

# STRENGTHENING HOW WE MANAGE RISKS

Strong and effective risk management is an integral part of running our business. Over the past year, Tullow has adopted a more rigorous and consistent approach to managing risks across the Group and rolled out an enhanced integrated enterprise-wide risk management process.

Managing risk is an integral part of our everyday business and we believe that risk management should be embedded in our processes and procedures that we use to run our business. Effectively managing risk across the Group is a competitive necessity and fundamental to creating and maintaining shareholder value. An effective and joined up risk management framework enhances Tullow's ability to achieve its strategic objectives, and helps to protect our business, people and reputation.

The Board, as part of its role in providing strategic oversight and stewardship of the Company, is responsible for maintaining a sound risk management and internal control system. As part of that system, the Board determines principal risks and sets respective risk tolerance/appetite levels. The Executive Team, Group Functional Heads and Business Delivery Teams (BDTs) are responsible and accountable for monitoring and managing the risks that fall under their remit. It is then every leader's and manager's job

to manage the day-to-day risks the Group may face. They are responsible for identifying the risks, assessing their impact and determining their consequence for the business. Appropriate actions are then taken to manage the risk to an acceptable level defined by the Board.

Historically, Tullow has always managed its risks and this has not changed. However, in the past year the Board has implemented a number of actions to re-assess and further improve Tullow's risk management framework. These actions were part of the Group's overall organisational design review that took place during the Major Simplification Project (MSP) and, as a result, the following enhancements have been made:

- Developed a risk management policy and risk management standard to mandate a consistent approach to managing risk for all activities across all parts of the business;
- Adopted a more rigorous and consistent approach to managing risks across the Group and rolled out an enhanced integrated risk management process, with strengthened governance and reporting requirements;
- Driven a 'top-down and bottom-up' approach to risk management to ensure fully integrated risk management processes to enable decision making;

- Defined its risk appetite to clearly communicate the level of risk the Board is willing to take in pursuit of its strategy;
- Risk management embedded into business planning and performance management to mandate accountability and responsibility for risk management to all employees at all levels of the Group; and
- Developed a Group Assurance Standard and integrated assurance plans to monitor risks and to obtain assurance over effective risk management and operation of internal controls.

## Our inherent risk universe

In order to ensure complete and systematic identification of risks and to ensure commonality of risk definitions across the Group, the Group maintains a 'Risk Universe', which holds an extensive collection of potential risks that could impact the Group's performance. These risks are separated into four broad categories: Strategic, Financial, Operational and Compliance. Executive Directors are assigned responsibility for these categories, and assurance and oversight responsibilities are assigned to the Board and respective Board committees. A summary of our risk universe is detailed below.

## TULLOW'S RISK UNIVERSE

STRATEGIC RISKS	FINANCIAL RISKS	OPERATIONAL RISKS	COMPLIANCE RISKS
<ul style="list-style-type: none"> <li>• Internal</li> <li>• External</li> </ul> <p><b>About these risks</b></p> <ul style="list-style-type: none"> <li>• Internal risks associated with inadequate strategy and external risks associated with external competitive, political and social business environment</li> </ul> <p><b>Oversight</b></p> <ul style="list-style-type: none"> <li>• Board</li> </ul> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>• Aidan Heavey, Chief Executive Officer, Paul McDade, Chief Operating Officer, and Ian Springett, Chief Financial Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Information/reporting</li> <li>• Funding, Strategy &amp; Planning</li> </ul> <p><b>About these risks</b></p> <ul style="list-style-type: none"> <li>• Financial risks arising from adverse market conditions and reporting risks from unreliable or inaccurate information and reporting procedures</li> </ul> <p><b>Oversight</b></p> <ul style="list-style-type: none"> <li>• Board, Audit and EHS Committees</li> </ul> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>• Ian Springett, Chief Financial Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation &amp; Human Resources, Health &amp; Safety, Information systems, Technical and Exploration</li> </ul> <p><b>About these risks</b></p> <ul style="list-style-type: none"> <li>• Operational risks that ultimately impact our business delivery, performance, stakeholders and reputation</li> </ul> <p><b>Oversight</b></p> <ul style="list-style-type: none"> <li>• Board, Audit, EHS and Remuneration Committees</li> </ul> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>• Aidan Heavey, Chief Executive Officer, Paul McDade, Chief Operating Officer, and Angus McCoss, Exploration Director</li> </ul>	<ul style="list-style-type: none"> <li>• Legal, Ethics &amp; Compliance</li> </ul> <p><b>About these risks</b></p> <ul style="list-style-type: none"> <li>• Legal &amp; Compliance risks arising from unethical behaviour or violation of applicable laws and regulations.</li> </ul> <p><b>Oversight</b></p> <ul style="list-style-type: none"> <li>• Ethics &amp; Compliance Committee</li> </ul> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>• Aidan Heavey, Chief Executive Officer, Ian Springett, Chief Financial Officer</li> </ul>

**Risk management process**

The Group's risk register continues to be the core element of the risk management process. Each layer of the organisation is responsible for maintaining a risk register at their business level, which is formally reviewed on a quarterly basis at their business performance review. The risk register identifies all key inherent risks facing the Group, taken from the Tullow Risk Universe. These inherent risks are then assessed at both an inherent and residual level, to determine the strength of existing controls and mitigating actions and the required treatment action for each risk. Tullow recognises that risk cannot be totally eliminated and that there are some risks the Board will choose to accept. These decisions will come down to experience and after consideration of the Group's defined risk appetite.

Risks are assessed on two scales: a) according to their likelihood and b) by their potential impact on the Group, not just financially, but also in terms of safety, reputation and regulatory impact. The risk registers are consolidated upwards to the Group who then prepare a Group risk register, identifying the 'principal' risks facing the Company. The risk register, its method of preparation and the operation of key controls are periodically reported to the Executive and the Audit Committee.

The risk management process is an integral part of the annual business planning process and ongoing business performance management. A key component of the process is not just risk identification, but also the 'top-down and bottom-up' discussions that occur to agree mitigation plans and evaluate actions.

**Risk appetite**

The Board is responsible for setting the Group's risk appetite, acceptable risk tolerance levels and putting in place a mechanism to monitor compliance with these agreed tolerances. A number of enterprise-wide risk workshops attended by the Executive Directors, BDT VPs and Group Functional VPs were undertaken in 2015, to agree the principal risks and discuss and set the right risk tolerances for each risk.

In considering the Group's risk appetite, the Board has reviewed the risk process, assessment of principal risks, and the existing controls and mitigating actions that drive towards residual risk. The risk appetite has been adopted by the Board of Directors, and is going to be kept under regular, at least annual, review to reflect the current external and market conditions.

**RISK HIERARCHY**

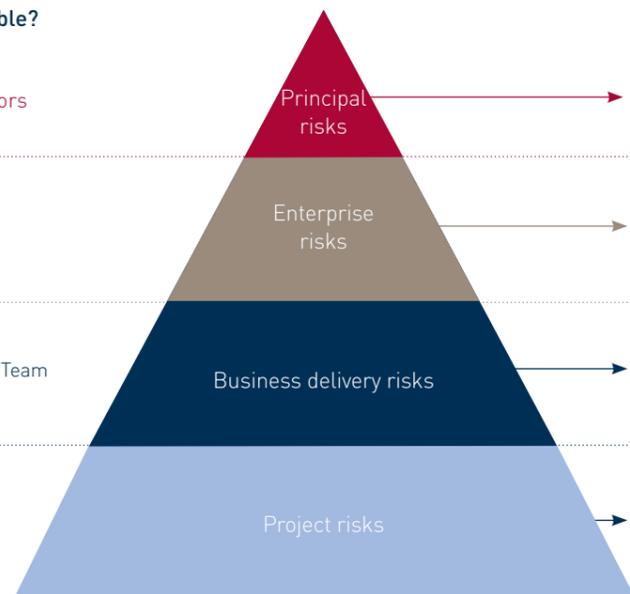
**Who's responsible?**

Executive Directors

Business and Functional VPs

Business Delivery Team

Project Teams



**Who's accountable?**

Board, Audit Committee, Sub-Committees

Board, Sub-Committees, Executive Directors

Business Delivery Team VPs

BU Leadership, BU Functional Leads



**VIABILITY STATEMENT**

In accordance with provision C2.2. of the 2014 revision of the UK Corporate Governance Code, the Board has assessed the prospects and the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision.

The Board conducted this review for a period of three years taking into account the Group's current position and potential impact of its principal risks. The three-year period was selected for the following reasons:

- i. The Group's strategic plan, which considers the Group's facility and free cash headroom, debt:equity mix, and other financial ratios, is undertaken over a three-year rolling period;
- ii. Full development of Tullow's TEN Project will be principally complete within the three-year period, leading to significant reductions in committed capex and increases in levels of production; and
- iii. All of Tullow's material exploration licence commitments fall within the next three years.

Based on these factors, the Directors consider that a three-year assessment period appropriately reflects the underlying prospects and viability of the Group, and the period over which the principal risks are reviewed.

In order to make an assessment on the Group's viability, the Directors have made a detailed assessment of the Group's principal risks, as described on pages 55 to 63, and the potential implications these risks would have on the Group's liquidity and its business model over the assessment period. This assessment included, where appropriate, detailed cash flow analysis, and the Directors also considered a number of reasonably plausible, but severe scenarios, and combinations thereof, and associated summaries / documents provided by the Group's Finance and Treasury teams. The assessment has assumed that capital markets continue to operate under normal market conditions.

The Directors have also identified mitigating actions which the Group already has in place, such as hedging and insurance, and additional mitigating actions that are available to the Group, such as reductions in operating and capital expenditure, portfolio management and other funding options. Based on the results of the analysis the Board of Directors has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Notwithstanding the Board's assessment, there remains a risk, given the volatility of the oil price environment and the crystallisation of a combination of the Group's principal risks, that the Group's liquidity position may deteriorate and the Group may become technically non-compliant with one of its financial covenants during the assessment period. To mitigate this risk, the Group will continue to monitor our cash flow projections and, if necessary, take appropriate action with the support of our long-term banking relationships.

**PRINCIPAL RISKS**

Tullow's principal risks are listed in the following tables. Internally, the Group monitors and mitigates a more substantive list of risks, but those listed are the risks currently considered to be the most important because of their likelihood, the magnitude of their potential impact, frequency on the Executive's agenda, or a combination of these reasons.

**STRATEGIC**

- 1. Strategy not fully achievable in sustained low oil prices
- 2. Inability to progress major portfolio management options
- 3. Impact on TEN expected value due to border dispute between Ghana and Côte d'Ivoire
- 4. Impact on TEN expected value due to delayed delivery
- 5. Failure to adequately manage stakeholder relationships

**FINANCIAL**

- 6. Insufficient liquidity and funding capability
- 7. Failure to manage oil price risk

**OPERATIONAL**

- 8. Loss of production revenue from Jubilee field
- 9. Major operational incident
- 10. Inability to replenish exploration portfolio
- 11. Major cyber or information security incident
- 12. Failure to retain or develop key staff

**COMPLIANCE**

- 13. Major breach of business or ethical conduct standard

Risk and Executive responsibility	Link to business model	Potential impact	Mitigation and assurance	2015 outcomes and ongoing actions
<p><b>STRATEGIC</b></p> <p><b>1</b>                      Strategy not fully achievable in sustained low oil prices</p> <p><b>Aidan Heavey,</b>                      Chief Executive Officer</p>	 <p>Sustainable long-term value growth</p>	<ul style="list-style-type: none"> <li>Tullow may be unable to deliver value growth during a period of sustained low oil price</li> <li>Inability to deleverage the business</li> </ul>	<ul style="list-style-type: none"> <li>Robust planning of strategy and business plan which is reviewed and approved by the Board</li> <li>Business plan includes options/alternatives for lower oil prices that underpin the agreed strategy</li> <li>Strict capital allocation process in line with agreed business plan</li> <li>Rigorous monthly performance management and reporting to track delivery</li> <li>Regular investor meetings with Executive to gain feedback and challenge</li> </ul>	<ul style="list-style-type: none"> <li>Improved Group capital allocation process and reporting</li> <li>Continued review of cost structure post MSP</li> <li>Test and retain options for increased EBITDA delivery</li> <li>Focus on deleveraging options</li> </ul>
<p><b>2</b>                      Inability to progress major portfolio management options</p> <p><b>Ian Springett,</b>                      Chief Financial Officer</p>	 <p>Finance &amp; Portfolio Management</p>	<ul style="list-style-type: none"> <li>Inability to execute strategic farm downs or divest non-core assets</li> <li>Potential over concentration of risk in some areas</li> <li>Increased exposure to capex and decommissioning costs</li> <li>Write down on acquired assets, over-investment in mature assets for low returns, using capital that could be better invested elsewhere</li> <li>Reputational harm</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a highly competent transaction capability</li> <li>Conduct regular portfolio assessments with the Board as part of the annual strategy review</li> <li>Adhere to relevant commercial and investment appraisal standards, and review of all major acquisition or divestment proposals</li> <li>Follow approval process with the Executive Directors and the Board for any major decisions and new country entry to ensure a suitable amount of screening, challenge and justification</li> <li>Conduct post-transactions reviews, whether completed or aborted</li> </ul>	<ul style="list-style-type: none"> <li>Initiated bi-annual portfolio reviews with Business Delivery Teams</li> <li>Portfolio review is part of the Board's agendas</li> <li>Improve quality of portfolio analysis</li> <li>Execute current strategic portfolio plan</li> <li>Progress and operate current operations efficiently in order to gain maximum value</li> </ul>
<p><b>3</b>                      Impact on TEN expected value due to border dispute between Ghana and Côte d'Ivoire</p> <p><b>Paul McDade,</b>                      Chief Operating Officer</p>	 <p>Development &amp; Production</p>	<ul style="list-style-type: none"> <li>Loss of some of TEN reserves/facilities and contractual rights if ITLOS decision moves maritime border and part of the field is in Côte d'Ivoire waters</li> </ul>	<ul style="list-style-type: none"> <li>Regularly monitor the ITLOS case, analysing claims with expert counsel assistance</li> <li>Work closely with the Government of Ghana to fully understand the potential impacts of movement in border and encouraging continued dialogue between both countries</li> <li>Providing technical support and materials as requested</li> <li>Identifying other uses for rigs to avoid periods of inactivity</li> </ul>	<ul style="list-style-type: none"> <li>Case progressed in line with schedule defined by ITLOS</li> <li>Scenario analysis</li> <li>Alternative projects for planned rig usage</li> </ul>
<p><b>4</b>                      Impact on TEN expected value due to delayed delivery</p> <p><b>Paul McDade,</b>                      Chief Operating Officer</p>	 <p>Development &amp; Production</p>	<ul style="list-style-type: none"> <li>Delay in production start up and revenue build up which impacts financial performance and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Effective project management driven by execution plan and competent professional project team</li> <li>Assurance plans and stage gated project delivery system in place, including delivery of independent operations readiness and assurance audits</li> <li>Regular project meetings with Tullow leadership and major contractors</li> </ul>	<ul style="list-style-type: none"> <li>Project over 85% complete in February 2016, on track and on budget</li> <li>Continued tracking of project plan progress with necessary interventions</li> <li>Series of workshops with TEN team and major contractors</li> <li>Continually identifying and mitigating new risks if they occur</li> <li>Bi-monthly project steering group meetings</li> <li>Business transition plan</li> </ul>

Risk and Executive responsibility	Link to business model	Potential impact	Mitigation and assurance	2015 outcomes and ongoing actions
<p>5</p> <p>Failure to adequately manage stakeholder relationships</p> <p><b>Aidan Heavey,</b> Chief Executive Officer</p>	 Responsible Operations   Shared Prosperity	<ul style="list-style-type: none"> <li>Restrictions to operations, leading to significant variances in financial forecasts</li> <li>Contractual or regulatory change could impact the viability of projects</li> <li>Portfolio of assets affected by licence withdrawals or expropriation</li> <li>Reputational damage and loss of social licence to operate</li> <li>Fines, penalties or criminal prosecution</li> </ul>	<ul style="list-style-type: none"> <li>Non-Technical Risk Standard sets minimum requirements for stakeholder management</li> <li>A quarterly political risk driver analysis is completed in partnership with the Business Units</li> <li>Country Strategy Papers, alongside stakeholder engagement plans, provide context and a framework</li> <li>Skilled, experienced and competent staff are embedded in Business Units and the Corporate Centre provides strategic advice and assurance</li> <li>Safety, Sustainability and External Affairs (SSEA) scorecard monitors certain leading and lagging indicators of effectiveness such as work stoppage man hours/total man hours, % closure of grievances</li> </ul>	<ul style="list-style-type: none"> <li>Fully embedded Non-Technical Risk Standard</li> <li>Develop 'landscape level solution' plans that map and articulate integrated solutions for complex risks</li> <li>Develop an approach and plan to obtain agreements with communities</li> <li>Develop a system to manage Group Regulatory and non-Supply Chain (SC) agreement compliance aligned to the Non-SC Agreement Management Standard</li> </ul>
<b>FINANCIAL</b>				
<p>6</p> <p>Insufficient liquidity and funding capability</p> <p><b>Ian Springett,</b> Chief Financial Officer</p>	 Finance & Portfolio Management	<ul style="list-style-type: none"> <li>Excessive leverage could lead to the Group being unable to meet its financial obligations</li> <li>Constrains ability to raise further debt</li> </ul>	<ul style="list-style-type: none"> <li>Prudent approach to diversified debt and equity, with a balance maintained through business planning and performance management processes</li> <li>Finance standard in place to ensure debt funding is optimised for all assets and projects</li> <li>The Board reviews and approves the financial strategy, the funding position and policy targets</li> <li>Short-term and long-term cash forecasts are reported to Senior Management and to the Board on a regular basis</li> <li>Regular monitoring of maturities of facilities, and relationships with lending banks and debt capital investors continually developed</li> <li>Significant hedging policy adopted to protect against oil price volatility</li> </ul>	<ul style="list-style-type: none"> <li>\$450 million additional bank commitments secured in 2015</li> <li>Strength of assets retained debt capacity despite fall in oil prices</li> <li>2015 year end facility headroom and free cash of \$1.9 billion; net debt of \$4 billion</li> <li>Mark-to-market value of hedging instruments \$623 million at end 2015</li> <li>2016 financing initiatives in progress; discussions under way with commercial banks to consider possible refinancing/amendments to the RBL and RCF facilities</li> <li>Capital allocation process implemented to meet funding targets</li> </ul>
<p>7</p> <p>Failure to manage oil price risk</p> <p><b>Ian Springett,</b> Chief Financial Officer</p>	 Finance & Portfolio Management	<p>Commodity price volatility could reduce cash flow and asset value by reduced:</p> <ul style="list-style-type: none"> <li>Revenues</li> <li>EBITDA</li> <li>Debt capacity</li> <li>Funding to support investment programme</li> </ul>	<ul style="list-style-type: none"> <li>Board approved hedge programme to protect against low oil prices</li> <li>Programme is monitored monthly and communicated to the Board</li> <li>Hedging programme must be executed in accordance with the policy, with approvals sought ahead of execution</li> </ul>	<ul style="list-style-type: none"> <li>Mark-to-market value of hedges at the end of 2015 was \$623 million</li> <li>Approximately 52 per cent (64 per cent post-tax) of 2016 entitlement oil production hedged at an average floor price of \$75/bbl</li> <li>Value of hedges support EBITDA and contribute to debt capacity under the RBL</li> </ul>
<b>OPERATIONAL</b>				
<p>8</p> <p>Loss of production revenue from Jubilee</p> <p><b>Paul McDade,</b> Chief Operating Officer</p>	 Development & Production	<ul style="list-style-type: none"> <li>Loss of some or all of Jubilee production revenue for an extended period of time due to the failure of critical equipment</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing Production Loss Reporting and Root Cause Analysis to identify actions and prevent issues reoccurring</li> <li>Integrity, operations and competency systems in place, supported by critical spares and strategy and competency certification for all core crew</li> <li>External and internal assurance programme</li> <li>Appropriate standards and plans in place</li> <li>Weekly review of maintenance, fortnightly Asset Integrity Improvement Steering Committee, monthly Asset Integrity Management meetings and analysis by both Business Unit and Group Operations</li> </ul>	<ul style="list-style-type: none"> <li>2015 gross production averaged 102,600 bopd</li> <li>Ongoing analysis of FSP0 systems to strive for top quartile reliability</li> <li>Jubilee Asset Integrity Audit completed in 2015</li> <li>Implementation of Asset Integrity Improvement Plan</li> <li>Improvements to Competency Assessments</li> <li>Purchase of critical spare equipment as per agreed spares strategy</li> </ul>

Risk and Executive responsibility	Link to business model	Potential impact	Mitigation and assurance	2015 outcomes and ongoing actions
<p>9 Major operational incident</p> <p><b>Paul McDade,</b> Chief Operating Officer</p>	 <p>Development &amp; Production</p>	<p>Major failure in Tullow operated asset results in:</p> <ul style="list-style-type: none"> <li>multiple fatalities or serious injuries</li> <li>environmental damage or pollution</li> <li>asset damage or remediation</li> <li>mitigation costs and compensation</li> <li>reputational damage</li> </ul>	<p>During exploration and appraisal:</p> <ul style="list-style-type: none"> <li>Early well design and planning screening for new exploration opportunities</li> <li>Well risk profiles reviewed by Senior Management</li> <li>Well design, process and equipment in accordance with Well Design and Operations Standard, Well Control Standard and associated procedures</li> </ul> <p>During development and production:</p> <ul style="list-style-type: none"> <li>Minimum asset integrity, maintenance and planning requirements mandated through Production Operations Standard and associated procedures</li> <li>Use of computer-based maintenance systems and leading corrosion management application system</li> <li>Independently verified Safety Case and Cases to Operate procedure</li> </ul> <p>Overall:</p> <ul style="list-style-type: none"> <li>Vigorous assurance processes both internally and externally</li> <li>Operations risk insurance coverage</li> <li>Jubilee Asset Integrity Project Improvement Steering Committee meets fortnightly</li> <li>In case of incident, contingency/containment plans e.g. emergency response procedures, with contracts in place for third-party support</li> </ul>	<ul style="list-style-type: none"> <li>Jubilee Asset Integrity Audit completed in 2015</li> <li>Group-wide Well Delivery Process Audit completed</li> <li>Ongoing compilation of Asset Integrity Action Plans</li> <li>Competency reviews and regular monitoring of key data and procedures to identify gaps or losses</li> <li>Identify and action improvements to Competency Assessments</li> <li>Ongoing audit of implementation and effectiveness of mitigation controls and actions</li> </ul>
<p>10 Inability to replenish exploration portfolio</p> <p><b>Angus McCoss,</b> Exploration Director</p>	 <p>Exploration &amp; Appraisal</p>	<p>Failure to replenish exploration acreage or fund new ventures results in:</p> <ul style="list-style-type: none"> <li>poor or no queue of drill-ready prospects</li> <li>failure to deliver key element of growth strategy</li> </ul>	<ul style="list-style-type: none"> <li>New opportunities are considered against existing portfolio to maintain diversity of prospects</li> <li>Funding is limited and exploration portfolio reviewed annually</li> <li>BDTs, in particular New Ventures, tasked with actively seeking and pursuing opportunities</li> <li>Exploration and Appraisal Values Controls Standard in place</li> <li>Exploration and Development Geosciences Executive team work with BDTs and Commercial team on portfolio planning</li> <li>Corporate Centre assurance programme and central store of all exploration data</li> <li>Twice-yearly review of exploration prospect inventory and tracking of net prospective risked resources</li> </ul>	<ul style="list-style-type: none"> <li>New licence granted in Guyana</li> <li>Farm-down of licences in Suriname, Norway, Mauritania</li> <li>Review of New Ventures strategy</li> <li>Geoscientists focused on seismic interpretation to decipher best prospects</li> <li>Ongoing farm-downs to reduce Tullow equity earlier in licence cycle to gain carries and reduce costs</li> </ul>
<p>11 Major cyber or information security incident</p> <p><b>Angus McCoss,</b> Exploration Director</p>	 <p>Governance &amp; Risk Management</p>	<p>A compromise could lead to:</p> <ul style="list-style-type: none"> <li>disruption to or halt of critical business systems</li> <li>loss or theft of confidential information, competitive advantage and intellectual property</li> <li>financial and/or reputational harm</li> </ul>	<ul style="list-style-type: none"> <li>Advanced Security Operations Centre (ASOC) provides global monitoring, analysis, alerting and incident response</li> <li>Bespoke advanced security equipment is used at key operations sites which are continually updated with relevant intelligence</li> <li>Active member of Cyber Information Sharing Partnership (CISP) and maintain key government relationships which provide alerts or response to hidden threats</li> <li>Third-party specialists analyse potential areas of weakness and provide network assurance activities</li> <li>Group-wide awareness training, aligned with Information Security Standard, conducted across Tullow's business and operations</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing Group-wide awareness training, with additional bespoke training for higher risk areas</li> <li>Ongoing improvement of network infrastructure resilience</li> <li>Specialist external assurance of TEN and Jubilee industrial control systems</li> </ul>

Risk and Executive responsibility	Link to business model	Potential impact	Mitigation and assurance	2015 outcomes and ongoing actions
<p>12 Failure to retain or develop key staff</p> <p><b>Aidan Heavey,</b> Chief Executive Officer</p>	 <p>Organisation &amp; Culture</p>	<ul style="list-style-type: none"> <li>• Key skills and experience are not available internally, impacting delivery of the business plan</li> <li>• Staff turnover increases resulting in recruitment costs and possible buy-in of short-term contractors</li> <li>• Disengaged workforce not aligned with culture of efficiency, performance management and cost consciousness</li> <li>• Localisation and organisational plans may not be delivered, affecting relationships with national governments</li> <li>• Competitors recruit Tullow staff</li> </ul>	<ul style="list-style-type: none"> <li>• Bi-annual performance and development cycle, with functions and BDTs responsible for their employees' development and career progression</li> <li>• Succession planning, localisation and diversity objectives are set and being actively progressed and key targets monitored</li> <li>• Nominations Committee focus on diversity plan</li> <li>• Organisation structure designed for HR Business Partner to report key staff data including resignations through the line to BDT and functional discipline and to the HR function</li> <li>• Monthly reporting to Executives of HR analytics</li> <li>• Organisation Strategy &amp; Effectiveness (OSE) VP attends weekly Operations Committee meetings</li> <li>• Key people data reported to monthly and quarterly performance management meetings</li> <li>• A staff engagement plan is agreed with HR, Communications and Executives, with key deliverables set each year</li> <li>• Annual Employee Engagement Survey</li> <li>• Annual review of reward package</li> </ul>	<ul style="list-style-type: none"> <li>• Revised organisation design with clear accountabilities</li> <li>• Embedded performance management framework</li> <li>• Increased focus on staff engagement to embed culture</li> <li>• Implementation of employee engagement plan</li> <li>• Re-structured HR Delivery &amp; Reward team to ensure higher level of capability and experience</li> <li>• Review of total reward for all employees planned in 2016 and one-off Exceptional Share Award made in 2015</li> <li>• Diversity plan defined with actions in place for 2016</li> </ul>
<b>COMPLIANCE</b>				
<p>13 Major breach of business or ethical conduct standards</p> <p><b>Aidan Heavey,</b> Chief Executive Officer</p> <p><b>Ian Springett,</b> Chief Financial Officer</p>	 <p>Governance &amp; Risk Management</p>	<ul style="list-style-type: none"> <li>• Unethical behaviour breaches anti-corruption laws</li> <li>• Investigations result in reputational damage</li> <li>• Cost impact through investigation costs and fines</li> <li>• Senior Officers liable under UK Bribery Act</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the Tullow Code of Ethical Conduct, with annual certification process carried out with all staff</li> <li>• Gifts and Hospitality (G&amp;H) Standard adhered to and maintained, with online G&amp;H register available to all staff</li> <li>• Other relevant Ethics &amp; Compliance standards, policies and procedures in place, adhered to and maintained</li> <li>• Leadership leading by example and advocating good behaviour</li> <li>• Dedicated Ethics &amp; Compliance Advisors in key Business Units</li> <li>• Appropriate due diligence carried out in relation to service providers, contractors and other counter-parties</li> <li>• Appropriate anti-bribery and corruption provisions in agreements with service providers, contractors and other counter-parties</li> </ul>	<ul style="list-style-type: none"> <li>• Updated Code of Ethical Conduct</li> <li>• Established Ethics &amp; Compliance Board sub-committee</li> <li>• Ongoing development of a monitoring and assurance plan to be used by Business Units</li> <li>• Planned development of an e-learning solution to continue to promote the Code of Ethical Conduct</li> <li>• Fraud Risk Awareness provided to 591 staff</li> <li>• Achieved 100 per cent completion of the self-certification of compliance with the Code of Ethical Conduct</li> </ul>