

## Creating shared prosperity



# 1 Overview

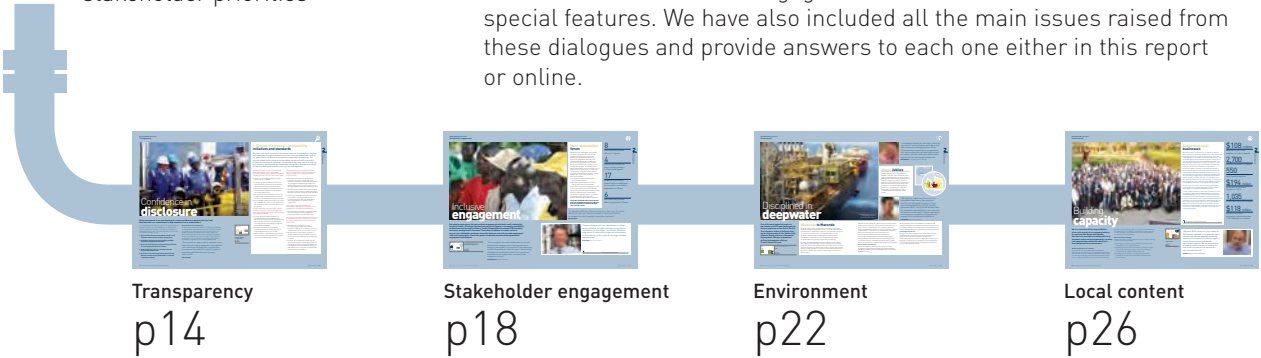
- 2 Chief Executive's message
- 4 Creating shared prosperity
- 6 Demonstrating our commitment

Aidan Heavey, our Chief Executive Officer, gives an overview of the year, sets out the core principles of creating shared prosperity and demonstrates how our commitment translates into real action and tangible benefits.

# 2 Our stakeholder priorities NEW

- 12 Understanding our stakeholder priorities

We identified our four key stakeholder priorities through several internal and external stakeholder engagements and have addressed these as special features. We have also included all the main issues raised from these dialogues and provide answers to each one either in this report or online.



# 3 Our performance

- 32 Performance overview
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- 40 Stakeholder engagement
- 44 Environment, Health & Safety
- 50 People
- 54 Sustainable supply chain
- 56 Social enterprise

Find out how we progressed against our targets and objectives and how we manage our business responsibly. This section also contains the detail of our performance for the period and our plans in each area of corporate responsibility.

“To give more context to sections 1 and 2, we recommend you read ‘Performance overview’ and ‘Stakeholder engagement’.”

**Tullow Group External Affairs team**

# 4 About this report

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This section sets out our approach to reporting, assurance and content selection for this report. It also contains the independent assurance report, supplementary information and a resource guide to help you find out more about Tullow.

# Who we are

We are a global independent oil and gas company, headquartered in London. We have a workforce of over 1,200 people in operations spanning 22 countries. We are Africa’s leading independent oil company and two of our projects there are helping to establish Ghana and Uganda as new oil producing countries.



### Africa

We are Africa’s leading independent oil company with over 50 licences in 15 countries and a key office in South Africa.

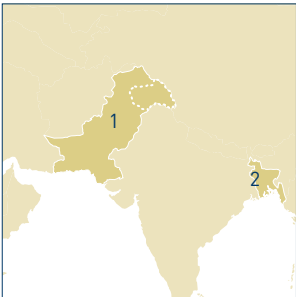
- 1 Mauritania
- 2 Senegal
- 3 Sierra Leone
- 4 Liberia
- 5 Côte d’Ivoire
- 6 Ghana
- 7 Equatorial Guinea
- 8 Gabon
- 9 Congo (Brazzaville)
- 10 Namibia
- 11 Tanzania
- 12 Uganda
- 13 Kenya
- 14 Ethiopia
- 15 Madagascar



### Europe

We have well established producing assets in the UK, a portfolio of mostly operated blocks offshore Netherlands and key offices in London and Dublin. Our European operations combine important revenues with low-risk exploration prospects and development opportunities.

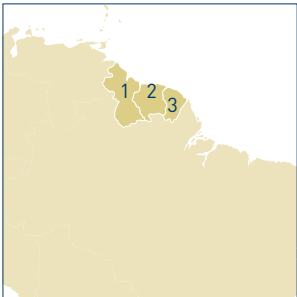
- 1 United Kingdom
- 2 Netherlands



### South Asia

The demand for energy in Asian economies is strong and offers us excellent growth potential through exploration. Currently we have production in Pakistan and Bangladesh.

- 1 Pakistan
- 2 Bangladesh



### South America

We have licences in the Guyana Basin in South America which has long been recognised as the potential twin to the West Africa Basins where we have had significant exploration success over the past three years.

- 1 Guyana
- 2 Suriname
- 3 French Guiana

### About Tullow in Ghana

Production from Phase 1 of the Jubilee field began in November 2010. This historic milestone was achieved just 40 months after discovery of the field. This project was achieved within 5% of the original \$3.1 billion budget and with an excellent EHS performance. Full gross production of 120,000 barrels of oil per day (bopd) is expected to be reached in the third quarter of 2011.



### About Tullow in Uganda

Tullow has had interests in the Lake Albert Rift Basin since 2004. To date, over 40 wells have been drilled and 1 billion barrels of resources have been discovered, with potentially a further 1.5 billion barrels yet to be found. This project is now moving into the development phase and ultimately we expect to be producing in excess of 200,000 barrels of oil per day.



# What we do

We create long-term value by pursuing a consistent strategy that seeks to deliver a balance between exploration, appraisal and development investment, with revenue from production and sources of funding. To do this successfully and sustainably, we must operate responsibly across the business.

## Exploration and appraisal

In order to explore we must first be granted a licence by the governments of the countries in which we wish to invest. After extensive analysis, exploration campaigns are planned to try to discover oil and gas fields or, more strategically, open new basins.

When we make a significant discovery, we drill wells to determine the size and quality of the discovery. Appraisal wells are drilled to confirm the size of a new field or to define the extent of a geological play over much larger areas.



## Production and development

If appraisal confirms that development of a discovery will be commercially and financially viable, we begin work on a development plan. Development plans involve extensive stakeholder engagement and must consider environmental, social and operational issues. These plans are approved by governments and regulatory authorities. The ultimate aim of successful development is to achieve production in a safe, environmentally conscientious and cost effective way.



### 2010

	Group	Africa	Rest of the World
Countries*	22	15	7
Licences	94	53	41
Permanent employees	935	506	429
Acreage ('000 sq km)	280	215	65
Exploration and appraisal (E&A) wells	29	28	1
Successful E&A wells	24	23	1
Development wells	95	93	2
Production barrels of oil equivalent per day (boepd)	58,100	39,000	19,100

\* 24 including corporate offices in South Africa and Ireland



# Creating shared prosperity

Our industry is by its nature long term. From commencing exploration to finishing production it is a capital intensive and demanding process, that can last decades. Therefore we need to create a strong external operating environment to successfully deliver our business plans and continue our growth strategy. To do this, we must contribute to social and economic development in countries where we operate. We call this creating shared prosperity.

**\$1.1** billion

sales revenue in 2010, an increase of 19%.  
Operating profit grew 56% to \$235 million

**First**

UK multi-stakeholder forum (MSF) in February 2011,  
with over 20 participants

**\$1.2** billion

capital investment in 2010. Operating cash flow grew  
30% to \$762 million

**2011**

results will be transformed by increased revenue  
from production in Ghana and the Uganda farm-down

**\$224** million

spent with local suppliers in 2010. Local content is  
a core element of creating shared prosperity

**66%**

of our total workforce in Africa, comprising 681 people,  
are local nationals



Front cover:  
**Linda Vasnani**,  
General Manager  
Conship, Kotoka  
International Airport,  
Accra, Ghana



Learn more about us by going online to  
[www.tulloil.com](http://www.tulloil.com)

## Africa's leading independent oil company

Developing new oil countries in Africa is transforming every aspect of our business and driving step changes in our responsibilities. Our entrepreneurial spirit means we embrace these challenges and bring an innovative and inclusive mindset to achieving long-term sustainable growth.



Aidan Heavey, Chief Executive Officer.

### 2010 highlights

#### Zero

high potential environmental incidents

#### 0.85 LTIFR

We achieved our baseline target of Lost Time Injury Frequency Rate (LTIFR) of less than 1 notwithstanding a big increase in operational activity and related risk. LTIFR is a Group Key Performance Indicator (KPI)

#### 40%

increase in permanent employees. Our total workforce grew to more than 1,200 people at the end of 2010; over 55% of whom are in Africa

#### 1.3%

staff turnover in 2010, which is a great result given Tullow's rapid growth. This measure is a Group KPI

#### \$2.6 million

social enterprise investment in 2010; giving support to over 70 projects, mainly in Africa

### 2011 key initiatives

- Roll-out of enhanced approach to external stakeholder engagement with a wider consultation programme
- New Code of Business Conduct and Group-wide compliance programme
- Drive significant improvement in EHS performance, with a specific focus on malaria awareness and prevention

As a business we have had a wonderful year. First Oil was delivered safely in every way from the Jubilee field, making Ghana a new oil producing nation in Africa. This was a huge achievement for everyone involved and has set the industry benchmark for deepwater development. Through this project we have become a world-class deepwater operator and 2011 into 2012 will see major changes in our production, revenue and cash flow profile.

#### Exciting exploration-led growth

We also had prolific exploration success during the year. Offshore Ghana, Enyenra proved to be a major oil field and Tweneboa was established as a major gas-condensate and oil field. Further west along the coastline we had an important oil discovery offshore Sierra Leone.

In the East African Rift Basins we had a 10 out of 10 success rate in Uganda and we are hoping to replicate some of our exploration success there in Kenya and Ethiopia, where we acquired licences during the year.

We have a 40-well drilling programme planned in 2011 and exploration success so far has been 12 successes from 15 wells.

#### Creating shared prosperity

Creating shared prosperity is the 'big idea' we are working towards in how we will run our business. It underpins our commitment to ensuring that the success of the oil and gas industry brings meaningful benefits to local people and local and national economies.

There is undoubtedly some cynicism about the effectiveness of the corporate responsibility activities of extractive industries in Africa. As a result we know it will take time to win people's hearts and minds.

In the meantime, we have set out in this review what creating shared prosperity means in the context of our business and how we are working towards this goal; see pages 4 to 7.



Lynda Biribonwa, Corporate Environmental Advisor and Regulatory Compliance Advisor for Uganda.



Keith Mutimer, Production Operations Manager, Ghana.

### Maintaining our culture

At the end of 2010 we had 935 permanent employees; an increase of 40% in the number of people in Tullow during the year. In April 2011, this had grown to well over 1,000 permanent employees in six key global locations; four times the number of people we had just five years ago.

This level of growth has brought with it many workplace challenges and we are always mindful of passing on our unique culture. We have a strong set of core values to capture and support the way we want to do business. We focus on results. We work with integrity and respect for people and the environment. We work in a collaborative way and above all we are entrepreneurial and creative in how we develop the business and ourselves. Maintaining our culture and managing organisational capacity are both Board objectives for the year.

### Improving our health and safety performance

Overall, health and safety performance is measured by a set of leading indicators, which we performed well against. The Group KPI for health and safety is LTIFR, a lagging indicator, and our performance did not meet the International Oil & Gas Producers (OGP) benchmark and, as a result, top quartile industry safety performance.

We have restructured the Group EHS Leadership team who will now focus on developing a plan to support a significant improvement in our performance and deliver a step change to consistent top quartile industry performance.

The Board has identified health and safety, and in particular malaria awareness and prevention, as a key corporate risk for 2011. In response, an independent audit will be carried out to review all aspects of malaria management in Tullow. We are aiming to put a world-class malaria programme in place for employees and contractors, as well as building awareness and supporting prevention in our local communities.

**"The reason Tullow has been so successful in Jubilee is due to its proactive attitude towards collaborating. It's quite a unique way of operating."**

**MSF participant**

### Being disciplined in deepwater

The highlight of our EHS performance this year was the successful transition of Jubilee Phase 1 offshore Ghana, from the development phase into production. The Floating Production Storage and Offloading vessel (FPSO) has been installed and production ramp-up is underway. Gross plateau production of 120,000 bopd is expected to be achieved in the third quarter of 2011.

The blowout of the Deepwater Horizon rig in the Gulf of Mexico dramatically highlighted the potential risks associated with certain types of deepwater drilling and created an industry paradigm shift. The lessons from it are particularly relevant to us as the Jubilee deepwater development operator.

As a result, we reviewed well engineering, oil spill response and control of well insurance limits. We participated in industry initiatives and dialogues on deepwater practice and continue to do so. We also spent a lot of time talking to various stakeholders and explaining our deepwater activities, risk management and crisis preparedness.

### Investing in social enterprise

Our social enterprise philosophy is not about aid for Africa, it is about profit, partnership and shared prosperity. Our community social enterprise support is focused on community health initiatives, education and enterprise schemes and projects that help us manage the environmental footprint of our operations. In addition, we are developing a strategic social enterprise programme. This will target education and training to create industry employment opportunities and enterprise development to encourage the growth of local suppliers for the sector. Both activities are aimed at building capacity for the oil and gas industry in-country; at present mainly in Ghana and Uganda.

We have formed a new social enterprise committee to ensure that our social enterprise investment is aligned with our business objectives. This year we are putting the strategy, resources and organisational processes together to make our strategic social enterprise programme a reality. Engagement and consultation play a strong role in helping us to identify the right projects to undertake.

Creating shared prosperity brings together eight key aspects of how we will run our business in support of our commitment to make a positive and lasting contribution to Africa and other regions where we operate.

#### Delivering returns for shareholders and providers of capital



Our vision is to be the leading global independent oil and gas company. Our current focus is on exploration-led growth in Africa and South America.

Our strategic objective is to create substantial returns for shareholders. It is important first and foremost for us to be a successful and profitable company. That is fundamental, in our view, to creating shared prosperity.

However, this strategic objective is set within a context of balanced and sustainable long-term growth, which reflects our approach to doing business.

We have both operational and corporate responsibility priorities to ensure that we not only deliver our business plans but that we do so in a way that is good for our stakeholders and reduces our impact on the environment.

#### Managing our business ethically and with integrity



Good governance and regulatory compliance makes good business sense. It guides correct actions, protects value, is the right thing to do and enhances our reputation in the eyes of all our stakeholders.

The Board has overall responsibility for strategic leadership, risk management and the stewardship of the Group. They focus on making sure that Tullow is well run, achieves its business plans and takes a balanced and transparent approach to developing the Group.

As a Group we are committed to all aspects of good corporate behaviour. We have policies and processes in place to ensure we comply fully with all legislative and regulatory requirements. We also apply and foster responsible standards where local requirements are inadequate or non-existent.

#### Engaging with and responding to all our stakeholders



Failing to understand and respond to our stakeholders' needs can lead to business and opportunity costs. These could include failure to secure a licence; loss of talent; poor project planning and execution; higher capital or operating costs; ineffective working relationships with host governments or local communities; and missing opportunities to improve our business. All of these could potentially impact our business plans, performance and reputation.

As we have grown, the range of relationships and expectations we must manage is getting more complex. This is why we are taking a more strategic approach to our external stakeholder engagement. Our aim is to build trust and improve our processes by openly discussing issues and regularly seeking feedback.

#### Keeping our people safe and minimising our environmental footprint



Environment, health and safety (EHS) is paramount to the success of our business and a strong EHS performance is one of our key business drivers.

Our priority is to keep people safe, including our staff, contractors and local communities. This is a cornerstone of our approach to operating responsibly.

We also have a unique opportunity in our major projects to apply world-class environmental standards and techniques to manage our environmental footprint.

Our high-impact exploration campaigns and the significant expansion in our development and production activities is driving a step change in how we are managing EHS. We want to ensure we consistently achieve top quartile industry performance standards.

Strategic objective	Strategic priority	Strategic priority	Strategic priority
	Key stakeholder priority	Key stakeholder priority	Key stakeholder priority
	2011 Board objective: UK Bribery Act and new Code of Business Conduct	2011 Board objective: External stakeholder relationships	2011 Board objective: Health and safety, particularly malaria management



"We believe that working together, profitably and responsibly, helps build a more sustainable business and society."

### Being a rewarding, challenging and great place to work



Our total workforce in 2005 was 274 people. This number had increased to 1,232 people at the end of 2010. Major projects and transformational growth have led to massive changes not just in the number of people who work for Tullow but also in our organisational capacity, skills base and diversity.

We have a clear HR strategy, supported by core values that set expectations for the way we do business. Our HR strategy places a strong emphasis on maintaining our culture and living our values as we deliver our business objectives.

Our goal is to be the employer of choice in the industry and we focus on how we attract, manage and engage employees and contractors. This reflects our passion for people and teamwork.

### Building long-term sustainable supplier relationships



Our aim in building a sustainable supply chain is to reduce project times, costs, and environmental impact.

Our capital expenditure in 2011 will be in the region of \$1.5 billion. This is allowing us to offer longer-term commitments to our suppliers, which helps us to build stronger relationships.

Through this we can mandate and monitor EHS standards, set targets for local content generation and influence other critical areas that help create a sustainable supply chain.

New green technologies also present us with opportunities for logistics handling in environmentally sensitive areas, such as Lake Albert in Uganda.

### Creating real opportunities for local people and local enterprise development



In new oil countries there are often limited opportunities for local people to participate and share in the success of an emerging industry. As a result, building capacity for a national industry will require significant investment and a clear strategy.

We plan to tackle this in three interconnected ways:

- Developing an industry run by nationals through training, education and employment;
- Encouraging and supporting local companies to enter the industry's supply chain, either directly with Tullow or through our supplier relationships; and
- Creating a social enterprise programme for education and enterprise development in support of building capacity for the oil and gas industry.

### Working with and supporting our local communities



Tullow has a long history of working with local communities and this will remain a core element of our social enterprise investment.

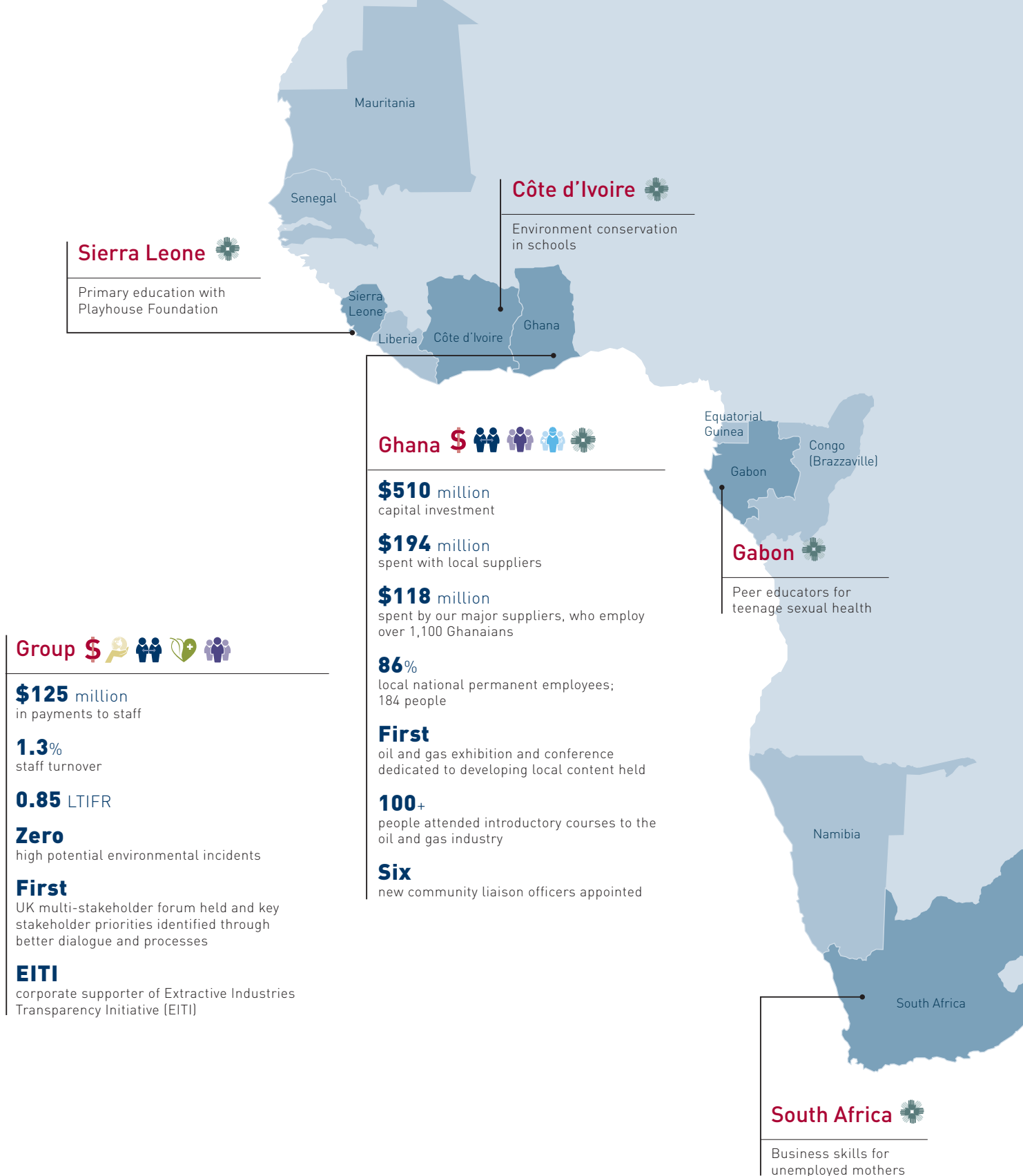
We recognise that for the next generation to flourish health and basic education are prerequisites.

We know from our entrepreneurial background that all enterprise – big or small – requires support and encouragement.

We also appreciate that biodiversity and conserving scarce environmental resources are important to the long-term well-being of our local communities and help to manage our own environmental footprint.

Strategic priority	Strategic priority	Key stakeholder priority	
2011 Board objective: Organisational capacity Maintaining our culture			

**Demonstrate your commitment** is what every stakeholder group has asked us to do. They want us to show how we are making a difference and how our corporate responsibility initiatives translate into real actions and tangible benefits. These are our 2010/2011 highlights.



## Africa

**\$1.1 billion**  
capital investment in 2010

**448** local national  
employees in Africa; 66% of total workforce

**\$221 million**  
spent with local suppliers in 2010

**\$1.9 million**  
invested in African communities; 72%  
of Group total

## Europe

Environmental  
awareness with the  
London Wetlands  
School Project



## Bangladesh

Scholarships for  
gifted students

## Uganda

**\$270 million**  
capital investment

**\$108 million**  
spent to date with 550 local suppliers  
in Uganda, totalling over 2,700 contracts

**320** people  
attended our logistics suppliers forum,  
representing 135 organisations

**100+**  
people attended introductory courses to the  
oil and gas industry









**84%**  
local national permanent employees;  
131 people

**Four**  
Uganda Master of Science (MSc)  
scholarships

**Seven**  
Uganda technical graduates

**Four**  
Uganda production technicians

**Eight**  
new community liaison officers

-  Financial performance
-  Governance
-  Stakeholder engagement
-  EHS
-  People
-  Sustainable supply chain
-  Local content
-  Working with communities

## Our strategy

### Vision

To be the leading global independent exploration and production company

### Objective

To deliver substantial returns to shareholders

### Strategy

To achieve sustainable long-term growth through balanced funding, exploration and production in core geographical areas

#### Operational priorities

- 1 Executing selective, high-impact exploration programmes funded by surplus cash flow or equity
- 2 Delivering major projects, with a significant focus on increasing bankable reserves
- 3 Managing our assets to high-grade the portfolio, replenish upside and assist funding needs

#### Corporate responsibility priorities

- 4 Ensuring safe people, procedures and operations, and minimising environmental impacts
- 5 Building long-term relationships with local governments, communities and key stakeholders
- 6 Continuing to develop a strong team with excellent commercial, technical and financial skills

### 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

## Overview

### Chief Executive's message continued

"It is very important that everything we do enhances our reputation. We see Tullow as a service company, working with governments, citizens and local communities in developing a national oil and gas industry. We play a support role and must respect the people and cultures of the countries in which we operate."

#### Learning about our responsibilities

Two of the best things about Tullow, apart from its people, are that we are always willing to try something new as well as learn or adapt if we don't get it quite right at the start. As a business we combine experience with a natural curiosity and this is a great way to be. It is at the heart of our entrepreneurial culture and means we are never too established or too set in our ways to learn. This year we learnt two valuable lessons in the context of our responsibilities.

##### 1. We have to get better at stakeholder engagement

The Board spent 20% of its time in 2010 working towards an agreement with the Government of Uganda on the Heritage deal and related transactions. This experience confirmed to us that we must think about our good reputation in everything we do and engage a lot more with external stakeholders.

We are now forging solid working relationships with the Government of Uganda and this creates a strong foundation to build on as we work together to develop the Ugandan oil and gas sector. Uganda has a great opportunity to participate in developing a better industry model for partnership and shared prosperity. Together with our new partners, CNOOC and Total, we look forward to playing our role in making that happen.

Clearly, much of our stakeholder engagement is about enhancing shareholder value and is directly related to our core business activities. Creating shared prosperity will also require wide-ranging and open consultation so that we can understand what people want, communicate our intentions and manage expectations about what we can achieve. External stakeholder engagement is part of the Board's objectives for 2011 and our plan is to roll out a stronger and more comprehensive approach to managing external stakeholder engagement this year.

##### 2. We have to show people what we are doing

In Uganda I learnt a very important lesson about corporate responsibility. I had participated in a local town hall meeting and spoke about our desire to really do things differently as an oil company because of the unique role Tullow has in developing two new oil countries in Africa. The feedback was that it all sounded great, and that I clearly believed in it, but the local people on the ground did not. They wanted to, particularly for future generations, but they did not.

This was a disappointment to me because I passionately believe our industry can be different and make a difference. However, what I clearly see is that we must demonstrate that we can. Local people need to see real, tangible benefits and real social and economic change.



### Building capacity for our industry

In 2010, we spent \$224 million with local suppliers, mostly in Africa. However, it is not just about what Tullow spends with local suppliers, it is also about what our major international suppliers spend locally and how other goods and services develop in response to a new industry. The real benefit is the multiplier effect of these.

We also have a strong localisation commitment. Our aim is to have over 90% national permanent employees in Africa and we are supporting this through training and education as well as clear succession planning.

It is important to understand that oil and gas is a long-term business. It requires a lot of planning, investment, infrastructure and partnering to get right. There can be short-term disappointments within a long-term plan. Successful social and economic development is very much the same.

### Supporting transparency

Another way we can support social and economic development is through transparency. It is the best way to give all our stakeholders confidence in our reputation and in how we run our business. Transparency around payments to governments is an important contributing factor in our commitment to high standards and creating shared prosperity. We are actively involved in EITI implementation in countries in which we have operations. At a corporate level we became a supporter of EITI in 2011.

### Listing our shares in Ghana

We are fortunate to have played a pivotal role in delivering First Oil from the world-class Jubilee field. We would like everyone in Ghana to have the opportunity to be involved in the future performance of Tullow, especially as we embark upon further exciting exploration and development activities in Ghana and across our global portfolio.

With the support of the Ghana Stock Exchange, the Securities and Exchange Commission and Ghanaian advisors and banks, we are making our shares accessible to anyone in Ghana through a listing on the Ghanaian Stock Exchange and a 4,000,000 share offer.

### Looking forward to another transformational year

2011 is another transformational year for the Group. Strong production growth is forecast as production ramps up in Ghana. Major development decisions are to be made beyond Jubilee and a number of significant wells with basin-opening potential in West Africa and South America are being drilled.

The completion of the Uganda transaction will enable us to accelerate the basin development plan with CNOOC and Total, and begin to realise the significant potential of the region.

Jubilee production revenues, together with the Uganda farm-down proceeds, mean that we will have a very healthy balance sheet to fund significant exploration and development programmes and deliver future growth.

**"To us, being Africa's leading independent oil company means being a business that is trusted, is ultimately run by nationals and is a champion for investment in Africa."**

## Identifying our stakeholder priorities

We did some good work this year in identifying those issues that are the most important to our stakeholders. Understanding our stakeholders' key priorities in more detail is the focus of the next section of this report.



Establishing confidence in disclosure through transparency

p14



More inclusive and responsive stakeholder engagement

p18



Disciplined in our deepwater drilling and operational activities

p22



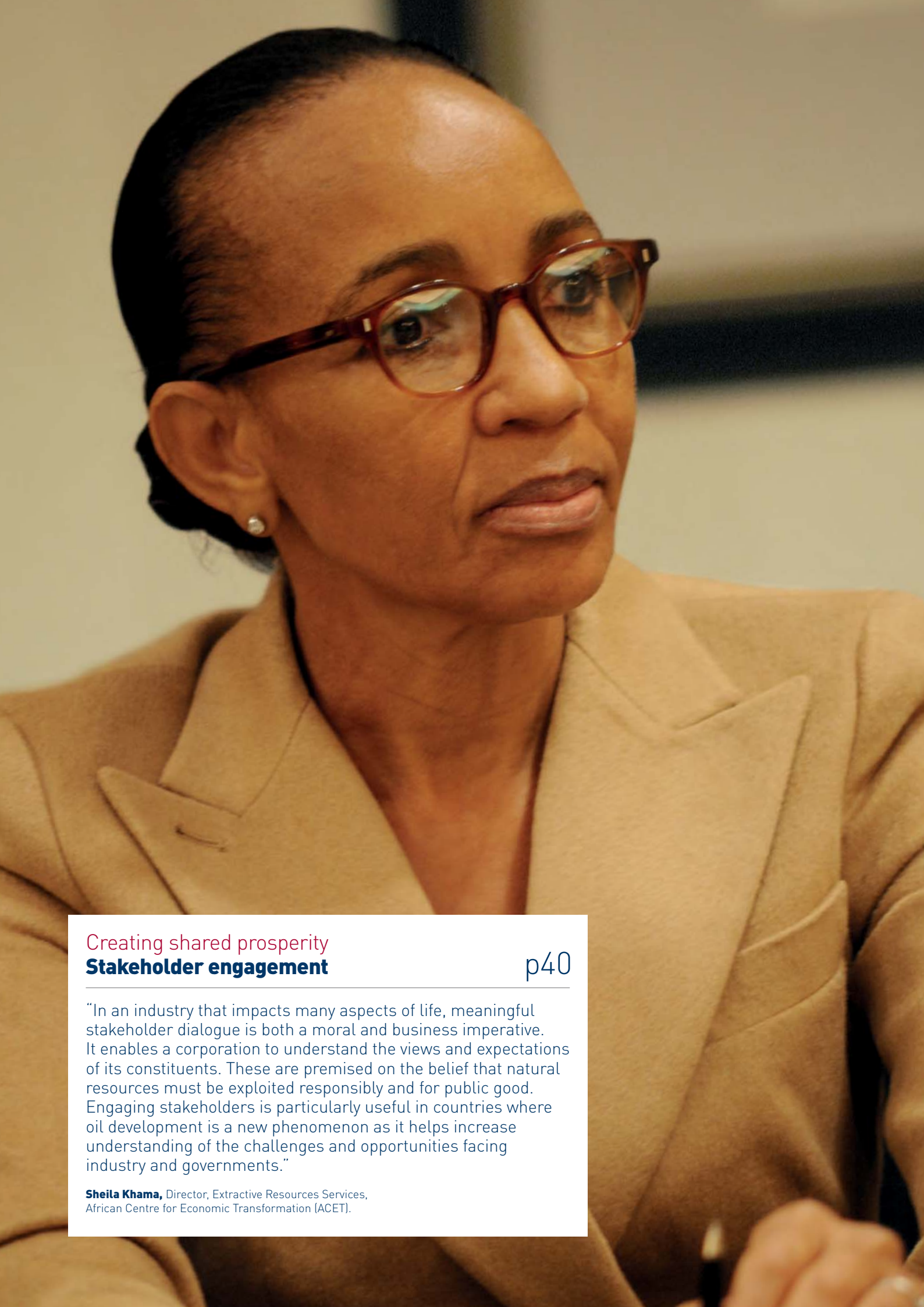
Building capacity through local content development

p26

### Corporate responsibility is a journey

The starting point for corporate responsibility is often a problem to solve, a compliance issue or just something that is nice to do. On Tullow's journey we are at the point where we understand that it is an essential tool in how we run every aspect of our business and is central to our continued success.

**Aidan Heavey**, Chief Executive Officer



Creating shared prosperity  
**Stakeholder engagement**

p40

“In an industry that impacts many aspects of life, meaningful stakeholder dialogue is both a moral and business imperative. It enables a corporation to understand the views and expectations of its constituents. These are premised on the belief that natural resources must be exploited responsibly and for public good. Engaging stakeholders is particularly useful in countries where oil development is a new phenomenon as it helps increase understanding of the challenges and opportunities facing industry and governments.”

**Sheila Khama**, Director, Extractive Resources Services,  
African Centre for Economic Transformation (ACET).



The image consists of three vertically stacked photographs of a woman with dark hair pulled back, wearing a tan blazer over a white top. She is shown from the chest up, looking slightly to her right and speaking. The top photo shows her with her mouth open as if in the middle of a sentence. The middle photo shows her with a more pronounced expression, teeth slightly visible. The bottom photo shows her looking down at her hands, which are clasped together.

## 2 Our stakeholder priorities

### 12 Stakeholder perspectives and priorities

We have outlined the topics that our stakeholders say are important and which help them make informed judgements about our approach to our responsibilities.

### 14 Transparency

We are addressing important policy areas such as support for EITI, including publication of Petroleum Agreements and payments to governments.

### 18 Stakeholder engagement

We are moving our external stakeholder engagement to the next level, mirroring our step change as a business.

### 22 Environment

We are a deepwater operator and being disciplined in deepwater activities has been identified as one of the most important issues for the industry this year.

### 26 Local content

We have a responsibility to contribute to building local capacity for the emerging oil and gas industry in countries like Ghana and Uganda.

# Stakeholder perspectives and priorities

Feedback on previous reports highlighted the need to include discussion on the main issues affecting our business, from both internal and external stakeholder perspectives. This year we held a number of targeted engagements to help us understand our stakeholder priority issues, which are outlined below.

## Transparency


### Oil and gas course, Hoima, Uganda

- Enabling public access to information p20
- Local people not benefiting from oil, including lack of transparency around Petroleum Agreements p16

### SRI Managers

- Commitment to transparency and our position on support for EITI p15
- Human rights policy and country-specific human rights assessments p15

### Multi-stakeholder forum

- Greater disclosure around awarding of contracts p27
- Participation in external sustainability initiatives and standards p15
- Signing up to EITI p15
- Providing greater clarity on human rights and social standards 

### Executive team/senior management


- Implications of the UK Bribery Act p36
- Implications of signing up to EITI p15
- Need to communicate Tullow's position on transparency more clearly p14

#### Key stakeholder priorities

- **Commitment to transparency including EITI;** p14
- Clarity on human rights and social standards;
- Greater disclosure on awarding of contracts; and
- Participation in external sustainability initiatives and standards.

## Stakeholder engagement




### Oil and gas course, Hoima, Uganda

- The importance of informing central government about local issues as well as engaging with the opposition 


### Ghana Community Consultation & Disclosure Programme (CCDP)

- Developing new channels for community feedback and input into our projects p20

### Multi-stakeholder forum

- Need to ensure wide engagement with government and regulators 
- Briefing media and other key stakeholders upon entering new countries p42
- Wider disclosure of major project development plans 
- Management of expectations of what Tullow can and cannot achieve in-country 
- Using stakeholder engagement as a tool for improving Tullow's business as well as for identifying and managing risk p40
- Holding meaningful and open consultation on environmental issues p15/18

### Executive team/senior management

- Being able to identify and react to the major issues that affect our ability to run the business p35
- The need to manage the expectations of our stakeholders in the countries in which we operate 



#### Key stakeholder priorities

- **Regular dialogue with the right people at the right times;** p18
- Keeping people informed and managing their expectations; and
- Identifying ways to improve our business.





## Environment




### Oil and gas course, Hoima, Uganda

- Risk of water pollution through oil spills or use of water from Lake Albert 
- Potential for damage to agricultural land/soil through pollution or specific activities (e.g. seismic surveys, waste disposal) 



### Ghana Community Consultation Disclosure Programme

- Perceived effects of oil exploration and production on fish stocks 
- Potential impact of oil spills on the fishing community 

### SRI Managers

- Lessons learned from the Deepwater Horizon incident and oil spill preparedness p22
- The extent of Tullow's emissions/produced water and what we are doing to reduce them p47/48
- Concerns from the National Environmental Management Authority in Uganda about waste disposal policies/oil spill contingency plans 
- How Tullow incentivises EHS performance at all levels of the business 
- Safety arrangements in place with contractors and how those relationships are managed 

### Multi-stakeholder forum

- Articulating a clear position on 'big picture' environmental issues including climate change, water resources and waste management 
- Developing a clear position on working in protected areas p46
- Commitment to protecting biodiversity 

### Executive team/senior management

- Making sure we continue to evolve and improve our approach to climate change and biodiversity p47
- Embedding the EHS commitment of the senior team with people on the front line – including contractors p44

#### Key stakeholder priorities

- **Deepwater drilling/oil spill preparedness;** p22
  - Climate Change and the 'big picture' issues;
  - Impacts on land and water resources; and
  - Working in environmentally sensitive/protected areas.

## Local content

### Oil and gas course, Hoima, Uganda

- A need for skills/training and jobs for Ugandans, particularly those from the Albertine Basin area p28



### Ghana Community Consultation Disclosure Programme

- A need for scholarships and skills training for young people, including job opportunities p28
- Opportunities for local contractors in the new oil and gas industry p26

### Multi-stakeholder forum

- Opening up the supply chain to enable local businesses to become suppliers p26
- Finding ways for Tullow's supply chain to support capacity building for local people p26
- Focusing on skills development and new models for training to build capacity p52

### Executive team/senior management

- Bridging the gap between lower national standards and Tullow's own requirements of suppliers p27
- Being able to identify whether a potential supplier is truly national 
- Managing expectations of what jobs can be created and the level of skills/training needed 
- Bridging the gap between lower education levels and those that are required p52

#### Key stakeholder priorities

- **Creating opportunities for local people and businesses in the oil and gas industry;** p26
- Building local capacity to support the oil and gas industry; and
- Local training and employment opportunities with Tullow.



See page 40: Stakeholder engagement



We have addressed all of these issues either in this report or online at [www.tulloil.com](http://www.tulloil.com)



# Confidence in disclosure

**Being transparent is an excellent way to create confidence in what we disclose and demonstrates our commitment to high standards to our stakeholders.**

In our 2009 report we outlined a number of steps we planned to take to enhance our understanding of our internal and external stakeholders' needs, in the areas of transparency, standards and assurance. Our 2010 objectives set out a fairly comprehensive body of work:

- 1. Review which external sustainability initiatives and standards Tullow should consider signing up to;**
- 2. Investigate employing the AccountAbility AA1000 Stakeholder Engagement Standard;**
- 3. Review external assurance requirements to ascertain the most appropriate level for Tullow;**
- 4. Achieve GRI level of B+ for our 2010 Corporate Responsibility Report; and**
- 5. Review our corporate responsibility activities with internal and external key stakeholders, to develop a reporting roadmap.**

## **External drivers of transparency**

There are also key external factors contributing to the debate on transparency, standards and assurance and these provide a context for our objectives. In the first instance there is a growing transparency agenda, particularly in relation to government payments and it is fair to say that the spotlight is more on certain sectors like oil and gas. There is also an increased focus on corruption risks globally, underpinned by changes in regulation, such as the UK Bribery Act.

"There are three ways in which companies can show they are acting responsibly: through their core operations; through their commitment to communities; and by the way they address important and legitimate policy issues, such as EITI."

**MSF participant**



# 1. Review of external sustainability initiatives and standards

We have continued to examine and assess external sustainability initiatives and standards through discussions with our external stakeholders and at our global External Affairs and corporate responsibility workshop. The session looked at the range of sustainability initiatives and the potential benefits these external initiatives can provide in key areas such as sharing best practice, benchmarking, stakeholder recognition, developing internal awareness and systems and enhancing risk management.

**Voluntary Principles on Security and Human Rights (VPSHR)** are a set of non-binding principles created to assist extractive companies to balance security concerns with human rights.

- In 2011, we will establish whether Tullow should sign up to VPSHR.
- In Ghana, we have provided training in line with the VPSHR to the police force and navy who work with local fishing communities.
- With the re-drafting of our Code of Business Conduct we will separate out and enhance our Human Rights policy.
- Our contracts meet the principles of the UN Supplier Code of Conduct and we are also in the process of developing a Suppliers Charter.
- Our new Code of Business Conduct will reflect the UK Bribery Act, which is considered one of the most onerous anti-corruption laws in the world today.

**Socially responsible investment (SRI) indices** are a tool for investors, stock exchanges, and other capital market participants when assessing responsible investments.

- In 2010, we significantly enhanced our engagement with SRI managers and in 2011 will specifically look at FTSE4Good Index Series, which measures the performance of companies that meet globally recognised responsibility standards.
- We report our greenhouse gas (GHG) emissions through the Carbon Disclosure Project and have done so since 2006.
- We participate in independent Environmental, Social and Governance performance research such as the EIRIS and Vigeo surveys.

**Extractive Industries Transparency Initiative (EITI)** is a framework to improve transparency and accountability for company payments to governments.

- We believe that natural resources should generate long-term economic and social benefits for a country's citizens. We also believe very strongly in transparency and take a zero tolerance approach to corruption and as such we support the principles and criteria of the EITI.
- We are actively involved in EITI implementation processes in the countries in which we operate that have signed up to implement this standard.
- Following considerable internal and external consultation, including feedback from our investors and other external stakeholders, we have decided at a corporate level to support EITI.

**GRI is a set of voluntary guidelines for sustainability reporting.** An oil and gas sector supplement is currently being developed.

- We responded to the GRI's consultation draft for the oil and gas industry supplement, which is expected to be launched in 2011.

**International Petroleum Industry Environmental Conservation Association (IPIECA)** is an oil and gas industry association for environment and social issues.

- We believe our membership of the International Association of Oil & Gas Producers (OGP) gives us adequate access to IPIECA but we will review this further in 2011.
- We became a full participant member of Oil Spill Response Limited (OSRL) as part of the transition from development to production in Ghana.
- Through our membership of Oil & Gas UK we are participating in the Oil Spill Prevention and Response Advisory Group (OSPRAG). This is the body set up by UK industry, regulators and trade unions in response to the Macondo blowout in the Gulf of Mexico.



HE John Atta Mills, President of Ghana, with Keith Mutimer, Production Operations Manager, Ghana on the Jubilee field FPSO, offshore Ghana.



For more information on  
**How we manage  
our business**

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## Government transparency initiatives in Ghana

In our 2009 report we published our payments made to the Ghanaian authorities that year in connection with the Jubilee Project. This was in line with International Finance Corporation (IFC) requirements. We have published payments made in 2010 in Section 4 of this report and online at [www.tulloil.com/ghana/overview](http://www.tulloil.com/ghana/overview)

In 2011 we have published our Ghana Petroleum Agreements for both the Deep Water Tano Contract Area and the West Cape Three Points Contract Area online at [www.tulloil.com/payments\\_to\\_government](http://www.tulloil.com/payments_to_government). The Agreements have been published at the request of, and with the approval of, the Government of Ghana.

In support of our commitment to transparency, Tullow has been an active supporter of the EITI implementation process in Ghana and serves on the Ghana EITI multi-stakeholder group. We are also actively involved in EITI implementation in Gabon and we are a member of the EITI national committee in Mauritania.

## 2. AccountAbility AA1000 Stakeholder Engagement Standard (2011)

The AA1000 Stakeholder Engagement Standard (AA1000SES) provides a framework for designing, implementing, assessing and communicating about stakeholder engagement. It is based on founding principles of inclusivity, materiality and responsiveness, which is really about the collaborative participation of stakeholders and organisations in defining and achieving “an accountable and strategic response to sustainability” issues. It is a comprehensive system that can be applied to all types of stakeholder engagement.

In 2010 we investigated AA1000SES as a way to establish a benchmark for good quality stakeholder engagement moving forward. Undoubtedly our aspirations are aligned to the standard, but it is clear that we have some way to go to ensure that we can fully deliver on the organisational and operational changes required. We will continue to work towards AA1000SES as well as to develop additional Tullow engagement processes where appropriate.



For more information on  
About this report

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## 5. Reporting roadmap

Our goal in 2010 was to engage with stakeholders to create a three-year reporting roadmap. We did not fully complete this objective. This is mainly because defining and rolling-out our improved approach to external stakeholder engagement will be completed in 2011, rather than in 2010. Specific feedback received to date is reflected in the many changes in this report, when compared with reporting in 2009. It has also informed the reporting objectives we have set for this year.

First Corporate  
Responsibility Report  
PDF online



2005

2007

GRI C+

2008



Published in English and  
in French





### 3. Assurance

In 2009, Deloitte LLP performed assurance, as defined in International Standards on Assurance Engagements (ISAE) 3000, on Group level compilation of environmental, safety, social and social enterprise expenditure performance indicators. A review for our 2010 report concluded that we would continue to assure Group level data for environmental, safety, social and social enterprise expenditure externally and that in-country data would be audited by Internal Audit, commencing in 2011 with EHS data.

In relation to 2010 data, we encountered some difficulties in compiling our social enterprise data partially due to different internal processes and taxonomy across business units and countries and partly as a result of the introduction of a new financial management reporting system.

As a consequence we removed social enterprise data from the 2010 external assurance process and conducted an Internal Audit review of data collation, aggregation and reporting. Short-term measures in the form of guidelines, monthly reporting templates and expenditure sign-off procedures ensure that the system became effective from the beginning of 2011. Quarterly Group management reporting is now in place and Internal Audit will conduct a follow-up review in the fourth quarter of this year.

We fully expect social enterprise expenditure to be part of external assurance for 2011 and are confident that our reported figure of \$2.6 million expenditure in 2010 is an accurate and fair reflection.

### 4. GRI application levels

This report applies the Global Reporting Initiative (GRI) G3 Guidelines, which are designed to help organisations to measure and report on their economic, environmental and social performance over time.

"GRI hereby states that Tullow Oil plc has presented its report 'Creating Shared Prosperity' (2010) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+."

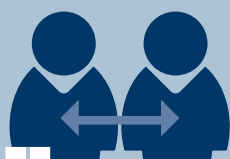


The GRI application level statements and GRI content index for this report are available online at [www.tullowoil.com/crr2010/GRI](http://www.tullowoil.com/crr2010/GRI)



2011

- International support of the EITI
- New Code of Business Conduct
- New Human Rights policy
- Stakeholder engagement strategy and process roll-out
- Global perceptions survey
- Review integrated reporting
- Review country specific corporate responsibility reports
- Review corporate responsibility KPIs



2010

- GRI B+
- Full and summary reports published
- Stakeholder engagement and materiality included for the first time
- Phase 2 of corporate responsibility section online

Full HTML report online

Phase 1 of new corporate responsibility section online

Payments to the Government of Ghana published

2009





# Inclusive engagement

**We made good progress this year and key engagements included a multi-stakeholder forum in London, oil and gas introduction courses in Uganda, a community consultation and disclosure programme in Ghana, Socially Responsible Investment (SRI) meetings and senior management interviews. These were in addition to a whole series of one-on-one stakeholder meetings across the business and on the ground engagement with local communities. One of our goals is to develop an extensive programme of engagement and dialogue.**



For more information on  
Stakeholder engagement

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“The strength of the multi-stakeholder forum was that relevant managers from the business were invited to participate. As a result we’ll be organising an EHS focused forum later this year. I’ll be inviting colleagues from different areas of our operations to attend to hear stakeholder comments and respond first hand.”

**Graham Brunton**, Group EHS Manager



Community liaison meeting  
in Buliisa, Uganda.

## Multi-stakeholder forum

We held a multi-stakeholder forum (MSF) in London in February 2011. We brought together Tullow Directors and senior management with leading experts from Civil Society Organisations (CSOs), Non-Governmental Organisations (NGOs), the policy community and business to hold a broad, structured discussion about Tullow's existing CR initiatives. The objective was to identify and analyse some of the major issues that promote or detract from our objective of operating in a way that creates shared prosperity, and how Tullow can best manage these issues in the future. Areas for discussion included:

- A company's responsibilities beyond core business activities;
- Strengths and weaknesses of Tullow's existing CR activities and approach;
- How CR contributes to managing risk; and
- The most relevant current CR initiatives.

To promote a free and frank exchange of view, the forum was held under The Chatham House Rule. In keeping with this, quotations from external MSF participants are reproduced in this report without ascription.

**The issues discussed at this forum and our other key engagements as well as where to find our responses are outlined on pages 12 to 13 of this report.**

"In Uganda and Ghana, Tullow must be very clear from the outset what it can and can't achieve and what it can and will deliver, to mitigate the risk of having its reputation tarnished."

**MSF participant**

8

new community liaison officers in Uganda

4

introductory courses on the oil and gas industry in Ghana and Uganda

17

temporary community liaison centres established for our public consultation programme in Ghana

6

new community liaison officers appointed in Ghana



"Regular dialogue with our shareholders is a high priority. Whether through meetings, presentations, conferences or road shows, our Investor Relations programme is continually recognised as being best in class and we seek to maintain this high standard going forward."

**Ian Springett**, Chief Financial Officer



Learn more by going online to [www.tullowoil.com/investors](http://www.tullowoil.com/investors)



## Community consultation and disclosure programme in Ghana

During 2010 Tullow Ghana embarked on a community consultation and disclosure programme. The purpose of this was to uncover new or emerging community issues, to better integrate community opinion into decision-making processes and to obtain feedback on our social enterprise projects. The programme made use of traditional and customary means of consultation within local communities, local radio stations and the services of the Ghanaian Information Services Department. As a result of this programme, we will be establishing community committees in 2011 to encourage regular dialogue and to help ensure that we respond in a timely way to any community issues.

## Introduction to oil and gas course in Uganda

During 2010, Tullow Uganda organised and sponsored two three-day 'Introduction to Oil & Gas' courses in Hoima for external stakeholders from local government, media, NGOs, CSOs and local business people. Most of the 100 or so attendees were from the Hoima and Buliisa districts which surround our operations in the Lake Albert Rift Basin. The course was run by a tutor selected by Robert Gordon University in Scotland. Attendees were encouraged to participate throughout, in particular in short 'opinion polls' on the benefits or drawbacks of the oil industry in their districts. Each course concluded with a presentation about our operations in Uganda and an open question and answer session, to ensure that the course information was applied to the local situation. A field trip to our operations was arranged at the end of each course.



"Failure to manage our external stakeholder engagement effectively impacts Tullow's ability to achieve its business objectives. The need to improve how we do this, particularly in Africa, is a Board-level objective for 2011."

**Rosalind Kainyah,**  
Vice President External Affairs



Health checks as part of the Ghana Community Consultation and Disclosure programme.





Gerald Aheebwa,  
Field CSR Officer, Uganda.

## SRI managers

We had more frequent requests for information from SRI managers in 2010 and as a result we put together a multi-disciplinary team including External Affairs, Investor Relations and EHS to attend all SRI engagements. We have also provided written answers to questions submitted by investors and have contributed to their work on evolving methods for assessing CR performance. In early 2011 we held one group meeting for SRI managers and plan to adopt a more formalised approach to SRI engagement to help keep in touch on a more regular basis.

## Executive team/senior management interviews

As part of our work to improve the way we communicate with our stakeholders, we conducted a series of internal interviews with the Executive team and key senior managers to get their feedback on current external affairs activities, as well as their input on our stakeholder engagement strategy. Also, for our multi-stakeholder forum, we canvassed those managers responsible for delivering different aspects of our CR activity on what they saw as the major issues for their part of the business going forward.



## 2011/2012 initiatives

In order to have an effective external stakeholder engagement strategy we need to build a greater understanding of how Tullow's external stakeholders view the company. We also need to identify opportunities for Tullow to distinguish itself from its competitors and define what kinds of engagement will be most effective. To help us with these objectives we are conducting an independent global perceptions audit in 2011. This complements the Investor Relations and global employee surveys undertaken in 2009.

At the beginning of 2011, we appointed an External Affairs (EA) Manager for the South and East Africa Region, which comprises Uganda, Ethiopia, Kenya and Tanzania in East Africa and Namibia and Madagascar in the south. Key aspects of this role will be to support the successful execution of external stakeholder engagement and social enterprise investment, as well as assisting in developing the standards and processes required for managing social impacts in the region. We will be recruiting EA managers for our other Regional Business Units later in the year.

In response to strong feedback from attendees of the 'Introduction to Oil & Gas' courses in Ghana and Uganda, we will be running two more courses in each country this year. We will also be running our first French language courses for stakeholders in French Guiana, and our first UK course.

Across Tullow there are a number of key business initiatives to engage with stakeholders as we move our external stakeholder engagement to the next level, mirroring our step change as a business. As part of this activity, defining and rolling-out our improved approach to external stakeholder engagement will be completed this year.



See page 43: 2011/2012 initiatives





# Disciplined in deepwater

**One of the most material issues for our industry in 2010 was the Deepwater Horizon explosion in the Gulf of Mexico. The relevance of this to Tullow is that we are the operator of the Jubilee field, offshore Ghana, which is a deepwater development. We also commenced drilling in deepwater offshore French Guiana this year.**



For more information on  
EHS

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## Response to Macondo

On 20 April 2010, a loss of well control occurred on the mobile offshore drilling unit Deepwater Horizon in the Macondo prospect. This resulted in a catastrophic explosion, fire and sinking of the rig. 11 lives were lost and a major prolonged oil spill occurred.

On 30 April, the US Minerals Management Service and the United States Coast Guard issued a safety alert with seven recommendations to operators and drilling contractors.

By 7 May, we had undertaken an initial response to the incident with regard to deepwater well control (including subsea blowout prevention) and oil spill response. Our well design and construction approach reassures us that we have a robust process and a broad margin of safety and that our drilling activities adopt industry best practice to maintain well integrity at each stage of construction and operation.





FPSO Kwame Nkrumah during tanker loading operations, Jubilee field, offshore Ghana.

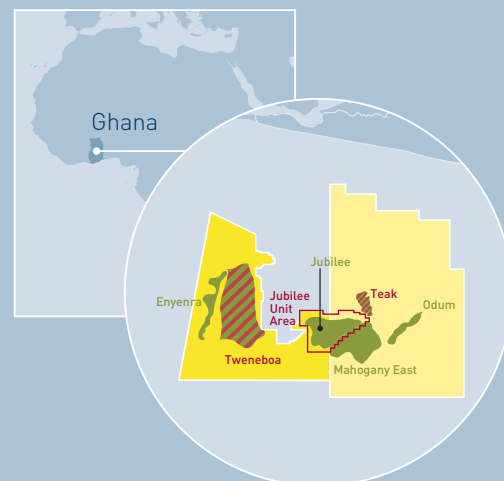


"Immediately following the Macondo incident we carried out a series of reviews and independent audits across our drilling operations. These reviews found no major flaws in our operations, and confirmed that we had robust policies and procedures and were underpinning these with appropriate risk and change management."

**Mike Williams**, Group Well Engineering Manager

## About Jubilee

The Jubilee unit area is approximately 60 km offshore Ghana. It lies in water depths of between 1,100 and 1,700 metres and covers an area of approximately 110 sq km. Phase 1 development involves extracting hydrocarbons from an underground reservoir located in deepwater in the Jubilee field. Following First Oil at the end of 2010, gross production has increased to over 70,000 bopd and plateau production of 120,000 bopd is expected to be reached in the third quarter of 2011. 17 development wells have been drilled to date.



"We have been asked many times since the Macondo incident how we can guarantee that the same thing won't happen in Tullow, and unfortunately there is no such absolute guarantee. What I can say is that we have taken all reasonable steps available to us to minimise the risk of a similar event in Tullow's operations, and that we are comprehensively prepared to respond if the circumstance should arise."

**Paul McDade**, Chief Operating Officer

Detailed oil spill contingency plans to protect people and the environment as well as our assets and reputation are also in place. Post our initial response we completed a detailed internal and external review of our well engineering practices and procedures. These reviews, as we expected, confirmed that we are following best practice and the minor improvements identified have been implemented.

Our geologists and geophysicists are also taking industry leading initiatives with state-of-the-art technology partners such as Ikon Science, in developing best practices to predict subsurface pressures in support of well designs and operations.

### Active industry involvement

We are participating in industry action groups including the Global Industry Response Group, the Oil Spill Prevention and Response Advisory Group (OSPRAG) and the International Regulators Forum.

We are members of the ISO standards committee for well integrity and together with other key international operators we are taking a leading role in producing the first standard for this subject. A draft publication is expected to be issued in late 2013.

### Protecting our business

As part of our risk management processes we undertook a detailed audit of well control procedures as well as a physical audit of blowout preventer capabilities in collaboration with key contractors. We implemented a new approach to assessing critical aspects of risk management in our well programme and we reviewed and increased our control of well insurance limits.

## Constant improvement

Our systems underpin constant improvement in the key processes that we follow with all drilling programmes.

### 1 Geo-pressure prediction

We have a best-in-class Geo-pressure prediction system which allows us to accurately forecast what is below the surface and how it will react when the drill bit enters the reservoir. Knowing this before we start to drill is an invaluable addition to the well design process.

### 2 Well engineering design

In early 2009, we revised our well integrity management system and implemented top quartile industry best practice. The system is fully transparent and auditable, making it unique in its application and use throughout Tullow operated assets.

### 3 Well control plan

We use recognised drilling contractors to carry out drilling operations. Prior to being hired, all rigs, equipment and contractors are subjected to a comprehensive safety audit. Drilling operations are also subject to regular third party audits. The Jubilee deepwater project in Ghana is an excellent example of safe drilling operations.

### 4 Capping and containment

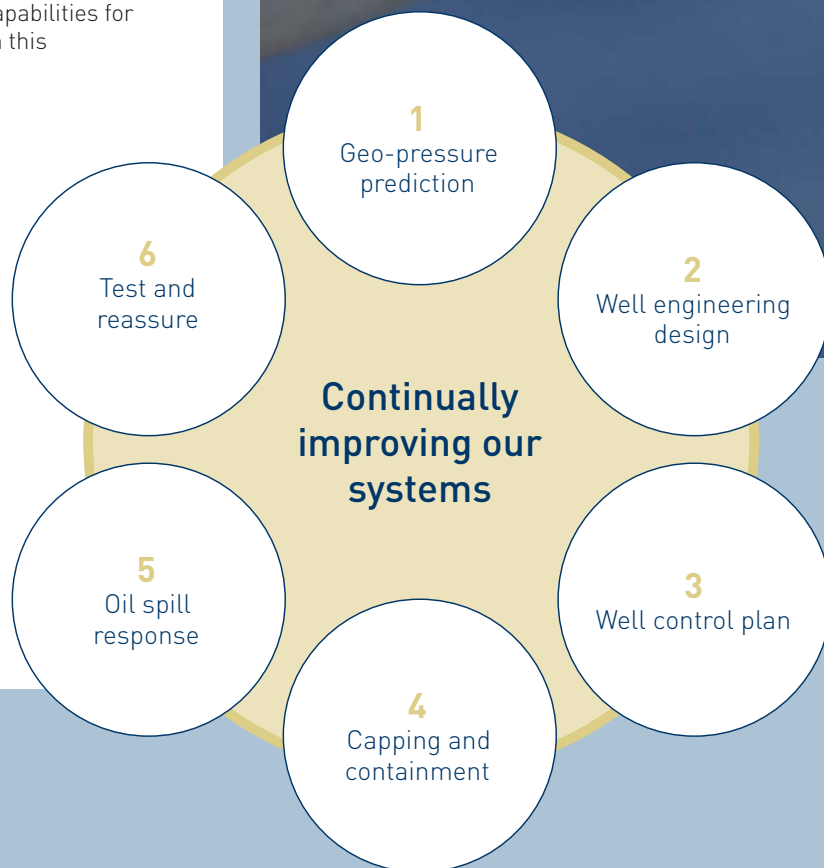
We subscribe, as members of a consortium, to Wild Well Control's (WWC) capping and containment equipment and capabilities for wells that have lost control. WWC are specialists in this field and provide top quality contingency planning, engineering and deployment expertise worldwide.

### 5 Oil spill response

During 2010 we upgraded from associate to full membership of Oil Spill Response Limited (OSRL), the world expert in oil spill response. Amongst other things, membership of OSRL provides us with oil spill training, prediction models, advice on the best course of action to address a spill, as well as access to oil spill equipment.

### 6 Test and reassure

We regularly audit and certify people, equipment and processes to ensure that we maintain the highest standards. This is not limited to auditing our suppliers; we also undertake regular internal reviews of policies and practices as part of our risk management system.



"We put a lot of effort into finding oil and gas in an innovative, safe and considerate manner and ensure that we apply the best technical, commercial and environmental standards to bringing hydrocarbons to the surface."

**Angus McCoss**, Exploration Director





Masked Booby. Photo taken by Marine Mammal Observer, ENSCO 8503, offshore French Guiana.

## Oil spill preparedness

We provide training on an ongoing basis in the execution of our oil spill response contingency plans and we conduct regular incident management exercises in a range of scenario responses, which involve all relevant stakeholders.

We deploy spill response equipment in our onshore base and on offshore operational support vessels. We have a further contract with OSRL for Tier 3 spill response. OSRL is recognised as the international leader in major oil spill response and a Tier 3 spill is categorised by the International Petroleum Industry Environmental Conservation Association (IPIECA) as the most severe. Resources are based directly in Accra (Ghana's capital) and OSRL can call on further resources in the wider African region, the UK and the Middle East.

We work with national response organisations and authorities in developing their capability to respond to oil and gas industry incidents including oil spills and we also work with communities in the Western Region of Ghana in preparing our plans. We played a significant role in the formation of the Ghana Offshore Emergency Leadership Forum (GOELF).

Well blow-outs are rare events. In case of such an incident we will call on the service agreement we have in place with WWC who hold a stock of contingency equipment to tackle blow-outs, ready for deployment anywhere in the world.

## Safety case approach

Our overriding objective is to conduct all well operations in a safe and efficient manner. Across the business we have robust, proven policies and procedures and empower all personnel to take whatever steps are necessary to ensure the safety of people and equipment.

We undertake multi-stage risk assessments to identify all major hazards and implement detailed contingency plans for all design and programme elements. This practice is carefully controlled by a compulsory Management of Change Process.

Our approach is essentially a living 'Safety Case' rather than a tick-box exercise to blindly satisfy a list of rules. A safety case provides assurance that the system will remain acceptably safe for a particular potential failure situation.

At every stage of any activity our people are the first line of defence against a potential incident. Ensuring that we have appropriately trained, competent individuals who are allowed to stop any activity where there is an unacceptable safety risk is vital to operational safety.



Full details of risk management are in our 2010 Annual Report and Accounts at [www.tullowoil.com/ara2010](http://www.tullowoil.com/ara2010)



Eirik Raude, drilling offshore Ghana.

"On our deepwater rigs, EHS sits right up there with operational excellence. We continually monitor behaviours and respond to any negative trend through additional training to ensure zero damage to our people or the environment. I have been known to shut down operations for training or audit requirements – sometimes at a cost in excess of \$1 million a day."

**Brian Teggart**, Well Engineering Manager, Ghana Deepwater





# Building capacity

**We are conscious of the responsibilities of our role as part of an emerging industry in countries like Ghana and Uganda. Our aim is to contribute to sustainable local economic and social development by creating real opportunities within the industry for local people and local businesses.**

## **Building capacity for our industry**

Local content is not just about meeting legislative requirements or ticking a box to demonstrate that we have spent money locally or created the requisite number of jobs; it is also about reducing project times and reducing project costs. It makes good business sense and we have aligned

our local content strategy with our business needs. We believe that developing local content is responsible business practice, creates a positive social and economic impact and enhances our bottom line and reputation.

## **Our local content strategy**

We plan to build in-country capacity for the oil and gas industry in three interconnected ways:

- Developing an industry run by nationals through training, knowledge transfer and employment;
- Supporting local businesses to enter the industry's supply chain, either directly as suppliers to Tullow or through our international supplier relationships; and
- Creating a social enterprise funding and partnership programme for education and enterprise development for our industry.





## Supporting local businesses

We held a logistics supplier forum in Uganda in January 2011 to develop partnerships between local and international businesses and support greater transparency about, and understanding of, our tender process and requirements. We discussed opportunities available to logistics companies to support the development of the Lake Albert Rift Basin and the challenges and potential solutions of working in such a unique environment. 320 people attended representing 135 local, national and international organisations.

The forum enabled us to obtain more detailed information on the Ugandan logistics sector and to explain the EHS and prequalification standards required to tender for a contract. Since the event we have built a comprehensive database and are conducting a full gap analysis of the skills and standards of each company, including site visits. This will help us focus on improving local business practices through our 'Closing the Gap' programme, which is about bringing national companies up to standard, particularly in the area of health and safety.

Our aim is also to create a more informed supplier base as this translates into a substantially higher quality of tenders and underpins a competitive market environment.

In 2010, in Ghana we were a major sponsor of the first oil and gas exhibition and conference dedicated exclusively to local content development. The aim of the event was for Ghanaian companies to better understand the oil and gas industry and its requirements and to discuss opportunities with international companies in the sector. Another key initiative during the year was an aviation pre-tender supplier forum to let potential suppliers know about future demands for aviation services. The forum covered standards, statutory requirements, aircraft specification, safety, auditing, the tender process and local content requirements.

**i** See page 54: Sustainable supply chain

**\$108** million

expenditure with local suppliers to date in Uganda

**2,700**

contracts awarded in Uganda

**550**

local Uganda suppliers

**\$194** million

spent with local Ghana suppliers in 2010

**1,035**

local Ghana contracts awarded

**\$118** million

spent by our major contractors who employ over 1,100 Ghanaians in-country

"We spent \$224 million on local content in 2010 and our ambition is to grow this figure substantially. We are developing exciting initiatives in the areas of business support, technical training and sustainable agricultural supplies. We are also looking at ways to improve access to funding so that small to medium size enterprises can form and flourish."

**Jim Walsh**, Group Local Content Manager



For more information on  
**Local content**

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## Developing an industry run by nationals

A new industry in a country requires significant support to train and develop nationals and build local expertise. The oil and gas sector is fairly specialised and requires a diverse range of skills, particularly in science, technology and engineering, as well as a high level of vocational and technical competence.

Our focus in developing an industry run by nationals is to deliver a combination of training, development and employment prospects. We are running skills development programmes in Ghana and Uganda for current roles within Tullow and we are developing succession plans to promote nationals in existing roles of expatriates. We partner with national oil companies, petroleum institutes and regulators to ascertain how we can support their people and skills needs. We undertake in-country strategic reviews to understand what further capacity-building initiatives need to be introduced.



See page 50: People

### Employment

84%

permanent local national employees in Uganda

86%

permanent local national employees in Ghana

55%

of our total workforce is in Africa; of which 66% are local nationals

### Education and training

50

secondees around the Tullow world

7

Ugandan technical graduates

8

Ugandan and Ghanaian production technicians (NVQ)

4

Ugandan MSc scholarships

14

secondees from the Ghana National Petroleum Company; Tullow sponsored 10 of them to undertake MSc degrees in various disciplines



Ugandan company Transtrac moving rig on the Eagle Barge, Lake Albert, Uganda.





Ghanaian company Macro Logistics – air, sea and inland transportation services, Takoradi, Ghana.

## Creating a step change in social enterprise investment

Historically we have invested in community social enterprise development and in 2010 we spent \$2.6 million on over 70 projects, mainly in Africa. This year we will continue to support community projects and in addition we are focusing on identifying projects in areas that are critical for the success of the industry in new oil countries. This will deliver a step change in our social enterprise strategy and the level of investment we make. We have formed an internal partnership between supply chain, human resources and external affairs to develop this initiative. This brings together the needs of the business with our stakeholders' needs and will help us identify and undertake the right projects.



See page 56: Social enterprise



“Local content is important for job creation and value addition. For operators, well developed local content can greatly reduce costs and project times. It is, therefore, vital that the Government, operators and contractors work together to create a competent local supply base of human and material resources for the oil sector.”

**Hon Simon D'Ujang**, State Minister for Energy, Uganda

“Everyone has a role to play in increasing local content including governments, regulators, NGOs, banks, local communities and local suppliers. The task is to build a strong dynamic resource pool of people, goods and services. A vibrant business sector underpins a more open and competitive market. It connects business and stakeholders and it unlocks many doors and further opportunities.”

**David Mooney**, Group Supply Chain Manager



## Creating shared prosperity **Deepwater drilling**

p22

The offshore drilling industry is an interesting, challenging and exciting place to be; even more so now with ultra-deepwater drilling. Everyone on my rig – whether ENSCO, client, third party, it doesn't matter – is part of a team working many miles offshore away from family and friends. What's really important to me is that they should return home safely, in as good shape as they came. Whatever milestones we may reach offshore, someone getting hurt is never acceptable. This is something we strongly believe in and live by each day.

**Robert Watson**, Offshore Installation Manager, ENSCO 8503, French Guyana.



# 3 Our performance

## 32 Performance overview

To measure our progress in the area of corporate responsibility we set annual targets and objectives.

## 34 How we manage our business

The Board focuses on making sure that Tullow is a well run business with a strong culture of good governance and regulatory compliance.

## 40 Stakeholder engagement

The breadth of our external stakeholder engagement is being transformed by our major projects.

## 44 Environment, Health and Safety

We have reviewed and revised how we monitor and measure our EHS performance for 2011/2012 to focus on driving a significant improvement.

## 50 People

Our Human Resources strategy is placing more of an emphasis on culture and engagement to ensure that we maintain and build on our unique culture.

## 54 Sustainable supply chain

Building a sustainable supply chain is an important part of protecting the environment, creating long-term social benefits and contributing to a successful and profitable business.

## 56 Social enterprise

We are establishing an education and enterprise development fund to support building capacity for the industry in countries where we operate.



## Measuring our progress

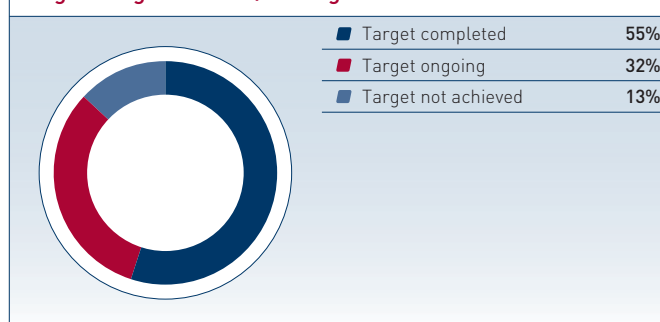
We made good progress this year in corporate responsibility performance. The targets we are setting to assess our progress are increasingly informed by our stakeholder engagement processes.

This year we have set out a summary of our 2010/2011 performance highlights and our 2011/2012 objectives. Detailed information is included on each area in this section of the report and there is more information online.

### 2010/2011 highlights and objectives

To measure our ongoing progress in the area of corporate responsibility we set ourselves annual targets and objectives. In our 2009 Corporate Responsibility report we set out 50 realistic but stretching targets. We achieved or completed 55% of those objectives; 32% are ongoing this year and 13% were not achieved. Those not achieved relate mainly to EHS quantitative targets that were not delivered in 2010. Full details are available online. Visit [www.tullowoil.com/crr2010/performance](http://www.tullowoil.com/crr2010/performance)

### Progress against 2009/10 targets



### 2010/11 highlights

Stakeholder engagement	Environment, Health and Safety	People	Social Enterprise
2010 crystallised the need for proactive rather than reactive external stakeholder engagement across the business. We have embarked on developing a more structured stakeholder management programme including hosting our first multi-stakeholder forum in London. The work to define and roll-out our improved approach to external stakeholder engagement will be completed in 2011.	EHS performance improved in 2010 and there was significant systems and process development. There were zero high potential environmental incidents although our safety performance did not deliver against all expected targets. The highlight of 2010 was the safe and successful start-up and commissioning of the FPSO in the Jubilee field, offshore Ghana, which delivered First Oil in November 2010.	There was a record 40% increase in permanent employees whose number grew to 935 people by the end of 2010. Our total workforce, including contractors, reached 1,232 people. The main areas of growth were Africa and our London head office; both in support of our major development projects in Ghana and Uganda.	We continued to support community-based projects in four focus areas: health, education, enterprise development and the environment. We spent \$2.6 million on over 70 projects, designed to address the priorities of our local stakeholders as well as to align with our overall business objectives. 72% of our 2010 social enterprise expenditure was in Africa.



We have reported our progress against the 50 2010/2011 objectives set out in the 2009 Corporate Responsibility Report online. Visit [www.tullowoil.com/crr2010/performance](http://www.tullowoil.com/crr2010/performance)



## 2011/2012 key objectives

	<b>Governance</b>	<ul style="list-style-type: none"> <li>• Deliver a new Code of Business Conduct taking into account the UK Bribery Act</li> <li>• Group-wide roll-out of a new compliance programme, complemented by a range of new training initiatives, tools and processes</li> </ul>	<ul style="list-style-type: none"> <li>• Form a new Compliance Committee to monitor and advise on the compliance programme and report to the Board</li> <li>• Develop and publish a separate Human Rights policy</li> </ul>	p34
	<b>Stakeholder engagement</b>	<ul style="list-style-type: none"> <li>• Roll-out an enhanced approach to external stakeholder engagement</li> <li>• Develop and implement a planned and proactive annual external stakeholder engagement programme</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a robust material issues matrix and refine our understanding of the big issues that concern our stakeholders</li> </ul>	p40
	<b>Environment, Health and Safety</b>	<ul style="list-style-type: none"> <li>• Achieve all lagging and leading performance indicator targets and objectives as set out on page 49 of this report</li> <li>• Draft standards for biodiversity, resource management and climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver the Board's health and safety objectives, in particular malaria awareness and prevention</li> </ul>	p44
	<b>People</b>	<ul style="list-style-type: none"> <li>• Maintain staff turnover below 2% per annum</li> <li>• Launch global employee and contractor survey in the third quarter of 2011</li> <li>• Deliver Board HR objectives in organisational capacity and maintaining our culture</li> </ul>	<ul style="list-style-type: none"> <li>• Develop our relationships with host governments and regulators and define localisation plans for Ghana and Uganda</li> </ul>	p50
	<b>Sustainable supply chain</b>	<ul style="list-style-type: none"> <li>• Review master contract agreements to embed EHS standards and mandate local content requirements</li> <li>• Develop a supply chain strategy that reduces risk, waste and unsustainable practices</li> </ul>	<ul style="list-style-type: none"> <li>• Improve reporting to provide greater transparency in contracting processes and supplier contracts</li> </ul>	p54
	<b>Local content</b>	<ul style="list-style-type: none"> <li>• Continue our 'Closing the Gap' programme, which is aimed at helping local people and businesses to enter the oil and gas industry supply chain</li> <li>• Track, record and report local content</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a business incubation centre pilot in Uganda, in conjunction with local communities and organisations</li> <li>• Establish a Tullow education and enterprise development fund</li> </ul>	p54/ p56
	<b>Social enterprise</b>	<ul style="list-style-type: none"> <li>• Roll-out the new social enterprise guidelines and support effective implementation</li> <li>• Ensure that effective systems and processes are in place so that social enterprise data is assured in 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a process and working group so that Local Content, HR and country offices input into the development of our strategic social enterprise investment strategy and projects</li> </ul>	p56

## Promoting a culture of good governance and regulatory compliance

Good governance and regulatory compliance is not just an option, it makes good business sense. It guides correct actions, protects value, is the right thing to do and enhances our reputation in the eyes of all our stakeholders.



We support and promote a policy of transparency in all our dealings to ensure that shareholders and other stakeholders are treated fairly.

### EITI

We believe that governments have a responsibility to use oil and gas revenues for the greater benefit of society and in 2011 Tullow formally became a corporate supporter of EITI. We are already actively involved in EITI initiatives and have published payments made to the Government of Ghana in 2009 and 2010. EITI was launched in 2002 to increase the transparency of oil and mineral revenues that governments receive. Today EITI is a strong coalition of governments, civil society organisations and more than 50 of the world's largest extractive companies.

In May 2011, we published a copy of our Ghana Petroleum Agreements including a copy of the relevant Deeds of Assignment. The Petroleum Agreements were published at the request of, and with the approval of, the Government of Ghana.

### Code of Business Conduct

In 2011, our Code of Business Conduct is being updated to provide further guidance on a range of topics and to ensure compliance with the requirements of the new UK Bribery Act. The drafting of the code is taking account of the Bribery Act 'Adequate Procedures' guidance. Our current Code is available online at [www.tulloil.com/code](http://www.tulloil.com/code)

The Board has overall responsibility for strategic leadership, risk management and the stewardship of the Group. They focus on making sure that Tullow is well run, achieves its business objectives and takes a balanced approach to risk and reward.

### Governance and risk framework

Tullow has a strong governance and organisational framework that gives direct accountability and ownership to individuals, promotes transparency in our activities and sets the standard for acceptable and ethical behaviour. In particular, risk management and corporate responsibility are embedded in how we run our business.

**"We want to ensure we have a culture of compliance and good behaviour, not a culture of acceptance or indifference to poor practice."**

**Pat Plunkett, Chairman**



Our 2010 Annual Report and Accounts is published online and is available to download at [www.tulloil.com/ara2010](http://www.tulloil.com/ara2010)



For more information on **Transparency**

**p14**

2011 principal risks and uncertainties in relation to the Group's financial and operational performance this year are set out in the 2010 Annual Report. In addition, one of the Board's 2011 objectives, which are tracked monthly, is to monitor the following corporate responsibility risks:

- External stakeholder relationships;
- Health and safety, with particular emphasis on malaria awareness and prevention;
- UK Bribery Act and implementation of Tullow's Code of Business Conduct;
- Organisational capacity as the business continues to grow rapidly; and
- Maintaining Tullow's strong culture.

In our 2010 Annual Report we have also described the long-term risks which we believe could adversely impact our employees, operations, assets and performance. We have identified four specific long-term corporate responsibility risks:

- Loss of key staff and succession planning;
- EHS failures and security incidents;
- Political, industry or market changes in our environment negatively impact our ability to grow and manage our business; and
- Key country risks.

## Governance, corporate responsibility and risk framework

### Risk management

Risk management is the overall responsibility of the Board. Each Executive Director has a defined responsibility and accountability for a specific aspect of the Group's key risks. The Audit Committee also plays an important role.

### Board of Directors

12 members  
Five Executive Directors  
Seven Non-executive Directors including Chairman and Senior Independent Director

### Board committees

Audit Committee  
Nominations Committee  
Remuneration Committee

### Executive Directors

**Aidan Heavey**  
Chief Executive Officer

**Graham Martin**  
General Counsel and Company Secretary

**Paul McDade**  
Chief Operating Officer

**Angus McCoss**  
Exploration Director

**Ian Springett**  
Chief Financial Officer

### CR responsibilities

External Affairs, Stakeholder Engagement, Social Enterprise, Education and Enterprise Development Fund

People and Localisation, Governance, Ethics, Compliance

Environment, Health and Safety, Crisis Management

Information Systems Management

Sustainable Supply Chain and Local Content, Investor Relations

### Senior Management Committee

This committee is responsible for the day-to-day running of the business, the annual business plan and effective ongoing risk management.

### Two-way communication and feedback

Internal Communications

Media Relations

Investor Relations

External Affairs

### Systems and policies

Tullow has a full set of management systems, policies and procedures, standards and behaviours designed to ensure we deliver value for our shareholders and operate our business responsibly. These systems and policies are the framework for consistency across all areas of our business and are complemented by our corporate governance processes and monitoring and oversight by the Board.

Our Integrated Management System (IMS) sets minimum expectations for business delivery across Tullow and provides a systematic approach for managing all business activity throughout the organisation. In particular it provides a high level of assurance that Tullow will:

- Plan and execute work effectively and to consistently high standards;
- Manage all forms of risk affecting or affected by business delivery;
- Provide, maintain and develop an effective organisation geared to business needs;
- Comply with relevant legislation or other appropriate external standards; and
- Continually improve all aspects of business performance.

The IMS has 10 systems elements and each one has a guiding principle with clear expectations that must be met. Operational and support functions across the business are required to have appropriately documented systems in place to meet the expectations relevant to their part of the business. Certain aspects of the system apply to all of Tullow, for example EHS, while others are specific to a discipline. Assurance of compliance with the IMS is a line management responsibility, with a further level of assurance provided by Internal Audit.

### UK Bribery Act

Tullow's success has resulted in rapid expansion over the last few years with a large increase in our total workforce. Additionally, we work with national oil companies, joint venture partners, contractor companies and suppliers ('industry partners') in order to achieve our shared business goals.

All of our activities, whether carried out directly by ourselves or by our industry partners on our behalf, must be carried out in compliance with relevant local and international law. Our licence to operate depends upon this.

New anti-bribery legislation, called the UK Bribery Act, comes into force in July 2011 and this will require UK companies, or any foreign companies doing business in the UK, to ensure that all reasonable steps are taken to prevent acts of bribery. This Act, which applies to our business activities worldwide, is considered more onerous than the well known US Foreign Corrupt Practices Act (FCPA), which has resulted in many high profile prosecutions in recent years.

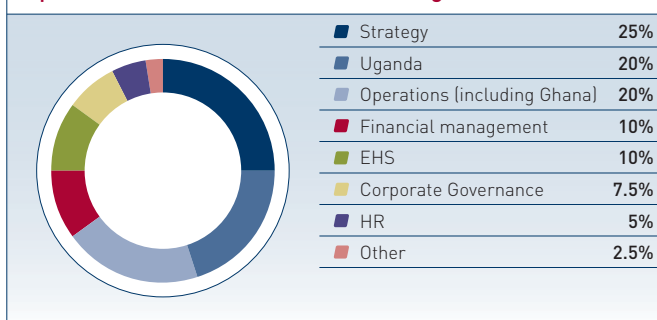
The Bribery Act criminalises bribery in both the commercial and public sectors. It is not limited to bribery that could be committed by a company's own staff but also covers individuals or companies working on a company's behalf. Successful prosecution under the Bribery Act can lead to unlimited fines for companies and individuals and jail sentences of up to 10 years. The only defence against an act of bribery being committed by a member of staff or an individual or company working on our behalf is to have in place 'Adequate Procedures' to prevent bribery. The UK Government, as a requirement of the UK Bribery Act, published their Adequate Procedures guidance on 30 March, 2011 and this is being used to shape and update the Tullow compliance programme.

No incidents of corruption were recorded in Tullow in 2010. Tullow made no contribution to political parties, politicians or affiliated organisations during the year.

## 2010 Board topics

An externally facilitated evaluation of the Board, its committees and individual Directors undertaken in 2010 concluded that the Board had been effective in undertaking its responsibilities for the year. In recognition of the important role the Board plays in setting strategy, the Board performance report recommended that the Board ensures adequate time is allocated to discussions on strategy and that alternative strategies are fully considered. In 2010, 25% of the Board's time was spent on strategy. 25% was also spent on corporate responsibility related issues. A further 20% of the Board's time was devoted to Uganda.

### Topics discussed at 2010 Board meetings



Visit our website for more information at  
[www.tullowoil.com/ar2010/good\\_governance](http://www.tullowoil.com/ar2010/good_governance)



## Key corporate responsibility policies and systems

	<h3>Governance</h3> <ul style="list-style-type: none"> <li>• Our Code of Business Conduct sets out our general business principles, Ethics and Integrity policy, Whistleblowing policy and Human Rights policy.</li> <li>• Plans are well underway to update our compliance programme this year, including a new Code of Business Conduct.</li> </ul>	<p>p34</p> <p>More information: <a href="http://www.tullowoil.com/policies">www.tullowoil.com/policies</a></p>
	<h3>Environment, Health and Safety</h3> <ul style="list-style-type: none"> <li>• We manage EHS through the Senior Management Committee (SMC), the Group EHS Leadership Team, Tullow safety rules, Tullow Oil Environmental Standards (toes) and EHS and related policies and EHS Commitment Statements.</li> <li>• We have had ISO14001 accreditation for our Environmental Management System since 2003. Uganda was certified to ISO14001 in July 2010. We now have ISO14001 across our key activities in London, Dublin, Cape Town, Europe, North Africa, Bangladesh and Uganda. Ghana is aiming to be certified in 2011.</li> <li>• We have detailed crisis management and emergency response plans and dedicated crisis management facilities designed to ensure we can respond rapidly and appropriately to any incident.</li> </ul>	<p>p44</p> <p>More information: <a href="http://www.tullowoil.com/policies">www.tullowoil.com/policies</a></p>
	<h3>People</h3> <ul style="list-style-type: none"> <li>• We have a clear set of values – focus on results, commitment to Tullow and each other, integrity and respect and entrepreneurial spirit and initiative.</li> <li>• We have Group HR policies which are generally higher than legal requirements that set the standards that are followed throughout Tullow. These are supported by detailed employee handbooks and form part of our induction processes too.</li> <li>• We have specific Equal Opportunities and Harassment policies. All our policies are reviewed regularly to ensure they reflect best practice.</li> <li>• Local legislative requirements form part of individual business unit, in-country or regional procedures.</li> </ul>	<p>p50</p> <p>More information: <a href="http://www.tullowoil.com/policies">www.tullowoil.com/policies</a></p>
	<h3>Sustainable supply chain</h3> <ul style="list-style-type: none"> <li>• Tullow's contracts meet the principles of the UN Supplier Code of Conduct. A Suppliers Charter is being drafted for approval in 2011.</li> <li>• Our Supply Chain Management department sits independently on Tullow's Contracts Review Board to ensure that all contracts, both national and international, meet the company's requirements around national content and sustainability.</li> <li>• In addition, we have a Group Local Content policy and procedures to ensure we fully support capacity building for our industry in-country.</li> </ul>	<p>p54</p>
	<h3>Social enterprise</h3> <ul style="list-style-type: none"> <li>• We have social enterprise guidelines that frame our investment in local communities.</li> <li>• Our Social Enterprise Committee ensures our investment is aligned with our business activities.</li> <li>• A working group has been set-up to review all requests for support for projects from the Education and Enterprise Development Fund.</li> <li>• In 2011, local social enterprise committees will be formed to review requests for support for community projects.</li> </ul>	<p>p56</p> <p>More information: <a href="http://www.tullowoil.com/policies">www.tullowoil.com/policies</a></p>

### New compliance programme

In recognition of the growth of Tullow and its workforce, together with an increasing global focus on regulation and compliance, a new full time role of Group Compliance Manager was created and the position filled in January 2011. Since joining Tullow, the Group Compliance Manager has discussed compliance with key management at the key global offices including Ghana, Uganda, Cape Town, London and Dublin and carried out town hall meetings to increase awareness of the UK Bribery Act. A gap analysis has been carried out to determine what changes need to be made to the existing compliance programme in order to meet the requirements of the new UK Bribery Act.

Plans are now well underway to update the current compliance programme this year including:

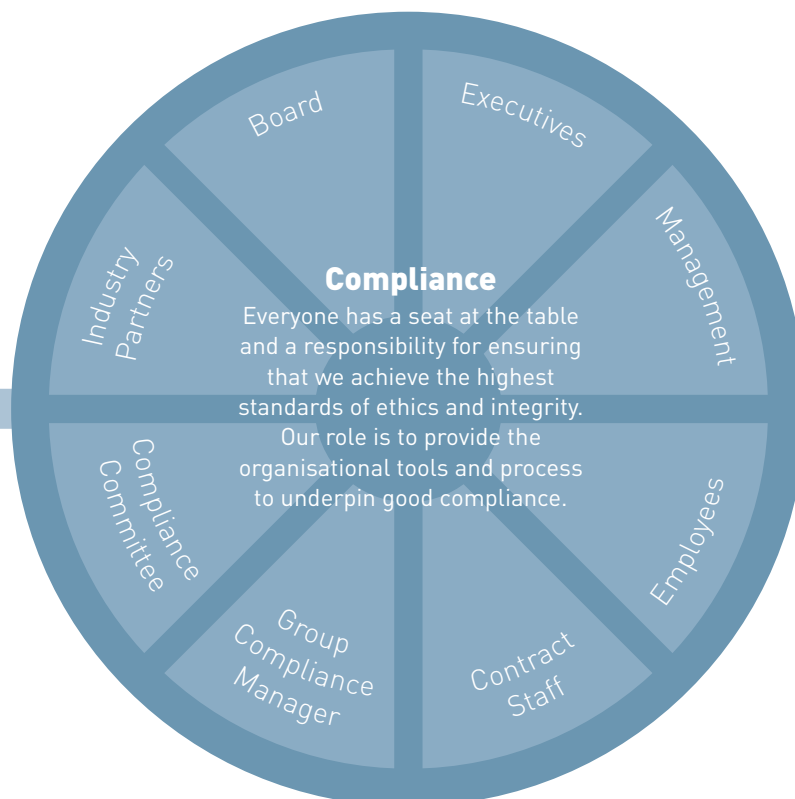
- A new Code of Business Conduct taking into account the specific UK Bribery Act requirements;
- Detailed policies and guidelines covering areas such as gifts and hospitality, interactions with Foreign Public Officials and conflicts of interest;
- Face-to-face training for existing staff and contractors on the new Code of Business Conduct and related policies and an induction process for new employees;
- Ongoing focused awareness sessions on a variety of compliance and good business practice topics;
- Online training on the prevention of fraud and bribery;
- Due diligence and interactions with industry partners;
- Regulatory compliance planning and recording;
- Compliance monitoring and reporting; and
- Formal consideration of ethical conduct risks early in the business cycle.

Staff will be able to use the new 'Compliance' section of the Tullow intranet to obtain copies of the Code of Business Conduct, associated policies and guidelines and to complete the required forms and online registers which we plan to introduce. This will have many benefits including ease of completion for staff, collection of data in one location and the ability to monitor use and compliance.

A Compliance Committee is being formed which will be chaired by Graham Martin, General Counsel and Company Secretary, with membership to include senior management and a Non-executive Director. The Committee will meet three times per year and will monitor and advise on the compliance programme to ensure that it remains effective. The Committee will report to the Board on progress.

**"The key steps to achieving good compliance are a clear and accessible Code of Business Conduct with supporting policies and then effective implementation by staff. Our aim in Tullow is that compliance is expected of everyone associated with the Group and is an integral part of doing the job, whether you are staff or a contractor."**

**Stephen Rees**, Group Compliance Manager



“We want people to speak up if they have concerns because if we don’t know about it then we can’t put it right.”

**Gordon Headley**, Chief Human Resources Officer

#### Speaking up

Tullow staff are encouraged to speak up if they have any concerns over the way we do business or if they know or suspect that a breach of the Code of Business Conduct has occurred. In the event that they do not feel comfortable speaking with management then a confidential, independent ‘whistleblowing’ line is in place. The requirement to speak up, and the mechanisms available, will be re-advertised as part of the Code of Business Conduct roll-out.

The Group Compliance Manager brings investigation experience from previous roles and current capability within Tullow will also be enhanced by providing external investigation training for a small cadre of staff situated at major sites. This will enable any investigation requirements to be dealt with in a timely and professional manner.

In 2010, there were very few reports to the whistle-blowing free phone line. These were investigated by Internal Audit and reported to the Audit Committee. All were minor in nature and easily resolved with limited further action required.



“We want all of our staff to understand where the boundaries are between acceptable and unacceptable behaviour but we cannot anticipate every situation that might be encountered. Where it is unclear, perhaps due to a lack of knowledge or experience, different cultural norms, or because it doesn’t feel right, then they will always have the option of asking for guidance from their management prior to taking any action.”

**Graham Martin**, General Counsel and Company Secretary

### Giving our people the right compliance tools and processes

#### Tools

Code of Business Conduct  
Policies  
Guidance  
Adequate Procedures manual

Training and awareness programmes  
E-learning  
Online registers

Confidential reporting line

Contractual agreements

#### Processes

Bribery and corruption risk management  
Regulatory compliance  
Ethical conduct risk mitigation  
Due diligence and monitoring

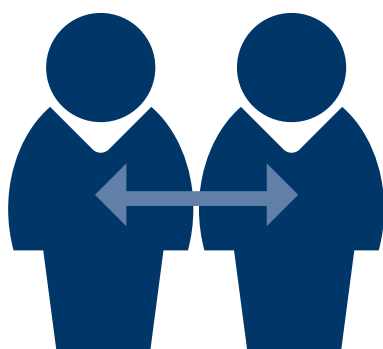
Reporting

Investigation and disciplinary procedures  
Lessons learnt and continual improvement



## Building strong and effective relationships

Engaging with our stakeholders, listening to their views and responding through our actions is an integral part of creating shared prosperity.



### 2011/2012 priorities

- External stakeholder relationships form part of the Board's 2011 objectives to ensure that major corporate risks continue to be identified and that adequate systems, processes and procedures are in place to monitor and mitigate those risks;
- Complete stakeholder mapping and roll out Tullow's enhanced approach to external stakeholder engagement;
- Commence implementation of a planned and proactive annual stakeholder engagement programme; and
- Continue to refine and report on the main issues that concern our stakeholders and impact our business and develop a robust material issues matrix.



We want your feedback, you can contact us at this address.

Email: [info@tullowoil.com](mailto:info@tullowoil.com)

### Who do we engage with?

In our first CR Report in 2005 we listed our key groups of stakeholders as being employees, shareholders, communities, governments, partners and contractors, interest groups, NGOs and industry bodies. While that list is remarkably similar today it has been transformed in terms of the level at which we must engage. The scale of our major projects and the significance of supporting two nations to become new oil producers has re-framed the context in which we undertake our activities and the number of parties who are impacted by what we do.

### Why do we engage?

For Tullow, stakeholder engagement is aimed at building strong and effective relationships. Through this we increase our understanding of the key sustainability issues each stakeholder group is concerned with and how these affect our business. Engagement also provides us with an opportunity to solicit input and suggestions and to incorporate these into our business plans, practices and processes. This can lead to necessary and appropriate adjustments to how we run our business or develop our strategy. By openly discussing issues and regularly seeking feedback we can understand which issues we can directly influence through what we do in Tullow and which issues we can help to influence through industry collaboration, such as oil spill response mechanisms or the debate on government revenue transparency.

Another benefit of regular engagement is that it helps us to monitor country risk, which we have identified as one of the potential long-term performance risks for the Group. Government regulations and fiscal regimes can change very quickly, resulting in asset expropriation or the introduction of burdensome tariffs or taxes. While we may not have the opportunity or ability to influence these decisions, an awareness of what is going on helps us to protect our business.

The following are examples of country risk:

- In June 2010, the Government of Congo (DRC) awarded two licences belonging to Tullow to two British Virgin Islands-registered companies. When it became clear Tullow's rights were not likely to be upheld so long as the DRC Government maintained its position, the Board took the decision to withdraw from the DRC;
- In March 2011, the UK Government announced a decision to increase the supplementary charge levied on profits from UK oil and gas production to 32% from 20%. While this does not have a significant impact on Tullow because most of our production is now outside of the UK, it does demonstrate how changes in fiscal regimes can be a significant risk when considering long-term investments; and
- The delays and uncertainties that occurred in Uganda finalising the Heritage deal and follow-on farm-down to CNOOC and Total, crystallised in our minds the importance of investing in building stronger and more effective relationships. Uganda has prolific oil resources and will have an oil industry that will benefit generations. As a consequence it is very important to debate and then establish a strong fiscal and legal framework to underpin the development of the Ugandan oil and gas sector. In reality, the complexity and size of the various related transactions took time to consult about and finalise; and even more so in an election year. Significant progress has been made towards completing the farm-down and accelerating the development of the Lake Albert Rift Basin and the various transactions are expected to complete shortly. We can now look forward to proceeding with developing this project with the full support and commitment of the Government.

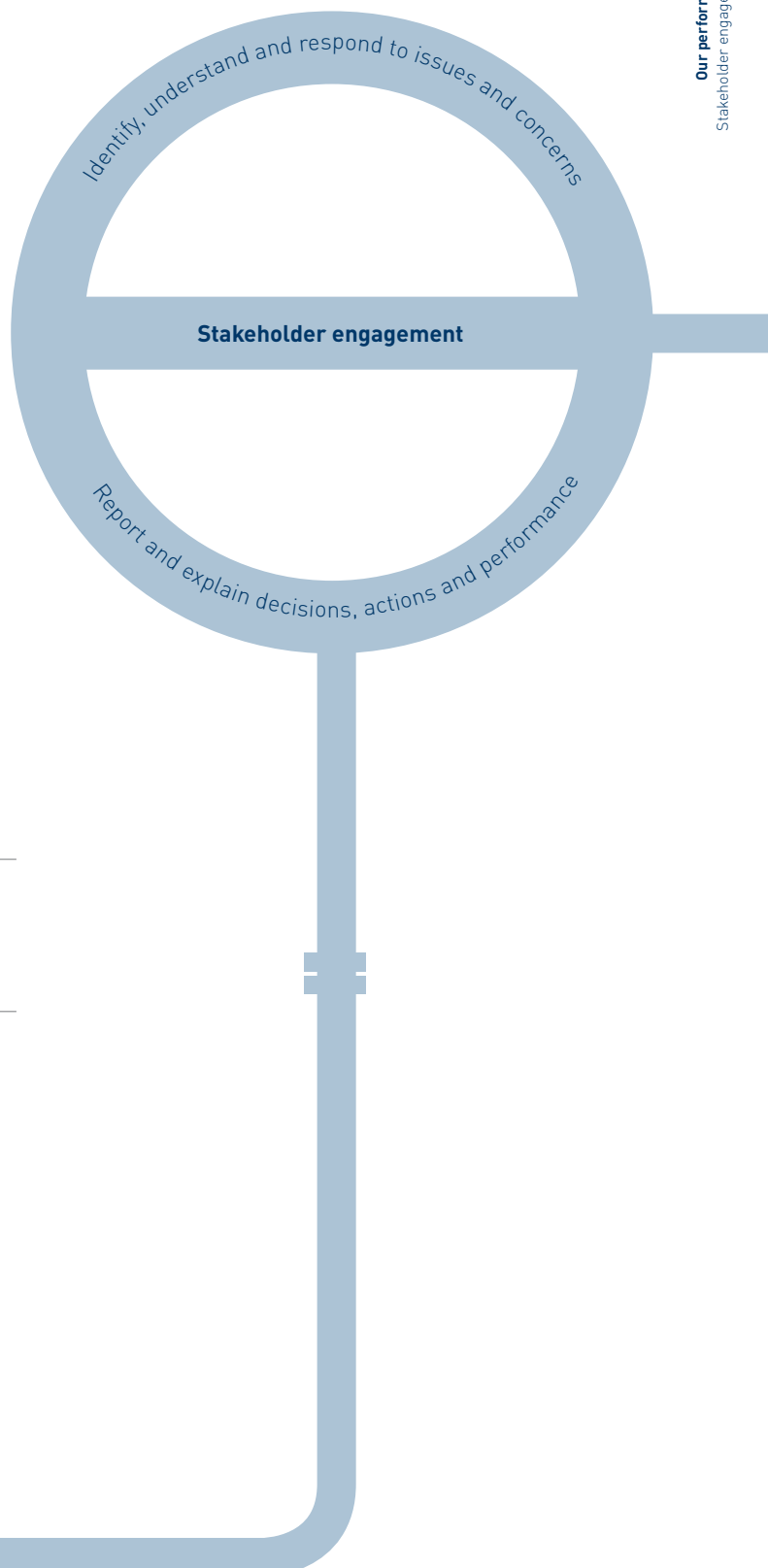


For more information on  
**Stakeholder engagement**

p18

“We have learnt from experience that it is much better to understand and respond to our stakeholders as this results in a more effective operating environment for our business. We are focused on ensuring that external engagement is a proactive rather than a reactive process.”

**Aidan Heavey**, Chief Executive Officer and Director responsible for stakeholder engagement



#### What do we engage on?

Every day, at every level of Tullow many and varied conversations are happening with our stakeholders.

#### Licence to operate

In the first instance, to even work in a country we must be granted a licence. This means that we have ongoing contact with governments at national and local level and regulatory authorities. Such engagements span the full oil life cycle from entering a new country through a licence award to rehabilitation after production ceases.

#### Social credibility

The nature of our industry attracts a wide range of interest from policy, civil society and development NGOs. This aspect of our engagement is increasing rapidly at local, national and global levels on a wide range of topics including conservation of biodiversity, understanding local priorities and challenges, and forming partnerships to deliver effective social enterprise projects.

#### Local community issues and concerns

We have almost daily contact with our local community stakeholders through community liaison offices. These dialogues focus on providing information about our projects, listening to and discussing local concerns, hosting introductory courses to the oil and gas industry, and briefings about important issues such as the dangers of fishing close to offshore installations.

#### Building capacity for the national industry

Our major projects create the opportunity for us to contribute towards the development of local suppliers of goods and services for the oil and gas industry. Our Local Content team works with local suppliers to explain the pre-qualification requirements in terms of quality, safety, technical and management standards; how to become a supplier in terms of the tender process; what types of goods and services are needed at the various stages of a project; and to identify what support we and our international suppliers can provide to foster a thriving local supplier base.

#### Keeping employees informed and engaged

We have grown rapidly in recent years, which has created significant workplace challenges for us. Our internal communications strategy focuses on ensuring staff and contractors are kept informed about our strategy, Board and Executive opinion on key issues, major projects, corporate responsibility initiatives, news flow, oil and gas industry information and organisational change. This is mixed with people stories and content, activities from around the Group and Tullow-wide events such as First Oil, the safety stand-down in 2010 or our 25<sup>th</sup> Birthday celebrations in 2011.

#### Access and influence in the capital markets

We have a very active investor relations programme. Senior management undertakes extensive investor meetings and participates in a number of broker-sponsored conferences in the UK, Europe and North America. We host a number of events ourselves such as the Ghana Capital Markets event and senior management investor roundtables. In addition, we are increasingly engaging with Socially Responsible Investors through a multi-disciplinary team approach including External Affairs, Investor Relations and other relevant functions such as EHS. We also maintain strong relationships with providers of debt and other capital.

#### Industry and peer group issues and benchmarking

We maintain a large number of industry memberships and affiliations which enable us to participate in and contribute to industry issues and benchmark our practices, particularly in operational areas.



## Engagement tools

Across our stakeholder groups we host one-on-one meetings, group meetings, informal roundtable discussions, issue briefings and multi-stakeholder forums. We also participate in conferences, investment and industry events and organise roadshows, introductory oil and gas industry courses and attend a variety of speaking engagements. We support all of these with an open communications policy, use of digital media (corporate websites, intranet, social media), news flow, reporting and a suite of other media. We also have an active media relations programme and will be welcoming a new Head of Media Relations who will be joining the Investor Relations and Corporate Communications team mid-year.

## How we are improving

We are at a pivotal point in our external stakeholder engagement journey. We are focused on ensuring that engagement is always a learning process and is proactive rather than reactive. This means we want to use stakeholder engagement in a systematic way as part of risk identification and management and we are looking to achieve strategic as well as operational improvements.

We are well on our way. Stakeholder engagement is already mandated in key aspects of our organisational processes:

- Aidan Heavey, our Chief Executive Officer, is responsible for External Affairs, which includes stakeholder engagement;
- One of our six strategic priorities relates directly to stakeholder engagement;
- Three of our core values call upon employees to build relationships, consider our stakeholders and remain transparent in our activities and reporting;
- Our Code of Business Conduct (General Business Principles and Human Rights Policy) outlines our approach to developing mutually beneficial long-term relationships with our stakeholders and to engaging in consultation to identify and effectively address significant issues arising from our operations; and
- We have good organisational experience of building lasting relationships across key stakeholder groups such as investors and employees.

Mirroring our step change as an organisation we are also moving our external stakeholder engagement to the next level which means we also have a way to go on this journey. We are creating a more structured external stakeholder management programme, including identifying and mapping stakeholders, identifying and prioritising stakeholder issues, identifying preferential engagement criteria and responsibilities and more clearly defining stakeholder responsibility across the business. Our work to define and roll out our improved approach to external stakeholder engagement will be completed this year.



## Key stakeholder engagement initiatives in 2011

### 1. Uganda logistics supplier open day

In January 2011, we held our first open day for suppliers in Kampala. Our Local Content team organised this event to discuss the opportunities for logistics companies to support development of the Lake Albert Rift Basin. Over 320 people attended representing 135 international and local organisations, including 90 logistics companies.

### 2. Global Perceptions Survey

In 2011 we will be conducting Tullow's first external stakeholder perceptions survey to better understand stakeholders' views of Tullow and what factors and/or issues drive their perceptions of the business. It will also give us a benchmark to measure the effectiveness of our new external stakeholder engagement strategy and programme.

### 3. Environment Multi-stakeholder forum

We plan to host our first EHS multi-stakeholder forum in the second half of 2011. This will bring together senior Tullow management from across the business to engage with external stakeholders on critical environmental, health and safety issues for Tullow and the industry.

### 4. SRI roadshow

As part of our plans to engage on a more formal basis with key SRI managers we are planning a roadshow for the second half of the year. This will include business updates, Q&A sessions on Tullow's approach to corporate responsibility, as well as a discussion about this report.



We have plans to significantly enhance the corporate responsibility section of our website to keep people more informed of what's happening throughout the year. Visit [www.tullowoil.com/corporateresponsibility](http://www.tullowoil.com/corporateresponsibility)

## Driving strong EHS performance

EHS is paramount to the success of our business and a strong EHS performance is a core part of our business drivers.



### Highlights for the year

- EHS had a good year overall in 2010. While we had zero high potential environmental incidents, our safety performance in terms of injuries was less than satisfactory;
- EHS leadership training was extended to a wider group within Tullow and 22 courses were completed by 184 attendees, representing 520 days of training;
- The key improvement actions from the 2009 health and safety audit, which was undertaken as a result of a contractor fatality that year, were completed;
- A significant reduction in vehicle incidents was achieved, with our Vehicle Accident Frequency Rate (VAFR) down from 1.96 in 2009 to 0.59 in 2010. This achieved our stretch target of less than 1.5 vehicle accidents per million kilometres driven, improving our road safety standards; and
- Uganda achieved certification to the international standard for environmental management systems, ISO14001 in July 2010.

“The highlight of our EHS performance for 2010 was the safe and successful transition of the Jubilee field, offshore Ghana, from development to production in late-November. Gross plateau production of 120,000 bopd is expected to be reached this year.”

**Phil Wahwerit**, EHS Manager, Ghana

We had a very active E&A programme in 2010 with 29 wells drilled, achieving an 83% success ratio. 8.3 million hours were worked across the Group, representing a 26% increase on the prior year. There were no fatalities and zero environmental High Potential Incidents (HiPos) and we made improvements in many of our processes. However, our injury performance resulted in a LTIFR of 0.85 which did not meet our expectations nor the targets set for the year.

### Embedding EHS across the organisation

Paul McDade, our Chief Operating Officer, is the Executive Director with specific responsibility for EHS. This responsibility is cascaded through the organisation to ensure EHS is a key part of every employee's role. EHS is paramount to the success of our business and a strong EHS performance is a core part of our business drivers.

We have reorganised our EHS leadership structure to refocus this group on setting EHS strategy and managing Tullow's top EHS risks. Through our new Regional Business Unit organisation structure, each region will now have dedicated EHS regional leadership teams that will implement EHS strategy and the day-to-day management of EHS in their area. As a result, EHS will be more embedded in our business and more closely aligned with operational activities. We also have an experienced and growing team of Group EHS specialists that can provide independent support and guidance to the business.

### International certification

Our EHS Management System (EHSMS) brings together people, the organisation and procedures enabling us to comply with legislation and other relevant standards, to manage EHS risks effectively and to demonstrate continual improvement. The EHSMS documents safe systems of work and environmental control measures. It includes the Tullow Safety Rules that set minimum standards for safe working across a range of activities.

The EHSMS adopts a structure that accords with both ISO14001 and OHSAS18001, the internationally accepted standard for health and safety management systems.

We have had ISO14001 accreditation for our Environmental Management System (EMS) since 2003. We currently have ISO14001 across our key activities in Head Office, Dublin, Cape Town, Europe, North Africa, Bangladesh and Uganda (which was certified to ISO14001 in July 2010). Our operations in Ghana are aiming to be certified in the fourth quarter of 2011.

### Clear EHS policy

Our EHS policy is the prime EHS document and sets out our commitment to responsible operations. The policy is approved by Senior Management and signed by Aidan Heavey, the CEO. It is complemented by EHS commitment statements which make senior management individuals, and by definition their team, responsible for a range of actions aimed at managing EHS effectively in their area of operation.

We have an internal audit process focused on EHS, which provides assurance at either local or corporate level. Five corporate audits were conducted in 2010 at Group level and six are planned for 2011.

### Managing EHS risk

The oil and gas industry is inherently hazardous. As a result, identifying, assessing and managing our exposure to risk is at the core of our approach to EHS management.

Our risk management process considers all forms of EHS risk, from major accident hazards and significant environmental impacts through to workplace hazards such as slips, trips and falls.

“In the fourth quarter of 2010 we undertook a review of the structure of our EHS leadership team and are revising how we manage EHS and set our EHS strategy. Our goal is to create a roadmap for achieving top quartile industry EHS performance, driving a step change in standards across the Group.”

**Graham Brunton**, Group EHS Manager

We maintain a risk inventory that sets out the Group's top 10 EHS risks ranked by significance and manageability. This provides a focus for strategic risk management and is monitored and managed by the EHS leadership team.

To manage major accident hazards across our global operations, Tullow has adopted the 'safety case' approach to manage risk to a level that is 'as low as reasonably practicable', even where there may not be a regulatory requirement to do so. This is a well-embedded practice in the UK oil and gas industry that is used to identify, assess and document major accident hazards.



### Tullow Oil Environmental Standards (toes)

We launched toes in 2009 to help us manage our environmental commitments and share best practice across the Group.

It acts as a framework through which we can manage and develop the five key elements of our environmental commitment: biodiversity, climate change, resource management, stakeholder engagement and monitoring and evaluation. toes also allows colleagues to see where work is being done and where we are making progress as well as helping us to set continuing goals for environmental management across the Group.

toes is currently being reviewed to reflect the evolving environmental challenges of our growing business. Our overall goal is to minimise our environmental impacts throughout the lifecycle of our operations.

In 2011 we are drafting environmental standards for:

- Biodiversity (the effect of land use change and land function);
- Resource management;
- Climate change and greenhouse gas emissions (GHG); and
- Socio-economic impacts.

Within Tullow's intranet, toes will have key content containing the intent of the standard, its main features, applicability, delivery expectations, case studies, useful links and frequently asked questions.

There will be a separate toes tool box to ensure all our projects are managed in a sustainable way.

- Integrated Management System (IMS)
- EHS Management System (EHSMS)
- Geographic Information System (GIS)
- Integrated Biodiversity Assessment Tool (IBAT)
- Environmental and Social Impact Assessment (ESIA)
- Environmental modelling, management plans and reporting
- Oil spill contingency plan checklist



For all project work, we use our own environment standard ('toes'), as well as ISO14001 EMS requirements, and aim to meet the intent of universally recognised good practice such as that developed by the international lending institutions and other stakeholders.

Operational activities and work tasks are subject to a task risk assessment or job safety analysis which considers possible risks to people, community, environment and physical assets.

#### Environmental and Social Impact Assessment (ESIA)

When a project is selected and defined, we carry out a scoping process for a detailed impact assessment. This examines the interaction between key project characteristics and prevailing environmental sensitivities. The goal is to identify approaches and design features that will minimise the environmental impact of the project. Social impacts are also considered as an integral part of this process.

ESIAs are a consistent feature of our project EHS risk management strategy regardless of legislative obligation. We are always looking to find new ways of working to increase our understanding and to improve communication around the potential environmental and social impacts of our activities. In 2010 we incorporated Geographical Information System (GIS) information as a core element of our approach. GIS is a way of representing and analysing spatial information

by linking a geographical location to its attributes. In relation to the ESIA process GIS is used to gather and organise field information and to deliver the ESIA in an informative and interactive format.

In addition to ESIAs we have also started to utilise the power of GIS technology as a means of evaluating the sensitivities of new country, region or block entry. Using GIS as a risk mapping tool allows Tullow to visually display sensitivity information around protected areas, endangered species distribution, indigenous people, cultural heritage, political and security risks in a visual and easily understood format that can be utilised to inform decision making. This information is then used in the development of scoping studies and impact assessments. To date this approach has been used in both Kenya and Ethiopia.

#### Operating in sensitive areas

Increasingly we are working in environmentally sensitive areas and our environmental footprint is growing each year. A multi-disciplinary team will formalise a process for evaluating activities in protected/sensitive areas, and all operational functions such as New Ventures (country entry), the Global Exploration Leadership Team and the Development Leadership Team will follow this system as part of their planning processes and activities.

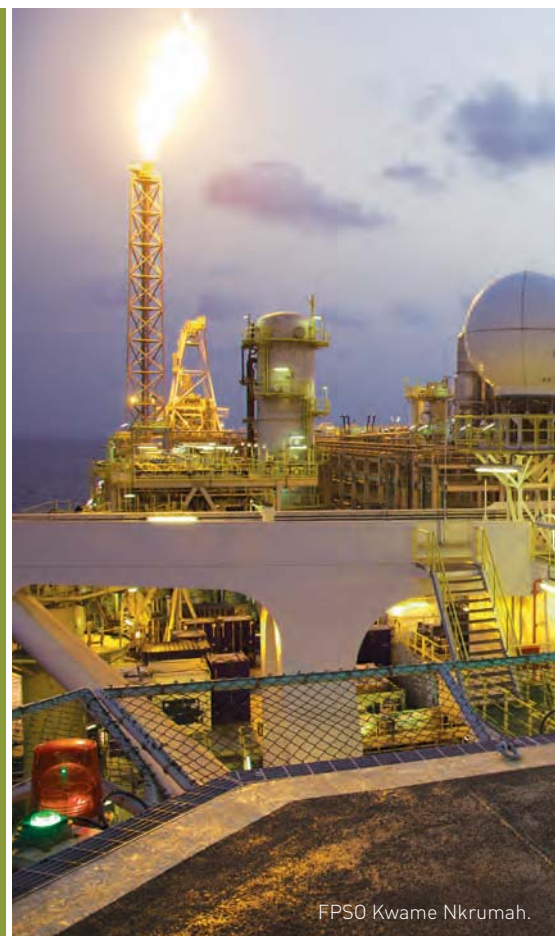
### Gas flaring in Ghana

The final EIS for Jubilee Phase 1 documented flaring activity for First Oil production and stabilising FPSO plant and processes as part of commissioning. Final stages of commissioning include completing the overall gas injection compression facilities. These are required to enable the produced/associated gas to be re-injected into the reservoir as the only available gas disposal route at this time.

The compression system is a complex engineering set-up and the current status is that we expect to achieve full gas injection in the near future. On achieving this, we will enter a period of securing system performance and stability. Given this status it will be necessary to flare additional associated gas in excess of the originally proposed volume estimates in the Final EIS. We are in regular communication with the Ghanaian Environmental Protection Agency on this subject.

The long-term plan is that there will be no continuous flaring of hydrocarbon gases during normal operations. There will only be a pilot light so that the flare will be available in the event of an emergency shutdown.

All flaring activities whether onshore or offshore are an integral part of ESIAs submitted to national regulators. Our subsequent environmental management plans detail the arrangements for each operation outlining the mitigation, monitoring and management of all our environmental risks. Where we have a licence interest but are not the operator, we seek to engage with our partners to minimise flaring and other environmental risks in the course of normal operations.



FPSO Kwame Nkrumah.

## Environmental performance

Our business has changed dramatically in recent years. We have reorganised our portfolio, invested heavily in Africa and sold our UK gas terminal facilities. We have had a significant increase in activity levels and our production profile is set to grow rapidly from 2011 onwards with the achievement of First Oil in Ghana in late-2010. Both the expansion and changing nature of our activities means that it is hard to set meaningful emissions baseline data for comparison and reduction targets at this time.

### Developing a position on climate change

We are however working towards a greater understanding of our contribution to climate change at both local and global level as our growing environmental footprint is driving higher levels of emissions. We currently track Tullow's atmospheric emissions from production, drilling and well test activities. Atmospheric emissions comprise Carbon Dioxide (CO<sub>2</sub>) and Methane (CH<sub>4</sub>). We have had Group-level assurance of our emissions data for four years.

We are currently working to minimise our operational impact on the environment through energy efficiency initiatives, monitoring and evaluation activities, emissions management programmes, effective planning of operational life cycles through ESIA's and compliance with national and international requirements. As a matter of course we incorporate emissions control in the design phase of all major projects and developments. Our IMS incorporates and underpins our environmental commitment to minimise pollution and emissions. ISO14001 certification requires Tullow to commit to avoiding releases as well as demonstrate continual improvement in environmental performance.

### Monitoring our environmental performance

We currently monitor our environmental performance in terms of atmospheric emissions, water usage and spills. We assure the Group-level performance data through Deloitte and report annually in this report and online.

In 2010, a detailed review of environmental reporting showed that there were gaps and inconsistency in data collection at an operational level. This means we have restated 2009 CH<sub>4</sub> emissions using an updated conversion factor. In addition, water usage was not reported for our UK and Bangladesh activities in 2009, but data for 2010 have been included this year.

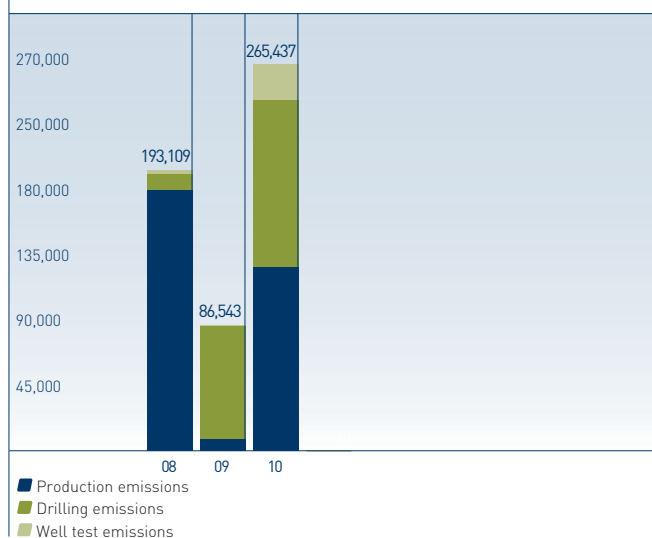
We have now documented and adopted industry recognised standards for environmental performance reporting. This system is in place for 2011 with data collection on a quarterly basis. It includes standardised reporting by Ghana, Uganda, Kenya, UK, Bangladesh and Pakistan.

In 2011, we are reviewing in-country waste management requirements and reporting. Waste management is a challenging issue for us in the context of operating in remote sites in isolated parts of the world, with no real infrastructure for disposing of hazardous and non-hazardous waste.

## 2010 performance

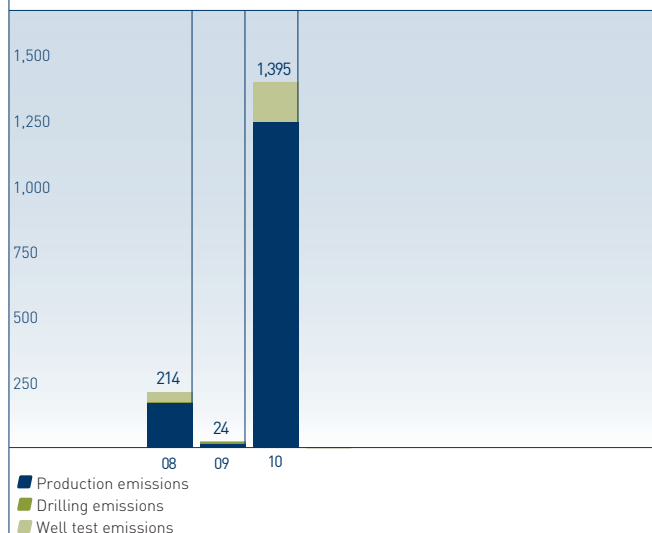
### CO<sub>2</sub> emissions (tonnes)

CO<sub>2</sub> emissions increased by 207% in 2010 primarily due to the FPSO start-up and commissioning process in Ghana.



### CH<sub>4</sub> emissions (tonnes)

CH<sub>4</sub> emissions increased from 24 tonnes in 2009 to 1,395 tonnes in 2010. This increase also mainly relates to the FPSO start-up and commissioning process in Ghana.



Estimated GHG emissions from the Jubilee Phase 1 development are documented in Table 5.9 in the Final Environmental Impact Statement (EIS), which is available online at [www.tulloil.com/ghana/finalesjubilee](http://www.tulloil.com/ghana/finalesjubilee)



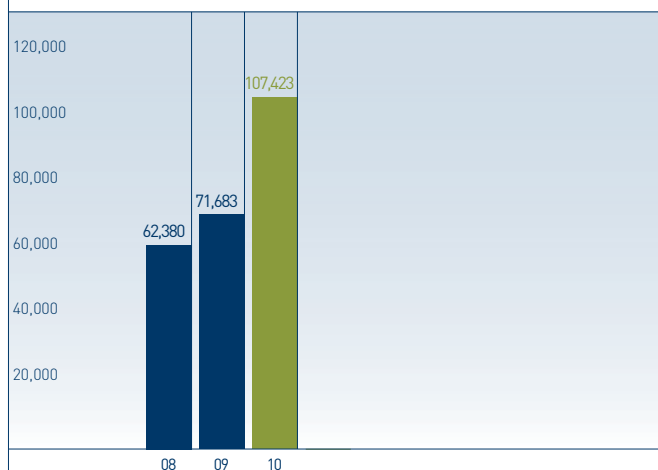
Visit our website for full details of our 2010 EHS performance  
[www.tulloil.com/crr2010/performance](http://www.tulloil.com/crr2010/performance)

### Water usage

Our understanding of water resources continues to mature. To date we have focused on other key environmental issues for our business. With the increase in our activity in Uganda and our entry into drier countries such as Kenya and Ethiopia, water resource efficiency is becoming more material for us. In 2011, we have plans to improve our monitoring and measurement of water use. Until we have established a solid database of our water management, particularly in our operations in East Africa, we will be unable to respond to Carbon Disclosure Project: Water Disclosure, which was introduced in 2009.

#### Water usage (m<sup>3</sup>)

Water usage increased to 107,423 m<sup>3</sup> for all operated sites compared with 71,683 m<sup>3</sup> in 2009. Water usage in the UK and Bangladesh was not reported in 2009 and this accounts for approximately one-third of the increase. The remainder relates to the start-up and commissioning of the FPSO in Ghana.



### Oil and chemical spills

We had four oil and chemical spills in 2010 (2009: five). Five tonnes was spilled compared with 0.94 tonnes in 2009.

- In Uganda, approximately one tonne of drilling waste was spilt, but 92% was subsequently recovered;
- In Ghana, two spills occurred totalling approximately four tonnes. An hydraulic hose failed releasing 0.1 tonnes of fluid, 60% of which was recovered. The balance relates to oily droplets from flaring which were treated using dispersants rather than recovered. Minimal environmental damage occurred due to the small relative volume of the spill.
- In Bangladesh an unquantified spill occurred in black and grey water onsite. A full clean-up and reinstatement operation has been completed.

### Health and safety performance

In 2010, we conducted an independent review of all medium and high potential incidents as part of our ongoing commitment to improving reporting and investigation.

We made significant improvements to our EHS process yet were disappointed to record seven Lost Time Injuries (LTIs) per million hours worked compared with five LTIs in 2009. The resulting increase in our LTIFR to 0.85 (2009: 0.76) meant we did not achieve our internal targets or meet the OGP benchmark.

Total Recordable Injuries (TRIs) per million hours worked increased to 28 in 2010 (2009: 20) giving a Total Recordable Injury Frequency Rate (TRIFR) of 3.38 outside our target of 3.0.

We recorded 11 High Potential Incidents (HiPos) in 2010 compared with 10 in 2009. We achieved our target objective of High Potential Incident Frequency Rate (HiPoFR) of less than 1.5 but did not achieve our stretch target of 1.0 for the year. Paying specific attention to the potential severity of an incident helps us to identify key learnings and improvement opportunities. We have also introduced an improved EHS alert system to communicate our findings more effectively.

During 2010, we held a Group-wide safety stand-down, where every employee and contractor attended a health and safety briefing at the same time around the Tullow world. This was to raise the profile of our targets and performance and to re-affirm the Board and Executive commitment to making the safety of people a core value in our operations.



For more information on  
**Environment**

p22



Visit our website for more information on EHS  
[www.tulloil.com](http://www.tulloil.com)



## EHS performance management

One of the first initiatives of the newly reconstituted Group EHS leadership team was to look at how we monitor and measure our EHS performance. We use performance indicators in support of increasing EHS focus and driving EHS improvements in certain areas of the business. While our EHS vision is to achieve top quartile industry performance, this is not attainable in one year and part of the remit of the Group EHS leadership team is to develop a roadmap including strategy, processes and actions that will facilitate a step change and enable a more aggressive improvement in performance in the future. The table below sets out the 2011 EHS performance indicators and the rationale for any changes made, when compared with 2010.

### 2011 Leading indicators

Leading indicators are qualitative and focus on delivering key activities during the year that will achieve improvements in performance in targeted areas.

#### • Internal audit programme

Six or more EHS audits to be completed during 2011. A risk-based approach will be used to identify audit themes. Actions identified from the audits will be owned by the appropriate functional, country or regional manager.

#### • Independent audit of EHS system

Undertake another independent EHS audit to identify further opportunities to strengthen our EHS systems and culture. The last audit undertaken was in 2009 and in 2010 we implemented the agreed actions from that audit.

#### • Implement Tullow safety rules

As a follow-on from the Group-wide safety stand-down in mid 2010, we developed Tullow safety rules. These are based on accepted industry good practice and bring consistency to safety expectations around the Group. They are embedded and underpinned by our EHSMS and formal procedures and processes. In 2011, the objective is to formally implement these safety rules across the organisation.

#### • Contractor management

This has been identified as a significant EHS risk to Tullow. An analysis of injuries and incidents in recent years shows that the majority are contractor related. In collaboration with supply chain, EHS will conduct timely EHS evaluations of contractors with the aim of reducing EHS risks associated with contracts. All high risk contracts will be subject to pre-award audits.

#### • Malaria management

Malaria represents a significant risk for Tullow activities. We are no longer measuring the malaria case frequency rate as a KPI as the dataset for malaria cases per 100 exposures is so small that statistical uncertainty is considerable. While we recorded no incidents of malaria between June and December 2010, and the annual frequency rate improved, sadly a contractor died of malaria in January 2011. This has placed malaria awareness and prevention as a key Board-level corporate risk for this year, along with health and safety. Improving malaria management is now a leading indicator and an independent audit will be carried out to review our malaria management policy, implementation and tools and to compare our initiatives with industry best practice.

### 2011 Lagging indicators

Lagging indicators show how we have performed based on quantitative data and targets.

	2010 actual	2011 target	2011 stretch target	Comment
LTIFR	0.85	0.76	0.50	Industry-wide measures that are readily understood by the majority of internal and external stakeholders.
TRIFR	3.38	3.0	2.5	
HiPoFR	1.0	1.2	1.0	Introduced in 2010, HiPoFR provides a meaningful indicator as to whether our EHSMS is being effective.
Malaria case frequency rate	0.30	Frequency rate no longer a KPI		In 2011, improving malaria management is now a leading indicator. We will however continue to collect all the data to allow for the malaria case frequency rate to be monitored.
VAFR	0.64	1.0	0.8	Vehicle accidents are a key risk associated with the industry. Tullow's VAFR is low, however, we need to continue to focus on ensuring that accident rates are minimised.
Uncontrolled releases HiPo (New in 2011)	–	≤4	≤2	This indicator replaces 'zero environmental HiPos' in 2010. Uncontrolled releases includes all releases – liquids, vapours and gases, which are of a volume of 50 litres or greater – and is a more challenging environmental performance indicator.

Uncontrolled releases (volume recovered) is recognised as an important measure which requires robust reporting systems. We are not in a position to incorporate it as a KPI in 2011, but it will be reconsidered in the near future.

## Building a world-class organisation

Permanent employees grew by 40% to 935 people at the end of 2010. The main areas of growth were Africa, where our employee numbers increased by over 50%, and London; both in support of our major development projects.



### Significant organisational challenges

Over the last five years the number of people working for Tullow has grown by almost 200%. This undoubtedly creates some significant organisational challenges including:

- Planning and building organisational capacity to support growth and changing needs;
- Attracting and retaining the right people with the right balance and mix of skills;
- Induction, assimilation and performance management of new recruits across the business;
- Managing organisational change; and
- Maintaining our unique culture, which forms part of the Board objectives for 2011.

Throughout Tullow we employed 297 contractors in 2010 bringing our total workforce to 1,232 at year-end. A feature of the oil and gas industry is the role of contractors, who provide mobile global expertise and specialist resources. Contractors are employed on a short and long-term basis, are expected to align with our values and are subject to all our policies and standards.

### Managing exceptional growth

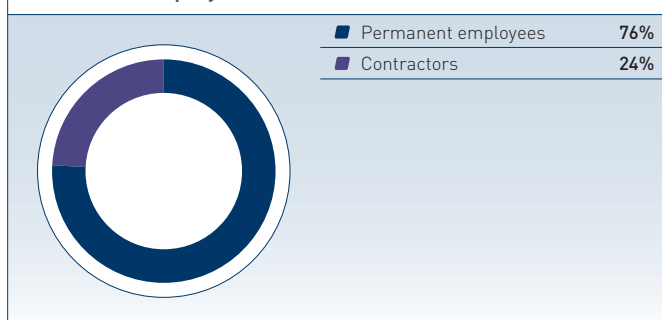
On a longer-term basis we assess the overall success of our people management through staff turnover, which is a Group KPI. Our goal is to maintain this below 5% on an annual basis. In 2010, staff turnover was 1.3%, compared with 2.0% in 2009 and 2.3% in 2008.

To understand how people feel about working for Tullow and to guide us on how we can improve our people processes and policies we conduct global employee and contractor surveys. We conducted a global survey in 2009 called Tullow Talkback, which achieved very high participation levels and ratings for Tullow as an employer.

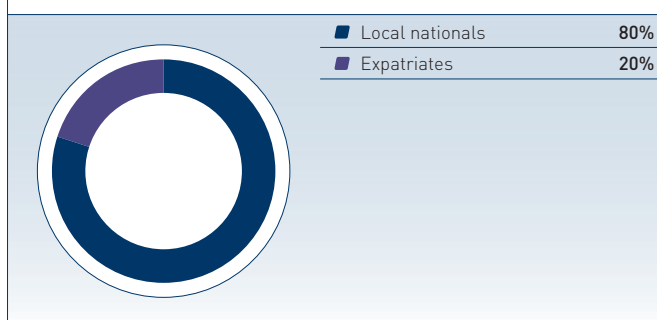
In 2010, we held workshops in six locations to clarify and address local issues. We visited Bangladesh, Ghana, Ireland, South Africa, Uganda and the UK. Each location was asked to focus on three main issues and the topics chosen in the different regions gave us insights into what the management team, with the support and facilitation of the HR team, must work to improve in that country. At Group level, common themes emerged around salary and benefits, training and development and leadership and communication.

## Total workforce analysis

### Permanent employees



### Local nationals



One of our key 2010 objectives was to deliver 70% of the initiatives identified through these workshops and we have achieved this. We are planning to conduct another global employee survey in the third quarter of 2011.

Each year we define a number of key people objectives and targets that are delivered by our Human Resources function, working in partnership with the business. These are set out on page 33 of the report.

### Salary and benefits

We pride ourselves on being competitive in the marketplace through participation in salary surveys and our core global benefits package. From Tullow Talkback we realised that an education process was needed for staff to fully recognise the overall value of this package as we found that in many locations there was a poor understanding of how our salaries and benefits are structured. This has been addressed through education and in some instances we have taken the opportunity to adjust pay structures. In addition, we encourage share ownership through our share option scheme. We also support employee pension provision or equivalent and have a UK Pensions Governance Committee comprising management and employee representatives. New pension plans were offered in Bangladesh, Ghana and Uganda in 2010.

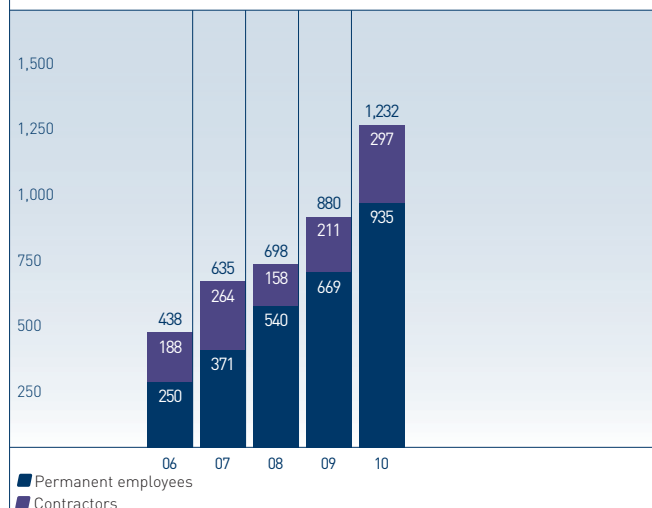
### Training and development

One of our core Values – 'Focus on Results' – commits us to continually improving the skills of our people. Each location has a training directory of courses and programmes. These have been identified both through our performance management processes (how does an individual need to develop) and through understanding what the business needs (what technical and behavioural skills must we develop as an organisation).

We have 50 Tullow employees seconded around the Tullow world, building skills in a practical and hands-on way and gaining a better understanding of how the Group works. This is particularly important in countries where our industry is an emerging one. In mid-2010 we welcomed our first Ugandan secondee, Lynda Biribonwa, to London. She is undertaking vocational and on the job environmental training. Six technical graduates will be joining the Uganda Development Team in London this year. We have also invested in developing the coaching and mentoring capability of our managers and team leaders.

### Five-year growth in total workforce

At the end of 2010 Tullow had a total workforce of 1,232 people. The number of people working for the Group has grown by 794 people in five years.

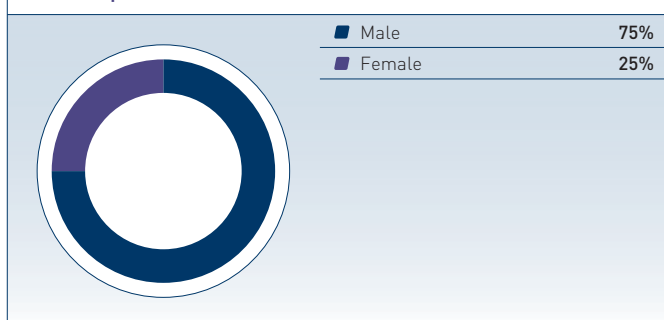


### EHS training

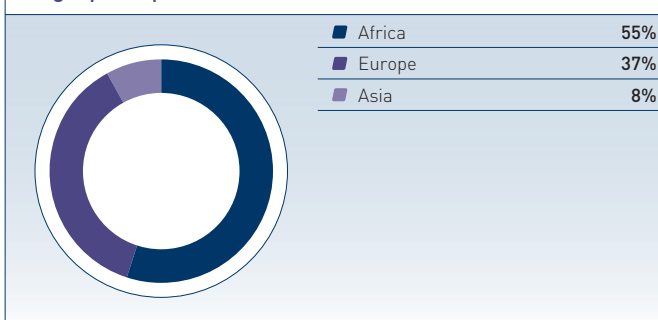
Health and safety is one of our Group KPIs and in 2010 we continued our global EHS leadership training programme, running 22 courses for 184 attendees. The programme is ongoing in 2011 and we are on track to deliver EHS training to over 100 currently identified candidates by the end of the third quarter. This is in line with our commitment to Paul McDade, our Chief Operating Officer, who is the programme sponsor and Executive Director with responsibility for EHS.

It is also vital that we ensure that on the ground our operational teams are highly competent. Through the support of trainers, mentors and assessors we are embedding internationally recognised vocational EHS standards into our practices. These standards are tailored to our operations so that we can demonstrate specific competence in all our locations. In 2011, we are setting up a Tullow competency assessment programme to ensure we operate safely to the required technical standard.

### Gender split



### Geographic split



### Leadership development

As we continue to expand and grow, our leadership and management teams play a key role in delivering our business objectives. In response, we have developed bespoke leadership and management development programmes. A team from HR and senior management talked to the top business schools in the UK and Europe to define which provider best suited our needs. The programme for leaders will focus on innovation and growth, building strategic partnerships, understanding stakeholder needs, coaching and developing others and strategy execution. We anticipate approximately 30 Tullow staff will attend this programme. We are also focused on building high performing teams. We have created an interactive management development programme that will be delivered to around 80 people, from both functional and business roles across Tullow. Throughout all our programmes we will be emphasising the importance of living our values and strengthening our culture, which has been so instrumental in Tullow's success to date. The first management development programme starts in the second half of 2011.

### Localisation

In Uganda, we have seven graduates in technical disciplines following a hands-on graduate programme along with four production technicians who are pursuing an NVQ course in England. We also ran a competition to identify candidates for MSc scholarships in 2010 and the four successful candidates are now studying overseas. 84% of our permanent employees, 131 people, in Uganda are local nationals.

86% of our permanent employees, 184 people, in Ghana are local nationals. In both countries we are running cultural awareness programmes to understand and embrace diversity.

In 2010 we completed a strategic review of vocational skills in Ghana and will be undertaking the same review in Uganda this year. In Ghana the review highlighted the lack of training capacity in-country, which has helped us define our areas of support and the timeframe for our localisation plans. In emerging oil countries, education has been identified as part of capacity building and this is an area Tullow will support through strategic social enterprise investment. This investment programme is being developed in 2011 and will place special emphasis on science, technology and engineering.

### Internal communications

We recognised even prior to Talkback feedback that we would have to significantly enhance our employee communications efforts. Tullow is a very busy organisation with very dynamic news flow and often rapid changes. We needed to capture and communicate this through a number of employee initiatives. We set up a Group internal communications team and have built a small group of dedicated internal communications individuals in key countries.

In 2009/2010, we identified the key internal communications challenges which had mainly arisen because of the growth of Tullow. We also took on board all of the comments from Talkback and a series of employee engagements around the Group.



### Localisation

Four Ugandan nationals have successfully completed a six-month hydrocarbon production and technical skills course. Supported by Tullow, they undertook training at TTE International Ltd, one of Europe's leading technical training institutes for the petroleum and chemical industries. Industry training is aimed at supporting our long-term localisation strategy while at the same time ensuring that all staff have excellent skills.





From these we developed our internal communications strategy centred on both messaging and access. We needed to:

- Ensure news flow is uniformly accessible in a digestible and up to date manner;
- Create a platform for leadership opinion and dialogue;
- Explain and help people understand change; and
- Educate employees and provide context for our business and sector.

Since the beginning of 2010 we have delivered a new intranet, monthly team briefing documents, e-news, corporate and user generated videos, interviews with senior managers and higher levels of engagement from the Tullow Board and Executive.

A highlight for the year in terms of internal and external communication was the global First Oil event in Ghana. Apart from in-country and Group-wide celebrations to mark this historic occasion for Ghana and for Tullow, we had over 15,000 visitors to the Tullow Ghana website.

### New regional structure

In 2010/2011, we developed an important new regional organisational structure to manage and respond to the challenges of our rapid growth. The purpose is to ensure a clear focus of resources on three strategically important areas for the Group: North Africa, Europe & Asia; Equatorial Atlantic (West Africa & South America) and South & East Africa. Three Regional Business Managers (RBMs) have been appointed and dedicated regional teams are being formed so that management and specialist skills are aligned with our business objectives. The RBMs are members of our Senior Management Committee which is responsible for the day-to-day running of Tullow and they will report directly to the Group's Chief Operating Officer.

### Board-level engagement

Gordon Headley, our Chief Human Resources Officer, regularly meets with the Board to update them on the people agenda. He also regularly meets with the Remuneration Committee to discuss initiatives in Tullow's remuneration plans, such as the launch of a new Employee Share Option Scheme in 2011. He chairs the Senior Management Committee to ensure that people management is always part of the agenda and integrated into decision-making at the top of the organisation. In addition in 2011, the Board has set two people objectives as part of their overall management of key corporate risks including monitoring organisational capacity and maintaining our culture.

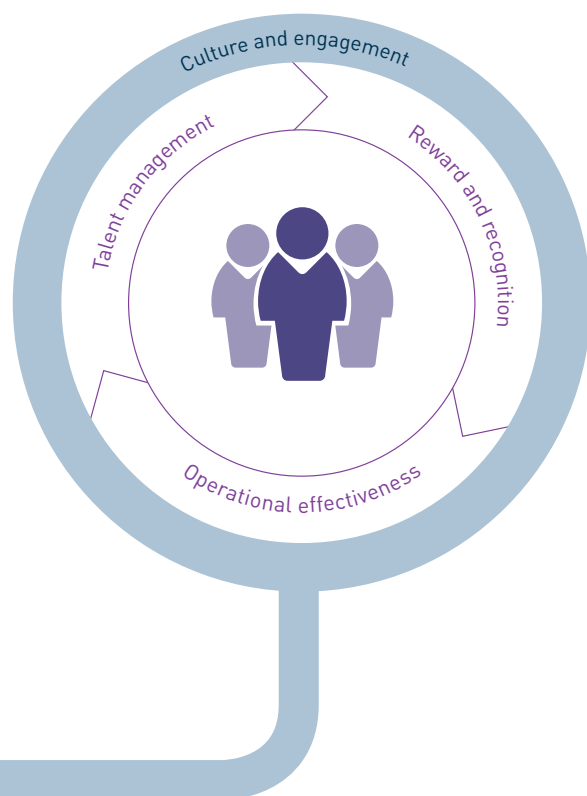
### Evolving HR strategy

We held a global HR conference in March 2011 and a review of our existing HR strategy was on the agenda. We had originally launched our HR vision and strategy in 2008. While most of the core elements remain the same we are placing more emphasis on culture and engagement to ensure that we live our values as well as deliver our business strategy.

Reward and recognition collectively focuses on competitive remuneration, individual tax compliance particularly for mobile employees and making sure that we have adequate differentiation within our reward programmes to match reward with performance and contribution.

Operational effectiveness is a new part of our HR strategy. This aspect focuses on delivering really strong HR services to the business through systems, information and support. It is based on strong collaboration with the business to help achieve our three-year plan as well as to create effective people solutions for a fast-paced business.

Talent management is about improving the capability of all our people. Our goal is to build a team of world-class technical experts, highly effective managers and inspirational leaders. Talent management also underpins our localisation objectives and securing a future pool of talented individuals to join the Tullow team.



## Building a sustainable supply chain

The step change in Tullow's size and the scope of our major projects is driving a business imperative to build a sustainable supply chain.



Building a sustainable supply chain is closely aligned with living our values, which capture the way we do business in Tullow. We plan early and effectively so that we can meet peak supply chain requirements in a sustainable way. We include in this the impact of our supply chain on local communities and the environment of our major projects. We work in a collaborative manner and build partnerships, not just all along our supply chain – we also reach out to local suppliers and work with them to build capacity for our industry. We have the skills and appetite to foster entrepreneurship in others and help local people and business to develop new enterprises and become part of the oil and gas industry in their country.

### 2011/2012 priorities

- Review master contract agreements to embed EHS standards and mandate local content requirements;
- Develop a supply chain strategy that minimises unsustainable practices and reduces risk and waste;
- Continue with our 'Closing the Gap' programme which is focused on helping individuals and local businesses to enter the oil and gas industry supply chain;
- Develop a business incubation centre pilot, in conjunction with local communities and organisations, to provide a facility for local business to improve their management and administrative capability; and
- Improve our reporting to provide greater transparency in contracting processes and supplier contracts as well as to enable us to track and record local content.

There are three key principles at the heart of the sustainable supply chain for Tullow. The first one is protecting the environment. In exploring for oil and developing new oil countries we are in most instances working in environmentally sensitive areas. We have a duty to protect the environment as much as possible and grow long-term environmental value for the benefit of future generations. We have to look at the environment not just in terms of the impact of our drilling or production operations but also when we build major project supply chains.

Secondly, a sustainable supply chain also has a role to play in creating real, long-term social benefits. This means building an oil industry in-country that local nationals can be a part of. A new industry provides great opportunities for individuals and business to grow and develop in support of the industry and the wider economy it will create.

As a business Tullow has a diverse and growing group of stakeholders who often have unique and competing needs. To balance and meet those needs appropriately we must be a successful profitable business. As such the third principle of a sustainable supply chain is getting the economic balance right.

### Protecting the environment

Lake Albert in Uganda, for example, is an area of outstanding natural beauty. It contains more vertebrate species than any other region on mainland Africa. It is an endemic bird area and is home to a variety of ecosystems. Development of an oil and gas industry there presents ecological challenges in terms of land use, noise and light. We need to keep waste levels as low as possible and be thoughtful about how we manage, control and remove it. Furthermore there will potentially be community and cultural disturbance. We have to carefully consider who our suppliers are, what we require of those businesses and how supply chain affects the community. It is equally important that our suppliers understand their potential impacts and the challenges associated with managing those impacts.

Another environmental issue is the flow of materials by sea, air and road into the region. In the next five years we expect to utilise more than one million tonnes of freight for field development, representing 50,000 journeys and approximately 120 million km. There will also be thousands of personnel movements by road and air in to and out of the area.

Our environmental challenge in this context is to build an effective logistics system and to understand what we can do to improve how that system operates. In 2011, we are addressing this in a number of ways including hosting a logistics supplier open day in Uganda as part of an education and engagement process. We have also commissioned a study into the use of hybrid aircraft in East Africa. Potentially this mode of transport could deliver five times the amount of cargo with one tenth of the environmental footprint.

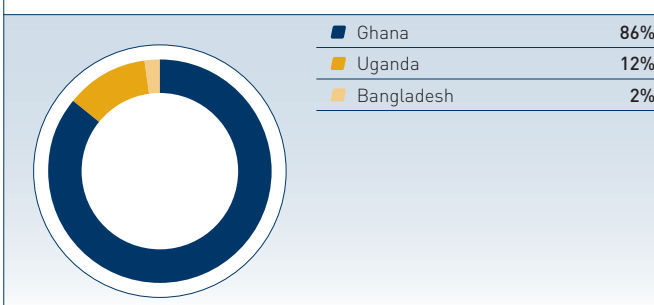
### Creating long-term social benefits

The development of an oil and gas industry creates an opportunity to achieve positive social change. Investment in education and training provides local employment and career opportunities in a new sector of the economy. New industries, technologies, services and skills develop to support economic growth and expansion. Investment in infrastructure and employment attracts new people into the region, expanding local communities. This creates opportunities for local enterprise development to serve the needs of a growing population.

Our role is to work with local businesses to help them achieve the required EHS standards and other pre-qualification criteria so that they can become suppliers to our industry. We are committed to increasing local content wherever possible and give priority to goods and services from local suppliers. All tenders are evaluated for local content and we are re-designing our contracts in 2011 to ensure our international suppliers take the same responsibility for developing local content within their supply chains in-country as we do. This year we will audit and report local content KPIs for all suppliers. We will be investing in local content through our strategic social enterprise programme which is being rolled out in 2012. This will focus on projects that build capacity for our industry through enterprise development and education.

### 2010 local supplier expenditure

**\$224 million**

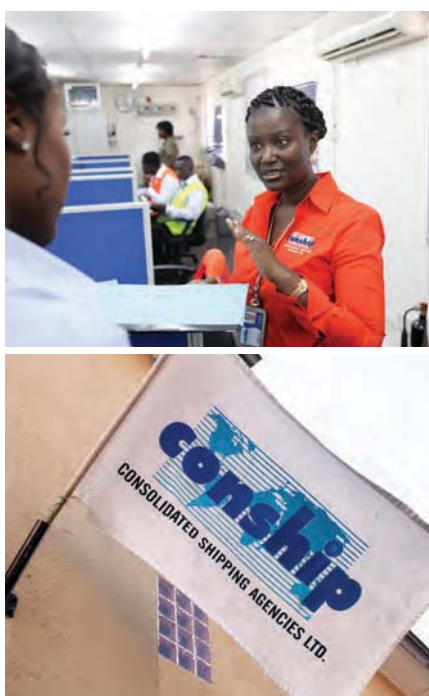


### Getting the economic balance right

We cannot achieve a sustainable supply chain unless we balance the economics of our business plans with the goals of protecting the environment and helping society. Therefore any sustainable supply chain must also be commercially viable.

Building a sustainable supply chain is a multi-faceted and iterative task. It requires input and support from a wide range of stakeholders.

We are only beginning that journey in a meaningful way in Uganda. It is vital to start planning now in key areas, such as logistics, so that we can meet peak supply chain requirements in a sustainable way in two to three years time.



### Local suppliers

"The impact of working in Ghana's new oil industry has been huge for Conship. Apart from the growth of our business overall, we've been able to increase the size of our workforce and improve our procedures and service delivery to international standards. We've taken great strides in areas such as EHS and accounting procedures, and we're working hard to maintain our progress. Such opportunities are important to Ghanaian businesses because they enable us to grow in so many ways."

**Linda Vasanani**, Conship

## Making a positive contribution

Our social enterprise vision is to support long-term socio-economic development, both within and outside of our core business activities, in countries where we operate.



### 2011/2012 community social enterprise initiatives

As our operations are mainly located in areas which lack many basic amenities, we will continue to support local community projects in 2011 and will roll out the new social enterprise guidelines this year and monitor their implementation.

As outlined in the transparency case study on page 17 we did encounter some difficulties in compiling our social enterprise data for 2010, and as a consequence this data is not assured. We conducted an Internal Audit review and are confident that our reported social enterprise expenditure is accurate. We have undertaken steps to ensure that effective processes are in place from the beginning of this year and we fully expect this data to be assured for 2011.

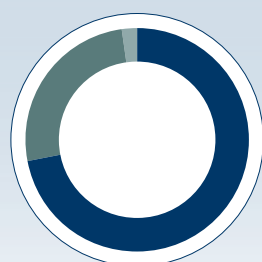
Our Social Enterprise programme is developed with input and feedback from a wide range of stakeholders including local communities. It is a key tool for enhancing our external stakeholder relationships, and encourages communities to contribute to constructive solutions to their local issues or challenges. Getting this right plays a part in reducing Tullow's operational risks.

### Investing in Communities

We continue to support projects in four focus areas; community health, education and enterprise schemes and the environment. The mix of projects is designed to address the priorities of our local stakeholders and align with our overall strategic objectives.

- We invest in initiatives that support the development of small and micro enterprises to enable people in the community to generate income or create or obtain employment. Our enterprise projects are run through partners with a proven track record in these areas.
- We support health initiatives that address preventable diseases by strengthening health systems as well as generating awareness and understanding of health issues. We also contribute to improving the capacity and capabilities of community health providers.
- Education and skills development are very important to economic growth and development. We focus on improving education standards through infrastructure projects (such as school buildings, classrooms, teachers' accommodation), equipping students with learning materials, and helping to improve teaching standards.

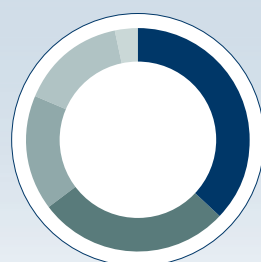
### Social enterprise expenditure by region



Africa	72%
Europe	26%
Asia	2%

In 2010, our social enterprise investment increased by 24% to \$2.6 million.

### Social enterprise expenditure by area



Health	39%
Education	27%
Enterprise	16%
Other	15%
Environment	3%

In 2010, we supported over 70 projects worldwide.



- Our environment projects are aligned to the need to manage the environmental footprint of our operations. They are linked to the results of the ESIA's we conduct and other regular engagement with the community.

We supported over 70 projects worldwide and the map on pages 54 and 55 highlights a selection from the year.

### Strengthening our internal processes

Our Social Enterprise Committee's primary role is to ensure that all projects selected reflect both business and external stakeholder priorities. It has played a key role in the development of the social enterprise guidelines and improved reporting of social enterprise expenditure, and provides advice on the structure of the social enterprise programme.

The Committee is chaired by Rosalind Kainyah, Vice President External Affairs. Members include a non-executive Director, Executive Director and members of the SMC.

We have developed a set of social enterprise guidelines to govern and inform the selection of our community investment projects. These are being published on our website in conjunction with this report. Go online at [www.tullowoil.com/socialenterprise](http://www.tullowoil.com/socialenterprise)

### The future direction

Social enterprise plays an important role in helping to achieve our vision of creating shared prosperity. As a result we are developing a more strategic approach to social enterprise investment, with two clear work streams focused on:

- Building capacity for the oil and gas industry through education; and
- Promoting the development of small and medium size businesses that can become suppliers to the oil and gas industry.

We are establishing an education and enterprise development fund. All of the initiatives that come under this fund are aimed at helping to develop skills and businesses and fostering an environment where entrepreneurs can flourish. In addition the fund will support an independently administered scholarship scheme.



## 2011/2012 strategic social enterprise initiatives

In 2011, we are developing a process and working group to ensure that Local Content, Human Resources and country offices can input into the development of our strategic social enterprise investment strategy. This will ensure that there is a direct link between our social enterprise initiatives and business priorities.

We are also establishing a new structure, governance processes and budget for the Tullow Education and Enterprise Development Fund, as well as identifying partners and projects for launch in 2012.

From 2012, 80% of our social enterprise investment and focus will be on projects that educate, build capacity and support local businesses to help develop an oil and gas industry in-country. The remaining 20% will focus on community projects.



For more information on  
**Local content**

p26

## Supporting women and enterprise

In 2010 Tullow sponsored The Clothing Bank's Enterprise Development Project in the Cape Town area. During the year The Clothing Bank trained 73 women, representing an 89% retention rate. All of these women are now running retail trading businesses, mainly from their homes. The focus for 2011 is to continue to grow and they aim to train a further 120 women.



Detailed case studies for this project and others are online at  
[www.tullowoil.com/casestudies](http://www.tullowoil.com/casestudies)



Our community social enterprise programme supported over 70 projects worldwide in 2010, including one-off investments and multi-year commitments. These are this year's highlights.



#### Sierra Leone School desks

Our partner the Playhouse Foundation has provided 500 sets of desks to eight remote primary schools in Kono District. The production of the school furniture in-country created jobs for 11 welders and seven carpenters from the local community. In 2011, a further 600 desks will be delivered to schools in the area.



#### Côte d'Ivoire Green spaces in schools

In Abidjan, Côte d'Ivoire, Tullow supports Ivoire Développement Durable (IDD), an organisation that helps primary school pupils to create gardens and learn to conserve the environment. 10 public schools in Abidjan are involved in the project, which has involved 6,000 pupils (from six to 11 years old) and 100 teachers.



#### Gabon Peer educators

UNICEF and Tullow Oil Gabon have funded two information centres in Libreville to educate young people about HIV/AIDS and provide opportunities for them to ask questions or attend counselling about sexuality, STDs and reproductive health. Peer educators from local high schools publicise the centres and provide young people with a chance to confide in people of their own age.



#### Ghana Access to better healthcare

The Jubilee Partners are working with Ghana Health Services (GHS) and US NGO Jhpiego to improve access to primary healthcare services by improving the quality standards and capacity of 43 Community Based Planning and Health Services compounds in the Western Region. This five-year project includes training, capacity-building and improvements in service delivery, service standards, and patient care.



#### South Africa Women and enterprise

Tullow sponsors The Clothing Bank's Enterprise Development Project, which recruits and trains unemployed mothers from the Cape Town area. These volunteers are enrolled into a 24-month training programme that teaches skills such as money management, small enterprise development, selling skills and life skills. The women also sort, repair and distribute excess clothing donated by Woolworths which they then sell mainly from their homes and within their communities.



Health



Education



Working with communities



Environment



All key case studies are online at  
[www.tullowoil.com/casestudies](http://www.tullowoil.com/casestudies)



## Uganda Agro-enterprise

Initiated at the end of 2009, this three-year programme provides a comprehensive range of support to smallholders and vulnerable farmers, including training in improved farming methods, marketing and business skills, as well as access to loans to improve and expand their enterprises. The programme is run in partnership with Trias Uganda, Hoima and Masindi Districts Farmers Associations and Hoima Fortportal Mubenda Microfinance.



## Europe Wetlands centre

The Wildfowl & Wetlands Trust (WWT) is a leading conservation organisation saving wetlands for wildlife and people across the world. In 2010, Tullow became a Patron of the London Wetlands Centre and is supporting the Wetlands school project which invites children from deprived inner-city schools to the Centre to learn and understand about environmental issues, biodiversity and the natural environment.

3

Our performance  
Social enterprise



## Bangladesh Gifted students

Tullow Bangladesh has recently introduced a Scholarship Distribution Programme to help exceptional students continue their education. The programme provides a monthly allowance to help underprivileged but gifted students pay for tuition fees. 54 students from high schools around the Bangora and Gopalnagar area that achieved 'A' or 'A+' grades in their SSC level results have so far received scholarships.



## Uganda Better infrastructure

In consultation with local government and communities, Tullow Uganda launched a number of landmark health and education infrastructure projects in Buliisa and Hoima districts in the Lake Albert Region at the end of 2010. These include construction and upgrading of health centres and new primary school buildings and teacher accommodation to improve delivery of our existing community education and health programmes in the area.

## Global

### Tullow supports Save the Children

Towards the end of 2010 Tullow entered into a partnership with Save the Children, covering a three-year period from 2010 to 2013, which will provide vital funds to help save children's lives, fight for their rights and enable them to fulfil their potential.

Save the Children has a global outreach, working in over 120 countries including Sierra Leone, Liberia, Kenya, Tanzania, Mauritania, Côte d'Ivoire, Bangladesh and Pakistan. With Tullow's support Save the Children will continue to strengthen healthcare, education and livelihoods, save lives and empower children to shape the course of their own futures.



**Save the Children**



Creating shared prosperity  
**The transparency agenda**

p14

“Managed correctly the extractive industries can drive economic growth and provide essential government revenue for spending on poverty reduction. Transparency is central to this as is engaging with stakeholders. It makes perfect business sense to involve citizens in decisions about how their natural resources are used, giving both parties a platform for understanding. Tullow’s decision to join the EITI is an example of this and we look forward to the company being a public champion on the transparency agenda.”

**Jamie Drummond**, Executive Director & Global Strategy, ONE.





# 4 About this report

## 62 About this report

We have used a combination of the topics that matter most to our stakeholders and those challenges and issues that most affect our business in developing the content for this report.

## 63 Independent assurance report

In 2010, Deloitte LLP performed assurance, as defined in ISAE3000 on Group-level compilation of environment, safety and social performance indicators.

## 64 Supplementary information

In addition to this supplementary information, the basis of reporting is published online at [www.tulloil.com/crr2010/basis\\_of\\_reporting](http://www.tulloil.com/crr2010/basis_of_reporting)

## 66 Glossary

## 67 Contacts and feedback

## 68 Other resources

## Our reporting roadmap

Since our first report in 2006 we have grown considerably as a company and the scope of our reporting, as well as our understanding of what we need to report, have changed accordingly.

### Our audience

The report aims to give an overview of our corporate responsibility performance for all Tullow stakeholders. Sections 1 and 2 are designed to provide an easily accessible summary of our progress, with detailed information for those who wish to read more in sections 3 and 4.

To increase accessibility to our full range of stakeholders the report has also been published online, both in interactive and pdf format and in French. In 2011, we will also be publishing a summary report for easy use in external engagements, particularly where the audience is large and the majority of readers may not wish to access the most detailed information.

Each Tullow operation identifies, prioritises and engages stakeholder groups that its activities have the most impact on. The stakeholder mapping process in key countries is managed by local Corporate Affairs teams. In other areas country managers are responsible for contributing to stakeholder mapping. Central support is provided by the Group External Affairs team, including input on relevant stakeholders with a global reach on issues that are material to Tullow's business.

Our stakeholders include, among others, local communities, government (national, regional and local, including regulators), NGOs (both advocacy and development), policymakers, intergovernmental organisations, academics, think tanks, investors, the media and employees.

### Improving what we do

Every year we solicit feedback and suggestions on how we can improve our reporting. In 2010, recommendations included the need to more clearly establish the business case for corporate responsibility and to more clearly link corporate responsibility to Tullow's overall business strategy. As a result, this year's report is dedicated to explaining the approach to corporate responsibility introduced in last year's report – creating shared prosperity – and how we deliver this through every part of our business.

Other recommendations for improvements included the need to further demonstrate how stakeholder dialogue/feedback impacts our business strategy and to improve identification of our material issues. We have listened to this advice and during the year we have tried to use more structured methods to analyse trends in the type of issues raised by our stakeholders and that we have identified through internal engagement.

This resulted in a significant impact on the structure of this report. Four of the issues raised by our stakeholders have shown themselves to be more important than any others (in terms of the frequency with which they were raised). These receive additional focus in this report, in the form of special features and they have been expanded on both in Tullow's words, and in the words of our stakeholders.

We have also added in new 'performance' chapters on areas of our business that have developed significantly enough over the last 12 months to warrant more in-depth treatment. These include materiality, stakeholder engagement, sustainable supply chain and social enterprise.

GRI has confirmed that this report 'Creating shared prosperity' (2010) fulfills the requirement of Application Level B+. The GRI Content Index and the Basis of Reporting is available online at [www.tulloil.com/crr2010](http://www.tulloil.com/crr2010)

Limited assurance has been carried out on Group-level compilation of environmental, safety and social performance indicators for the year ending 31 December 2010. An Internal Audit review of data collection, aggregation and reporting has also been conducted for social enterprise data (see pg 17).

### Looking forward

While we are sure we have made progress in our understanding of and ability to report on our key stakeholder issues, this is very much work-in-progress. We know we have some way to go in terms of stakeholder input into our overall reporting strategy, both in the report itself and through the Tullow Oil website. This year we have reported for the first time on key external sustainability initiatives and standards to which we have signed-up or with which we are aligned. Our aim is to use such initiatives more effectively to guide us on what and how we report moving forward.

See Special features: page 12  
Reporting timeline: pages 16-17  
Stakeholder priorities: page 43



Learn more by going online to [www.tulloil.com](http://www.tulloil.com)

# Independent assurance report to Tullow Group Services Limited on the Tullow Oil plc 2010 Corporate Responsibility Report ("the Report").

## Scope of assurance work

We have been engaged by the Board of Directors of Tullow Group Services Limited to perform limited assurance<sup>1</sup> procedures on Tullow Oil plc's ("Tullow Oil") Group level compilation on the following environmental, safety and social performance indicators on pages 64 and 65 for the financial year ending 31 December 2010:

## Environment

- CO<sub>2</sub> and CH<sub>4</sub> emissions (tonnes)
- Tonnes CO<sub>2</sub> and CH<sub>4</sub>/thousand tonnes hydrocarbon produced
- Production emissions: CO<sub>2</sub> and CH<sub>4</sub> (tonnes)
- Drilling emissions: CO<sub>2</sub> and CH<sub>4</sub> (tonnes)
- Well test emissions: CO<sub>2</sub> and CH<sub>4</sub> (tonnes)
- Water usage (m<sup>3</sup>) – All operational sites
- Oil and chemical spills (number)
- Oil and chemical spills (tonnes)

## Safety

- Hours worked (total hours)
- Number of employee fatalities
- Number of contractor fatalities
- Number of third party fatalities
- Lost time injuries (LTIs) (total number)
- Lost time injury frequency rate (LTIFR)
- Total recordable incidents (TRI) (total number)
- Total recordable incident rates (TRIR)
- High Potential Incidents (HiPo) (total number)

## Social (total and by region)

- Number of employees
- Number of contractors
- Number of expatriate employees
- Number of local employees
- Total workforce (number)
- Number of female employees
- Number of female managers

## Basis of our assurance work and our assurance procedures

We carried out limited assurance in accordance with the International Standards 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. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance<sup>1</sup> engagement.

The evaluation criteria used for our assurance are Tullow Oil's definitions and basis of reporting the indicators as described on [www.tulloil.com/crr2010/basis\\_of\\_reporting](http://www.tulloil.com/crr2010/basis_of_reporting)

Considering the risk of material error, a multi-disciplinary team of corporate responsibility and assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient evidence to support our assurance conclusion. Our work was planned to mirror Tullow Oil's own Group level compilation processes, tracing how data for each indicator within our assurance scope was collected, collated and validated by Group head office and included in the Report.

Our work was based at head office and involved reviewing data collection, collation and validation at Group level only.

## Our assurance conclusion

Based on the assurance work performed, nothing has come to our attention to suggest that the description in Tullow Oil's basis of reporting for the compilation of the environmental, safety and social performance indicators as above and as on pages 64 and 65, are materially misstated.

## Responsibilities of Directors and independent assurance provider

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

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.

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.

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.

## Deloitte LLP

London, 9 June 2011

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.

## Environmental performance

	2010	2009	2008
<b>Atmospherics</b>			
CO <sub>2</sub> emissions (tonnes)	265,437	86,543	193,109
CH <sub>4</sub> emissions (tonnes)	1,395	24 <sup>+</sup>	214
Tonnes CO <sub>2</sub> /thousand tonnes hydrocarbon produced	178	89	88
Tonnes CH <sub>4</sub> /thousand tonnes hydrocarbon produced	0.93	0.02 <sup>+</sup>	0.10
<b>Production emissions</b>			
CO <sub>2</sub> (tonnes)	125,928 <sup>++</sup>	7,829	179,143
CH <sub>4</sub> (tonnes)	1,242	14 <sup>+</sup>	171
<b>Drilling emissions</b>			
CO <sub>2</sub> (tonnes)	115,194 <sup>++</sup>	78,019	11,334
CH <sub>4</sub> (tonnes)	0.09	7 <sup>+</sup>	0.80
<b>Well test emissions</b>			
CO <sub>2</sub> (tonnes)	24,315	695	2,632
CH <sub>4</sub> (tonnes)	152	3 <sup>+</sup>	42
<b>Water usage</b>			
Water usage (m <sup>3</sup> ) – All operational sites	107,423	71,683	62,380
<b>Spills</b>			
Oil and chemical spills	4	5	6
Oil and chemical spills (tonnes)	4.59 <sup>+++</sup>	0.94	trace

<sup>+</sup> This 2009 data has been restated using an updated conversion factor.

<sup>++</sup> The 2010 figure for production and drilling CO<sub>2</sub> emissions (tonnes) includes an estimated split in total emissions for Ghana. A new system is in place to avoid these assumptions for 2011.

<sup>+++</sup> The 2010 figure for oil and chemical spills (tonnes) excludes an unknown quantity of black and grey water spilled in Bangladesh.

## Safety performance

	2010	2009	2008
Hours worked (total hours) (million)	8.3	6.6	5.6
Number of employee fatalities	0	0	0
Number of contractor fatalities	0	1	0
Number of third party fatalities	0	1	1
Lost Time Injuries (LTIs) (total number)	7	5	3
Lost Time Injury Frequency Rate (LTIFR) (Number LTIs per million hours worked)	0.85	0.76	0.54
OGP LTIFR <sup>+</sup>	0.42	0.46	0.55
Total Recordable Incidents (TRI) (total number)	28	20	28
Total Recordable Incident Frequency Rate (TRIFR) (number TRI per million hours worked)	3.38	3.04	5.01
OGP TRIFR <sup>+</sup>	1.68	1.79	2.11
High Potential Incidents (HiPos) (Total number)	11	10	24

<sup>+</sup> Indicates data not reviewed by Deloitte as part of their assurance work. See page 63 for details. OGP LTIFR and TRIFR figures for 2009 have been updated with final figures supplied by OGP.



## Social data

	Worldwide		
	2010	2009	2008
Number of employees	935	669	534
Number of contractors	297	211	158
Number of expatriate employees	247	172	24
Number of local nationals	985	708	457
Total workforce	1,232	880	692
Number of female employees	307	213	145
Number of female managers	24	22	8

## 2010 social data in detail

	Africa	Europe	Asia	USA	Total
Number of employees	506	345	84	0	935
Number of contractors	175	104	17	1	297
Total workforce	681	449	101	1	1232
Number of expatriate employees	233	0	14	0	247
Number of local nationals	448	449	87	1	985
Number of female employees	168	136	3	0	307
Number of female managers	5	19	0	0	24

## Community social enterprise investment (\$'000)+

	2010	2009	2008
Discretionary expenditure	2,578	2,054	1,846

+ Indicates data not reviewed by Deloitte as part of their assurance work. See page 63 for details.

## 2010 local content expenditure (\$'000)+

	Ghana	Uganda	Bangladesh	Total
Local expenditure	194,000	26,804	3,579	224,383

+ Indicates data not reviewed by Deloitte as part of their assurance work. See page 63 for details.

## 2010 payments to Government of Ghana (\$)+

Type of payment**	National Government	Local Government	Total
Royalties	–	–	–
Value of state/state oil company production	–	–	–
Profits/income tax	–	–	–
Licence payments, fees or rental (other than routine, nominal administrative fees)***	43,878	–	43,878
Profits/dividends paid to Government	–	–	–
Training contributions***	195,478	–	195,478
Other fiscal benefits to Government	–	–	–
<b>Total</b>	<b>239,355</b>	<b>–</b>	<b>239,355</b>

+ Indicates data not reviewed by Deloitte as part of their assurance work. See page 63 for details.

\*\* All figures are net to Tullow and denominated in US Dollars.

\*\*\*Represents Tullow net equity share for Deepwater Tano Contract Area and West Cape Three Points Contract Area under Ghana Petroleum Agreements.

<b>AA1000SES</b>	AccountAbility AA1000 Stakeholder Engagement Standard	<b>IPIECA</b>	International Petroleum Industry Environmental Conservation Association
<b>ACET</b>	Assists African governments to achieve long-term economic growth and transformation <a href="http://www.acetforafrica.org">www.acetforafrica.org</a>	<b>ISAE</b>	International Standards on Assurance Engagements
<b>boepd</b>	Barrels of oil equivalent per day	<b>ISO</b>	International Organization for Standardization
<b>bopd</b>	Barrels of oil per day	<b>km</b>	kilometres
<b>CCDP</b>	Community Consultation and Disclosure Programme	<b>KPI</b>	Key Performance Indicator
<b>Conship</b>	A wholly owned Ghanaian freight forwarding and logistics company <a href="http://www.conshiponline.com">www.conshiponline.com</a>	<b>LTI</b>	Lost Time Injury
<b>CNOOC</b>	China National Offshore Oil Company	<b>LTIFR</b>	LTI Frequency Rate measured in LTIs per million hours worked
<b>CR</b>	Corporate Responsibility	<b>MSF</b>	Multi-stakeholder forum
<b>CSO</b>	Civil Society Organisation	<b>NGO</b>	Non-Governmental Organisation
<b>E&amp;A</b>	Exploration and appraisal	<b>NVQ</b>	National Vocational Qualification
<b>EHS</b>	Environment, Health and Safety	<b>OGP</b>	International Association of Oil and Gas Producers (The)
<b>EHSMS</b>	EHS Management System	<b>ONE</b>	Grassroots advocacy and campaigning organisation fighting extreme poverty and preventable diseases <a href="http://www.one.org">www.one.org</a>
<b>EIA</b>	Environmental Impact Assessment	<b>OHSAS</b>	Occupational Health & Safety Advisory Services
<b>EITI</b>	Extractive Industries Transparency Initiative	<b>OSRL</b>	Oil Spill Response Ltd
<b>EMS</b>	Environmental Management System	<b>OSPAG</b>	Oil Spill Prevention and Response Advisory Group
<b>ENSCO</b>	Provider of offshore contract drilling services to the oil and gas industry <a href="http://www.enscoplc.com">www.enscoplc.com</a>	<b>RBM</b>	Regional Business Manager
<b>ES</b>	Environmental Statement	<b>Safety Case</b>	A document or suite of documents that identifies, assesses, and documents major hazards
<b>Eirik Raude</b>	a fifth-generation semi-submersible drilling unit	<b>SE</b>	Social Enterprise
<b>ESIA</b>	Environmental and Social Impact Assessment	<b>SMC</b>	Senior Management Committee
<b>Farm-down</b>	the sale of a percentage of a licence interest to another company	<b>SRI</b>	Socially responsible investment
<b>FPSO</b>	Floating Production Storage and Offloading vessel	<b>sq km</b>	Square kilometres
<b>FTSE 100</b>	Equity index whose constituents are the 100 largest UK listed companies by market capitalisation	<b>toes</b>	Tullow Oil Environmental Standards
<b>GHG</b>	Greenhouse gases	<b>TRI</b>	Total Recordable Injuries
<b>GIS</b>	Geographic Information System	<b>TRIFR</b>	TRI Frequency Rate measure in TRIs per million hours worked
<b>GOELF</b>	Ghana Offshore Emergency Leadership Forum	<b>UN</b>	United Nations
<b>GRI</b>	Global Reporting Initiative	<b>UNGC</b>	United Nations Global Compact
<b>HiPo</b>	High Potential Incident	<b>VAFR</b>	Vehicle Accident Frequency Rate measured in vehicle accidents per million kms driven
<b>HiPoFR</b>	HiPo Frequency Rate measured in HiPos per million hours worked	<b>Well engineering</b>	is responsible for the design, construction and maintenance of wells
<b>HR</b>	Human Resources	<b>Well integrity</b>	relates to the safety and ongoing viability of a well during its entire lifecycle
<b>IMS</b>	Integrated Management System		

There is comprehensive Group, key corporate and key regional office contact information available on our website at [www.tulloil.com/contacts](http://www.tulloil.com/contacts)

### EHS

EHS at Group head office will deal with or redirect your EHS query as appropriate.

Email: [ehs@tulloil.com](mailto:ehs@tulloil.com)

### People

Contact Group HR using this address. There are also several in-country HR contacts available online.

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### Social enterprise

Contact our Social Enterprise team at this address.

Email: [csr@tulloil.com](mailto:csr@tulloil.com)

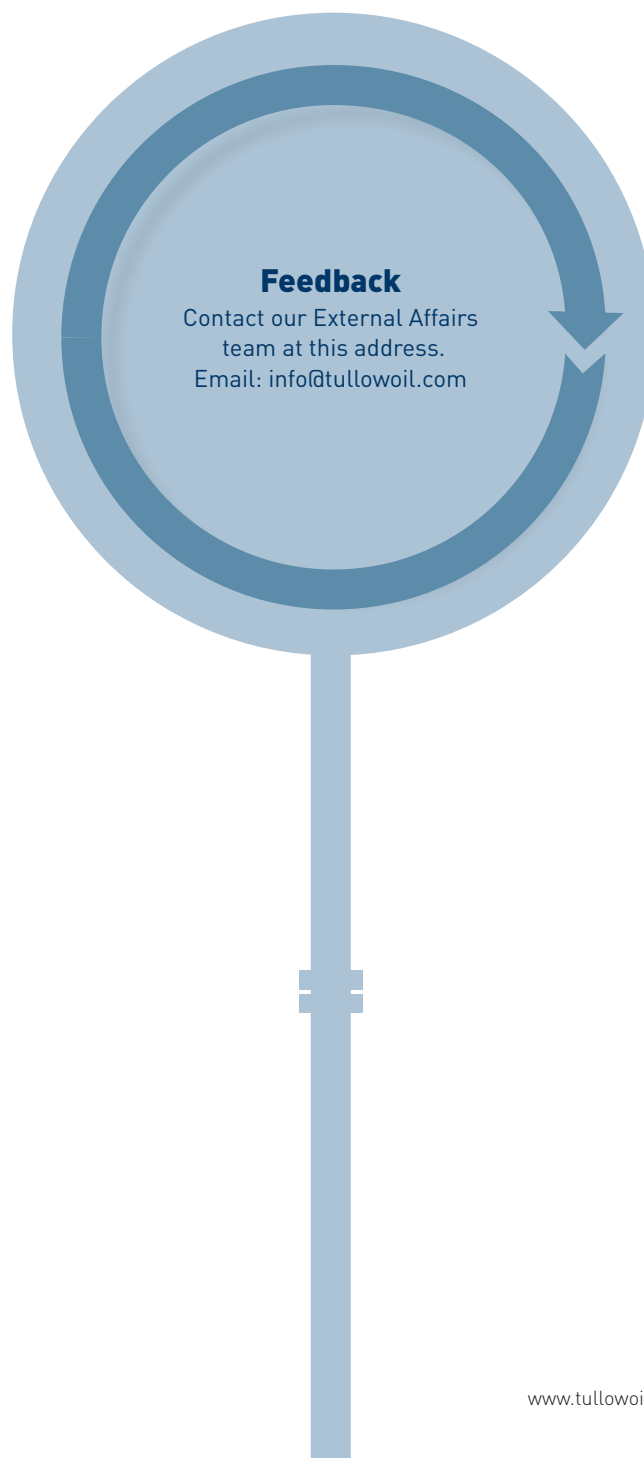
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## Go online to find out more...

This report is complemented by a range of online information and resources.

### [www.tulloil.com](http://www.tulloil.com)

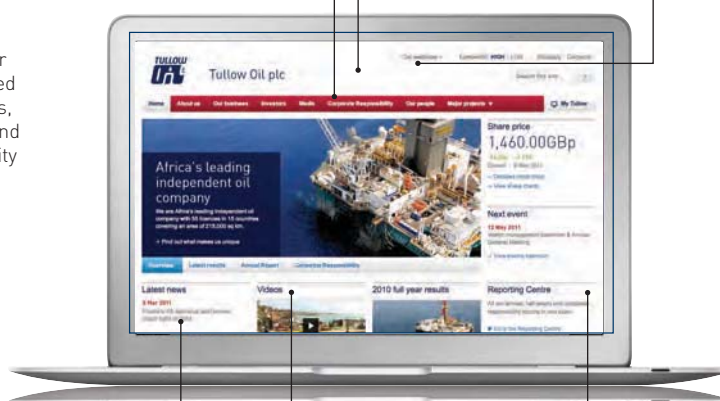
This is our main corporate site. Key sections include our business, investors, media, corporate responsibility and our people. Site tools include alert services, social media, low bandwidth version, mobile site and My Tullow, a facility where you can customise the site to suit your preferences and information needs.

### [www.tulloil.com/ghana](http://www.tulloil.com/ghana)

These are links to our other websites including a dedicated Ghana website. In the first half of 2011 we will use this site for the Ghana Stock Exchange listing.

### Corporate responsibility

We are planning a series of upgrades to our corporate responsibility section in conjunction with this report. We have published answers to our key stakeholder questions, new case studies and a detailed update on our 2010 targets and objectives, a new sustainable supply chain section and further upgrades to corporate responsibility and our people content.



### Other publications

- Code of Business Conduct
- Company profile
- Corporate Responsibility Report in French
- Fact book
- Glossary
- Half-year report
- Policies
- Presentations
- Press releases
- Social enterprise guidelines

### Video library

Visit our video library. New content includes videos to go with this report and new employee video diaries.

### [www.tulloil.com/reports](http://www.tulloil.com/reports)

We have a central hub for key financial calendar events such as results and the AGM and for our corporate reports. Results webcasts, presentations and fact books are also available here.



**2010 Annual Report and Accounts**  
[www.tulloil.com/ara2010](http://www.tulloil.com/ara2010)

**2010 Corporate Responsibility Report**  
[www.tulloil.com/crr2010](http://www.tulloil.com/crr2010)

### Social media tools







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