their interest in working with us via our supplier centre.

LOCAL CONTENT IN CONTEXT

There are high external expectations for oil and gas companies to use local suppliers for goods and services in their activities. Known as local content, this can bring a range of business benefits, including lower operating costs through developing a thriving and competitive local market as well as increased host country commitment and understanding of operational activities. Local content is also a key tool to align business development and planning with government goals for economic development and local capacity building. In host countries with a nascent oil industry, capacity building focuses on supply chain programmes and processes that improve the ability of local suppliers to support operations and help to deliver projects.

IMPORTANCE TO TULLOW

Local content is important to Tullow as we believe that we can achieve a competitive advantage through building a dynamic and secure local supplier base. This is cost efficient and lowers commercial, operational and project risks. We also work with our international suppliers through our contracting strategies to ensure they develop and deliver local supplier strategies which are aligned with our commitment to local content. Local content is one of three key components of Tullow's Supply Chain management function.

“What we lack is capital, technical skills and expertise. We need to develop all three and education is key to that.”

Ghana National Petroleum Corporation

IMPORTANCE TO STAKEHOLDERS

Host governments and local communities recognise that an emerging oil industry is a great opportunity to stimulate economic and social development within their country. What is often lacking are the skills and financing to deliver goods and services to international standards, particularly in areas such as the environment or health and safety practices.

Our stakeholder feedback on local content includes a need for:

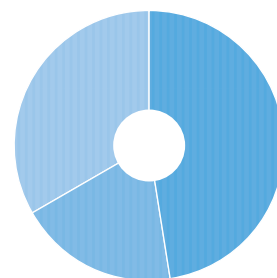
- more skills training and apprenticeships for local suppliers and support in gaining access to credit to help local businesses develop; and
- ensuring our international suppliers maximise local content opportunities.

FURTHER INFORMATION

We publish local content case studies and other supplier information online, including our local content policy. Go to www.tulloil.com/corporateresponsibility.

Local content expenditure

\$145 MILLION



● Ghana	\$69m
● Kenya	\$28m
● Uganda	\$48m

Investing in skills training for local businesses

We have responded to in-country stakeholder feedback on the need to provide more skills training and apprenticeships for local suppliers with a range of initiatives and investments during the year. A critical element of the projects we undertake is to ensure that they are aligned with our business objectives, the present and future requirements of our activities and development goals of host countries. This is fundamental to ensuring these projects are sustainable over the longer-term and last beyond the presence of the oil industry.

A new enterprise centre in Uganda in 2012

In 2012, we provided \$600,000 funding and significant business support for the opening of an enterprise centre in Hoima, Uganda. This centre is run by a not-for-profit partner, Traidlinks, and provides training and advisory services for local entrepreneurs and small-to-medium sized enterprises. These services including business skills training, mentoring and networking, information on opportunities within Tullow's supply chain and our pre-qualification process, as well as business development opportunities outside of the oil and gas sector. Financial companies and local banks also participate and provide advice on how to successfully gain access to credit, which addresses our stakeholders' need to access to capital for local companies.

Vocational skills training in Uganda

A pilot for vocational skills training is due to launch this year in the Nakawa Vocational Training Institute in Uganda. This will help to ensure local suppliers can develop much needed skills in the construction sector by introducing apprenticeships in a variety of the main trades including electrical, plumbing, welding and steel fabrication. This will be very important when this major project moves into the development phase where we will be building production facilities and related infrastructure. Our goal is to develop a cohort of trainers with an internationally recognised qualification. Tullow has provided seed funding and will support the development of this programme post the launch phase, building a training infrastructure which over the long-term can be self-sufficient and self-funding.

Closing-the-gap seminars

We have been running 'closing-the-gap' seminars for a number of years. In 2012, we hosted seminars in Ghana in conjunction with the TEN project and in Uganda as we progress towards the development phase. The objectives of these seminars are to help build capacity in local suppliers by providing workshops which advise on the standards required by the oil and gas industry and how suppliers can work towards pre-qualification. These workshops also provide the opportunity to discuss the impact of bribery and corruption on business and to raise awareness of ethics and governance issues, particularly international legislation and our own Code of Business Conduct. In many instances our international suppliers will also participate, providing the opportunity for local suppliers to discuss joint venture initiatives.

Supporting local content through international suppliers

All of our international suppliers are obliged, as part of their tender response, to demonstrate their commitment to the involvement and development of local suppliers in their supply chain in our host countries. This translates into local content performance obligations which can be measured and monitored. In evaluating international tenders for local content, we look for tangible commitments to long-term investment, levels of local and national spending and the ability for local companies to participate either as subcontractors or suppliers in the provision of materials, equipment, and other measurable items. International suppliers working with Tullow are also required to provide a local content development plan.



KEY PERFORMANCE TARGETS

2012 Objectives	Progress	Performance	2013 Objectives
Track, record and report local content. Achieve assured data for 2012.	●	We agreed definitions for how local content should be measured but did not achieve assurance on our 2012 data.	• Achieve assured data for 2013.
Open enterprise centres in Uganda and Ghana.	●	We opened an Enterprise Centre (EC) in Uganda and signed a Memorandum of Understanding for an EC in Ghana.	• Continue 'closing-the-gap' programme, with quarterly seminars.
Launch pilot of vocational skills training.	●	We laid the ground-work for a programme to be launched in Uganda's Nakawa Vocational Training institute in 2013.	• Audit alignment of our local content policy with IFC guidelines and Equator Principles.

● Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target

BUILDING SOCIAL PERFORMANCE INTO THE HEART OF OUR APPROACH

In a world of increasingly complex political, social and environmental challenges, it is becoming more challenging for extractives companies to access, extract and process resources. In line with Tullow's value of respecting local communities and people impacted by our business, in 2012, we significantly strengthened our social performance capability.



HIGHLIGHTS

NEW

In 2012 Tullow defined a new approach to social performance, putting social impact management at the heart of our business.

37

New hires to our FSEO teams in country in 2012 brought our total number to 37 across the Group.

FIVE

We established new social performance departments across the Group.

72%

In 2012, we increased our discretionary spend on social investment projects by 72% to \$19.9m (2011: \$11.6m).

SOCIAL PERFORMANCE IN CONTEXT

The actions and expectations of governments, communities and society as a whole are having a profound effect on business performance. Companies that mismanage their relationships with stakeholders expose themselves to significant business risks, including project delays and disruption, more onerous regulatory requirements and, in some cases, the loss of assets and licence to operate. Conversely, companies that proactively manage their social impacts and ensure host countries benefit from and participate in the industry can create significant competitive advantage.

IMPORTANCE TO TULLOW

Effective management of the social impacts of our operations is critical to the growth and sustainability of our business. Social performance touches on two aspects of our business model. The first area is 'governance and values', where we aim to continue to build trust and reputation with all stakeholders. The second area is 'shared prosperity', where we nurture long-term relationships with local governments, communities and key stakeholders. Managing our impacts consistently well will help us ensure our projects run on time and on budget, and that we build a positive reputation that can strengthen access to growth opportunities.

OUR STAKEHOLDER PRIORITIES

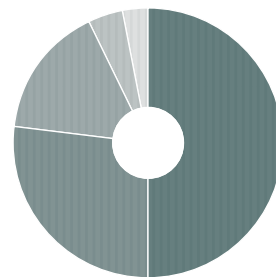
Social impacts associated with Tullow's operations include impacts on the livelihoods of fishermen and farmers; land acquisition and resettlement; managing expectations around local employment and local business opportunities in the sector; and the influx of people into areas of operation and associated social pressures.

PERFORMANCE INFORMATION

On page 67 of this report you will find more detailed information on how our External Affairs team performed against its 2012 key objectives and 2013 objectives.

Of the \$19.9 million discretionary spend in 2012, over 80% was on projects implemented in countries in Africa. In 2012, we supported over 100 initiatives in 16 different countries across the Group. Discretionary projects are fully funded by Tullow over and above the contractual commitments, and are not cost recoverable. In addition to our discretionary spend, we have a number of mandatory licence obligations focused on social investment. These include initiatives in nursery and primary schools in Suriname, and environmental and capacity building in Greenland.

Social investment spend by category



● Education	50%
● Enterprise development	27%
● Health	16%
● Other	4%
● Environment	3%

Respecting local communities

The decision to develop a new approach to social performance became imperative because of the growing prominence of our onshore East Africa business. In 2012 we delivered a new basin-opening oil discovery in Kenya and successfully concluded the \$2.9 billion farm-down of our Lake Albert Rift Basin interests to CNOOC and Total.

Social performance has a key contribution to make to the successful delivery of economic oil and gas projects, and covers all activities relating to a project's life cycle from initial identification, through to engineering, design and production and the final decommissioning of projects.

Our approach involves consulting affected communities, minimising harmful impacts and mitigating those that do occur, as well as promoting opportunities for host communities to access sustainable economic benefits. Three key components, outlined below and to the right, make up our approach:

- Community stakeholder engagement;
- Social impact management; and
- Social investment.

Social investment is about managing social impacts associated with our operations and leveraging the benefits which our business can bring to communities and the country as a whole. We do this by supporting national and community needs, through education, local content and capacity building initiatives.

We are in the process of developing the Tullow Social Performance Standard for roll out in 2013. In the meantime, we continue to apply the IFC Performance Standard in our operations in Ghana and meet international best practices in our other countries of operation while we develop the standard. As we are operating in new oil countries, we are doing everything necessary to build up the social performance competencies of our staff in local offices and business units to ensure that the Group and, consequently, our host countries have world-class social performance practitioners.



Community stakeholder engagement

Grass roots community engagement via FSEOs who are from and speak the languages of the local communities.



Social impact management

Socio-economic impact assessment and management;
Macro-socio economic baseline;
Land access / acquisition;
Social / community investment; and ESIA.



Social investment

Supporting local employment;
Building capacity of institutions & communities;
Promoting business environment;
Delivering projects / programmes aligned with regional or community development needs; and
Mitigating social impacts.

Managing grievances relating to crop damage in Uganda

In Uganda, the proximity of our onshore operations to local communities present a number of ongoing social and environmental challenges. During our 3D seismic surveying activities in Block EA2, we encountered a number of social performance challenges which stemmed primarily from inadequate assessment of potential social impacts during the ESIA process. While we recognised we would need to pay compensation for crops impacted by the seismic surveying to affected communities, the estimation of the extent of the impacts was inadequate. This meant that the budget and consultation processes required were underestimated.

Despite these challenges, Tullow assessed and compensated the people affected by the damage caused to their agricultural land. The Group also provided beneficiaries with access to impartial local financial advisory services, in order to promote responsible investment and savings of compensation funds.

Managing the impacts of crop damage, particularly during 3D operations, reaffirms how important social performance planning and execution is to the smooth running of our operations. While our social licence to operate is conscientiously acquired, it can easily be lost if not managed effectively. We are actively reviewing our ESIA processes to ensure the social component has appropriate attention from the outset.

We have established a dedicated social performance function in Uganda. This team will provide leadership and support to the Ugandan business, so they are better equipped to professionally manage social performance issues going forward. We have also developed compensation guidelines and community / stakeholder engagement protocols to provide a more structured and proactive approach to supporting, engaging and involving communities affected by our activities.

Community engagement on seismic surveying in Ghana

In 2012, Tullow initiated a seismic survey to identify further potential oil and gas reserves in the subsea rock formations in and around the Jubilee field. The survey involved a large vessel towing steamers, which carry hydrophones, transmitting energy waves via compressed air guns which travel down through the sea and subsea rock formations.

A community group potentially impacted by our activities in the Jubilee field is the traditional fishing community. We have consistently and proactively engaged this community, establishing and maintaining good relations.

In preparation for the survey, our FSEOs consulted with nine fishing communities, identified as potentially impacted by the seismic survey activity with respect to their ability to fish in certain areas during the research period. The main focus of these engagement sessions were to make the fishing communities aware of the potential dangers of coming close to these operations as well as the precautionary measures we took to prevent such situations.

Through these consultations, the communities raised issues of concern to them. One such issue was the request for Tullow Oil Ghana to invest in primary and basic education in the local region. The foundation stages of education are a greater priority for the community than tertiary level education, which is currently being invested in via the Tullow Group Scholarship Scheme.

In response to the communities' request for investment in primary education, the business unit's social investment strategy continues to support education and capacity building. Recent projects invested in by Tullow include the 'Amenano Sustainable Kindergarten Complex', which provides early childhood development education. Another is the 'Science in Schools' project, which provides secondary schools with standard laboratory equipment, training and capacity building for teachers and laboratory assistants.

The community also wanted to have a greater understanding of the emergency response plans in place to contain any oil spill that may occur. As part of Tullow's Oil Spill Response training, carried out in November 2012, Tullow's CLOs informed local communities, chiefs, land owners and other key stakeholders about the exercise and they were invited to observe the training.



Fishing boats, Takoradi, Ghana



CREATING
SHARED
PROSPERITY
IN ACTION



Ghana

Community resettlement in Ethiopia

We aim to avoid physically displacing communities where possible. If unavoidable, we manage impacts associated with displacement and the communities livelihoods before operations commence. In 2012, we resettled a community from the Sabisa well site in Ethiopia. Seventy households from the Dassenech tribe were relocated from the Chete Kogne village to Delenymor, approximately four kilometres north. The tribe comprised 310 nomadic pastoralists, who had been living at the site for eight months. A community survey was conducted, the tribe was engaged on proposed locations and valuations were undertaken to determine the compensation owed. Packages were unanimously agreed and money was used to acquire more livestock and housing improvements. The relationship between the affected community and Tullow remains good.

Our approach to social investment

Our social investment (SI) strategy aims to:

- Manage identified social and socio-economic impacts and risks associated with the impact of our operations on affected communities; and
- Ensure that host countries and neighbouring communities have access to as much economic benefit as can be enabled through Tullow’s activity, for example, by developing the capacity of local people and businesses to participate in the oil and gas industry.

Tullow applies four mandatory criteria to all categories of its social investment. All projects must be:

- Focused on agreed business objectives set out in business plans;
- Efficient, delivered within budget and on schedule with measurable outputs;

- Compliant with applicable laws of host countries and implemented in accordance with relevant Tullow standards and Code of Conduct; and
- Sustainable, designed in consultation with local communities and government, and planned to ensure continuation after Tullow exit.

2012 key social investments

In 2012, Tullow increased discretionary spend on social investment by 72% to \$19.9 million. The focus of this investment was mainly on capacity building education initiatives.

Tullow Group Scholarship Scheme (TGSS)

In 2012, Tullow invested \$6.6 million in its scholarship scheme. Scholarships were offered to 99 students from Ghana, Uganda, Kenya, Mauritania, Côte d’Ivoire, Gabon and Ethiopia. The students are studying subjects including Exploration Geophysics, Oil and Gas Management, Law and Environmental Science, Supply Chain Management and Hospitality & Tourism. They are studying at internationally recognised institutions in the UK, Ireland and France, such as Robert Gordon University (UK), University College Dublin (Ireland), and University of Dijon (France).

African Gifted Foundation (AGF)

The AGF benefits students in Uganda, Ghana and Ethiopia, delivering tailored science and technology focused courses. Each year Tullow invests \$25,000 to support over 100 students to help them to become the scientists of tomorrow. Tom Ilube, Chairman of the AGF, said: “Tullow Oil is instrumental in creating the future generation of top African engineers and scientists. Over one hundred brilliant young mathematicians have already benefited from Tullow’s support and another hundred will join the programme in the coming year. It is a real delight to have Tullow Oil investing time, money and effort into Africa’s talent of tomorrow.”



ETHIOPIAN NURSING PROGRAMME

In Ethiopia there is a higher than average number of road traffic accidents compared to the rest of the continent. We are helping to build specialist emergency care capability by investing \$93,500 per year to support 15 students to attend the trauma nurse training. As well as broader social benefits of improved access to healthcare, the programme addresses Tullow’s risk of not being able to treat people after a road accident, given our increased operations and presence in the country. Dr. Einar Eriksen, the surgeon responsible for the training programme said: “Thanks to Tullow’s financial support we are investing in the education of theatre nurses.”

Masters scholarships in engineering and geology

To build science and engineering capacity in Africa and to provide valuable research to inform our work in Uganda, Tullow invested \$190,000 to support five students to study at the Makerere University, Kampala, Uganda. The scholars also benefit from having Tullow supervisors assigned to mentor and guide them in their research work.

Secondary schools scholarships in Kenya

To improve the educational opportunities for remote communities in Turkana County, we awarded 25 disadvantaged students with scholarships for four years of secondary school education at national and provincial schools. Scholarship funding includes tuition fees, uniforms, textbooks and transport to school. By tackling low literacy levels, particularly among girls, chances of finding employment within and beyond the oil and gas sector will be also increased.

In Gabon, to support the health and wellbeing of the communities we work amongst, we partnered with the Red Cross to bring weekly mobile clinics to remote villages, responding to a key community concern identified in the ESIA. Dr. Patrick Obiandang, Director at Gabon Red Cross, said: "This community health and mobile clinic project really responds to people's needs, thanks to our collaboration with Tullow Oil."

SURINAME DEVELOPMENT PRIORITIES AND NGO SECTOR PROFILING

To ensure we choose capable, reputable and transparent local partners to work with and meet our social development priorities set out in our licences in Suriname, we commissioned an independent researcher to profile the complex NGO sector and investigate the government's development aims and objectives. The research screened over 500 NGOs and community-based organisations and Tullow will use the findings to evaluate potential NGO partners to work with in-country. The research also reviewed the components of our ESIA's and recommended the following areas of management:

- Mitigate potential impacts of Tullow's activities, such as those identified in the ESIA conducted for seismic activity: disturbance to fishing sites, potential fuel leaks and spills affecting marine fisheries and coastal communities;
- Maximise local business and workforce participation through supplier and skills development; and
- Deliver programmes in areas where there is an overlap between the government of Suriname's development priorities and Tullow Oil's business drivers.



KEY PERFORMANCE TARGETS

2012 Objectives	Progress	Performance	2013 Objectives
Commit \$20m to SI projects for 2012.	●	In 2012 we had an approved discretionary budget of \$20m. We spent \$19.9m.	<ul style="list-style-type: none"> • Roll out Social Investment Policy, mandatory criteria and governance process.
Award up to 110 scholarships to students from selected countries during 2012 under the Tullow Group Scholarship Scheme.	●	We allocated 110 awards and 99 scholars successfully completed the assessment stages and took up the awards. 90% of the target was achieved.	<ul style="list-style-type: none"> • Develop Tullow's 'Social Performance Standard'. • Develop Social Performance protocol for contractor management.
Develop and publish a three-year SI strategy to better embed our long-term approach to enhancing the benefits of our presence where we do business.	●	We are developing new mandatory criteria that will apply to all social investments going forward so that investment projects are aligned to our business objectives.	<ul style="list-style-type: none"> • Define and develop robust social impact assessment process as part of Tullow's ESIA process. • Define and integrate social performance inputs and activities into business model delivery from new country entry process through to decommissioning.

● Meeting target ● Within 10% of target or on track for delivery ● Failing to meet target



ENVIRONMENT, HEALTH & SAFETY



Our EHS personnel are located in each of our countries of operation. Their roles vary, but the function's principal responsibility is to oversee the implementation of our EHS policy, Tullow Oil Environmental Standards and other EHS policies. Working closely with our operational and Supply Chain Management teams,

their key priorities are to keep our employees and contractors safe and well, ensure our suppliers are upholding our high EHS standards, and to minimise the impact of our operations on the environment. Where impact is unavoidable, they work to mitigate those impacts.

Tullow Team

1. Asim Abdulrahman Mohamedaltilib – Kenya
2. Francis Muramuzi – Uganda
3. Candice Revill – South Africa
4. Mark Nelson – Ethiopia
5. Susan Busingye – Uganda
6. Roger Moscrop – Ghana
7. Hermann Attoubou – Côte d'Ivoire
8. Ali Greg – Ghana
9. Andy Dickinson – Ethiopia
10. Peter Muriuki – Kenya
11. Ihab Darkish – Kenya
12. Emma Fegan – UK

4

SUPPLEMENTARY INFORMATION

- 70 External sustainability initiatives and standards**
We set out the industry memberships and affiliations we use to engage with industry peers and opinion formers.
- 70 Global Reporting Initiatives**
We highlight the GRI guidelines this report follows.
- 71 Independent Assurance Statement**
In 2012, Deloitte LLP performed assurance as defined in ISAE 3000 on Group-level compilation of environment, safety and social performance indicators as well as transparency data.
- 72 Tullow data in detail**
In addition to the supplementary information published in this report, the basis of reporting is published online at www.tulloil.com/crr2012/bor
- 77 Key Corporate Responsibility Policies and Systems**
Find listed in this section, the key CR policies and systems that our internal functions are governed by, and use to govern the organisation.
- 78 Glossary**
- 79 Index**

BENCHMARKING AGAINST BEST PRACTICE

We continually review external standards, frameworks and membership of industry bodies in order to exchange ideas and best practice and ensure we continue to develop and progress our approach and systems and processes.

EXTERNAL SUSTAINABILITY INITIATIVES AND STANDARDS

We maintain a number of industry memberships and affiliations to engage with our industry peers in discussions on industry issues and to benchmark our practices:

- Extractives Industry Transparency Initiative (EITI). Additionally, in countries where we operate which are implementing the EITI standard, we are actively involved in supporting the implementation process. See more information on page 16.
- Transparency International Corporate Supporters Forum.
- Voluntary Principle of Security and Human Rights (VPSHR). See more information on page 55.
- International Petroleum Industry Environmental Conservation Association (IPIECA).
 - We became a member of IPIECA in 2012. We want to understand how other companies are dealing with challenges such as operating in environmentally and socially sensitive areas. We also want to stay ahead of best practices on issues such as incorporating human rights into our own policies and frameworks. We had also had feedback from the Environment MSF that we should collaborate more actively with other oil companies; membership of IPIECA is one way for us to do this.
- Carbon Disclosure Project (CDP) reporting. Additionally, we participate in independent environmental, social and governance performance research such as EIRIS and Vigeo surveys.
- Oil Spill Response Limited (OSRL). Through our membership of Oil and Gas UK we also participate in the Oil Spill Prevention and Response Advisory Group (OSPRAG).

APPLYING THE GRI G3.1 GUIDELINES

- This report applies the Global Initiative G3.1 Guidelines and Oil and Gas Sector Supplement, which are designed to help organisations measure and report on their economic, environmental and social performance over time.
- GRI has not assured this report, and the GRI Application Level Check is not a form of assurance. Deloitte provided limited assurance on this report. See page 71 for more information.



A full GRI content index can be found online at www.tulloil.com/crr 2012/gri

What we looked at: scope of our work

We have been engaged by the Board of Directors of Tullow Group Services Limited to perform limited assurance procedures on Tullow Oil plc's ("Tullow Oil") Group level compilation on selected environmental, safety, social, social investment and corporate transparency performance indicators on pages 72-76 of the CR Report for the financial year ending 31 December 2012.

What standards we used: basis of our work, criteria used and level of assurance

We carried out limited assurance on the selected key performance indicators in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000). To achieve limited assurance the ISAE 3000 requires that we review the processes and systems used to compile the areas on which we provide assurance. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls.

The evaluation criteria used for our assurance are Tullow Oil's definitions and basis of reporting for the indicators as described on www.tulloil.com/crr2012/bor

What we did: key assurance procedures

To form our conclusions, we undertook the following procedures:

- Understood, analysed and tested on a non-statistical sample basis the collation, validation and reporting of selected CR performance data at Group level, as indicated on pages 72-76 of the Report, in accordance with Tullow Oil's definitions and basis of reporting. Our work was based at Tullow Oil's head office.
- Reviewed the content of the CR Report against the findings of the aforementioned procedures.
- For the 'corporate tax', 'royalties due in cash' and 'payments in kind to governments' indicators, the data has been agreed to the information that was used to prepare Tullow Oil's 2012 Annual Report and Accounts. The data for these three indicators relates to a selected number of countries only, as indicated by Tullow on page 76. We tested Tullow's calculation of payments in kind due to governments (in barrels) (being the difference between Tullow's entitlement production and Tullow's working interest production) and tracing entitlement and working interest production figures to financial statement working papers.

What we found: our assurance conclusion

Based on the scope of our work and the assurance procedures we performed, nothing has come to our attention that causes us to believe that the selected CR performance indicators compiled as described in Tullow Oil's basis of reporting and presented on pages 72-76 are materially misstated.

1. The levels of assurance engagement are defined in ISAE 3000. A reasonable level of assurance is similar to the audit of financial statements; a limited level of assurance is similar to the review of a half year financial report.

Limitations

The process an organisation adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organisations and from year to year within an organisation as methodologies develop. To support clarity in this process, Tullow Oil has developed a Basis of Reporting document for 2012, which defines the scope of each assured metric and the method of calculation and should be read together with this report.

In relation to our work performed on the CR performance indicators for 2012, we note the following specific limitations:

- Our testing did not examine the underlying systems used by Tullow Oil and its partners to collate and report data.

Roles and responsibilities

Tullow Group Services Limited:

- The Directors are responsible for the preparation of the Report and for the information and statements contained within it. They are responsible for determining Tullow Oil's objectives in respect of environmental, safety, social, social investment and corporate transparency performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Deloitte:

- Our responsibility is to independently express conclusions on reliability of management's assertions on the selected subject matters as defined within the scope of work above.
- This Report is made solely to Tullow Group Services Limited in accordance with our letter of engagement for the purpose of the directors' governance and stewardship. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tullow Group Services Limited for our work, for this report, or for the conclusions we have formed.
- We performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants' (IFAC) Code of Ethics and in some areas are more restrictive. We confirm to Tullow Group Services Limited that we have maintained our independence and objectivity throughout the year, including the fact that there were no events or prohibited services provided which could impair that independence and objectivity in the provision of this engagement.
- Our team consisted of a combination of Chartered Accountants with professional assurance qualifications and professionals with a combination of environmental, CR and stakeholder engagement experience, including many years' experience in providing corporate responsibility report assurance.

TULLOW DATA IN DETAIL

These pages provide the base data found in this report and information on key corporate policies and systems.



ENVIRONMENTAL PERFORMANCE

	2012	2011	2010	2009	2008	2012		
						West & North Africa	South & East Africa	Europe, South America & Asia
Atmospherics								
Total air emissions (tonnes of CO ₂ e)	579,834.45¹	1,376,590	294,732	87,047	197,603	510,874.73	19,626.82	49,332.90
Total air emissions by production (tonnes of CO ₂ e per thousand tonnes hydrocarbon produced)	106.03¹	260.93	197.6	90	89	119.27	n/a	41.63
CO ₂ emissions (tonnes)	464,844	1,223,983	265,437	86,543	193,109	424,325	19,195	21,323
CH ₄ emissions (tonnes)	4980.76	7,267	1,395	24 ²	214	3,705.98	1.08	1,273.70
N ₂ O emissions (tonnes) ⁵	33.76					28.14	1.32	4.30
Tonnes CO ₂ /thousand tonnes hydrocarbon produced	85	232	178	89	88	99	n/a	18
Tonnes CH ₄ /thousand tonnes hydrocarbon produced	0.91	1.38	0.93	0.02 ²	0.10	0.87	n/a	1.07
Tonnes N ₂ O / thousand tonnes hydrocarbon produced	0.01					0.01	n/a	0.004
Flaring								
Total hydrocarbon flared (tonnes)	30,246¹	911,665	88,719	168,685	5,308	29,591	0	655
Total hydrocarbon flared by production (tonnes per thousand tonnes hydrocarbon produced)	5.53¹	172.81	59.36	174.16	167.61	6.91	n/a	0
Drilling emissions								
CO ₂ (tonnes)	30,167.4	130,732	115,194 ³	78,019	11,334	131,561	11,451	5,155
CH ₄ (tonnes)	8.30	7.35	0.09	7 ²	0.80	7.4	0.64	0.28
Production emissions								
CO ₂ (tonnes)	263,794.69	1,069,890	125,928 ³	7,829	179,143	261,917	n/a	1,878
CH ₄ (tonnes)	4,753.83	7,090	1,242	14 ²	171	3,493	n/a	1,261
Well test emissions								
CO ₂ (tonnes)	28,410	23,362	24,315	695	2,632	26,569	n/a	1,841
CH ₄ (tonnes)	214	169	152	3 ²	42	202.02	n/a	12
Water usage								
Sea water	11,430,092¹					11,430,013	78.90	0
Fresh water	42,342¹					0	40,732	1,610
Total water usage (m ³) – all operational sites	11,674,294¹	10,408,240	107,423	71,683	62,380	11,485,277	167,195	21,821



Basis of reporting

to find out the full detail on the definitions of data terms and the source of information used in this report.

www.tulloil.com/ccr2012/bor

ENVIRONMENTAL PERFORMANCE CONTINUED

	2012	2011	2010	2009	2008	2012		
						West & North Africa	South & East Africa	Europe, South America & Asia
Waste								
Total waste (tonnes)	54,692¹	32,707	–	–	–	14,730	36,102	3,861
Recycled/Reused/Treated (%)	72.15¹	84.29	–	–	–	47.79	89.51	2.68
Uncontrolled releases								
Number of oil and chemical spills	5¹	14	4	5	6	3	2	0
Volume of oil and chemical spills (tonnes)	38.86¹	311	4.59 ⁴	0.94	trace	11.18	27.68	0
Energy use								
Total indirect and direct energy use (GJ)	5,685,961¹					5,168,520	256,734	260,707
Total indirect and direct energy use by production (GJ per thousand tonnes hydrocarbon produced)	1,040¹					1,193	n/a	224
Fines and sanctions	0^{1&6}							

1. Indicates data reviewed by Deloitte as part their assurance work. See page 71 for the independent assurance report.

2. This 2009 data has been restated using an updated conversion factor.

3. This 2010 figure for production and drilling CO₂ emissions (tonnes) includes an estimated split in total emissions for Ghana. A new system is in place to avoid these assumptions for 2011.

4. The 2010 figure for oil and chemical spills (tonnes) excludes an unknown quantity of black and grey water spilled in Bangladesh.

5. 2012 is the first year that N₂O emissions have been reported on.

6. While no fines were received for environmental non-compliance during the reporting period, in July, Tullow Ghana paid a \$220,000 levy approved by the local Environmental Protection Agency (EPA) for exceeding the 3% Oil on Cuttings (OoC) limit for its drilling programme as part of the Jubilee project. Ghana's waste disposal infrastructure is relatively under-developed and as part of our Production Agreement, the Ghanaian government has made a provision for companies exceeding OoC limits through a surcharge, until they have adequate onshore waste infrastructure solutions.

Ghana

Produced water discharged (sea water)	m ³	109,168.05
Oil discharged in produced water	Tonnes	1.63
Oil Content of discharged water	Mg/litre	151.23
Bangladesh		
Produced water discharged (ground abstraction)	m ³	16,004.30



SAFETY PERFORMANCE

	2012	2011	2010	2009	2008	2012		
						West & North Africa	South & East Africa	Europe, South America & Asia
Hours worked (million)	18.58¹	13.3	8.3	6.6	5.6	6.1	9.6	2.8
Number of employee fatalities	0¹	0	0	0	0	0	0	0
Number of contractor fatalities	0¹	1 ²	0	1	0	0	0	0
Number of third party fatalities involving members of the public	2¹	0	0	1	1	1	1	0
Lost Time Injuries (LTIs)	13¹	5	7	5	3	8	4	1
Lost Time Injury Frequency Rate (LTIFR) ³	0.70¹	0.38	0.85	0.76	0.54	1.29	0.42	0.36
OGP LTIFR	0.48⁷	0.43	0.42	0.46	0.55	0.48 ⁷	0.48 ⁷	0.48 ⁷
Total Recordable Injuries (TRI)	42¹	36	28	20	28	12	23	7
Total Recordable Injury Frequency Rate (TRIFR) ⁴	2.26¹	2.71	3.38	3.04	5.01	1.94	2.40	1.79
OGP TRIFR	1.74⁷	1.76	1.68	1.79	2.11	1.74 ⁷	1.74 ⁷	1.74 ⁷
High Potential Incidents (HiPos)	44¹	12	11	10	24	10	31	3
High Potential Incident Frequency Rate (HiPoFR) ⁵	2.37	0.9	1.33	1.52	0.9	1.62	3.23	1.08
Malaria frequency rate	0.06	0.34						
Kilometres driven ('000,000)	12.18	8.2	5	4.2	3.26	2.5	8.8	0.87
Vehicle Accident Frequency Rate (VAFR) ⁶	1.31	1.46	0.59	1.76	4.91	1.95	1.25	1.13

1. Indicates data reviewed by Deloitte as part of their assurance work. See page 71 for the independent assurance report.

2. This was a work related fatality as a result of contracting malaria. Malaria cases are defined as illness incidents.

3. The number of LTIs per million hours worked.

4. The number of TRIs per million hours worked.

5. The number of HiPos per million hours worked.

6. The number of vehicle accidents per million kilometres driven.

7. These are the draft provisional numbers released by the OGP. Final OGP figures for 2012 are released in July 2013.



PEOPLE

	2012	2011	2010	2012			
				West & North Africa ¹	South & East Africa ¹	Europe, South America & Asia ¹	Corporate ¹
Number of employees	1,415²	1,207	935	435	341	160	479
Number of contractors	363²	341	297	168	85	26	84
Number of expatriates in the workforce	347²	329	247	188	121	19	19
Number of people on local contract terms ³	1,431²	1,219	985	415	305	167	544
Total workforce	1,778²	1,548	1,232	603	426	186	563
Number of females in the workforce	511²	412	307	131	119	35	226
Number of female managers	73²	46	24	21	18	6	28
Number of managers	379²	273	-	120	88	37	134

1. The data is broken down by the region the employee/contractor is working on, not necessarily located in. For example, someone allocated to the West & North African region may be located in London.
2. Indicates data reviewed by Deloitte as part of their assurance work. See page 71 for the independent assurance report.
3. The terms and conditions of employment for an employee or contractor who is resident of a particular country, is in line with country-specific regulations and obligations.

Local nationals by country – 2012

Country	Local Nationals	Total ¹ Employee	Country	Local Nationals	Total Employee
Bangladesh	65	70	Namibia	1	1
Côte d'Ivoire	1	3	Pakistan	10	10
Ethiopia	18	22	Singapore	0	8
Gabon	16	18	South Africa	112	135
Ghana	243	281	Suriname	0	2
Ireland	91	122	The Netherlands	8	12
Kenya	51	59	Uganda	155	177
Madagascar	3	3	United Kingdom	373	512
Mauritania	13	14	Total	1160	1449

1. The local national figure was downloaded from the HR system at a later stage in January, therefore the total employee figure at this point was 1449.



SOCIAL PERFORMANCE

	2012	2011	2010	2009	2008
Discretionary expenditure (\$ '000)	19,914¹	11,569	2,578	2,054	1,846

1. Indicates data reviewed by Deloitte as part of their assurance work. See page 71 for the independent assurance report.



2012 LOCAL CONTENT EXPENDITURE (\$'MILLION)

	Total	Ghana	Uganda	Kenya
Local supplier expenditure	145.4	69.2	47.5	28.7



CONSOLIDATED TRANSPARENCY

	Payments in kind to governments ² Boe	Corporate tax ³ USD'000	Other taxes ⁴ USD'000	Royalties due in cash USD'000	Other government payments ⁵ USD'000
Europe, South America & Asia	44	22,783	83,774	–	4,458
West & North Africa	3,070,790	166,421	53,827	42,173	2,510
South & East Africa	–	142,795	47,578	–	6,548
Total	3,070,834	331,999	185,181	42,173	13,516
Country ¹					
Bangladesh	–	–	130	–	352
Congo (Brazzaville)	289,051	–	–	–	–
Côte d'Ivoire	521,618	–	46	–	52
Equatorial Guinea	1,002,773	50,837	–	–	–
Gabon	703,354	74,921	850	42,173	847
Ghana ⁶	464,051	40,664	52,843	–	314
Kenya	–	–	6,331	–	950
Mauritania	89,944	–	89	–	1,297
Netherlands	–	22,527	25,553	–	641
Pakistan	44	–	292	–	63
Uganda ⁷	–	142,000	30,802	–	2,605
UK	–	20,967	48,903	–	2,325
Other ⁸	–	[19,917]	19,342	–	4,070
Total	3,070,834⁹	331,999⁹	185,181	42,173⁹	13,516

The information used in the compilation of the table is consistent with that used to prepare our 2012 Annual Report and Accounts

Notes on preparation

1. We have chosen to report on countries where we have key projects and producing assets.
2. Payments in kind includes non-cash royalties and state participating interest paid in barrels of oil or gas out of Tullow's working interest share of production in a licence. The figures disclosed are produced on an entitlement (volumes due from annual production) basis rather than a liftings (volumes physically taken) basis. It does not include the Government's or National Oil Company's working interest share of production in a licence.
3. Corporate tax is disclosed on an accounting basis, excluding deferred tax of \$68.6 million and non-routine tax provisions of \$49.1 million.
4. Other taxes includes VAT, PAYE, and withholding tax, these are disclosed on an accounting basis.
5. Other government payments includes land rentals and training allowances.
6. Ghana royalties are calculated as 5% of Tullow net production in barrels of oil under the Deepwater Tano and West Cape Three Points Petroleum Agreements.
7. In anticipation of the farm-down of the Ugandan assets to CNOOC and Total, the Uganda Revenue Authority (URA) issued an initial assessment to Tullow for \$473 million in respect of capital gains tax on the transaction. At completion, \$142 million was paid by Tullow to the URA, being 30% of the tax assessed as legally required for an appeal. Tullow have appealed the tax assessment. The appeal will be heard by the Tax Appeals Tribunal in Kampala later in the year. Further detail can be found in the 2012 Tullow Oil PLC Annual Report & Accounts.
8. Included within other corporate tax is a \$20 million exploration expenditure tax refund from the Norwegian government.
9. Indicates data reviewed by Deloitte as part of their assurance work. See page 71 for the independent assurance report.

OUR APPROACH TO TAXATION

Our approach is to ensure we are fully compliant with our legal obligations in each tax jurisdiction in which we operate. Our tax strategy is reviewed regularly with the Board.

We seek to engage respectfully with Governments and relevant stakeholders to encourage a stable, transparent and competitive tax and regulatory framework.

We aim to pay the appropriate amount of tax due in the jurisdictions in which our activities are undertaken as determined by the domestic tax laws or the relevant production sharing agreement. We encourage the sharing of the appropriate level of risk and reward between stakeholders to ensure the long term viability of our investments.

Tullow's Corporate Structure

Tullow typically conducts its overseas operations by way of local branches of subsidiaries incorporated in the Netherlands and a number of acquired legacy subsidiaries incorporated in low tax jurisdictions.

These entities are all subject to taxation in their countries of operation. Each entity is required to register a local branch in the country of operation which is subject to tax like a local company. The place of incorporation has no bearing on the amount of tax paid locally, which is usually determined by specific rules for oil and gas production and subject to local audit and regulatory control.

In 2012, 93% of the \$332m corporate tax payable by Tullow was due in the African jurisdictions in which we operate. The effective tax rate on the underlying profits of the business (with exploration costs and associated deferred credits added back) was 41%.

Following the welcome changes made to the UK rules regarding the taxation of branches, Tullow is in the process of transferring the management of its overseas subsidiaries to the UK. This will have no bearing on the amount of tax paid by the local branches in their country of operation.

GLOSSARY

B		L	
boe	Barrels of oil equivalent	LTI	Lost Time Injury
boepd	Barrels of oil equivalent per day	LTIFR	LTI Frequency Rate measured in LTIs per million hours worked
C		M	
CH₄	Methane	m³	Cubic metres
CNOOC	China National Offshore Oil Company	MAFR	Malaria case Frequency Rate
CO₂	Carbon Dioxide	Mmboe	Million barrels of oil equivalent
CO₂e	CO ₂ equivalent	N	
CR	Corporate Responsibility	NGO	Non-governmental Organisation
E		O	
E&A	Exploration and Appraisal	OECD	Organisation for Economic Cooperation and Development
EHS	Environment, Health and Safety	OGP	International Association of Oil and Gas Producers (The)
EITI	Extractive Industries Transparency Initiative	P	
ESIA	Environmental and Social Impact Assessment	P90	Proven reserves that have a 90% certainty of being produced
ESMP	Environmental and Social Management Plan	Q	
F		Q&A	Questions and Answers
FPSO	Floating Production Storage and Offloading vessel	S	
FSEO	Field Stakeholder Engagement Officer	Safecall	Independent company operating Tullow's confidential reporting line
G		SP	Social performance
GDP	Gross Domestic Product	SME	Small to medium-sized enterprises
GHG	Greenhouse Gases	SRI	Socially Responsible Investment/Investors
GIS	Geographic Information System	sq km	Square kilometres
GRI	Global Reporting Initiative	T	
H		Talkback	Tullow global employee and contractor survey
HiPo	High Potential Incident	TEN	Tweneboa-Enyenra-Ntomme
HiPoFR	HiPo Frequency Rate measured in HiPos per million hours worked	toes	Tullow Oil Environmental Standards
HR	Human Resources	TRI	Total Recordable Injuries
I		TRIFR	TRI Frequency Rate measure in TRIs per million hours worked
IFC	International Finance Corporation	V	
IPIECA	International Petroleum Industry Environmental Conservation Association	VAFR	Vehicle Accident Frequency Rate
ISO	International Organization for Standardization	VPSHR	Voluntary Principles on Security and Human Rights
K			
km	Kilometres		
KPI	Key Performance Indicator		

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GOVERNANCE

- Code of Business Conduct
 - Gifts & hospitality policy and online register
 - Guidance on avoiding facilitation payments
- Guidance on expenditure on foreign public officials
- Conflicts of interest declaration form
- Awareness training programme
- Compliance committee (2012)
- Compliance online portal
- Independent system for 'speaking up/whistle blowing'



STAKEHOLDER ENGAGEMENT

- Employee stakeholder engagement guidelines
- Global online stakeholder management tool (2012)



ENVIRONMENT, HEALTH & SAFETY

- EHS Board sub-committee (2013)
- EHS Strategy Forum
- EHS policy
- EHS Management Standard
- EHS Risk Management Standard
- EHS Risk Register Procedure
- Tullow Oil Environmental Standards (toes)
- Tullow Safety Rules
- Group IMS policy
- ISO 14001 accreditation for Environmental Management System
- Emergency Preparedness, Incident Management and Business Continuity standard (2013)
- Malaria management policy and standard
- Operating in sensitive areas strategy
- Oil spill contingency planning
- Waste management hierarchy
- Chemical management plan
- Drill fluids & cuttings disposal standard
- HIV/AIDS policy
- Driving policy
- Substance abuse policy
- Cultural Heritage standard
- Community disturbance policy
- Modelling



OUR PEOPLE

- HR Leadership
- Group HR policies
 - Local legislation
 - Localisation
 - Induction
- Tullow values
- Employee handbooks



SUSTAINABLE SUPPLY CHAIN

- Online supplier centre
- Group Local Content policy (2012)



SOCIAL PERFORMANCE

- Social investment guidelines
- Social Investment working group responsible for reviewing and approving national level projects
- Social Performance Standard (2013)

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Our main corporate website has key information about our business, operations, investors, media, corporate responsibility and our people.

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Designed and produced by **Black Sun Plc**
Printed by **Pureprint Group**

Tullow Oil plc

9 Chiswick Park
566 Chiswick High Road
London W4 5XT
United Kingdom

Tel: +44 (0)20 3249 9000
Fax: +44 (0)20 3249 8801

Email: info@tullowoil.com
Website: www.tullowoil.com

