

CREATING SHARED PROSPERITY IN UGANDA



TULLOW
Oil

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ABOUT THIS REPORT

This is our first Uganda country report. In it, we have included information on our operational activities and our economic contribution to Uganda. We have also sought to demonstrate how we are playing our role, since our entry into Uganda in 2004, in economic and social development through our corporate responsibility strategy. We call this commitment to all our host countries 'creating shared prosperity'.

This report is one of a number of reports including our Annual Report and our Corporate Responsibility Report. You can also find a whole range of complementary material to this report and our latest news online at **www.tulloil.com**, which is our main corporate website.

Each year we seek to improve not just our reporting but the quality and depth of information we provide to our stakeholders. Your feedback is important to us and we would be delighted to hear from the readers and users of this report. Please write to us at our offices in Uganda at the address on the back of this report or contact us at our corporate offices in London at **csp@tulloil.com**.

More information

Go online for more information about us and our corporate responsibility

www.tulloil.com/cr



ABOUT US

Our history as Africa's leading independent oil company started almost 30 years ago in 1986, with the Group's first licence in Senegal. Today, we have more than 150 licences across 25 countries, including 17 countries in Africa. We are headquartered in London and have a total global workforce of over 2,000 people. More than 1,000 people work in our African operations, 80% of whom are nationals. Our shares are listed on the London, Irish and Ghanaian stock exchanges (symbol: TLW) and we are a constituent of the FTSE 100 Index.

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



- ★ Key offices
- West & North Africa
- South & East Africa
- Europe, South America & Asia

Uganda's petroleum history

Petroleum systems in rift basins, like the Lake Albert Rift Basin, were formed over eight million years ago. Natural oil seeps on the shores of Lake Albert have been recorded over many years and in 1938 the first exploration well was drilled. This well demonstrated that there was an oil source in the basin but it was nearly 70 years before any further activity took place. To date, oil has been discovered on the eastern shores of Lake Albert, and onshore to the north of the lake. While the area is highly prospective, it is also home to around 400,000 residents and recognised as one of Africa's most beautiful environments.

Tullow in Uganda today

We obtained our first exploration licences in Uganda in 2004, and in 2006 we made four significant oil discoveries, demonstrating that the Lake Albert Rift Basin was a working hydrocarbon system. Significant further exploration and appraisal followed, and in 2009 the commercial threshold for development was exceeded. To date almost 80 wells have been drilled by Tullow, underpinning gross resources of around 1.7 billion barrels of oil. Together with our partners we are now working closely with the Government of Uganda to achieve First Oil, whilst respecting Uganda's rich social and environmental heritage.

EXCITING ACHIEVEMENTS AND FUTURE PROSPECTS

Our 10 years of involvement in Uganda have delivered some exciting achievements, particularly the discovery of commercial quantities of oil, which have the potential to significantly enhance the future prospects of Uganda and Tullow and its partners.

\$50 BILLION

Once production commences, the Government's current potential share of oil resources is estimated to be \$50 billion, representing approximately 80% of oil revenues after exploration costs are recouped, based on approximate reserves of 1.7 billion barrels of oil.

\$8+ BILLION

Our estimate of the capital costs for the upstream development of resources discovered in the Lake Albert Rift Basin will be in the region of \$8 to \$12 billion. The development phase will take approximately three years after the final investment decision is made.

TWO

Strong new industry partners, the China National Offshore Oil Corporation (CNOOC) and Total of France, were introduced by Tullow into Uganda with the farm-down of two-thirds of our Ugandan assets, completed in 2012.

\$2.8 BILLION

Tullow invested \$2.8 billion in exploring for oil in Uganda and acquiring Heritage Oil's interests in Uganda. We also acquired interests in Uganda as part of a wider portfolio of assets through the acquisitions of Energy Africa and Hardman Resources.

\$271 MILLION

Represents Tullow's 2012 total direct economic contribution in Uganda, which includes taxes, local content expenditure, employee payroll and \$4.8 million social investment.

88%

The majority of our 177 employees in Uganda are nationals, reflecting our commitment to building capacity in our host countries both through creating local employment opportunities and investing in developing the skills required by the oil industry.

66/79 WELLS

Tullow has achieved an 84% exploration success rate since 2004 with 66 wells out of 79 finding oil.

\$200 MILLION

We have spent \$200 million with 550 local businesses since 2004, helping us to better manage risk and cost by creating a good strong local competitive supply base.

FIVE MILLION

We uphold international EHS standards and our Ugandan team have successfully completed five million hours with no Lost Time Injuries in the last two years.

CREATING SHARED PROSPERITY IN UGANDA

The journey to creating genuine shared prosperity in Uganda has only just begun. The revenue generated from oil production over the longer-term is where the full social and economic benefit will be felt by the citizens of Uganda.



Aidan Heavey, Chief Executive

“Over the course of our involvement in Uganda we have engaged collaboratively and openly with the Government and regulatory bodies to build a better understanding of our industry.”

Dear Reader

It is almost a decade since Tullow began operations in Uganda. It has been both an exciting and challenging adventure for us. We were one of the first exploration companies to risk our capital and invest in finding oil in the Lake Albert Rift Basin.

As a result of this investment and our exploration expertise we have had exceptional success. We have drilled 79 exploration and appraisal wells and found an estimated 1.7 billion barrels of oil. This has established Uganda as an important oil nation and also helped to inform our further investment in the region. The recent oil finds we have made in East Africa have created a new and potentially very strong emerging oil producing region, in which Uganda will play an important role.

The impact of discovering oil in Uganda has yet to be fully realised. The revenue generated from oil production is where the majority of socio-economic benefits for the citizens of Uganda will come from. A current estimate of the Government's share is \$50 billion or 80% of net revenue over the course of production. The Government therefore has a key strategic role in the creation and management of resource wealth and planning the capital investment required in long-term national development projects.

We believe that transparency in relation to oil revenue is the cornerstone of accountable management by government of resource wealth. This year we published detailed information in our Corporate Responsibility Report about the social and economic contribution that Tullow makes where we operate, including all payments to government. Payments to the Uganda Government amounted to \$142 million out of a total economic contribution of \$271 million to Uganda in 2012.

The \$142 million paid is 30% of a capital gains tax assessment which is currently being disputed before the Tax Appeals Tribunal in Kampala. We understand that the Government is currently developing its regulatory and fiscal framework and that this is a challenging process, requiring a delicate balance between the country's natural desire to optimise state involvement in the industry, and achieving early revenue generation.

Over the course of our involvement in Uganda we have worked collaboratively and openly with the Government and regulatory bodies to build a better understanding of our industry, and we continue to support the development of capacity in the country.

Our long-term objective is to create an environment and an oil production development plan that is balanced and appropriately beneficial to all parties involved. As a foreign direct investor in Uganda, or any new or potential oil nation for that matter, our requirement is for clarity and an acceptable level of regulatory and fiscal stability to enable us to securely invest in the continued development of the industry there. In the case of Uganda that is potentially up to \$12 billion of further capital expenditure by Tullow and its partners.

In 2011 and 2013, false allegations of bribery and corruption were made against Tullow in relation to our Ugandan activities. The 2011 allegations were based on forged documents. We worked with the Ugandan Police, UK Serious Fraud Office, UK Police and other authorities to establish the fact that the allegations were entirely false.

In 2013, during Tullow's High Court case against Heritage, Heritage's lawyer made entirely false insinuations of bribery relating to internal Tullow documents and emails. Heritage's lawyer subsequently disavowed any allegations of corruption against Tullow and during the trial, the judge berated a UK newspaper for printing these allegations stating that they were untrue and that the newspaper should be "...ashamed of themselves" for publishing them.

Since the day I founded Tullow, there has always been a zero tolerance approach to corruption and we have never been accused of such behaviour before in 30 years of working in

Africa. Our zero tolerance approach is made crystal clear to anyone who works for us or with us and is reinforced by our Code of Business Conduct, related policies and ongoing programme of training. Our good name is one of our most valuable assets and we will always vigorously defend it.

This report is about the role we have played to date in establishing Uganda as an oil nation. It demonstrates that we are committed to ensuring we fulfil not just our contractual obligations, but also to creating shared prosperity. We do this every day in our operations in Uganda, supported by very robust foundations at a Group level in our strategy, business model, values, standards and processes. This ensures we have a joined-up approach to building capacity, developing local suppliers, engaging with stakeholders, creating local employment, managing operations in sensitive environments and investing in social projects that benefit local communities.

We are investing in the long-term development of the oil industry in Uganda. In doing so we create benefits for our business, but as importantly, we are creating benefits for Uganda by contributing to its development into a middle income country.

Aidan Heavey

Aidan Heavey
Chief Executive Officer

CREATING SHARED PROSPERITY

Our goal is to manage our activities in a responsible way to maximise sustainable development opportunities in our host countries. We support this commitment through 'creating shared prosperity', which is our corporate responsibility strategy. It is composed of eight elements that are at the heart of how we run our business.

Our approach to governance, the environment, health and safety, people, supply chain management, local content, social performance and stakeholder engagement directly affects our ability to run our operations and achieve our business plans. Being a successful and profitable company is also fundamental to creating shared prosperity as it enables us to meet all the financial and economic obligations we have to governments, employees, suppliers, shareholders and providers of finance. Overall, we are committed to ensuring that the success of the oil industry brings long-term and lasting benefits where we operate.

More information

You can find out more about our strategy, our business model and our approach to corporate responsibility at www.tulloil.com.



EXPLORING FOR OIL

Tullow has had interests in Africa for almost 30 years but has only been in Uganda since 2004. In four short years between 2004 and 2008 the Group established an outstanding acreage portfolio and made a number of exciting discoveries. All exploration wells in that period encountered hydrocarbons, resulting in the discovery of 11 new oil fields. The Exploration and Appraisal (E&A) phase continued beyond 2008, with Tullow drilling 79 wells between 2004 and 2013, 66 of which found oil, leading to an overall E&A success rate of 84%. In total, over 100 wells have been drilled by the partners operating in the Basin.

A PROLIFIC PERIOD OF ACTIVITY

2004 to 2008 marked a prolific period of activity for Tullow in Uganda. The acquisition of Energy Africa gave Tullow a 50% interest in Exploration Areas (EA) 1, 2 and 3A in the Lake Albert Rift Basin. During 2004 and 2005, we acquired over 300 kilometres of 2D seismic and drilled our first well in 2006. During that year we made four significant oil discoveries, demonstrating that a working hydrocarbon system existed. In 2007, we acquired 100% of the interests in EA-2 through the acquisition of Hardman Resources, allowing Tullow to take operational control of the exploration and appraisal of that area. We also undertook further major seismic data acquisition that year to enhance our knowledge of the Basin, and continued with appraisal drilling to test the oil discoveries made to date. Seven more oil fields were discovered in 2008, including the Victoria Nile Delta play in the north.

\$395M

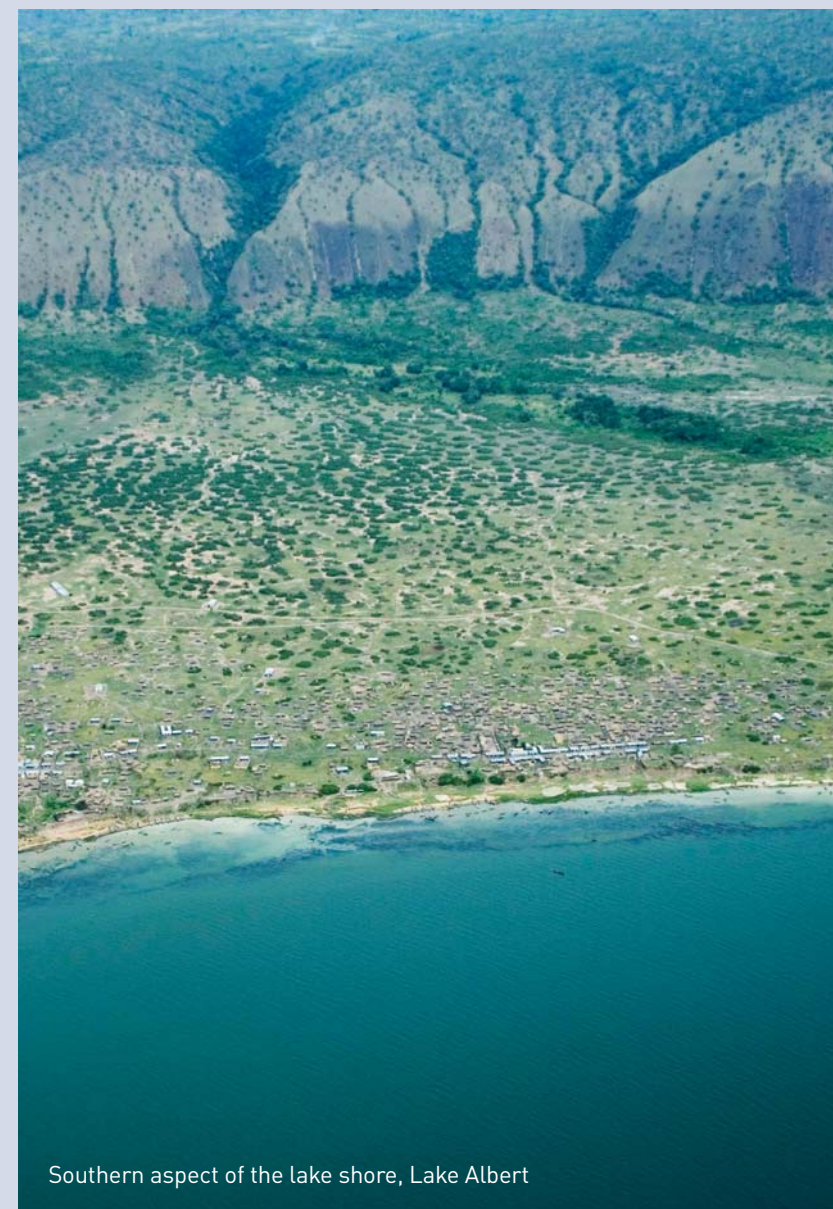
invested in exploration and appraisal drilling between 2004 and 2008

We acquire new 2D and 3D seismic data to help us define the best place to start exploration drilling. The main purpose of seismic data acquisition is to gather the most accurate possible visual representation of the geological structure of a specific area below the earth's surface. The images that are produced allow us to define, cost effectively and with some accuracy, a promising prospect for oil.



A UNIQUE ENVIRONMENT

It was clear from the beginning that exploring for oil in East Africa was a unique challenge. The Great Rift Valley in Kenya, Uganda, Ethiopia and Tanzania comprises mountains and deep valleys, freshwater lakes, national parks and internationally protected areas. With many human remains discovered in the Rift Basins, the area is considered to be the cradle of mankind, yielding critical scientific clues about the origins of man and human evolution. Uganda itself is land-locked and some 1,400 kilometres from the coast. Lake Albert lies further into the interior and is in an area of exceptional environmental beauty and heritage. To explore for oil we had to set up drilling and base camps on the shores of Lake Albert, a significant logistical and operational challenge given the distance from the coast and existing infrastructure.



Southern aspect of the lake shore, Lake Albert

RIFT BASINS

Geological rifts occur where the earth's tectonic plates are pulled apart by forces deep within the mantle. As separation occurs, the ground collapses to create lakes which deepen and eventually link to the sea. Over time the lakes become isolated and filled in with sediment deposits. The organic remains of micro-organisms that accumulate on the lake floor are heated and compacted to oil as they are buried in the collapsing rifts. A permeable rock juxtaposed against a non-permeable rock is a perfect trap for hydrocarbons. Tullow has the knowledge and experience required to explore effectively in Rift Basins.



A visual layout of the Exploration Areas around the shores of Lake Albert can be found on page 13, in the 'Interview with Jimmy Mugerwa, General Manager'.

EA
ENERGY AFRICA
Energy Africa¹ acquisition

2004

FOUR
Oil fields discovered

2006

Hardman
Hardman Resources acquisition

2007

SEVEN
More oil fields discovered

2008

1. Energy Africa commenced seismic operations in 2001.

FINDING COMMERCIAL OIL

Substantial quantities of oil had been discovered since 2006, but 2009 proved to be a landmark year for Tullow and the Ugandan Government, as we reached the commercial threshold for developing the Basin's resources. By the end of 2010, Tullow had discovered around 900 million barrels of recoverable resources in the Lake Albert Rift Basin. Between 2009 and 2010 we further increased our exposure in the Basin, acquiring Heritage Oil's 50% interest in EA-1 and EA-3 in 2010, giving us 100% interest in all three Exploration Areas.

\$343M

invested by Tullow in exploration and appraisal from 2009 to 2010, yielding a 95% success rate

COMMERCIAL THRESHOLD FOR DEVELOPMENT

By May 2009, Tullow had announced that the commercial threshold for development had been comfortably exceeded. Exploration and appraisal (E&A) continued throughout the rest of the period from 2009 to 2010. Twenty-eight wells yielded 26 discoveries, proving the area to be highly prospective.

The oil bearing structures are sandy layered reservoirs, mostly 300 to 1,000 metres below the ground. The Buliisa Area contains 75% of the resources, the Kaiso Tonya Area contains 10% and the Kingfisher area contains 15%. Ugandan crude is high quality but it has a high wax content, which below temperatures of 35-40°C solidifies into a wax. Therefore pipelines to transport the crude will require heating to reduce the viscosity of the oil and maintain it in a liquid state.



Operations at the Kingfisher-3 site, EA-3

PROTECTING BIODIVERSITY

Some 40% of the oil resources lie beneath the Murchison Falls National Park. An ecological baseline survey, which maps sensitive ecological habitats, precedes all exploration and appraisal activities, so that we have an understanding of our potential impacts. In 2012, Tullow also embarked on a detailed biodiversity and ecosystem mapping survey to support the assessment of the direct and cumulative impacts of development activities. This survey is supported by long-term research, monitoring programmes and partnerships with government institutions, such as the National Environmental Management Authority (NEMA) and other specialist stakeholders.

We are committed to meeting international standards, and apply the principles of the International Finance Corporation's (IFC) eight performance standards, which are viewed as the benchmark for the sustainable environmental and social management of major development projects. The eight standards address the assessment and management of environmental and social risks and impacts; labour and working conditions; resource efficiency and pollution prevention; community health, safety and security; land acquisition and involuntary resettlement; biodiversity conservation and sustainable management of living natural resources; indigenous peoples; and cultural heritage.



"I am committed to employing Uganda's resources in such a way that Ugandans benefit and the country's beautiful environment is protected."

Hon. Irene Muloni, Minister for Energy and Mineral Development

750 MILLION BARRELS

Commercial threshold for developing discoveries exceeded

2009

900 MILLION BARRELS

Ugandan resources discovered between 2004 and 2010

\$1.45 BILLION

Acquisition of Heritage Oil's Ugandan interests

2010

BUILDING CAPACITY

Enabling the Ugandan people to directly participate in their country's oil and gas industry is one of the key ways in which we work to create shared prosperity. We are committed to localisation, whereby our Ugandan team is made up of a majority of nationals, who are supported by training and development programmes. We also support local content, sometimes known as national content, helping local suppliers to build capacity so that they can fairly compete for contracts in our supply chain. We also invest in future oil and gas engineers through educational initiatives.

2011 and 2012 were important years in our efforts to make progress in these areas, with the opening of an enterprise centre in Hoima, which Tullow funds to support local business development. Twenty Ugandan scholars also participated in the Tullow Group Scholarship Scheme (TGSS), during its inaugural year. Our capacity building initiatives will increase in the development and production phases, where more direct and indirect employment opportunities will become available.



NEW
Enterprise Centre
in Hoima opened

1.1 BILLION BARRELS
Ugandan resources discovered
between 2004 and 2011

LOCAL CONTENT

Being entrepreneurial is a core value for Tullow and we believe it is important that local businesses and enterprises have the opportunity to grow and develop alongside our operations. Over the long-term, local content also creates benefits for Tullow, such as lower commercial, operational and project risks. Our local content strategy ensures that, wherever possible, we source goods and services locally, creating new jobs and supporting the local business community and economy. We invest in several programmes that aim to build capacity among Ugandan businesses, including our own closing-the-gap seminars.

JOB CREATION

At Tullow, we take a strategic approach to local job creation. The General Manager of our Ugandan business unit is a national and over half of our Country Leadership Team are nationals. Through our investment in internal training and development programmes as well as external capacity building initiatives, we are working to ensure that over the longer-term we achieve greater localisation of technical and business management roles. We also aim to provide international career development opportunities for our Ugandan employees by including them in succession plans for both international and local job opportunities.

UGANDA'S FUTURE OIL AND GAS ENGINEERS

In 2012, we launched our flagship social investment programme, the Tullow Group Scholarship Scheme, which provides scholarships in postgraduate degrees, technical training and vocational studies related to the oil and gas sector at top universities in the UK, France and Ireland. Bamatirawa Akutari from Buliisa is studying logistics and supply chain management at Portsmouth University, and is one of 40 Ugandan scholars benefiting from the scheme since its launch.

"To be chosen out of all the Ugandan applicants felt too good to be true."

Bamatirawa Akutari,
Ugandan scholar from
Buliisa studying at
Portsmouth University



Local contractors on the drill floor during drilling operations

88%
In 2012 88% of our 177 Ugandan employees
were permanent nationals

\$2.9 BILLION
Completed sale to CNOOC and Total
of 66.66% of our licence interests

2011

2012

PARTNERING FOR THE FUTURE

Tullow understood that to realise the ultimate potential of the region, it was vital to bring in partners who could share the risk, provide the capital investment, equipment and help co-ordinate activities in a cost effective manner.

In 2012, we concluded the sale of two-thirds of our Ugandan licences, bringing in two important new partners to help shape the development of the Lake Albert Rift Basin. As a result, 66.66% of our Ugandan licences were sold to CNOOC and Total for \$2.9 billion. Tullow, CNOOC and Total each now have a one-third interest in each of the Exploration Areas: EA-1, EA-2 and EA-3.

RESOLUTION OF INDEMNITY CLAIM

When Tullow acquired Heritage's Ugandan interests in 2010, the Ugandan Revenue Authority (URA) assessed Heritage for \$434 million of capital gains tax (CGT), an assessment disputed by Heritage. Heritage then paid \$121 million to the URA as required by Ugandan law to dispute the assessment.

In March 2011, Tullow was designated by the URA as agent to the transaction. This required Tullow to pay, as agent on behalf of Heritage, the balance of \$313 million to the URA. Tullow subsequently began proceedings against Heritage to recover this sum. The trial took place in March 2013 in London's High Court, and in June the Court found in favour of Tullow's claim. Heritage is currently seeking leave to appeal.

Separately, Tullow is disputing the amount of CGT assessed on the farm-down of its licence interests to CNOOC and TOTAL at the Tax Appeals Tribunal in Kampala.

\$267 MILLION

Invested between 2012 and 2013
in exploration

2012

OUR PARTNERS

Through the farm-down of our licences, Tullow brought in like-minded and experienced partners who have the technical capabilities, resources and downstream expertise required to deliver an efficient Basin-wide development programme. This unified partnership has considerable experience and the financial capability to enable Uganda to become a significant oil producing nation.

The operating responsibilities within the Basin are equally divided, with Total, Tullow and CNOOC responsible for EA-1, EA-2 and the EA-3 licences respectively. In 2012, the partners completed a successful exploration and appraisal campaign in Block EA-1. This included drilling over 20 appraisal wells, with a 76% success rate, as well as extensive well-testing and 3D seismic data acquisition.



Total is a major energy company, with oil and gas exploration and production operations in more than 50 countries around the world. Total is an integrated company, experienced in taking oil and gas from discovery to the market.



CNOOC is one of the largest independent oil and gas exploration and production companies in the world. CNOOC engages in exploration, development, production and sales of oil and natural gas.

"I commend the efforts made by Tullow and the other upstream partners in developing the oil and gas sector in Uganda. Tullow has invested heavily in Uganda and we appreciate their effort in this continued investment."

Hon. Peter Lokeris,
State Minister for Mineral Development



BASIN DEVELOPMENT

Recent activities in Uganda have focused on remaining E&A operations, field development planning and engagement with the Government to agree the Basin-wide development concept. The results of a further two exploration wells, six appraisal wells, 11 flow tests and seismic data acquisition continue to support our estimates of gross recoverable resources of 1.7 billion barrels of oil.

In 2013, significant progress was made with the Government of Uganda and the partners regarding the development options for the Lake Albert Rift Basin. Discussions with the Government are ongoing to finalise the details of a Memorandum of Understanding (MoU) aimed at agreeing commercialisation plans for the Basin. The MoU concept, made public following a meeting of the Presidents of Uganda, Kenya and Rwanda in June 2013, involves an integrated development of the oil production, a crude oil export pipeline and refinery with capacity to process initially 30,000 bopd with the potential to expand to 60,000 bopd to meet available market demand. The partners have completed the concept stage of the pipeline studies and discussions with Government on pipeline cooperation are ongoing.



Sunset view of drilling rig

1.7 BILLION BARRELS

Ugandan resources discovered
between 2004 and 2013

AGREED

Principles of revised
commercialisation plan
with Ugandan Government

2013

REALISING THE VALUE OF UGANDA'S NATURAL RESOURCE WEALTH

Uganda has a unique opportunity to consolidate and build on significant exploration and appraisal success. Decisive action is now needed for the country to capitalise on its first mover advantage, in the race for financial and human capital that the whole of East Africa will require as an emerging oil and gas producing region.



Jimmy Mugerwa, General Manager

I am delighted to have this opportunity to address some of the questions I get asked about Tullow's activities in Uganda and the role I play. I am in the fortunate position to be a Ugandan working in a new industry at a very pivotal time for my country.

I was recruited back to Uganda after many years in the diaspora, where I worked in a number of international posts in the industry. The opportunity to return to my home country, become the first Ugandan General Manager at Tullow and to help achieve First Oil, is the best I can hope to have. The country has been yearning for a way to industrialise and become a middle-income country. To play a role in helping Uganda realise the value of its natural resources and become an industrialised middle-income country is what drives me.

Working for Tullow is unique. We are proud to call ourselves Africa's leading independent oil company. We have had industry leading success in exploration and a strong operational track record. We are also committed to contributing to the creation of shared prosperity among the countries in which we operate.

What makes this project particularly complex?

Uganda is landlocked and it is about 1,400 kilometres by road from Mombasa, the nearest main port to the Lake Albert Basin. We will need significant upgrades to the transport infrastructure to support the volume of construction traffic and equipment needed for the development phase. We will be working closely with our neighbouring countries as we look to build the infrastructure and export pipeline to transport crude from the whole of the region.

This is also a project of significant proportions. The investment required to produce the resources discovered to date will be in the range of \$8 to \$12 billion. This project will require fiscal terms that offer the right incentives to invest capital and take on the up-front risks.

Why will it take so long to get to First Oil?

It has taken a long time for the Government and partners to agree how the resources are best developed and produced. All parties have finally now agreed that an appropriately sized refinery and oil export pipeline is fundamental to realising the value of Ugandan crude oil and to financing the development.

Going forward, managing people's expectations around timescales will remain a challenge. The Government is expected to get around 80% of net revenues, after the exploration costs are recouped. The potential in-situ value of Uganda's oil reserves discovered to date amounts to around \$100 billion. Based on current estimates of costs and the future price of oil, Uganda's share could amount to \$50 billion. To put this into context, Uganda's 2011 GDP was \$17 billion, while foreign aid was less than \$2 billion. This creates an expectation that when

oil starts to flow, money will rain from the sky. Being a nascent oil country, there is also the perception that oil will come tomorrow. We are working to build people's knowledge and the understanding that it takes years to develop and produce oil and that defined work programmes need to take place at each stage of the process. Nevertheless, it is important that we now work swiftly and resolutely to reach the development stage.

How important is a strong working relationship with the Government to the success of these operations?

The Government is the major stakeholder in the Lake Albert Basin development, and so a close working relationship is essential. The Government is the regulator who approves every single work programme we undertake. The partners work with numerous government ministries through the Lake Albert Basin Development Committee. Through this committee we share plans, and discuss and agree on the development steps and challenges we face as a partnership.

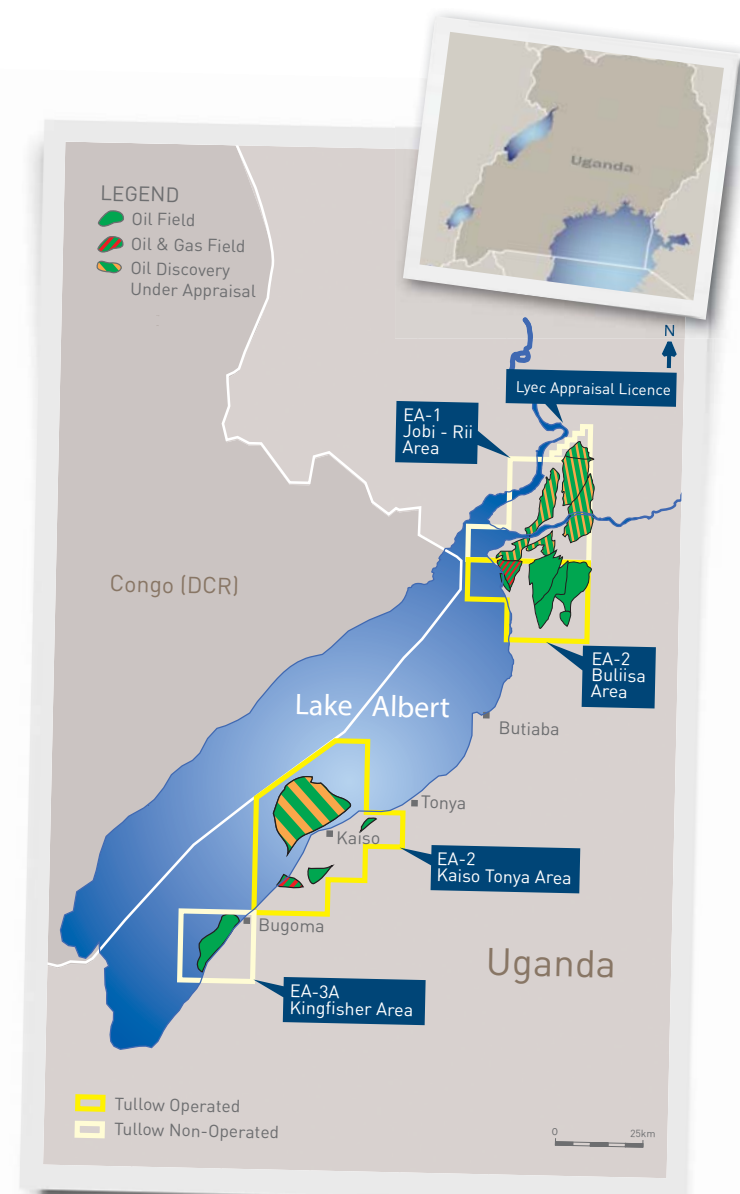
Is Tullow's environmental and social track record good enough to date?

We are proud that over the last two years we have had no Lost Time Injuries, with five million hours worked during that time. To date, we have fully restored three exploration drill sites and following agreement with the Government of Uganda to abandon exploration wells, we are planning to fully restore 13 sites in 2014.

In terms of compliance with laws and regulations, we have this year received a letter from the National Environmental Management Authority (NEMA) commending our environmental improvements and transparency. We respect that we are working within a socially and environmentally sensitive area. How we develop and produce the oil will have to be in line with the IFC performance standards, in order to preserve the rich biodiversity of this area. But we are conscious that this is no small challenge.

What are the opportunities for Ugandan citizens and the wider business community?

75% of the population's livelihoods depend on agriculture. If revenues from oil and gas are invested in Uganda's agri-processing, the country can transform its agricultural production capacity. The development and production phases of the project will create more direct employment and more jobs outside the boundary of the project. We will need welders, logistics people, caterers, service providers and more. To date we have done over \$200 million worth of business with around 550 local companies. More broadly, the industry will both directly support and generate revenues to invest in working towards the goals outlined in the Government's 'Vision 2040' National



Development Plan, including improving education, eliminating poverty, and turning Uganda into a middle-income country by 2040.

So what can we expect to see happen next?

The exploration and appraisal phase of this project has now been successfully completed and a great opportunity lies ahead. While East Africa as a region is fast becoming a prominent potential player in the world's energy market, Uganda's stage of industry development is more mature than that of Kenya, Democratic Republic of the Congo and Tanzania. Uganda's time has come, and it currently has a first mover advantage to compete for the investment and technical expertise that will be required to develop the region. However, it will need to act decisively and efficiently in order to maintain that advantage. This implies timely completion and approvals of the Field Development Plans (FDP) which will lead to getting the Final Investment Decision by the various company boards within the next 24 months. The potential for the Ugandan people is huge and we are committed to ensuring this potential is delivered.

Jimmy Mugerwa
General Manager



ENGAGING OUR STAKEHOLDERS

Tullow values and proactively seeks feedback from stakeholders on the issues of most interest and concern in relation to the oil and gas industry. We regularly engage with a wide range of stakeholder groups at every level of the organisation, through regular formal meetings, open forums and on-the-ground engagement.

In Uganda, our stakeholder engagement programme includes quarterly forums, each attended by over 70 people, representing local and national NGOs, religious leaders, officials from Hoima and Buliisa District local governments, cultural and religious institutions, and the media. We also host visits to our sites, so people can understand the stage that our operations are at. Sixty people attended each of the seven visits held over the last 12 months. Our Field Stakeholder Engagement teams meet with local communities on a regular basis to discuss their concerns and provide information on our activities.

Stakeholder engagement is a major input into how we determine which issues have the potential to impact the execution of our strategy and business plans as well as those issues that have the most significant prospective social, environmental and economic impact. Our material issues are defined based on the frequency with which they are raised by stakeholders and the importance they have to the successful running of our operations, risk management and overall reputation. Described below are some of our material issues.

Benefit sharing

Civil society organisations (CSOs) believe the Government should allocate a share of oil and gas revenues directly to local government and communities, in order that any direct impacts associated with the industry's activities can be addressed and compensated for. While this issue is beyond the scope of Tullow's responsibilities, it can potentially affect our social licence to operate. To enable citizens to hold their governments to account on the equitable sharing of wealth from the oil industry, we support transparency of payments to governments and are corporate supporters of the Extractives Industry Transparency Initiative (EITI).

In July 2013, we attended a meeting in Kampala organised by local CSOs where we presented our approach to transparency and discussed the EITI membership process. Issues raised included the potential capacity needs of CSOs to be able to engage meaningfully on resource revenue management, understanding which stage in the oil life cycle a project generates revenues, as well as effective interpretation of financial data.



Community meeting in Buliisa

NURTURING LONG-TERM RELATIONSHIPS

Karen Atugonza is one of Tullow's eight Field Stakeholder Engagement Officers (FSEO) in Uganda and is based at the Buliisa camp.

"My job is to build good relationships with the local communities, and make sure they understand and have their views voiced in relation to the activities that take place at each stage of our operations. I need to be able to negotiate and resolve conflicts if and when they arise. Understanding existing cultures and speaking the local languages and dialects is crucial.

"Our presence on the ground means some stakeholders think Tullow has responsibility for everything, when some issues are beyond our remit. For instance, some local leaders were unhappy with the proposed oil revenue sharing bill and shared their frustrations with Tullow Uganda at our engagement events, rather than addressing it with the relevant authorities.

"One of the most satisfying aspects of my role is seeing the impact of some of our social and capacity building projects on the local communities, such as the agri-enterprise project and our health programmes."



"Our projects are making a genuine difference to people's lives."

Karen Atugonza,
Field Stakeholder Engagement Officer

8

Field Stakeholder Engagement Officers provide information on a regular basis to our local communities

Bribery and corruption

In 2011, Tullow faced allegations that our employees had bribed senior government ministers. A separate allegation was raised in 2013, in a court case against Heritage in London's High Court. In both cases we defended our good name. Aidan Heavey fully outlines Tullow's position on this important issue in his Chief Executive's letter, which can be found on page 3. Tullow maintains the highest standards of corporate governance and our zero tolerance of bribery and corruption is supported by our robust anti-bribery and corruption programme.

Local employment and local business opportunities

Local communities and local businesses and the Government expect oil and gas companies to employ a majority of Ugandan people in their workforce, and Ugandan businesses in their supply chain. Operating in a country with a nascent oil industry, this expectation presents a human capital challenge because of the deep technical expertise required. Our comprehensive localisation and local content strategies are underpinned by our commitment to invest in training and capacity building initiatives that enable Ugandans to participate directly in the industry.

Environmental management

The exploration areas lie within the Lake Albert Rift Valley, recognised as one of Africa's most important areas for biodiversity. Uganda is dependent on this natural capital for tourism, fresh water and other valuable ecosystem services. We are committed to protecting the environment for current and future generations and are developing projects in line with the IFC's performance standards. Our EHS Policy and environmental standards meet international standards as well as Uganda's environmental laws.

OUR STAKEHOLDER ISSUES



Our people
CONNECTING WITH OUR EMPLOYEES

Why we engage
We aim to maintain our organisation and culture while remaining sensitive to other cultures and traditions. An engaged and motivated workforce is essential to our continued growth and success. Ongoing and targeted communication ensures our people understand and are committed to executing our strategy, living our values, and preserving our culture. We also seek to gain regular feedback from our employees to measure their engagement with working for Tullow.

How we engage
Our leaders hold regular town hall meetings with our employees. Our intranet and internal magazine publishes company news and we seek feedback via our bi-annual employee engagement survey. All of our employees go through an annual and half yearly review and many complete a personal development plan to ensure their aspirations and development needs are being actively managed.

- Key issues raised**
- Fair reward and benefit packages
 - Training opportunities to support career development
 - Job uncertainty in between the different oil life cycle stages
- More information on [p.22](#)

Government
MAKING SURE WE ARE THE PARTNER OF CHOICE

The Government grants us licences to explore, develop and produce oil. It also oversees each stage of our operations, ensuring we meet the licence commitments we have made, from the number of wells drilled, to our environmental management and local job creation. Strong relationships between Tullow, the Government and our partners are essential to achieving the timely development of the Lake Albert Basin.

We hold regular formal meetings with local and national government ministers and regulators and host visits to our areas of operation. We also jointly lead and participate in the Lake Albert Basin Development Committee, which represents numerous ministries. Through this committee we share plans, discuss and agree on each of the development steps as well as Basin-wide challenges. We have regular ongoing engagement with specific ministries, such as NEMA, which ensures our activities meet Uganda’s environmental laws.

- Environmental management
 - Job creation and business opportunities
 - Bribery and corruption
- More information on [p.20, 22 & 28](#)

Communities
MAINTAINING OUR SOCIAL LICENCE TO OPERATE

Oil exploration and development can have significant impacts on the lives of the communities where we operate. Regular engagement helps us identify and mitigate the key impacts, and to understand the concerns and needs of local communities. Approximately 400,000 residents live around the lake and one of the key impacts on these communities will involve land access and compensation.

Our eight FSEOs and two FSEO supervisors are dedicated to providing information about our projects in the local languages and dialects of our communities. We regularly engage informally, but also hold organised open forum sessions where we encourage people to raise their concerns and issues. We have also established a social performance function in Uganda to provide leadership and support our business in managing our social impacts.

- Benefit sharing and ensuring local communities are compensated for any impacts associated with our activities
 - Land access and compensation
 - Impact of our operations on the environment and traditional livelihoods
 - Local employment and business opportunities
- More information on [p.24](#)

Local businesses
GROWING SKILLS AND BUILDING CAPACITY FOR OUR INDUSTRY

Local content, sometimes known as national content, helps Tullow achieve a competitive advantage in Uganda through building a dynamic and secure local supplier base, providing cost efficiencies and lower commercial, operational and project risks. It also helps us achieve our vision to create shared prosperity by supporting the citizens and businesses of our host countries to participate in the oil and gas industry.

We run closing-the-gap seminars which aim to provide support to local businesses and help them to respond to tenders and improve their business processes, so that they can better compete with international suppliers. We have invested in an enterprise centre in Hoima which provides business development advisory services to local small to medium sized enterprises (SMEs). Our agri-supply project is helping farmers increase the productivity of their land, improve the quality of their crops and enable them to market and sell their produce more effectively.

- Local business opportunities
 - Transparency on Tullow’s contracting policies
 - How companies can meet industry standards to qualify as a potential supplier
 - What business opportunities will exist for local companies in the development phase
- More information on [p.26](#)

Opinion formers
INDUSTRY AND PEER GROUP ISSUES AND BENCHMARKING

We are members of a number of industry groups and affiliations that enable us to participate in, learn from and contribute to industry issues and benchmark our practices. In addition, we work closely with our partners to overcome shared challenges and ensure we are constantly learning from best practice as well as contributing our learnings and expertise.

We engage with NGOs, CSOs, relevant government interest groups and subject matter experts through formal meetings and conferences. In 2013, we attended a civil society round table meeting in Kampala, to discuss Uganda’s EITI process. We discussed the capacity needs of CSOs to understand the published data and be able to engage meaningfully on resource revenue management.

- Transparency of payments to government and benefit sharing
 - Capacity building for resource revenue management
 - Bribery and corruption
 - Operating in internationally recognised protected areas
- More information on [p.20](#)

“Tullow has been instrumental in helping our business to improve our approach in a variety of ways, from our EHS standards and business management practices to our marketing and service quality. This has led to more business opportunities and has improved our position in the local job market.”

Jeff Baitwa,
Group Managing Director,
Threeways Shipping Services

CREATING SHARED PROSPERITY IN ACTION

This illustration shows Lake Albert and the elements which are significant to Tullow, and all our stakeholders, in terms of the extent to which our operations can impact them, and the initiatives through which we are working to create shared prosperity.

1. NATIONAL GOVERNMENT

We work closely with the Government and other statutory bodies across all of our activities in Uganda. This ranges from licence approvals, to environmental management and the development of the Lake Albert Rift Basin.



2. LOCAL BUSINESSES

We focus on developing the skills of Ugandan suppliers so that local companies can win business with Tullow and our international suppliers. We are also helping to develop the agri-supply chain to provide food to Tullow's operations and the growing regional market. We are funding an enterprise centre to support SMEs to develop their businesses and achieve international standards.



5. THE ENVIRONMENT

In Uganda, over 40% of the discovered oil lies within Murchison Falls National Park, many parts of which are designated as internationally protected wetland sites. It is an area of outstanding natural beauty which attracts visitors from around the world. In addition, the remoteness of the region creates many additional environment challenges. Our commitment is to protecting the environment for current and future generations and we are undertaking the Ugandan development in line with the International Finance Corporation's performance standards.



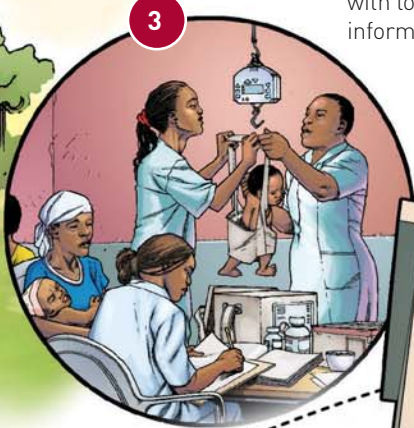
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3. LOCAL COMMUNITIES

We have been active in investing in social projects in Uganda that bring benefits to local communities, particularly in the areas of health, education and enterprise development and have invested over \$12 million since 2004. We also undertake considerable stakeholder engagement to consult with local communities and keep them informed about our operational activities.



4. LOCAL EMPLOYEES

We have a corporate office in Kampala where most of our permanent employees are based. We have activities close to Lake Albert, mainly focused on drilling operations but also on community engagement. 88% of our workforce in Uganda are nationals and we are continuously investing in building the capacity of local people through employment, training and education to maximise their participation in the industry.



90 km



GOVERNANCE & TRANSPARENCY

We are committed to achieving and maintaining the highest standards of corporate governance. This helps us as a business to deliver responsible and successful operations. Our approach is underpinned by our core values and our prioritisation of safe and environmentally responsible people, procedures and operations.

Achieving strong governance across all our activities is a strategic priority that is embedded in our business model and is supported by our values, key policies and systems, together with our strong and effective risk management. Tullow Oil plc is listed on the London Stock Exchange and under the UK Listing Rules we comply with the UK Governance Code and the UK Bribery Act. As Africa's leading independent oil company, our good reputation is vital to our ability to do business around the world. This is why we vigorously defended our good name against the allegations of bribery and corruption made about our activities in Uganda in 2011 and 2013 and in both cases showed there was no substance to the allegations. One of our founding principles has been zero tolerance of bribery and corruption and our robust anti-bribery and corruption programme ensures that our employees and people working on behalf of Tullow are familiar with and adhere to our Code of Conduct.

76%

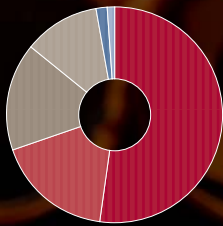
Over 76% of our Ugandan employees have attended our Code awareness training to date

Supporting transparency

In 2013, members of the European Parliament formally approved the Accounting and Transparency Directive, mandating increased transparency of payments to governments for all companies. We strongly support revenue transparency and disclosure in all our countries of operation as a vital tool to help governments more effectively manage expectations of what socio-economic impact the discovery of oil can have, and over what time frame. It also provides a country's citizens with information to enable them to hold their government to account and, equally as importantly, to hold Tullow as a business to account. On this page, we have published a breakdown of our economic contribution to Uganda in 2012, including corporate taxes, local content expenditure, employee payroll, social investment and other payments.

OUR ECONOMIC CONTRIBUTION TO UGANDA

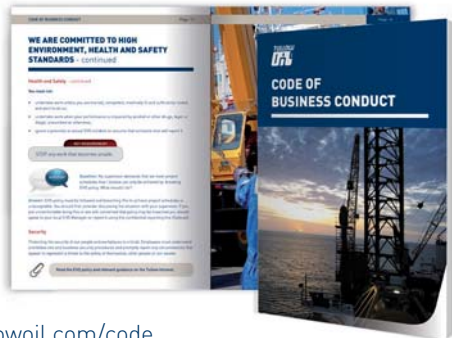
In 2012, Tullow paid \$142 million in corporate taxes and a further \$33 million in VAT, PAYE, withholding tax and other Government payments. We also spent \$47.5 million with local suppliers, \$44 million on payroll for our Ugandan employees and \$4.8 million in social investment projects including a \$600,000 discretionary investment to support the opening of an enterprise centre in Hoima.



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



Tullow staff working at materials yard in Kisinja



www.tulloil.com/code

The potential value of the oil industry in Uganda

Tullow and its partners will begin paying royalties and further corporate taxes when oil production commences. A share of the production will be allocated to recover the costs incurred during exploration, development and production. This is sometimes known as 'Cost Oil'. The Production Sharing Agreement (PSA) between Tullow, our partners and the Ugandan Government determines which costs can be recovered. The PSA also stipulates the partners' royalty payments to the Government, paid in barrels of oil. The remainder of production, once royalties and 'Cost Oil' have been deducted, is allocated between the Ugandan Government and the partners, with the vast majority going to the Government. The partners also pay tax on this allocation.



Graham talking with Jimmy Mugerwa

"Our good reputation depends on the actions of every individual employee and person working on behalf of Tullow."

Graham Martin,
General Counsel & Company Secretary



INVESTING IN PEOPLE

The success of our business depends on the skills and motivation of our people, and the extent to which we uphold our values and deliver on our core business strategy. Promoting the employment of nationals, also known as localisation, and fostering a diverse and inclusive environment is key to our people strategy.

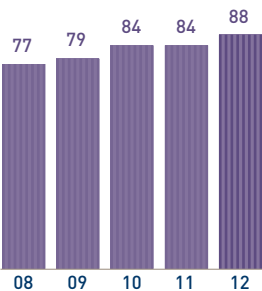
Ensuring that the Ugandan people directly participate in their country's oil and gas industry is one of the key ways in which we work to create shared prosperity. We aim to run each of our country-operated assets with a majority of local leaders, managers and staff.

Jimmy Mugerwa is our first national General Manager for the Ugandan business and was recruited from the diaspora after an extensive international career in the oil and gas industry. Over half of our Country Leadership Team are also Ugandan.

While we are proud of the achievements we have made in the localisation of our Ugandan team, an ongoing challenge we face is managing expectations around the number of employment opportunities that are created as a result of our activities. Oil and gas activities only result in limited direct employment compared to the thousands involved in other extractive industries, such as mining. Jobs in the oil industry also tend to be highly specialised and require significant training and expertise. The personnel required for exploration, development and production require 10 to 15 years of industry experience. Uganda is still developing its expertise and capacity in oil and gas, so there are relatively few local oil and gas engineers. Having said this, the development phase of the Lake Albert Basin will create more direct employment, as well as jobs in those industries required to support the oil and gas industry, such as construction, logistics and catering, amongst others.

National employees as a proportion of our permanent employees in Uganda (%)

4% ↑



SUPPORTING DIVERSITY

Our equal opportunities policy aims to create a working environment where individual differences and the contributions of all our staff are recognised and valued. We work to ensure that every employee is treated with dignity and respect.

"Oil and gas is one of the most male-dominated fields in the world. To have successfully progressed this far I feel is a significant accomplishment. I joined Tullow Uganda in 2011 as a graduate drilling engineer and today I am a qualified well site drilling engineer. Tullow has supported my learning through an internationally recognised development programme for well engineers, where I have worked on land rigs in Uganda and on our deepwater project, offshore Ghana. However, more needs to be done to make the industry more attractive to women. Gender should be no barrier to success."



"I look forward to playing an important role in my country's national development."

Susan Namuganyi,
Drilling Engineer



Eileen Baguma, Abdul Kibuuka & Jackie Lutaaya – Kampala office

\$7,392

spent on average per person on training and development in 2012

Training and development

We are addressing the challenge of working in a nascent oil industry, by training our own staff, investing in educational social projects which provide industry knowledge and expertise, and through capacity building initiatives within our supply chain.

As we move towards the next phase in the oil life cycle, our employee training programmes are focused on providing our people with the skills and expertise needed for development and production. The focus is therefore mainly on well, petroleum and civil engineering skills as well as hydrocarbon operating skills. Our people learn through formal training, as well as knowledge transfer via our expatriate employees.

Over the last few years, five employees have successfully completed our graduate training scheme and have now gone onto work in the geosciences, petroleum engineering and well engineering parts of our business. Graduates also have the opportunity to work on secondment in our UK, Ireland and South Africa-based offices as part of the scheme. Through our partnership with TTE, a world-class specialist training provider in oil and gas technical courses, we have also sponsored eight technicians to further their technical knowledge and experience. For more experienced staff members, we also provide international career development opportunities by including our Ugandan employees in succession plans for both international and local job opportunities.

Reward and recognition

Every year we participate in compensation surveys to ensure that our staff remuneration is competitive. This helps us to attract and retain our very strong Ugandan talent, a significant number of whom we have had to recruit from overseas to return to be part of Uganda's oil future. So far we have recruited a total of 16 Ugandan nationals from the diaspora.



INVESTING IN SOCIETY

We conduct our operations with respect for the local communities and people impacted by our business. Effective management of the social impacts of our operations is critical to the growth and sustainability of our business. By proactively managing our impacts we aim to ensure that Uganda can participate in and benefit from the oil and gas industry.

Our approach to social performance involves consulting affected communities, minimising harmful impacts and mitigating those that do occur, as well as promoting opportunities for host communities to access sustainable economic benefits. The key components which make up our approach are community stakeholder engagement, social impact management and social investment.

The most significant impact of our activities is on local communities' livelihoods, when land access required for seismic surveying during the exploration phase negatively impacted crops and properties. People affected by our activities have been compensated for damage to their land or loss of income. In response to these challenges, we have established a dedicated social performance function in Uganda. This team provides leadership and support to the Ugandan business, so it is better equipped to manage social performance issues going forward. We have also developed compensation guidelines and stakeholder engagement protocols to provide a more structured and proactive approach to supporting, engaging and involving communities affected by our activities.

Our social investment strategy aims to manage identified social and socio-economic impacts and risks associated with the impact of our operations on affected communities. We do this by supporting national and community needs, through education, local content and capacity building initiatives. We have invested \$12 million in Uganda on social projects since 2004, with \$4.8 million spent in 2012.

We invest in a number of different scholarship programmes. Our flagship programme is the Tullow Group Scholarship Scheme (TGSS) which is described below.

Masters scholarships in engineering and geology

In addition to and separate from the TGSS, we have invested \$190,000 to support five students to study at the Makerere University in Kampala. Tullow hopes that the Makerere scholars will contribute valuable research to inform our work in Uganda. The scholars also benefit from having Tullow supervisors assigned to mentor and guide them in their research work.



Ugandan Student, Elizabeth Kanagwa, at Nottingham University

THE TULLOW GROUP SCHOLARSHIP SCHEME

The TGSS is Tullow's group-wide flagship social investment programme, which aims to build capacity and increase the pool of potential local employees, enabling more people to participate in the industry and related sectors. The scheme supports students on university courses ranging from exploration geophysics and law, to supply chain management. Students have the opportunity to study at leading universities in the UK, France and Ireland. Since the programme launched in 2012, 40 of the 186 African scholars participating in the scheme have been Ugandans. Tullow invests approximately \$60,000 in each scholar, which covers their tuition fees, monthly living allowance and travel costs.

Following the award of 20 new scholarships to Ugandan students for the 2013/14 academic year, the Hon. Peter Lokeris commented: "The Government of Uganda would like to thank Tullow for this gesture yet again and for the continued support in complementing Government's efforts in building local capacity by sponsoring over 60 government officials for training in oil and gas-related courses in various countries worldwide annually."

Francis Tumwesige, one of the 2013/14 scholars commented: "I am honoured, on behalf of my colleagues, to say thank you to Tullow Oil for making this possible with your generous funding. We are also immensely grateful to British Council for the impeccable management of the scheme."



"Tullow Oil is instrumental in creating the future generation of top African engineers and scientists."

Tom Ilube,
Chairman of African Gifted Foundation

African Gifted Foundation (AGF)

To date, Tullow has invested \$50,000 in the AGF, to support over 100 students aged 14-16 in tailored science and technology-focused courses to help them become the scientists of tomorrow. The programme comprises lectures and extra-curricular activities including visits to institutions that are working in fields related to subjects the students are studying. The students gain membership of a permanent online learning community which supports ongoing engagement and development. Thanks to our partnership with the AGF, Tullow is now connected with some of the brightest young minds from Uganda and across the African continent.

Investing in medical services

Tullow has invested over \$150,000 in the Kyehoro HC II medical centre in the Hoima District since 2007. Over 45,000 people have been provided with health services at the centre since its opening.



Florence with a patient

"Tullow's investment in this health unit has changed lives in the local communities'. Previously people would have to walk long distances to receive medical treatment. This centre treats over 4,000 people living within a 5 to 10 mile radius."

Florence Kyomuhendo,
Nurse from the Kyehoro HC II medical centre



BUILDING CAPACITY IN THE BUSINESS COMMUNITY

We aim to support local companies to enter the oil industry's supply chain. By successfully delivering on our strategy, Tullow can make a real contribution to sustainable economic growth and achieve good relations with the people and Government of Uganda.

We work with local businesses to build their capacity, so that they can provide competitive local goods, services and skills to international standards. We call this local content, also known as 'national content' in Uganda.

To date, we have done more than \$200 million worth of business with around 550 local companies. We continue to rely on international suppliers to deliver services which require deep technical and industry knowledge, such as well engineering. However, we stipulate in our contracts with international suppliers that they must also contract with local suppliers wherever possible. We also make discretionary investments in programmes which build capacity among local businesses.

The technical capabilities required by the oil and gas industry take time to build and are not readily available in countries where the oil industry is still developing. In the short term, we are working to ensure that local suppliers provide our security, catering and logistics services. Over the medium term, we will seek joint ventures and additional investment to train local suppliers to provide construction support, such as civil engineering, building, welding and fabrication.

Whilst our local content expenditure decreased by 34% between 2011 and 2012, this reflects the fact that we have now successfully concluded the exploration and appraisal phase of the project, and activity over the last 12 to 18 months has decreased as a result. We anticipate spend with local suppliers will increase again during the development and production phases of the project.

550

Ugandan suppliers have worked with Tullow



Opening day at the Enterprise Centre in Hoima

AGRI-ENTERPRISE

Over the last five years, we have worked in partnership with farmers in the Hoima and Buliisa districts, to provide them with better access to markets by growing better quality and greater quantities of produce. With support from our partner Traidlinks, we deliver training, development and advisory services to farmers on agricultural, post-harvest handling and Environment, Health and Safety (EHS) standards. As a result, 35% of the food consumed at Tullow camps is now provided by local suppliers, with 1,000 people employed by farmers in the growing and harvesting of crops for our camps.



The Minister in Charge of Bunyoro, Hon. Ernest Kiiza (left) accompanied by the Tullow National Content Manager, Nelson Ofwono, at the launch of the Hoima Investment Club



www.tulloiloil.com/supplier_centre

Closing-the-gap seminars

Tullow has run seminars for a number of years in order to help build capacity among local suppliers by providing information on the standards required by the oil and gas industry. Over 140 locally-owned companies who supply services or goods to Tullow have participated in our closing-the-gap seminars, a number which represents 25% of our supplier base in Uganda. These suppliers cover a wide range of services such as catering, mechanical, transport services and security, to name a few.

Enterprise centre

In 2012, Tullow opened an enterprise centre in partnership with Traidlinks, a not-for-profit specialist in enterprise and market development. Tullow invested \$600,000 in establishing the centre, which provides training and advisory services for local entrepreneurs and SMEs. Local businesses can receive skills training and mentoring as well as an insight into opportunities to work in Tullow's supply chain, and the wider sector. To date, over 150 businesses have benefited from the centre and the services offered.

Supplier centre

Our online supplier centre provides information about what standards and practices are required from suppliers that work with Tullow, how to register interest in becoming a supplier, and what opportunities are available to provide goods and services.

Over 300 local companies have either registered as a potential supplier via the online centre or stated their interest in working with Tullow Uganda.

"Allow me to congratulate Tullow Oil, who are frontrunners in ensuring local participation through their local content programme both in their employment and outsourcing of services and supplies."

Hon. Irene Muloni,
Minister for Energy and Mineral Development



PROTECTING OUR PEOPLE, COMMUNITIES & THE ENVIRONMENT

We operate in the Lake Albert Rift Valley, which is recognised by conservation organisations as one of Africa's most important areas for biodiversity. Several nationally protected areas lie within or close to EA-2, including Murchison Falls National Park, one of Uganda's largest and most visited parks.

We are committed to developing projects in line with the International Finance Corporation's (IFC) Performance Standards on Environmental and Social Sustainability. Our goal is to promote sustainable development by protecting our people and neighbours, whilst minimising harm to the environment and mitigating the effects of any disruption caused by our activities.

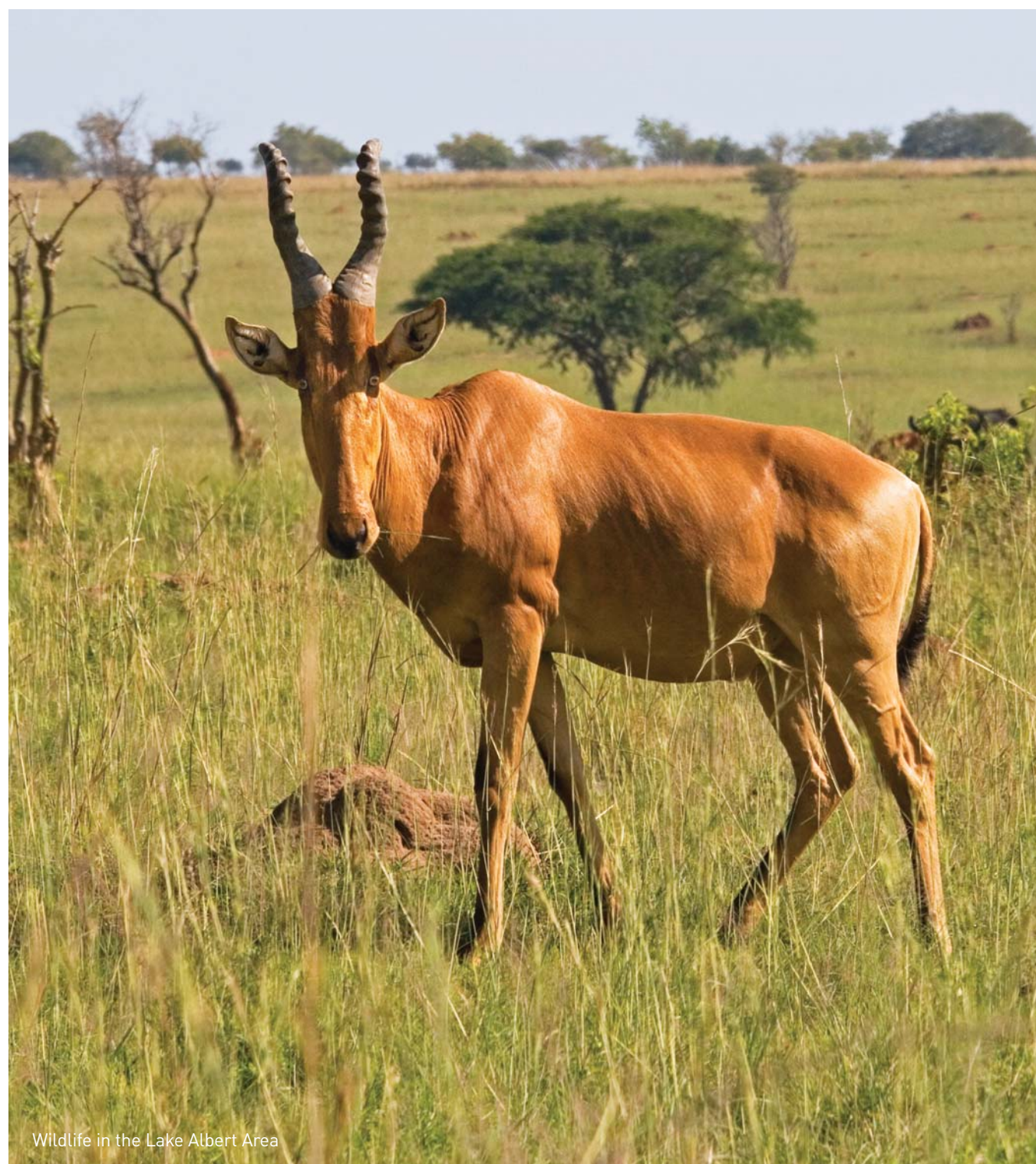
Our operations are governed by comprehensive Environment, Health & Safety (EHS) policies and standards that all our staff, contractors, and suppliers must adhere to. One of our key policies is the Tullow Oil Environmental Standards (toes) which covers our approach to biodiversity, greenhouse gases, resource management and socio-economic impacts. Other key policies include the EHS risk register policy, Tullow safety rules, the operating in sensitive areas strategy and a drill fluids and cuttings disposal standard.

During our time in Uganda we have worked hard to manage two key environmental issues related to effective waste management and restoration of drill sites. We are also working closely with all our stakeholders to minimise our overall impacts and improve our environmental performance. All activities are permitted following the review and approval of an Environmental Impact Assessment by NEMA. Other key regulatory agencies, NGOs and local communities are consulted in the process to ensure the assessment is comprehensive. To address our stakeholders' concerns, we organise site visits so that people can see what is involved in our various activities.



"The cooperation and professionalism shown by the Tullow team in response to environmental concerns is remarkable."

Dr Tom O Okurut,
Executive Director of the
National Environment
Management Authority (NEMA)



Wildlife in the Lake Albert Area

TREADING CAREFULLY

We have prepared an Environment Social Impact Assessment (ESIA) for the proposed Uganda development, in order to assess the potential impacts of our planned activities on the natural environment and habitat. To support this work, we have commissioned a number of baseline studies looking at issues such as groundwater, archaeology and biodiversity.

The biodiversity baseline study includes a comparative analysis of land use and habitat changes between 2002 and 2012, using satellite imagery. The analysis revealed how remaining natural habitats are under pressure from increasing population, as grasslands are converted to agriculture and forests are cut down to provide fuel and building materials, activities not directly related to Tullow's activities. The 'ecosystem services' provided through the natural habitat, such as clean drinking water and natural decomposition of waste, are fundamental to livelihoods in the region. We recognise they will be important to the viability of the development and recognise we have an opportunity to help positively manage these ecosystem services through effective management of water usage, for example.



"Despite representing less than 1% of the world's landmass, Uganda is home to 17% of the world's biodiversity."

Dr Andrew Seguya,
Executive Director, Uganda Wildlife Authority

Site restoration

After drilling is completed, we work to restore well sites back to their original state. Since we began operations, we have remediated three sites and have agreed with the Government of Uganda to abandon various exploration wells, and so are planning to remediate a further 13 sites in 2014. This involves the removal of all waste, construction materials and equipment from the site and landscaping, including re-planting the area with indigenous plant species as identified during the ESIA study.



Before
Rig site, Ngege-7, EA-2 – October 2012



After
Rig site, Ngege-7, EA-2 – April 2013

Innovative approach to well-drilling

In 2009, we drilled the Ngassa-2 well on the Angara Spit, a very narrow, fragile body of sand jutting into Lake Albert, an area with sensitive ecosystems. Instead of a normal sized well pad of approximately four hectares we used an innovative solution to reduce the footprint of the well pad. Access to the Angara Spit presented significant challenges, as the use of conventional materials for road and well site construction would have had a negative impact on the environment. To mitigate this we used a new, non-intrusive construction material called 'Neo-web', which enabled us to build a temporary well site and access road. Careful thought was given to a range of environmental considerations, such as waste and storm water management. The work was completed without safety issues, leaving a positive environmental legacy with full rehabilitation of the Angara Spit achieved.

Keeping people safe and well

Safety is a priority and we work hard to make sure no one is injured while working for us. Our operations have safe, well-designed rigs, equipment and infrastructure, with effective safety management systems. Our Uganda operations have achieved two years without a Lost Time Injury (LTI) and have worked in excess of 5 million man hours in that period.

Malaria is a serious potential health risk for our employees and contractors working in Uganda. While malaria is both preventable and curable, it can be fatal if diagnosis and treatment is delayed. We have successfully worked to reduce instances of malaria over recent years.

In line with the World Health Organization (WHO), we follow an ABCD approach to malaria:

Awareness: education about how malaria is transmitted

Bite prevention: control of mosquito breeding grounds and the use of personal protection measures

Chemoprophylaxis compliance: anti-malaria medication

Diagnosis and treatment: the immediate response to any case of malaria with prompt treatment



Creating temporary site access for Ngassa-2 well using Neo-web matting

WASTE MANAGEMENT

Waste from Tullow's drilling sites is carefully managed and meets the NEMA Waste Management Policy in NEMA approved waste consolidation areas. No long-term storage of waste occurs within the national park. Tullow and its partners work with the Government of Uganda to identify management strategies for the disposal of drill cuttings.

We have also been investigating innovative ways to treat the large volume of legacy cuttings from previous operations. We piloted a project using charcoal-based products, which absorb 35% of their weight in leachable metals/metalloids, reducing heavy metal contamination. The pilot proved to be highly successful, with 95% of the drill cuttings passing all internationally recognised standards following the treatment. Following the pilot's success, we plan to look at the options to further develop this treatment solution.

We have made significant improvements in disposal and containment of drill fluids and in 2012 successfully met our zero spillages target.

WATER

2011
86,668 m³

2012
51,177 m³

We saw a 41% reduction in ground water abstraction, the sole source of water in our camps, as a result of the consolidation in the number of camps and retaining operator status only in Block 2.

WASTE

2011
25,769 tonnes

2012
32,846 tonnes

While our total waste increased by 27% between 2011 and 2012, we treated 89 tonnes and recycled / reused 93 tonnes for the first time in 2012.

GHG EMISSIONS

2011
4,606 tonnes CO₂

2012
5,060 tonnes CO₂

Our Green House Gas (GHG) Emissions grew by 10% between 2011 and 2012, but represent a relatively small amount, accounting for less than 1% of Tullow's overall group emissions.

Road Transport Safety

In the World Health Organization's (WHO) global status report on Road Safety 2013, Uganda is the country with the third highest rate of road accidents on the continent. In response to this challenge, we have worked to improve our employees' driving awareness and behaviour through education and training. The results of the programme have led to improved driver safety and reduced the number of driving incidents in our operations in Uganda.

We have also worked with the Northern Corridor Road Transport Authority to implement road safety initiatives, such as providing rest stops and road safety campaigns for schools. One campaign, 'Safe Way, Right Way' has reached 1,500 children.

"We know we're not the only party involved, but we are determined to do our best to reduce the likelihood of Road Traffic Accidents connected to our operations."

Nathan Kagiri,
Tullow Uganda's Logistics Manager



STAY UP TO DATE WWW.TULLOWOIL.COM

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

ONLINE COMMUNICATIONS

Financial results, events, corporate reports, webcasts and fact books are all available in our central reporting hub.

2012 Annual Report & Accounts
www.tulloil.com/ara2012

Reporting Centre
www.tulloil.com/reports

TULLOW UGANDA OPERATIONS PTY LTD CONTACTS:

The key functions that manage our operations are Asset Management, Finance, Human Resources, General Counsel, Corporate Affairs, Environment Health & Safety (EHS), Local Content and Social Performance.

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