



# Tullow is a well-established, recognised oil and gas explorer and producer operating across Africa and South America

**Our focus** is on finding and monetising oil in Africa and South America.

**Our key activities** include targeted exploration and appraisal, selective development projects and growing our low-cost production. We have a prudent financial strategy with diverse sources of funding.

**Our portfolio** of 74 licences spans 14 countries. We are headquartered in London and our shares are listed on the London, Irish and Ghana Stock Exchanges.



# Key statistics

Group net oil and gas production

## 86,800 boepd

2018: 90,000 boepd

Reserves

## 243 mmboe

Proven and Probable Commercial Reserves

2018: 280 mmboe

Licences

## 74

Across 14 countries

2018: 87 licences across 17 countries

Lost Time Injury Rate (LTIR)

## 0.09 – Top Quartile

When benchmarked against

International Association of Oil and Gas Producers (IOGP)

2018: 0.28 LTIR

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# A challenging year

We are working hard to deliver an efficient and effective organisation, which will ensure we continue to generate sustainable cash flow from our producing assets and realise value from our exploration portfolio

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## Revenue

**\$1.7bn<sup>1</sup>**

2018: \$1.9bn

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## Capital investment

**\$490m<sup>2</sup>**

2018: \$423m

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## Underlying cash operating costs

**\$11.1/boe<sup>2</sup>**

2018: \$10.0/boe

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## Free cash flow

**\$355m<sup>2</sup>**

2018: \$411m

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## Adjusted EBITDAX

**\$1.4bn<sup>2</sup>**

2018: \$1.6bn

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## Net debt

**\$2.8bn<sup>2</sup>**

2018: \$3.1bn

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## (Loss)/profit after tax

**\$(1,694)m**

2018: \$85m

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## Gearing<sup>3</sup>

**2.0 times<sup>2</sup>**

2018: 1.9 times

1. Total revenue does not include other income from Tullow's Corporate Business Interruption insurance of \$43 million (\$188 million in 2018).

2. Non-IFRS measures are reconciled on pages 19 to 22.

3. Gearing ratio calculated as net debt/adjusted EBITDAX.

# Our strategic roadmap

Our purpose is to create shared prosperity through the exploration and development of oil and gas in emerging markets



## Our stakeholders

	<b>Our investors:</b> Delivering sustainable returns on capital 	<b>Our host countries:</b> Creating shared prosperity 	<b>Our people:</b> Providing a great place to work and develop careers 
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## Our focused strategy

<b>Delivering low-cost oil and gas production in Africa</b> <ul style="list-style-type: none"> <li>- Providing robust and sustainable cash flows</li> </ul>	<b>Disciplined exploration and development</b> <ul style="list-style-type: none"> <li>- Near-field short cycle, new fields in proven basins and selected frontier opportunities</li> <li>- Progressing and delivering value from Uganda and Kenya projects</li> </ul>	<b>Efficient and effective organisation</b> <ul style="list-style-type: none"> <li>- Streamlined and agile business</li> <li>- Controlled and integrated approach to oil and gas operations</li> <li>- Continued high priority on safety</li> </ul>	<b>Committed to sustainability</b> <ul style="list-style-type: none"> <li>- Shared prosperity in our host countries and communities</li> <li>- Responsible approach to environmental stewardship</li> <li>- Committed to equality and transparency</li> <li>- Responding to the energy transition</li> </ul>	<b>Financial strategy</b> <ul style="list-style-type: none"> <li>- Implementing a more conservative capital structure</li> <li>- Clear options for rebalancing through asset portfolio management</li> </ul>
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## Managing our risks

<b>Strategy</b>  See more on page <b>34</b>	<b>Financial</b>  See more on page <b>35</b>
<b>Stakeholder</b>  See more on page <b>34</b>	<b>Organisation</b>  See more on page <b>36</b>
<b>Climate change</b>  See more on page <b>35</b>	<b>Conduct</b>  See more on page <b>36</b>
<b>EHS or security</b>  See more on page <b>35</b>	<b>Cyber</b>  See more on page <b>36</b>

# Creating focus in a challenging year

The Board is focused on addressing the poor performance of the Company in 2019, restoring the confidence of our stakeholders and delivering on the long-term potential of our portfolio



“The Board and I are particularly conscious that we have to rebuild trust that has been eroded over the past few months with all our stakeholders. I am determined that you will see over the course of 2020 how committed we are to that goal.”

**Dorothy Thompson**  
Executive Chair

The Board was disappointed by the operational and financial performance, and the overall executive leadership of Tullow's business in 2019. On behalf of the Board, I would like to apologise for this poor performance. Production in Ghana fell short of expectations and in November a fundamental review of the performance issues led to a reset of production guidance for 2020 and beyond. In addition, we were unable to proceed with our planned farm-down in Uganda, and the lower quality of oil found in the Jethro and Joe discoveries in Guyana was a further setback.

## Management changes

Following the executive, operational and financial challenges, Paul McDade and Angus McCoss resigned by mutual agreement in December. I have become Executive Chair on an interim basis while the Board seeks a new Chief Executive Officer. A Management Team has been established and is comprised of Les Wood, who continues as Chief Financial Officer; Mark MacFarlane, who previously ran Tullow's East Africa business, and is now our Chief Operating Officer; Ian Cloke, who previously led Tullow's New Ventures business and is now leading a change programme to make us a leaner, stronger business; and Julia Ross, previously Corporate Head of Strategy and Performance, who has taken on a Chief of Staff role supporting me as Executive Chair.

## Addressing the challenges

The failure to meet our production forecasts in Ghana was extremely disappointing. The underlying operational performance issues have been identified and a work programme to permanently address these issues is underway, which you can read more about in Mark MacFarlane's Operations review.

In light of the developments in 2019, Tullow has carried out a Business Review, involving a thorough reassessment of the Group's operational structure, cost base, future investment and asset portfolio plans. The analysis of the cost base included external benchmarking which demonstrated that significant savings could be achieved whilst making Tullow a more efficient and effective organisation. This review is targeting net G&A



Read more about  
management changes  
on page 39



Read more about our  
Operations review  
on pages 13-15

savings of c.\$200 million over three years, delivered through efficiency measures, including possible office closures, which will most likely result in a headcount reduction of 35 per cent.

Included in the organisation review is a redesign of business processes including, importantly, business planning and operational forecasting. A fully integrated approach to planning is being implemented, including a robust and detailed review process.

Debt repayment remains a priority, and a key aspect of the Business Review has been focused on achieving this in the near to medium term through portfolio action to deliver a more conservative capital structure. The outcome of this review will also ensure that Tullow's costs are more appropriate for the size and shape of our business; the reduced 2020 capital expenditure level is being allocated appropriately to the Group's producing assets, development projects and future exploration; and our operating costs are competitive relative to industry standards.

The Board expects these actions to enable the Group to generate underlying free cash flow in 2020 of at \$50-\$75 million at \$50/bbl from 75,000 bopd. The lower levels of free cash flow and the need to continue to prioritise debt repayment has meant that the Board has taken the difficult decision to suspend the dividend.

### Areas of progress

It is important to note that we made good progress in some other parts of Tullow's portfolio. In West Africa, our non-operated assets continued to deliver strong production performance. The portfolio of assets comprises of mature and recently developed fields, for which implementation of cost efficient incremental development investment and robust field management has yielded a year-on-year reserve replacement exceeding the annually produced volume.

In Kenya, Tullow reached a number of important milestones on Project Oil Kenya, which is moving towards a Final Investment Decision (FID) once the government has delivered on critical items including water and land access rights. The shipping of the first ever cargo of East African oil from Mombasa in August was a clear signal of how this project is moving forward. Developing new projects in nascent oil industries requires both technical expertise and strong relationships to align a full range of stakeholder interests and the progress we have made in Kenya shows how Tullow can meet those challenges successfully.

With over 1.7 billion barrels of discovered recoverable resources, the Lake Albert project in Uganda continues to remain a significant asset. However, the delays and lapse of the Sale and Purchase Agreement (SPA) of the farm-down of part of Tullow's equity stake to Total and CNOOC has stalled the project. The Joint Venture Partners continue to hold

discussions with the government to agree the stable commercial and fiscal framework to enable the project to move to a Final Investment Decision (FID).

In line with our exploration strategy, we drilled three wildcat exploration wells, acquired promising acreage, and ensured all prospects were subject to rigorous scrutiny. The Joe and Jethro discoveries in Guyana were ultimately disappointing with lower oil quality discovered than originally prognosed, and investors were frustrated. The Carapa-1 well confirmed the presence of hydrocarbons and importantly, supports the potential of the Cretaceous play from the Exxon-operated Stabroek licence on both the adjacent Kanuku and Orinduik licences. So far in 2020, Tullow has drilled one exploration well in Peru, which did not make a commercial discovery; we will also be drilling in Suriname as well as thinking carefully about how to proceed in Guyana.

### Board changes

The Board is the guardian of corporate governance and good governance becomes even more important in challenging times and must underpin the health of the whole business. During 2019, I was very pleased to welcome Sheila Khama and Genevieve Sangudi to the Board, who bring a wealth of experience both in Africa and in resource industries. Sheila and Genevieve's appointments also meant that in 2019, we achieved greater than 30 per cent female representation and greater than 20 per cent African representation on our Board of Directors ahead of our 2020 target. Tullow's Board also welcomed Martin Greenslade, who will chair the Audit Committee after the 2020 AGM. Martin brings a new perspective from his role as the serving CFO of Land Securities.

Tutu Agyare stepped down at the 2019 AGM and Steve Lucas will step down at the 2020 AGM. I am very grateful to them both for the insights and expertise they brought to Tullow in the nine and eight years they served respectively as non-executive Directors.

### Safety

The health and safety of our employees and host communities is always a key priority. Notwithstanding an increase of High Potential Incidents (HiPos) throughout the year, the safety performance achieved overall in 2019 was positive. Our key safety performance indicators for 2019 remain in the top industry quartile when benchmarked against the International Association of Oil and Gas Producers (IOGP). Nevertheless, we continue our efforts to prevent HiPos and prioritise safety at every opportunity. In September, Tullow held a global safety stand down event in 16 locations across 10 countries to raise safety awareness, a positive reflection of Tullow's safety culture across the organisation. While Tullow's cost base has been significantly reduced, our focus on maintaining the safety of our people and our operations will not be compromised in any way.



Read more about the Board of Directors on pages 44 and 45

### Culture

Tullow has always prided itself on its positive work environment and its strong values and culture. However, it is clear that the issues of the past few months would not have affected the business as significantly, had better flows of information and communication between the business and senior management been in place, which the Board also acknowledges. This has led us to question both what we need to do to improve and how can our oversight of Tullow's culture ensure this does not happen again. We are focused, through the Business Review, on supporting changes in our ways of working to create a flatter, leaner structure, with a more transparent flow of information, greater empowerment and accountability and an environment of speaking up.

In response to the new requirements of the corporate governance code, we have also set up a Tullow Advisory Panel (TAP) made up of 12 people from across the business, which I currently meet with on a monthly basis. You can read more about why we chose this format to ensure the employee voice is heard at the Board; about TAP's governance and how it operates; and the key issues discussed so far on page 30. The input from this group has already been vital to the Board in providing insight and focus as we make progress with the Business Review.

### Climate change

While we are focused on the immediate challenges facing Tullow, we know that we must consider the wider context in which we operate and, in particular, the impact of climate change. As an Africa-focused company, we appreciate that emerging oil and gas producing nations are confronted with complex trade-offs between the need to maximise the value of their natural, human and financial resources, whilst building the foundation for a lower-carbon future.

We continue to support our host governments as they seek to use oil revenues to promote sustainable and inclusive economic development, and we will align with the actions that they take to manage climate change. We are also very conscious of the extent to which it has risen up the agendas of investors, our employees and the general public. Which is why, during 2019, we have assessed climate change as a principal risk for Tullow and have formalised our support for the goals of the Paris Agreement by including in our 2020 Scorecard a KPI to define an Energy Transition strategy for Tullow to achieve net zero emissions (Scope 1 and 2).

While fossil fuels are expected to continue to make a significant contribution to meeting the world's growing energy needs during this time, the overall decarbonisation of the global economy presents oil exploration and production companies with some fundamental new challenges. Our disclosures in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), which you can read on pages 25 and 26, reflects Tullow's response to these challenges.

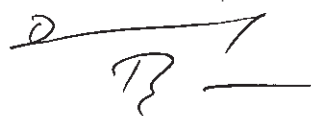
### Shared prosperity

Our host countries are a key stakeholder for Tullow and we believe that the development of natural resources can be a route to helping them strengthen their economies and improve the welfare of their people. In the past year, we have spent more than \$336 million with local suppliers in Kenya and Ghana, bringing our total spend with local suppliers in Africa to more than \$2 billion over the past eight years. We have published a Sustainability Report, where you can read more about the work we are doing in our countries of operation to support our local communities and their local economies.

### Outlook

As I write this report, the search for Tullow's new CEO is progressing well. This key leadership position will, together with the Board, determine Tullow's future purpose, strategy, business model and Company values. Nevertheless, the Board and Management Team are very clear that our focused strategy, as articulated on page 3 of this report, will help get Tullow back to a position of strength. I recognise, however, that should market conditions related to COVID-19 and OPEC+ prevail and Tullow is unable to execute its planned asset sales in a timely way, we face significant challenges as a business. Nevertheless, despite the recent unprecedented change in market conditions, and the difficulties Tullow has encountered, the Board continues to believe that this business has good assets and excellent people capable of creating long-term value.

The key task ahead is to rebuild trust in our capability to deliver our commitments, namely, restoring reliable performance without compromising safety, from a reduced cost base; to deliver portfolio management and sustainable free cash flow. I am determined you will see over the course of 2020 how committed we are to those goals and that the decisive actions we have already taken are only our first steps towards restoring confidence by creating sound foundations for an attractive and profitable future.



**Dorothy Thompson**  
Executive Chair

11 March 2020

 Read more about Tullow's response to the recommendations of the TCFD on pages 25 and 26

 Read more in our Sustainability Report [www.tulloil.com/sustainability](http://www.tulloil.com/sustainability)

 Read more about TAP on pages 30 and 47

 Read more about our strategic roadmap on page 3

 Read more about our response to COVID-19 and OPEC+ on page 20

## Our investment case

### Despite the setbacks of 2019, the Board believes Tullow continues to be a robust business

- Free cash flow generation: Tullow has a disciplined approach to capital allocation and generated free cash flow of \$355 million in 2019. Free cash flow is expected to be at \$50-\$75 million at \$50/bbl from 75,000 bopd in 2020, and by managing our cost base and equities across the portfolio, we expect to continue reducing our debt and create more options for Tullow's future growth.
- Low-cost production: Tullow has a portfolio of low-cost, high-margin production from West Africa. Over 95 per cent of Tullow's reserves and resources were independently audited in 2019, with results underpinning the quality of the asset base, and with reserve increases identified at Jubilee and the non-operated portfolio.
- New resources: Tullow has c.700 mmboe of net 2C resources in East Africa on a path to development.
- Exploration: Tullow has a substantial exploration position in emerging basins, as well as near-field exploration alongside existing assets. We are renowned for getting into attractive acreage early, drilling efficiently and safely and ensuring our technical and financial risks are carefully managed.

### Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

2019 was a year in which the Board of directors of Tullow Oil plc acted decisively to intervene in the management of the Company. The Board of directors of Tullow Oil plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken throughout the year ended 31 December 2019.

Tullow's purpose is to create shared prosperity through the exploration and development of oil and gas in emerging markets and is focused on creating sustainable long-term value for each of our stakeholders. To achieve this, the Board has established the Company's strategic focus (see page 3), it has engaged with its key stakeholders (see pages 46 and 47) and has considered and monitored the Company's principal risks (see pages 31 to 36). The Board takes each of these matters into account and the likely long-term consequences of its decisions when pursuing the purpose.

The safety of our workforce and the communities in which we operate is a key component of our culture and is critical to our success. In addition to this, the Company's ability to respond to the impact of the transition to a low-carbon energy supply will determine our future. In recognition of these matters, in 2019 the directors introduced a new principal risk relating to climate change (see page 32) and the Board established the Safety and Sustainability Committee (see pages 56 to 57). The Remuneration Committee also included safety and Tullow's response to climate change in a more focused set of key performance indicators for the 2020 scorecard. By doing this, the Board intends to use the remuneration arrangements available to the executive directors and all our employees to encourage the appropriate safety culture and create long-term sustainable value.

The interests of our employees and wider workforce are important to the directors because they are key stakeholders of the Company. In 2019, the Board established the Tullow Advisory Panel (TAP) (see page 30) which has been instrumental in providing feedback to the non-executive directors and helped inform a number of subsequent decisions of the Board, including organisational structure, internal controls, and the career development of our talent.

The benefit and impact of our operations to our host countries and their local communities is considered by the Board when making strategic decisions and informed by engagement. In 2019, the Board visited our operations in Kenya (see page 47) and met with local communities, government ministers, key contractors and suppliers and received presentations on issues relating to Tullow's operations and the environment such as water management and infrastructure completion. These engagements with our stakeholders have informed subsequent decisions by the Board when reviewing the Kenya Project.

The disappointing operational and financial performance of the Company in 2019 required the Board to make some challenging decisions and initiate a Business Review which focused on the fundamentals of our business (see page 4). The reputation of Tullow and the trust of our shareholders and investors was a key consideration by the Board in reaching these decisions. The lower levels of free cash flow and the need to continue to prioritise debt repayment in the short term meant that, in consideration of the Company's capital allocation (see page 17) the Board took the decision to suspend the dividend. The Board is conscious that it needs to rebuild the trust and Tullow's reputation with our shareholders and intends to do this through the communication and responsible delivery of a long-term strategy to promote the success of the Company that delivers value for the benefit of its members as a whole.

# Our business model

Across each part of the oil life cycle we work to create value for our investors, host countries and people

## Our inputs

### Our investors

1.4bn

issued share capital, with over 70% held by institutional investors



### Our host countries

14

Countries of operation including the UK



74

Exploration and production licences

### Our people

Technically skilled and experienced professionals in discovering, producing and monetising oil



## Our business

Tullow's business model is to find and monetise oil from our portfolio of assets across Africa and South America. Our activities are focused on generating cash flow from production, selectively developing discoveries and investing in exploration to find new oil for future growth or early monetisation. We have a prudent financial strategy with diverse sources of funding. We are focused on debt reduction and right sizing our asset base through portfolio management.

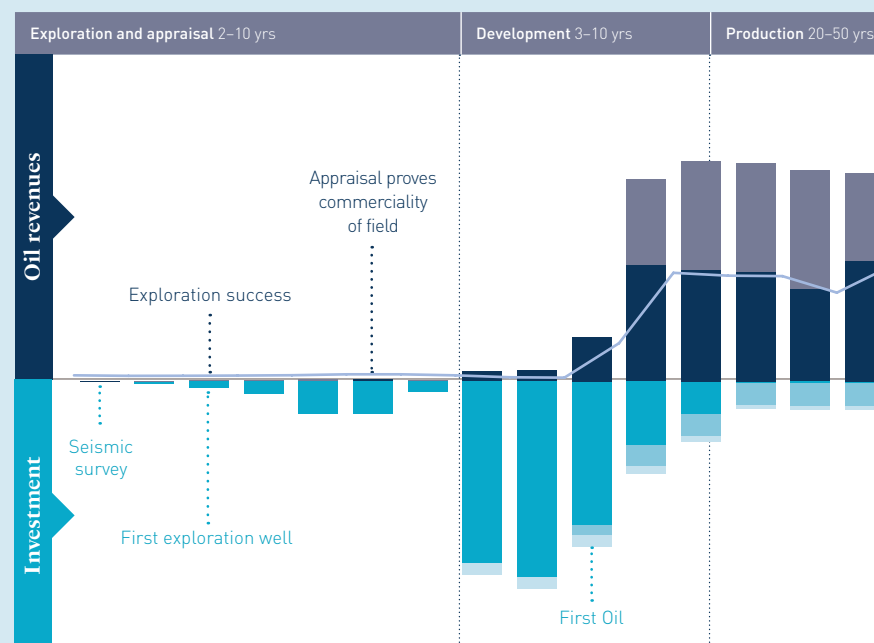
## Our value life cycle

### Explore

Through targeted exploration in Africa and South America we aim to find oil, to build reserves and resources, to monetise, or to selectively develop for future production. We aim to build the best inventory of prospects for drilling, managing risk exposure through our equity level and remain agile to take advantage of exploration opportunities.



## Oil life cycle investment and revenue



## Develop

We focus on selective development of material oil discoveries we have found. We invest in low-cost, near-field wells drilled adjacent to our producing assets, as well as opportunities identified through exploration.

## Produce

Production is the cash engine of our business and we are investing in in-field drilling programmes to extend production plateaus across our producing assets in West Africa.



Read more in our  
Operations Review  
on pages 13–15



Decommissioning

- Government take
- Oil company take
- Government net cash flow

- Oil company cost
- Oil company opex
- Government investment

## How we create value

### Our investors

**\$355m**

Free cash flow



### Our host countries

**\$413m**

Payments to governments



**86,800 boepd**

Group net oil and gas production includes insurance barrels from lost production

**\$336m**

Spend with local suppliers



### Our people

**99%**

Employees awarded shares

**\$2.9m**

Spend on staff training

# A changing environment

## Political risks

The African oil industry has enjoyed mixed fortunes over the past ten years. Between 1999 and 2009, Sub-Saharan Africa significantly increased its share of global oil production and reserves, but since then – despite the opening of new oil provinces in West and East Africa – African production has declined and reserves growth has tailed off. Several factors explain this, including the oil price shock of 2009 and the much longer and deeper price collapse in 2014. Big African gas discoveries and the growth of the US shale industry have also played a part in the reallocation of investment capital.

However, Africa's oil fortunes have also been affected by trends closer to home. Firstly, during the oil super-cycle, many countries in the region adopted tighter fiscal terms, deterring exploration investment and rendering otherwise investable projects unviable, especially at today's lower oil price. Secondly, the decision-making process has become slower and more complex as countries have established new institutions to govern the sector and as governments have become more accountable to civil society and democratic practices have deepened. Consequently, many governments have been slow to adjust to changing market signals and many African oil jurisdictions have become uncompetitive. Several recent licensing rounds have attracted limited industry interest and countries like Tanzania and Uganda that have sought to capture greater host country value in the midst of major developments have seen project momentum stall.

African countries are right to seek to maximise the socio-economic development opportunity that oil presents and to establish the right institutional framework to ensure this. However, these pressing needs must be balanced with the right economic incentives for International Oil Companies, coupled with the timely and judicious decision making that is necessary for Africa's undoubted oil potential to be realised at a time of increasing competition for capital. This is especially true in the context of the energy transition, which will require prospective oil producers to minimise the time to First Oil and to develop local content strategies that prepare their economies and societies for disruptive change in the global energy matrix.

“Since 2009 – despite the opening of new oil provinces in West and East Africa – African production has declined, and reserves growth has tailed off.”

Finding this balance will not happen overnight, but Tullow is working hard with our host countries to achieve it: engaging early and systematically with all project-affected stakeholders to ensure that our hosts and prospective hosts understand the commercial needs of our business and see the merits of our investments; working with host governments and communities to develop a shared prosperity strategy that will deliver real socio-economic benefits; and ensuring that our business and operations are as transparent as possible.

## Oil price

Brent crude made gains of 18 per cent over the course of 2019 driven by numerous geopolitical events and tensions. The year started with OPEC-led production cuts and US sanctions on Venezuela's state-run oil company, followed by further production cuts from Saudi Arabia and Russia, countered by the US President's request to OPEC for a production increase to bring down fuel costs. Tensions were heightened at various points in the year in the Middle East with attacks on oil tankers off the coast of the UAE, and several drone strikes by Yemeni rebels against Saudi Arabian oil facilities, leading to concerns over Middle Eastern oil supply disruptions. Retaliatory trade tensions between the USA and China threatened global growth prospects and the seizure of an Iranian oil tanker suspected of breaking European sanctions further raised geopolitical tensions. Towards the end of the year, weaker than expected global macroeconomic data then weighed on the market, but the eventual US-China trade deal and planned OPEC production cuts in 2020 led to a steady rally in Brent crude prices. However, in March 2020, OPEC+ met to discuss the need to cut oil supply

to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The group failed to reach agreement and on 7 March 2020, Saudi Aramco unilaterally and aggressively cut its Official Selling Prices in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, oil prices fell by around 20 per cent and the forward curve for 2020 and 2021 fell to approximately \$38/bbl and \$42/bbl respectively. These recent events will continue to have an impact on oil price volatility. Tullow prudently manages its commodity risk and is well hedged with 60 per cent of 2020 production hedged at a floor price of \$57/bbl and 40 per cent hedged at a floor price of \$52/bbl for 2021. Realised oil prices for January and February 2020 are expected to average over \$60/bbl.

## The oil and gas industry

Demand for oil and gas could remain resilient despite further global warming, as primary energy demand continues to rise, including from energy and carbon-intensive sectors, such as steel, cement and heavy industry, as well as petrochemicals. The industry base case oil demand scenarios typically see oil demand continuing to grow into the 2030s. For example, the International Energy Agency (IEA) Current Policies Scenario sees oil demand continuing to increase, approaching 120 million bopd to 2040; the Stated Policies Scenario sees oil demand growing to 2040 at a lesser rate; and the Sustainable Development Scenario sees a potential flattening in oil demand in the 2020s.

Mounting societal pressure, driven in part by global movements like Extinction Rebellion are in turn increasing pressure on governments to act. The acceleration of renewables and low carbon technologies and the redirection of finance towards sustainable investment mean that the move towards a low-carbon economy could both be accelerated and disorderly.

Climate change is weighing on investment sentiment. The oil and gas sector, up until the recent oil price crash, has delivered the highest levels of free cash flow and dividend yields in two decades. However, increased scepticism, particularly from generalists regarding the long-term value of oil and gas assets, has led to a structural de-rating of the sector.

There is also an increasing trend towards environmental, social, and governance (ESG) investment. Today over one-third of global capital has some type of ESG mandate, and 'Sustainable Investment' now tops \$30 trillion – up 68 per cent since 2014 and tenfold since 2004.

“Mounting societal pressure is increasing pressure on governments to act, the acceleration of renewables and the redirection of finance towards sustainable investment mean that the move towards a low-carbon economy could both be accelerated and disorderly.”

Some governments are increasing their ambitions with the UK, the EU and most recently Canada committing to achieve net zero emissions by 2050, which have followed more ambitious pledges from Finland and Norway. Across the Atlantic, despite the USA pulling out of the Paris Agreement, 4,000 businesses, city and state leaders signed the 'We Are Still In' declaration. On the other hand major emitters India and China have not yet formally committed to increasing their targets to reduce carbon emissions, with China's targets in particular considered highly insufficient.

In Ghana, the government released its Renewable Energy Master Plan in 2019, calling for investment of \$5.6 billion over 12 years (\$460 million per year from 2019–2030) and aiming to boost renewable energy in the national energy generation mix from c.40MW in 2015 to over 1,000MW by 2030. It also aims to reduce the dependence on biomass as the main fuel for cooking and other thermal energy applications; provide renewable energy-based decentralised electrification options in 1,000 off-grid communities; and promote local content and local participation in the renewable energy industry.

In Kenya, approximately 70 per cent of electricity comes from renewable sources such as hydropower and geothermal, more than three times the global average. The Kenyan government aims to generate 100 per cent of energy from renewable sources by the end of 2020. However, most governments still recognise that oil and gas will play an important role in the development and funding of future energy ambitions.

Despite these challenges for the sector and the reality that demand for oil is likely to flatten in the medium term, the natural decline of oil fields will require billions of dollars to continue being invested to maintain existing production and to find and develop new oil fields.



Read more about TCFD  
on pages 25 and 26

# Measuring our performance

Our scorecard aligns both executive pay and employees' performance related pay to key performance indicators (KPIs) measuring our performance across a range of operational, financial and non-financial measures

## 2019 Scorecard

### 1. Business delivery

- Disappointing production performance in Ghana
- Net debt reduction of \$0.3 billion

### 2. Growing our business

- FID not achieved in Kenya
- Sale and Purchase Agreement terminated in Uganda
- Three non-commercial discoveries in Guyana
- Eight prospects progressed to drill worthy status

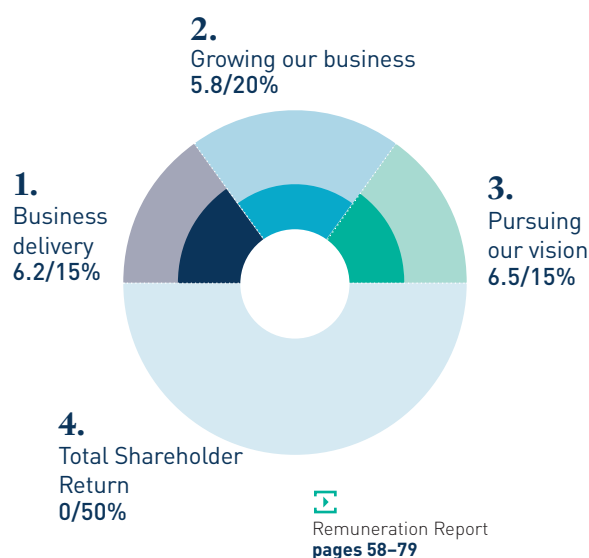
### 3. Pursuing our vision\*

- Progress on people development and working environment

### 4. Total Shareholder Return

- Poor performance and suspension of the dividend

\* Given the change in management at the end of the year, our purpose, vision and strategy will be reviewed by the new CEO on their appointment in 2020.



## 2020 Scorecard

### 1. Safety

- Top-quartile performance in Total Recordable Incident Rate (TRIR)
- Reducing the number of Process Safety Events

### 2. Production

- 70,000-80,000 barrels of oil produced per day

### 3. Financial

- Competitive operating costs
- Reduced gross G&A

### 4. Energy transition

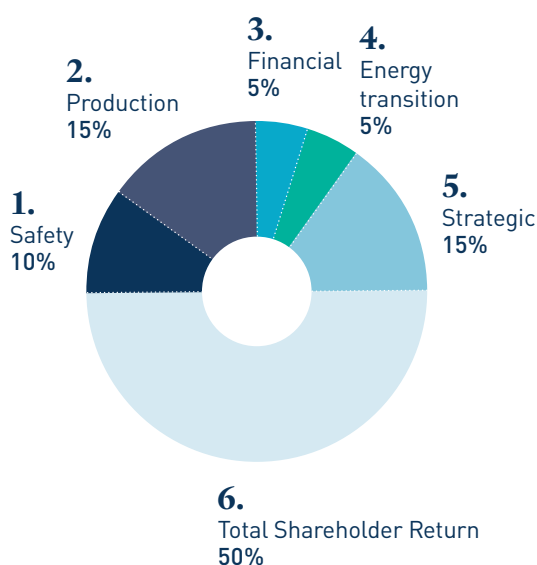
- Define energy transition strategy in 2020 for Tullow to achieve net zero emissions (scope 1 and 2)

### 5. Strategic

- Create a sustainable platform for the future: portfolio actions, debt reduction, and restoring trust with all stakeholders

### 6. Total Shareholder Return

- Creating shareholder value



The new scorecard responds to shareholders' requests to make it more simple and measurable via quantitative KPIs. It ensures safety is prioritised alongside operational targets, and balances short term production targets with longer-term strategic options to grow our business, whilst delivering a robust response to the energy transition.

# A review of our operations



“We reached a number of key milestones with Project Oil Kenya but the continued lack of progress in the farm down of the Lake Albert development in Uganda was a disappointment.”

**Mark MacFarlane**  
Chief Operating Officer

## Production

Group working interest production averaged 86,800 boepd in 2019. This includes production-equivalent insurance payments of 2,000 bopd from Tullow's Corporate Business Interruption insurance and 100 boepd of gas sales from TEN. The insured period associated with Tullow's Corporate Business Interruption insurance claim related to the Jubilee FPSO turret ended in May 2019, three years after cover commenced. Tullow continues to insure against Business Interruption.

Guidance for production in 2020 remains unchanged. Working interest oil production is expected to average between 70,000 and 80,000 bopd and year-to-date, Group production is in line with expectations.



Discover more about our strategy on page 3

### Net oil production (kboepd)

	2019 actuals	2020 mid-point guidance
<b>Ghana</b>		
Jubilee	31.1	<b>29.0</b>
Business Interruption insurance	2.0	<b>n/a</b>
TEN	28.8	<b>23.0</b>
TEN gas	0.1	<b>-</b>
<b>Non-operated portfolio</b>		
Gabon, Côte d'Ivoire and Equatorial Guinea	24.8	<b>23.0</b>
<b>Total</b>	<b>86.8</b>	<b>75.0</b>

### West Africa

#### Ghana

Production from TEN and Jubilee was below expectations in 2019, impacted by a number of factors which were discussed in Tullow's 'Board Changes and 2020 Guidance' announcement on 9 December 2019. Forecasts for 2020 have taken these issues and planned remediations into account and performance in the year to date is encouraging.

A series of actions are being taken to improve overall operating efficiency and reliability at the Jubilee FPSO. Since the start of the year, the planned maintenance work has been successfully carried out to increase gas processing capacity. Repairs have also been carried out to the water injection system which is currently operating at its full design capacity. To sustain full water injection capacity, a taskforce has been formed to implement a series of system reliability improvements that will be carried out throughout the course of the year.

Discussions with Government to increase levels of gas offtake from both Jubilee and TEN have also progressed well and the Ministry of Energy (MoE) is implementing a nominations policy for increased offtake of gas. When followed consistently, this will reduce the amount of gas being reinjected into the field and will help to improve the Gas-to-Oil ratio over time. Tullow has also obtained approval from the MoE to increase flaring from the Jubilee and TEN fields. This permit gives Tullow more scope to effectively manage the amount of gas being injected into the field to help improve the Gas-to-Oil ratio. The increased gas processing capacity delivered in February, flaring, and the renewed focus on well and facility optimisation has delivered improved production levels, with Jubilee currently producing over 90,000 bopd gross.

At TEN, Tullow and its Joint Venture Partners continue to re-evaluate the Enyenra development plan following faster than expected decline at the field and a reduction in reserves. Near-term investment is being concentrated on the Ntomme field, where reserves remain robust with the potential for future growth. Both Enyenra and Ntomme are currently producing in line with expectations, with a combined production of around 50,000 bopd gross.

The Stena Forth and Maersk Venturer drillships worked in tandem on Ghana drilling and completion operations throughout the first half of 2019. The Stena Forth rig was then released for other activities and the Maersk Venturer remains in Ghana. In 2019, five wells were drilled and completed. Tullow expects to continue to use the Maersk Venturer rig across both the TEN and Jubilee fields in 2020. A production well at the Ntomme field is currently being drilled, once completed, the rig will then return to Jubilee to drill and complete a water injector before carrying out workovers on a producer and a water injector.

The final phase of the Turret Remediation Project is the installation of a Catenary Anchor Leg Mooring (CALM) buoy to assist with offloading. The CALM buoy arrived in Ghana in January 2020 and once the installation work is complete and the system is mechanically operational, commissioning is expected to be completed on schedule in the second quarter of 2020.

#### Non-operated Portfolio

Production from Tullow's non-operated portfolio was stable in 2019, with strong performance from the Ruche and Simba fields in Gabon, in particular. In December 2019, Tullow's Joint Venture Partners in the Ruche PSC in Gabon announced that the Group's back-in arrangements had completed. The deal added c.1,000 bopd in 2019 with further growth forecast in 2020 as additional wells are brought onstream.

#### Decommissioning

Decommissioning of Tullow-operated licences in the UK North Sea continues to progress as planned. The Group is planning to undertake the final removal and seabed clearance activities during the summer of 2020. In Mauritania, the abandonment programme for the wells in the Chinguetti field commenced at the end of 2019. The abandonment of the wells at the Banda and Tiof fields is due to commence after Chinguetti and continue in 2021.

### East Africa

#### Kenya

Good progress on Project Oil Kenya was made in 2019. Front End Engineering Design (FEED) studies for the upstream and midstream parts of the project were finalised, the tendering process for wells is now complete and upstream tendering for Engineering, Procurement and Construction (EPC) has commenced. The midstream Environmental and Social Impact Assessment (ESIA) was submitted to the National Environmental Management Agency (NEMA) in November 2019. The upstream ESIA is now technically complete and publicly available and will be submitted to NEMA in the second quarter of 2020 after final consultation work in Turkana. The land acquisition work led by the Government of Kenya for the upstream development has commenced in the field. Progress has been slower on some workstreams such as access rights to land and water and the long-form commercial agreements to be entered with the Government of Kenya. This slow progress means that the target of reaching FID by year-end 2020 becomes more challenging.

In May 2019, the Early Oil Pilot Scheme (EOPS) production reached 2,000 bopd. Production performance tested during EOPS demonstrates that the reservoir remains consistent with expectations, and no further reservoir data is expected to be required to de-risk the project.



Discover more about our strategy on page 3

The first export of oil from East Africa, a cargo of 240,000 barrels, was flagged off from the port of Mombasa by H.E. Uhuru Kenyatta, the President of Kenya in August 2019. EOPS was suspended in the fourth quarter of 2019 following adverse weather which caused severe damage to the roads used by the trucks transporting the crude. Trucking operations remain suspended until all roads are repaired to a safe standard.

## Uganda

In August 2019, Tullow announced that its farm-down to Total and CNOOC lapsed following the expiry of the Sale and Purchase Agreements (SPAs). The expiry of the transaction was a result of being unable to agree all aspects of the tax treatment of the transaction with the Government of Uganda which was a condition precedent to completing the SPAs. Joint Venture conversations with the Government are ongoing. Tullow remains committed to reducing its equity in the project ahead of FID and is working constructively with the Joint Venture Partners and the Government of Uganda to agree a way forward.

The planned development of Uganda's material oil resources remains at an advanced stage, with the project's major technical aspects completed. For the upstream components of the project, the ESIA Certificate has been awarded for the Tilenga Project, and the final ESIA report has been submitted for the Kingfisher Project. Good progress has been made on land access secured for both upstream projects and construction costs and schedules have been confirmed from the main EPC bid submissions. For the East Africa Crude Oil Pipeline (EACOP) project, the ESIA certificate has been awarded in Tanzania, and the final ESIA report has been submitted to the Government of Uganda. The key project legal and commercial prerequisites have been outlined to Government by the Joint Venture Partners, with the schedule to FID now dependent on the progress of these negotiations.

## Exploration

### Africa

2019 exploration activity in Africa was focused on seismic acquisition, access and portfolio management. In Côte d'Ivoire, the farm-in by Cairn Energy to Tullow's seven onshore licences was completed, and acquisition of a 500 km 2D seismic programme has commenced. In the Comoros, Tullow completed its farm-in to a 35 per cent operated interest and a 3,000 sq km 3D seismic survey of the deepwater play of the Rovuma delta was acquired in the second half of 2019 with the interpretation under way. In Namibia, Tullow acquired a 56 per cent operated interest in PEL-90 offshore Namibia from Calima Energy in June 2019. This was a strategic, low-cost acquisition with no drilling commitments adjacent to the acreage where the Venus-1 wildcat is planned to be drilled by Total in 2020. Licence withdrawals included Blocks C-18 and C-3 in Mauritania and Block 31 in Zambia.

## South America

### Guyana

Tullow completed a three-well exploration campaign in Guyana in 2019, drilling the Jethro-1 and Joe-1 wells in the Tullow-operated Orinduik licence and the Carapa-1 well in the non-operated Kanuku licence. In the Orinduik Block, the Jethro-1 and Joe-1 wells discovered 55 metres and 14 metres of net oil pay, respectively in Tertiary-age reservoirs. Full analysis of the oil found indicated both deepwater discoveries contained heavy oil with high sulphur content. In the Kanuku block, operated by Repsol, the Carapa-1 well drilled in a water depth of 80 metres discovered four metres of net oil pay containing good quality low sulphur oil, but in poorly developed reservoirs of Cretaceous age. The Carapa-1 well confirmed the extension of the prolific lighter oil hydrocarbon play in the Stabroek Block which is adjacent to Tullow's acreage. The next steps in Guyana will be to integrate the three well results into updated geological and geophysical models, with a focus on the high-grading of the Cretaceous portfolio where better quality oil is expected across both the Kanuku and Orinduik blocks.

### Peru

In February 2020, Tullow announced that the Marina-1 exploration well, drilled in the non-operated Block Z-38 offshore Peru, did not encounter significant hydrocarbons. Marina-1 was the first well in the deep-water section of the under-explored Tumbes basin and data gathered will now be integrated into geological models to update the prospect inventory for Blocks Z-38 and the neighbouring Tullow operated Z-64 licence. Despite the disappointing result, Tullow remains positive about Peru's wider offshore exploration potential.

### Suriname

The Goliathberg-Voltzberg North well in Block 47 is planned to be drilled in the fourth quarter of 2020 testing dual targets in the Cretaceous turbidite play in approximately 1,900 metres of water.

### Argentina

In Argentina, Tullow successfully bid on Blocks 114, 119 and 122, which were formally awarded in October 2019. Located in the Malvinas West Basin, the operated offshore blocks include shallow water Tertiary and Cretaceous turbidite plays. Geological studies and 2D seismic reprocessing were completed in 2019 and a 10,500 sq km 3D multi-client seismic survey covering Blocks 114 and 119 commenced in December 2019. A further 3D seismic survey is planned to commence in late 2020 over Block 122.

### Jamaica

The Walton-Morant licence exploration period expires on 31 July 2020.

# Our financial performance

In spite of a challenging year, the Group continues to prioritise debt reduction and is reinforcing its prudent financial approach to take the business forward



“Our major review of all areas of our operations has provided a clear plan to address the problems we have encountered and create a more efficient and effective business.”

**Les Wood**

Chief Financial Officer

Tullow has this year underperformed both operationally and financially; however, we have made prudent financial management decisions and, with the reset of the organisation, will continue to do so to set a platform to take the business forward.

In 2019 Tullow generated \$1.7 billion in revenue and, after \$490 million of capital investment in the business, delivered \$355 million of free cash flow.

We have reported substantial pre-tax impairments and exploration write-offs totalling \$2.0 billion. These were primarily driven by a \$10/bbl reduction in the Group's long-term accounting oil price assumption, a reduction in TEN 2P reserves, a reduction in the overall valuation of the Uganda project following the removal of higher risk elements of development and lastly, the impact of drilling results throughout 2019 and licence exits. The impact of these impairments and write-offs lead to a post-tax loss of \$1.7 billion.

In 2019 our cost base remained fairly stable with unit operating costs of \$11.1/bbl (2018: \$10.0/bbl), net G&A costs of \$112 million (2018: \$90 million) and finance costs of \$322 million (2018: \$329 million). During the year, we continued to reduce debt, ending the year at \$2.8 billion (2018: \$3.1 billion), with headroom on free cash and undrawn facilities of over \$1 billion.

The combination of all these results was a full-year EBITDAX of \$1.4 billion (2018: \$1.6 billion) and a Net debt to EBITDAX gearing level of 2.0 times (2018: 1.9 times).

## Challenges and actions to be taken in 2020

While our producing assets continued to generate good cash flow it is clear that, following the revision to guidance of our future production forecasts, we need to take actions that will strengthen our financial performance and deliver sustainable free cash flow.

We are now taking these actions, which are reflected in the outcomes of the Business Review and include reducing capital expenditure, operating costs, G&A and portfolio management to raise proceeds in excess of \$1 billion. This will ensure that we have an efficient and effective right sized business for our activity set.

By taking these actions, the Group expects to generate underlying free cash flow in 2020 of \$50–75 million at 75,000 bopd (at \$50/bbl). Considering this lower level of forecast free cash flow, the Board has taken the decision to suspend the dividend.

## A focus on costs

The changes we are making are underpinned by a continued focus on maintaining cost discipline. We have set out plans to reduce net G&A costs by \$30 million in 2020, and gross G&A costs by over \$100 million.

During the year net debt decreased from \$3.1 billion to \$2.8 billion. While this is still progress against our ambition to significantly reduce debt, the pace of debt reduction was impacted by lower production, and no proceeds from the Uganda farm-down and therefore below our forecasts. Debt repayment remains firmly at the top of our priorities, and a key aspect of the Business Review has been focused on achieving this in the near to medium term through portfolio management across the group and free cash flow. As planned, we did not carry out any refinancing activity this year but, as always, we prepare to act on any upcoming maturities well ahead of time and this will be a key focus for the team in 2020.

We will continue to ensure our balance sheet has resilience to future oil price volatility, supported by our hedging activity.

Our year-end reserves audits have underpinned the value of our assets, and support the debt capacity available to us under the Reserves Based Lending facility. RBL debt capacity is expected to be c.\$1.9 billion at the end of March 2020, resulting in headroom of c.\$700 million. This is above the group policy target of no less than \$500 million and is appropriate in light of reduced capital commitments.

The Directors have concluded that the Group is a going concern. However, should the unprecedented change in market conditions relating to COVID-19 and OPEC+ continue and Tullow is unable to deliver proceeds from portfolio management, the Directors recognise that there is a material uncertainty with regards to this assessment. See page 20 of this report.

#### A clear approach to capital allocation

In light of the revised production forecasts, we have reassessed the Group's future investment plans in order to ensure we allocate capital appropriately to the Group's production assets, development projects and exploration. During 2020 we expect capital expenditure to be c.\$350 million with c.\$140 million in Ghana, c.\$80 million on West Africa non-operated, c.\$40 million

in Kenya, c.\$15 million in Uganda and c.\$75 million on exploration and appraisal activities. This level of capital investment should enable us to achieve our mid-point guidance range production of 75,000 bopd, deliver continued progress in East Africa, and drill two exploration wells in Peru and Suriname, as well as continue maturation of our exploration portfolio.

#### A simpler and more focused organisational structure

As part of the broader organisational simplification, we have reverted to a more traditional reporting structure into the CFO. Following the removal of the Corporate Business and the centralisation of the bulk of finance activities in London, the new structure will bring increased clarity and accountability to drive the necessary improvements in performance across the business.

#### Future outlook

Our major review of all areas of our operations has provided a clear plan to address the problems we have encountered and create a more efficient and effective business. That includes a reinforced focus on the costs we can control, portfolio management to raise in excess of \$1 billion proceeds and ensuring that our size and investment plans are right for the position we are in.

All of this work supports the long-term potential of the portfolio and the opportunities we have to deliver sustainable free cash flow and reduce our debt, both of which will help to generate value for our stakeholders.



**Les Wood**  
Chief Financial Officer

11 March 2020

## Insights from TCFD scenario analysis

As CFO, I oversee the assessment of the financial impact of TCFD scenario analysis on our portfolio. Tullow's current long-term oil price assumption of \$65/bbl from 2024 is materially in line with the IEA's Sustainable Development Scenario (SDS) which projects a modest decline in prices to \$62/bbl by 2030 and to \$59/bbl by 2040. In addition to testing the resilience of Tullow's portfolio against the SDS, Tullow has also considered the impact of long-term oil prices falling to \$50/bbl on its producing assets, development projects and exploration portfolio. The majority of prospects in Tullow's portfolio remain commercially robust at \$50/bbl, however, the further the presumed First Oil dates are into the future, the more the Net Present Value (NPV) is impacted.

#### Net Present Value of portfolio\*

	Stated Policies Scenario <sup>1</sup>	Sustainable Development Scenario <sup>2</sup>	Impact on NPV
Ghana	●	●	● +20 to 50%
Non-op	●	●	● +10 to 20%
Kenya	●	●	● 0 to -9%
Uganda	●	●	● -10 to -20%
Exploration	●	●	● -20 to -30%

\* Relative to Tullow's long-term corporate planning oil price of \$65/bbl.

1. Stated Policies projected 2040 oil price \$103/bbl.

2. SDS projected 2040 oil price \$59/bbl.

# 2019 financial results

Financial results summary	2019	2018
Working interest production volume (boepd) <sup>1</sup>	<b>84,800</b>	81,400
Sales volume (boepd)	<b>74,000</b>	74,200
Realised oil price (\$/bbl)	<b>62.4</b>	68.5
Total revenue (\$m) <sup>2</sup>	<b>1,683</b>	1,859
Gross profit (\$m)	<b>759</b>	1,082
Underlying cash operating costs per boe (\$/boe) <sup>3</sup>	<b>11.1</b>	10.0
Exploration costs written off (\$m)	<b>1,253</b>	295
Impairment of property, plant and equipment, net (\$m)	<b>781</b>	18
Operating (loss)/profit (\$m)	<b>(1,385)</b>	528
(Loss)/profit before tax (\$m)	<b>(1,653)</b>	261
(Loss)/profit after tax (\$m)	<b>(1,694)</b>	85
Basic (loss)/earnings per share (cents)	<b>(120.8)</b>	6.1
Capital investment (\$m) <sup>3</sup>	<b>490</b>	423
Adjusted EBITDAX (\$m) <sup>3</sup>	<b>1,398</b>	1,600
Net debt (\$m) <sup>3</sup>	<b>2,806</b>	3,060
Gearing (times) <sup>3</sup>	<b>2.0</b>	1.9
Free cash flow (\$m) <sup>3</sup>	<b>355</b>	411

1. Including the impact of production-equivalent insurance payments from the Jubilee field, Group working interest production was 86,800 boepd (2018: 90,000 boepd) including working interest gas production of 100 boepd (2018: 1,800 boepd).
2. Total revenue does not include receipts for Tullow's corporate Business Interruption insurance of \$43 million (2018: \$188 million). This is included in other operating income which is a component of gross profit.
3. Underlying cash operating costs per boe, capital investment, adjusted EBITDAX, net debt, gearing and free cash flow are non-IFRS measures and are explained later in this section.

“Tullow generated solid levels of underlying free cash flow however made a significant loss following changes to its long-term oil price assumption and TEN reserves reduction.”

**Les Wood**, Chief Financial Officer

## Production and commodity prices

Working interest production averaged 84,800 boepd, an increase of 4 per cent for the year (2018: 81,400 boepd). Including the impact of production-equivalent insurance payments from the Jubilee field, working interest production averaged 86,800 boepd (2018: 90,000 boepd), a decrease of 3.5 per cent. The decrease resulted from facility and subsurface challenges in Ghana, as well as no gas production from UK assets in 2019 partially offset by production from new fields in Gabon.

The Group's realised oil price after hedging was \$62.4/bbl and \$64.3/bbl before hedging (2018: \$68.5/bbl and \$71.8/bbl respectively).

## Underlying cash operating costs, depreciation, impairments, write-offs and administrative expenses

Underlying cash operating costs amounted to \$351 million; \$11.1/boe (2018: \$327 million; \$10.0/boe). Underlying cash operating costs were net of \$4 million of insurance proceeds (2018: \$46 million). The 11 per cent increase in unit cash operating costs was principally due to the ending of the Business Interruption coverage in May 2019, resulting in higher cost of operation, such as shuttle tanker operations, and lower production.

Depreciation, depletion and amortisation (DD&A) charges on production and development assets amounted to \$696 million; \$22.0/boe (2018: \$568 million; \$17.2/boe). This increase is mainly associated with the downward revision of TEN 2P reserves.

The Group recognised a net impairment charge on producing assets of \$781 million in respect of 2019 (2018: \$18 million). Impairments were primarily due to a \$10/bbl reduction in the Group's long-term accounting oil price assumption to \$65/bbl and a reduction in TEN 2P reserves.

The total exploration cost write-offs for the year ended 31 December 2019 were \$1,253 million (2018: \$295 million), predominantly driven by a write-down of the value of the Kenya and Uganda assets due to a reduction in the Group's long-term accounting oil price assumption from \$75/bbl to \$65/bbl. The remaining write-offs include Jethro, Joe and Carapa well costs in Guyana as a result of drilling results and Kenya Block 12A, 12B and 10BA, Mauritania C3, PEL37 Namibia and Jamaica licence due to the levels of planned future activity or licence exits.

At the 15 January 2020 Trading Update, the Group had guided a total exploration write-off of \$0.8 billion. However, as part of the subsequent Business Review, Tullow has now re-assessed the entire Uganda development project which has resulted in

a lower value-in-use assessment. The review resulted in the removal of four higher risk elements of the development from the overall valuation of the project and a consequent increase in the exploration write-off of c.\$0.5 billion.

Administrative expenses of \$112 million (2018: \$90 million) included an amount of \$22 million (2018: \$23 million) associated with share-based payment charges. The increase in administrative expenses primarily relates to the closure of historic JV audit matters.

### Provisions

Changes to provisions in 2019 resulted in an income statement charge of \$4.2 million (2018: charge of \$170.8 million). The 2019 charge mainly relates to restructuring costs.

### Derivative financial instruments

Tullow undertakes hedging activities as part of the ongoing management of its business risk to protect against commodity price volatility and to ensure the availability of cash flow for re-investment in capital programmes that are driving business delivery.

At 31 December 2019, the Group's derivative instruments had a net negative fair value of \$12 million (2018: net positive \$128 million).

### Net financing costs

Net financing costs for the year were \$267 million (2018: \$270 million). The decrease in financing costs is associated with the reduction in interest on borrowings due to a reduction in the average level of net debt in 2019 compared to 2018 offset by finance costs associated with the implementation of IFRS 16 and cessation of capitalising interest on the Ugandan assets. Net financing costs include interest incurred on the Group's debt facilities, foreign exchange gains/losses, the unwinding of discount on decommissioning provisions, and the net financing costs associated with leased assets, offset by interest earned on cash deposits and capitalised borrowing costs.

### Taxation

The net tax expense of \$41 million (2018: expense of \$175 million) primarily relates to tax charges in respect of the Group's production activities in West Africa, as well as UK decommissioning assets, reduced by deferred tax credits associated with exploration write-offs, impairments and provisions for onerous service contracts.

Based on a loss before tax for the period of \$1,653 million (2019: profit of \$260.5 million), the effective tax rate is negative 2.4 per cent (2018: positive 67.2 per cent). After adjusting for non-recurring amounts related to exploration write-offs, disposals, impairments, provisions and their associated deferred tax benefit, the Group's adjusted tax rate is 71.6 per cent (2018: 40.7 per cent). The adjusted tax rate has increased due to losses in the UK, impact of withholding tax and prior year adjustments.

The Group's future statutory effective tax rate is sensitive to the geographic mix in which pre-tax profits and exploration costs written off arise. Unsuccessful exploration is often incurred in jurisdictions where the Group has no taxable

profits such that no related tax benefit results. Consequently, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs write-offs occur.

### (Loss)/profit for the year from continuing activities and loss per share

The loss for the year from continuing activities amounted to \$1,694 million (2018: \$85 million profit). Basic loss per share was 120.8 cents (2018: 6.1 cents earnings).

Reconciliation of net debt		\$m
<b>Year-end 2018 net debt</b>		<b>3,060.2</b>
Sales revenue		(1,682.6)
Other operating income – lost production insurance proceeds		(42.7)
Operating costs		351.3
Operating and administrative expenses		77.6
<b>Cash flow from operations</b>		<b>(1,296.4)</b>
Movement in working capital		(53.3)
Tax paid		91.0
Purchases of intangible exploration and evaluation assets and property, plant and equipment		520.9
Other investing activities		(8.9)
Other financing activities		488.4
Foreign exchange gain on cash		3.6
<b>Year-end 2019 net debt</b>		<b>2,805.5</b>

### Capital investment

2019 capital investment amounted to \$490 million (2018: \$423 million) with \$351 million invested in development activities and \$139 million invested in exploration and appraisal activities. More than 54 per cent of the total was invested in Ghana and Kenya and over 81 per cent was invested in Africa.

Capital investment will continue to be carefully controlled during 2020. The Group's 2020 capital expenditure is expected to total c.\$350 million. The capital investment total comprises Ghana capex of c.\$140 million, West Africa non-operated capex of c.\$80 million, Kenya and Uganda pre-development capex of c.\$40 million and c.\$15 million respectively, and exploration and appraisal investment of c.\$75 million.

### Borrowings

During the year, commitments under Tullow's Reserves Based Lending facility reduced from \$2,464 million to \$2,400 million in line with the schedule. Tullow's debt facilities further include \$300 million convertible notes due in 2021, \$650 million senior notes due in 2022 and \$800 million senior notes due in 2025. Liquidity headroom of unutilised debt capacity and free cash was \$1.2 billion at the end of 2019. Tullow's RBL debt facility is subject to a bi-annual redetermination.

### Credit ratings

Tullow maintains corporate credit ratings with Standard & Poor's and Moody's Investors Service. In December 2019, Standard & Poor's downgraded Tullow's corporate credit rating to B from B+, and assigned a negative outlook; consequently, Standard & Poor's also downgraded the rating of Tullow's corporate bonds to B from B+, in line with the corporate credit rating. Moody's Investors Service downgraded Tullow's corporate credit rating to B2 from B1, and assigned a negative outlook; consequently, the rating of Tullow's corporate bonds was lowered to Caa1 from B3.

### Liquidity risk management and going concern

The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. Cash forecasts have been updated in light of the oil price volatility seen in early 2020, with the base case run using a forward curve of \$38/bbl for 2020 and \$43/bbl for 2021, and a downside sensitivity run at \$30/bbl for both 2020 and 2021. Furthermore, the Group benefits from its hedging policy, meaning that the impact of reduced oil prices in the going concern period is mitigated, in particular through 2020. Furthermore, the Board has plans to raise in excess of \$1 billion from portfolio management activities in 2020.

The semi-annual redetermination of the RBL facility is currently under way, and the Group expects debt capacity to be confirmed at c.\$1.9 billion. The Group has evaluated the RBL facility using a number of different oil price assumptions and has determined that near-term oil price volatility has no material impact on debt capacity due to the significant downside protection provided by its hedge portfolio and the reduction in tax liabilities at lower oil prices. As part of the RBL redetermination process the Group is required to demonstrate to the satisfaction of its lenders that it has sufficient liquidity for the next 18 months; based on the projections submitted to lenders, using the assumptions defined in the agreements, the Group expects that lenders will be satisfied that the Group has sufficient liquidity for the next 18 months. This assessment is required at each semi-annual redetermination, including the one currently under way.

The Group's base assumptions show that it will be able to operate within its contractual debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2019 Annual Report and Accounts. Under a severe downside scenario where the Group both fails to meet its production forecast and assuming a flat \$30/bbl oil price, the Group has sufficient liquidity for the 12 months from the date of approval of the 2019 Annual Report and Accounts. However, using both the base and downside oil price assumptions the Group's leverage is forecast to be marginally above the RBL gearing covenant when calculated at 31 December 2020, if planned portfolio management proceeds are not realised. The Group continues to closely monitor cash flow forecasts and would take mitigating actions in advance to maintain compliance with its external debt facilities, including securing amendments to covenants if necessary. The Directors believe the RBL gearing covenant could be amended in advance if required which is both consistent with past practice and the reasonable expectation of the commercial interests of the counterparties involved. In this scenario, the Group would also

target a further rationalisation of its cost base, including cuts to discretionary capital expenditure.

However, at the time of issuing the Annual Report and Accounts there are unprecedented market conditions with significant oil price volatility following the demand implications driven by COVID-19 and the failure of OPEC and Russia to reach agreement to cut oil supply to balance markets. Therefore, this increases the risk that the Group may not be able to sufficiently progress any planned portfolio management activities, as a result of which its lenders may not approve the semi-annual RBL redetermination liquidity assessments or covenant amendment if subsequently required. Therefore, we have concluded that there is a material uncertainty, that may cast significant doubt, that the Group will be able to operate as a going concern. Notwithstanding this material uncertainty, the Board's confidence in the Group's forecasts and ability to deliver portfolio management proceeds supports our preparation of the financial statements on a going concern basis.

### Brexit

It is the view of the Board that, given the Group's focus on Africa and South America, Tullow's business, assets and operations will not be materially affected by Brexit. Tullow also derives its income from crude oil, a globally traded commodity which is priced in US dollars.

Nevertheless, Tullow employs a number of EU nationals in the UK and the Board is concerned about the uncertainty that a no trade deal would cause these much-valued members of staff. To help address this concern, Tullow has established a Brexit Focus Group to share information with affected employees and ensure they are up to date with the latest developments.

The Board also recognises that a no trade deal scenario could cause significant regulatory, legal and financial uncertainty with regard to our decommissioning programme in the UK North Sea. Operators would have to be carefully guided by the Department for Business, Energy and Industrial Strategy as to exactly how decommissioning programmes should be executed and what tariffs or fees, if any, should be applied to non-UK service providers.

### COVID-19 (Coronavirus)

Tullow continues to monitor the ongoing COVID-19 outbreak. Tullow has experience of managing infectious diseases of this nature following the significant contingency planning put in place during the West African Ebola outbreak in 2015.

Tullow actively monitors advice from the World Health Organisation and Public Health England, as well as participates in weekly calls with the International Oil and Gas Producers' Health Committee relating to the COVID-19 outbreak to ensure best practice precautions are being applied. At present the threat level in Tullow's countries of operation remains low, as per our Infectious Disease Health Management Guideline, however we continue to closely monitor this as the situation develops. Clear information and health precautions on how employees should protect themselves and reduce exposure to, and transmission of, a range of illnesses along with general advice has been communicated across the organisation.

In both Ghana and Kenya Tullow's in-country teams have set up their EID (Emerging Infectious Disease) Management committees in response to the current COVID-19 outbreak.

These EID committees steer the local management response to the outbreak, including ensuring that our contractors have implemented appropriate measures. We have also implemented 'self-declaration' forms for all personnel travelling to our offshore assets in Ghana, that require people to sign-off that they have not been to the 'specified locations' as defined by the UK Foreign & Commonwealth Office in the last 30 days, as well as implementing business travel restrictions to and from these 'specified locations'.

In the event that the COVID-19 outbreak escalates, the country specific Business Continuity Plans set out how Tullow will continue to operate, recover quickly from, and effectively manage the response.

### Dividends

As part of the announcement on 9 December, the Board has decided to suspend the dividend as a result of medium term production guidance levels and estimated near-term free cash flow forecast.

### Events since 31 December 2019

In February 2020, Tullow concluded its Business Review – which included a review of organisation structure and resources. Subject to the outcome of the consultation, this will most likely result in a 35 per cent reduction in headcount, with an associated restructuring cost of c.\$50 million. It is anticipated that the reorganisation will generate cash net G&A savings of c.\$200 million over the next three years.

The six-monthly redetermination of Tullow's Reserves Based Lending (RBL) facility is expected to conclude at the end of March, and debt capacity is expected to be c.\$1.9 billion. Subject to confirmation of this debt capacity amount, the Group will have headroom of c.\$0.7 billion which is above the Group's policy target of no less than \$500 million and is appropriate in light of Tullow's reduced future capital commitments. On completion of the redetermination process, the Group plans to voluntarily reduce facility commitments by \$210 million, effectively accelerating the October 2020 scheduled amortisation. The reduction in debt capacity and commitments will result in a reduction of finance costs.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The group failed to reach agreement and on 7 March 2020, Saudi Aramco unilaterally and aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, oil prices fell by around 20 per cent and the forward curve for 2020 and 2021 fell to approximately \$38/bbl and \$43/bbl respectively. These recent events will continue to have an impact on oil price volatility. Tullow prudently manages its commodity risk and is well hedged with 60 per cent of 2020 production hedged at a floor price of \$57/bbl and 40 per cent hedged at a floor price of \$52/bbl for 2021. Realised oil prices for January and February 2020 are expected to average over \$60/bbl. If oil prices remain at or below their current levels for an extended period of time, this would adversely impact our future financial results.

### Non-IFRS measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted

accounting principles. These non-IFRS measures include capital investment, net debt, gearing, adjusted EBITDAX, underlying cash operating costs and free cash flow.

### Capital investment

Capital investment is defined as additions to property, plant and equipment and intangible exploration and evaluation assets less decommissioning asset additions, right-of-use asset additions, capitalised share-based payment charge, capitalised finance costs, additions to administrative assets, Norwegian tax refund and certain other adjustments. The Directors believe that capital investment is a useful indicator of the Group's organic expenditure on exploration and appraisal assets and oil and gas assets incurred during a period because it eliminates certain accounting adjustments such as capitalised finance costs and decommissioning asset additions.

	2019 \$m	2018 \$m
Additions to property, plant and equipment	528.4	268.1
Additions to intangible exploration and evaluation assets	279.3	230.4
Less:		
Decommissioning asset additions	109.0	(42.7)
Right-of-use asset additions	150.3	(3.8)
Lease payments related to capital activities	(2.7)	–
Capitalised share-based payment charge	1.9	1.3
Capitalised finance costs	16.3	65.3
Additions to administrative assets	21.0	6.6
Norwegian tax refund	0.9	0.4
Uganda capital investment	–	50.5
Other non-cash capital expenditure	21.0	(2.3)
<b>Capital investment</b>	<b>490.0</b>	<b>423.2</b>
Movement in working capital	9.0	(40.2)
Additions to administrative assets	21.0	6.6
Norwegian tax refund	0.9	0.4
Uganda capital investment	–	50.5
<b>Cash capital expenditure per the cash flow statement</b>	<b>520.9</b>	<b>440.5</b>

### Net debt

Net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of cash borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding cash borrowings. Net debt is defined as current and non-current borrowings plus non-cash adjustments, less cash and cash equivalents. Non-cash adjustments include unamortised arrangement fees, adjustment to convertible bonds, and other adjustments. The Group's definition of net debt does not include the Group's leases as the Group's focus is the management of cash borrowings and a lease is viewed as deferred capital investment.

## Finance review continued

### Net debt continued

The value of the Group's lease liabilities as at 31 December 2019 was \$284 million current and \$1,141 million non-current; it should be noted that these balances are recorded gross for operated assets and are therefore not representative of the Group's net exposure under these contracts.

	2019 \$m	2018 \$m
Non-current borrowings	<b>3,071.7</b>	3,219.1
Non-cash adjustments	<b>22.6</b>	20.9
Less cash and cash equivalents	<b>(288.8)</b>	(179.8)
<b>Net debt</b>	<b>2,805.5</b>	3,060.2

### Gearing and adjusted EBITDAX

Gearing is a useful indicator of the Group's indebtedness, financial flexibility and capital structure and can assist securities analysts, investors and other parties to evaluate the Group. Gearing is defined as net debt divided by adjusted EBITDAX. Adjusted EBITDAX is defined as profit/(loss) from continuing activities adjusted for income tax (expense)/credit, finance costs, finance revenue, gain on hedging instruments, depreciation, depletion and amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, exploration costs written off, impairment of property, plant and equipment net, and provision for onerous service contracts. Adjusted EBITDAX therefore excludes interest on obligations under leases of \$103.5 million, and interest income on amounts due from Joint Venture Partners for finance leases of \$50.0 million, as in assessing business performance, management considers lease payments in substance to represent deferred capital expenditure. Had these been included in the calculation of adjusted EBITDAX, calculated gearing would have been 1.9 times.

	2019 \$m	2018 \$m
(Loss)/profit from continuing activities	<b>(1,694.1)</b>	85.4
Adjusted for:		
Income tax expense	<b>40.7</b>	175.1
Finance costs	<b>322.3</b>	328.7
Finance revenue	<b>(55.5)</b>	(58.4)
Loss/(gain) on hedging instruments	<b>1.5</b>	(2.4)
Depreciation, depletion and amortisation	<b>724.6</b>	584.1
Share-based payment charge	<b>25.8</b>	24.9
Provisions	<b>4.2</b>	170.8
Gain on disposal	<b>(6.6)</b>	(21.3)
Exploration costs written off	<b>1,253.4</b>	295.2
Impairment of property, plant and equipment, net	<b>781.2</b>	18.2
<b>Adjusted EBITDAX</b>	<b>1,397.5</b>	1,600.3
<b>Net debt</b>	<b>2,805.5</b>	3,060.2
<b>Gearing (times)</b>	<b>2.0</b>	1.9

### Underlying cash operating costs

Underlying cash operating costs is a useful indicator of the Group's costs incurred to produce oil and gas. Underlying cash operating costs eliminates certain non-cash accounting adjustments to the Group's cost of sales to produce oil and gas. Underlying cash operating costs is defined as cost of sales less operating lease expense, depletion and amortisation of oil and gas assets, underlift, overlift and oil stock movements, share-based payment charge included in cost of sales, and certain other cost of sales. Underlying cash operating costs are divided by production to determine underlying cash operating costs per boe.

	2019 \$m	2018 \$m
Cost of sales	<b>966.7</b>	966.0
Less:		
Depletion and amortisation of oil and gas and leased assets	<b>696.1</b>	567.7
Underlift, overlift and oil stock movements	<b>(137.3)</b>	40.7
Share-based payment charge included in cost of sales	<b>2.6</b>	1.0
Other cost of sales	<b>54.0</b>	29.6
<b>Underlying cash operating costs</b>	<b>351.3</b>	327.0
Production (mmboe)	<b>31.7</b>	32.9
<b>Underlying cash operating costs per boe (\$/boe)</b>	<b>11.1</b>	10.0

### Free cash flow

Free cash flow is a useful indicator of the Group's ability to generate cash flow to fund the business and strategic acquisitions, reduce borrowings and provide returns to shareholders through dividends. Free cash flow is defined as net cash from operating activities, and net cash used in investing activities, less debt arrangement fees, repayment of obligations under leases, finance costs paid, foreign exchange gain, and distribution to non-controlling interests.

	2019 \$m	2018 \$m
Net cash from operating activities	<b>1,258.7</b>	1,204.0
Net cash used in investing activities	<b>(512.0)</b>	(427.7)
Debt arrangement fees	<b>–</b>	(15.0)
Repayment of obligations under leases	<b>(172.1)</b>	(117.4)
Finance costs paid	<b>(215.4)</b>	(234.5)
Foreign exchange (loss)/ gain	<b>(4.3)</b>	1.5
<b>Free cash flow</b>	<b>354.9</b>	410.9

# Our approach to sustainability

The disclosure in this section of Tullow's 2019 Annual Report and Accounts is complemented by its additional disclosure in its 2019 Sustainability Report, which can be found at [tulloil.com/sustainability](http://tulloil.com/sustainability)

Tullow is continually reviewing and refining its approach to sustainability, taking on board the primary interests of our investors, host countries and communities, as well as colleagues throughout our business. In 2019, we considered the topics and issues most important to them, alongside the goals of our business strategy. We also considered the expectations of oil and gas companies reflected in the work of IPIECA, our

industry association, and the United Nations global agenda for 2030 set out in its Sustainable Development Goals (SDG).

Our sustainability framework, set out below, has four pillars which combine all these inputs and expectations, and focuses on 10 of the 17 SDGs.

Strategic pillar	Responsible operations	Shared prosperity	Environmental stewardship	Equality and transparency
Key themes	Safety and wellness Responsible production	Local content and capacity Developing local skills Social investment	Climate resilience Protecting ecosystems	Good governance Promoting equality
Material topics	Employee health and safety Process safety	Local content and capacity Community development Shared infrastructure Social investment	Biodiversity Climate change Water Spills Energy efficiency	Compliance Anti-corruption Human rights Tax transparency Public advocacy
SDG alignment	 	  	  	 

## Responsible operations

**67%**

Reduction in Lost Time Injury Rate

**24%**

Reduction in Process Safety Events

The responsible operations pillar of our sustainability framework covers safe working, safe processes and emergency response.

### Occupational health, safety and wellness

Tullow is committed to ensuring our colleagues and host communities are kept safe and well, in all international locations where we operate. In 2019, Tullow adopted the new IOGP Life-Saving Rules, which replaced the existing Company safety rules, to support an industry-wide, common approach to safety.

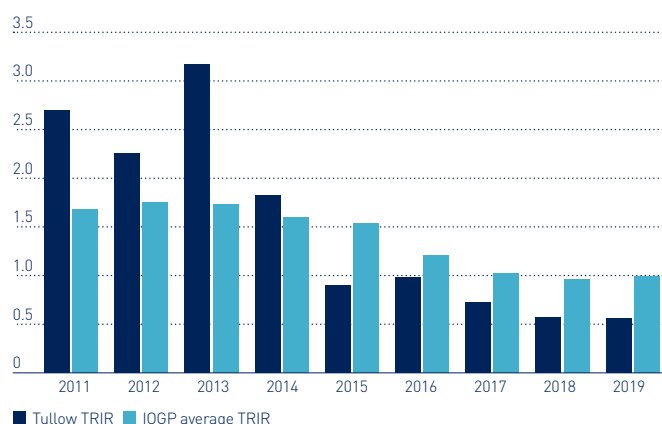
During 2019, Tullow experienced an increasing trend of High Potential Incidents. In September, senior management held a global safety event, which took place in 16 locations across 10 countries, to raise awareness and reinforce a positive safety culture. The safety event comprised of a review of the new IOGP Life-Saving Rules and an examination of how their effective application would have avoided many of the near-miss high-potential events recorded in 2019. The response and output resulted in the development of safety improvement plans targeted at safety-critical activities and risks the business faces and shall be implemented throughout the remainder of this year and 2020.

Tragically, Tullow's operations in Kenya also resulted in a fatality in late 2019. A truck carrying crude oil from Lokichar to Mombasa, as part of the Early Oil Pilot Scheme, was involved in a road accident in which a child was killed. Notwithstanding the safe driving of the vehicle at that time, a full investigation has been conducted to see what can be done to prevent any further such terrible accidents.

Tullow's key safety performance indicators in 2019 for Lost Time Injury Rate (LTIR) – 0.09 and Total Recordable Injury Rate (TRIR) – 0.56 remained within the top industry quartile of the IOGP benchmark, in line with our safety goal but it remains a priority for us to further improve our performance.

For an update on our Process Safety record, go to the Safety and Sustainability Committee report on pages 56 and 57.

### Total recordable injury rate (TRIR) per million hours worked



## Shared prosperity

**\$2bn**

Spent with local suppliers over the last eight years

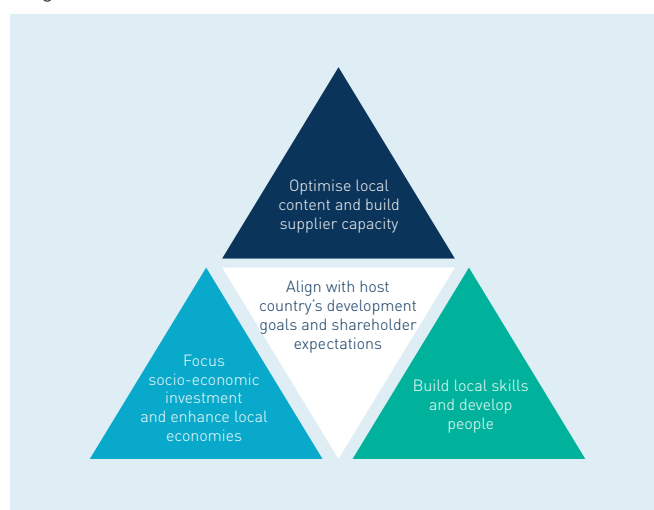
**88k**

New jobs supported through Invest in Africa

**>\$4.5m**

in financing for local businesses through invest in Africa

Shared prosperity is central to our approach to sustainability. It reflects our aspiration to ensure that our operations in our host countries not only bring business benefits to Tullow, but also lasting improvements in the quality of life and opportunities for the communities which live nearby. Our approach has three broad elements outlined in the diagram below.



In 2019, Tullow Ghana's overall supplier spend was 24 per cent more than in 2018. This was due to an increase in activities, including the use of two drilling rigs and the ongoing Jubilee Turret Remediation Project. There were also continued efforts to award contracts to indigenous or incorporated Joint Venture companies. Consequently, while absolute spend with local suppliers increased by 19 per cent, spend with local suppliers as a proportion of total spend was 1 per cent down compared to 2018. Meanwhile, spend with international suppliers continued to fall from 14 per cent in 2018 to 10 per cent in 2019.

In Kenya, in 2019, 41 per cent of the proportionate supplier spend was with Kenyan businesses, up from 37 per cent in 2018. Absolute spend with local suppliers also increased by 16 per cent in 2019 due to increased Early Oil Pilot Scheme trucking activities. As the Kenya project is in the development phase, focus has continued on capacity building activities. Over 300 micro, small and medium enterprises (MSMEs) undertook general business and sector-specific skills development and over 250 trainees attended competency-based education training in areas such as electrical technology, welding and fabrication, motor vehicle mechanical engineering and plumbing. Tullow Kenya's contractors also provided training for their teams in health, safety, security and environment (HSSE), leadership, strategy and technical areas.

## Investing in shared infrastructure in Ghana

An important element in Tullow's support for the communities where we work comes through investment in local infrastructure. This year we funded a number of important upgrades to the Takoradi Airport Airforce base in Ghana. Tullow and our Joint Venture Partners share the airport with other oil and gas operators, and commercial fixed wing operators, and it was becoming increasingly congested and in need of repair.

Our work included reconstructing a 23,000 sqm area of tarmac where the aircrafts park and the upgrading of a number of link roads. To deal with overcrowding in the airport terminal Tullow converted several old buildings on the site into a purpose-built terminal for helicopters and fixed wing operations.

This work took a year to complete and, in line with Tullow Ghana's local content commitment, was carried out by a number of local contractors. These developments have improved safety and accessibility at the airport and will provide new opportunities for commercial aviation services as well as support the growth of Ghana's offshore petroleum industry.



## Environmental stewardship

### Net zero commitment

Tullow ensures robust systems are in place for assessing and managing environmental risk to enable us to operate responsibly. Our corporate headquarters are certified to ISO 14001 Environmental Management System and we aim to comply with all environmental laws and regulations in the countries where we operate.

### Alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

Our decision to begin to make TCFD-aligned disclosures in this year's report reflects our recognition of the threat posed by climate change and the need to reduce global greenhouse gas (GHG) emissions.

Tullow supports the goals of Article 2 of the Paris Agreement, "holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels". We also recognise that meeting the goals of Article 2 of the Paris Agreement requires global carbon emissions to peak as soon as possible and then to decline to reach net zero in the next 30–50 years.

While fossil fuels are expected to continue to make a significant contribution to meeting the world's growing energy needs during this time, the overall decarbonisation of the global economy presents oil exploration and production companies with some fundamental new challenges. Our TCFD disclosures on the following pages reflect our response to these challenges.

Actions that we are taking to manage and mitigate the risks to our business from climate change are:

- classifying climate change as a category-level risk in our corporate governance and risk management processes;
- minimising GHG emissions from our operations and implementing appropriate reduction initiatives while maintaining safety and reliability standards;
- ensuring our business strategy is responsive to evolving climate-related legal and regulatory developments; and
- increasing transparency in our performance reporting and openness in our engagement about climate change risks.

Implementing the TCFD recommendations fully is expected to require a number of reporting cycles and Tullow's approach to this will evolve as our corporate understanding of and response to climate-related impacts grows and new climate-related risks and opportunities emerge.

## Alignment with the TCFD recommendations

### Strategy

Climate change impacts are generally considered under two main headings: physical impacts from changes in weather patterns and increased frequency and intensity of extreme weather events; and transition impacts from decarbonisation of the global economy.

Tullow, supported by external TCFD consultants, have carried out a holistic review of the potential climate-related physical and transition risks and opportunities to the Company. The review was informed by the disclosure standards and accounting metrics suggested by the Sustainability and Accounting Standards Board (SASB) and set out in its Oil & Gas – Exploration and Production Sustainability Accounting Standard; the work of the Oil & Gas Preparer Forum of the World Business Council for Sustainable Development (WBCSD); and the work of Carbon Tracker Initiative on climate-related risks to the upstream oil and gas sector.

The results of the review were considered in detail by the Management Team and the Board, the main findings are described herein.

The table below sets out where you can find Tullow's TCFD disclosures throughout Tullow's 2019 Annual Report and Accounts:

Index to disclosures aligned to recommendations of the Taskforce on Climate-related Financial Disclosures		
<b>Governance:</b> Disclose the organisation's governance around climate-related risks and opportunities		Page
(a) Describe the Board's oversight of climate-related risks and opportunities	Board Committees Governance and risk	42–43 35
(b) Describe management's role in assessing and managing climate-related risks and opportunities	Governance and risk Sustainability Board activities during 2019	32 25 57
<b>Strategy:</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material		
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Principal risk Market outlook	35 11
(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Principal risk	35
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios	2019 climate change considerations for our business	17 & 28
<b>Risk management:</b> Disclose how the organisation identifies, assesses and manages climate-related risks		
(a) Describe the organisation's processes for identifying and assessing climate-related risks	Governance and risk	32
(b) Describe the organisation's processes for managing climate-related risks	Principal risk	35
(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Governance and risk	31–33
<b>Metrics and targets:</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Reporting on our emissions	28
(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Reporting on our emissions Key performance indicators	28 28
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Sustainability: environmental stewardship	28

## Physical risks

Tullow commissioned analysis from research firm Verisk Maplecroft on the long-term physical risks to the main host countries, Ghana, Kenya and Guyana, where Tullow operates. The analysis considered future climate scenarios to 2050 based on the Representative Concentration Pathways developed by the Intergovernmental Panel on Climate Change (IPCC). Climate change is expected to lead to rising temperatures and changes to rainfall patterns in all three countries. Tullow is reviewing its response to the increased risk that changing weather events presents to both our assets and our people.

## Transition risks

Tullow has identified several categories of risk to its business from the decarbonisation of the global economy: market; reputational; technology; regulatory, policy and legal; and financial risks from access to and cost of capital.

### Market risks

Include changes in supply and demand for Tullow products, increased competitive pressures, the repricing of carbon-intensive assets and more rapid asset impairment. Tullow recognises the long-term risk to the oil and gas industry of assets becoming 'stranded' as and when the global economy decarbonises but does not see this as a risk to Tullow's current production plans.

### Reputational risks

May arise from failure to mitigate the carbon intensity of Tullow's business, targeted shareholder activism and divestment campaigns, or as a consequence of declining brand value, loss of revenue or declining access to and cost of finance.

The Company's reputation may also suffer internally if employees become frustrated that Tullow is not proactively addressing energy transition or climate change issues.

### Technology risks

Include competitors' adoption of technology to improve energy efficiency and lower the carbon intensity of their assets and competitors' diversification of their business models using new technologies including carbon capture, utilisation and storage, as well as investment into renewables.

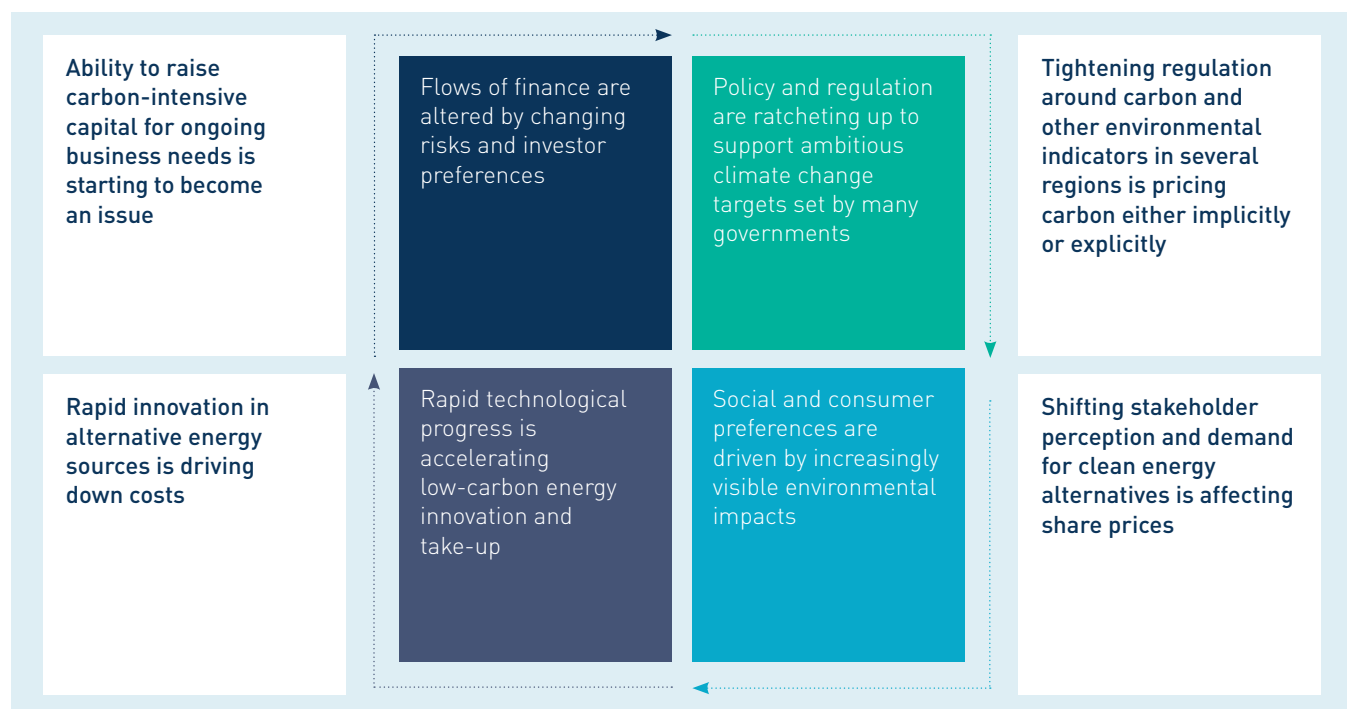
### Regulatory, policy and legal risks

Include new limitations on Tullow's ability to carry on its business or implement its strategy from new climate change legislation and regulation, locally in the host countries in which we operate. These risks may also come from international measures to limit use of fossil fuels or curtail GHG emissions, increased costs from complying with new regulations, such as carbon taxes; restrictions on the use of carbon-intensive assets; enforced stranding of assets, and legal action against Tullow from communities or stakeholders that hold Tullow accountable for contributing to climate change or climate-related impacts.

### Financial risks

Including access to and cost of capital, may arise from a reduced willingness by financial institutions and investors to continue to provide financing due to a perception that risks to the oil and gas sector, or to Tullow's exploration and production strategy in particular, are increasing.

The following diagram highlights some of the key risks:



## Scenario analysis

As recommended by the TCFD, Tullow has employed scenario analysis to stress test the resilience of its business strategy. The possible future scenario most commonly used by oil and gas companies is the Sustainable Development Scenario (SDS) modelled by the International Energy Agency (IEA) set out in its World Energy Outlook. This scenario is the most stringent of the three main scenarios and is consistent with achieving the goals of the Paris Agreement. Tullow has stress tested the resilience of its existing and planned oil exploration, development and production portfolio against the IEA's SDS as well as the Stated Policies Scenario, which incorporates today's specific policy initiatives that have already been announced.

Tullow has also reviewed the more demanding scenarios described by the IPCC in its October 2018 special report on limiting global warming to 1.5°C<sup>2</sup>. These would require more rapid decarbonisation of the global economy than under the existing IEA scenarios but do not include specific projections for future oil demand and prices. Tullow is aware that the IEA is under pressure to produce a 1.5°C-aligned scenario and will consider using this scenario in future stress testing once it is published.

In response to the findings of the TCFD analysis the Board and Management Teams have included a KPI in the 2020 Scorecard, which links both executive pay and employees' performance related pay to developing an Energy Transition strategy in 2020 for Tullow to achieve net zero Scope 1 and 2 emissions from its operations.

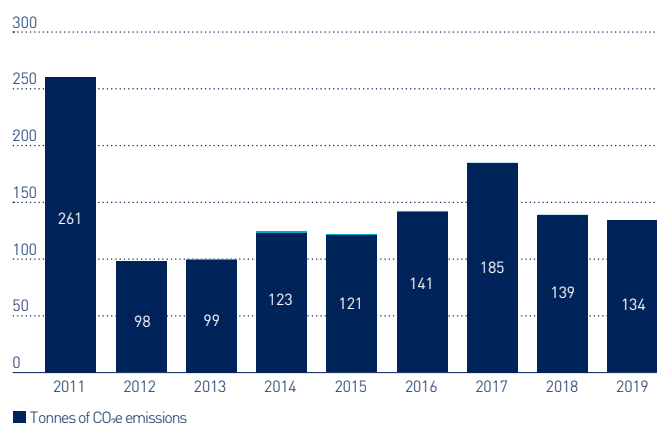


Discover more about Insights from TCFD scenario analysis on page 17

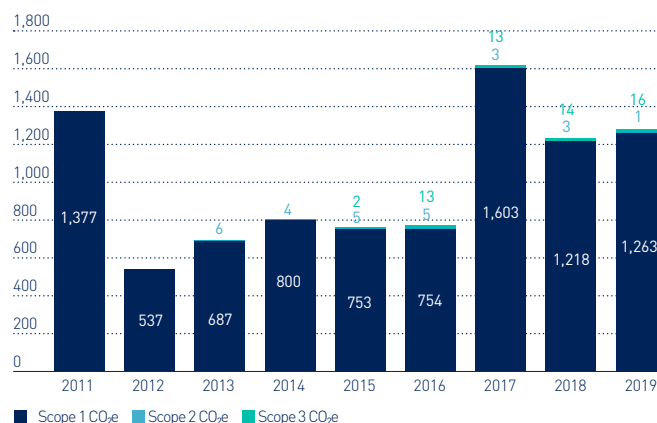
## Greenhouse gas emissions

Tullow's total Scope 1 emissions in 2019 were 1.26 million tonnes of CO<sub>2</sub>e (2018: 1.22 million tonnes) a 3.7 per cent increase on 2018, mainly due to drilling campaigns with the Stena Forth and Maersk Venturer rig and also due to seismic and exploration activity in Guyana and The Comoros, and the Early Oil Pilot Scheme in Kenya. Despite this increase we realised a 3.6 per cent reduction in emissions intensity relative to production, from 139 tonnes (2018) to 134 tonnes (2019) of CO<sub>2</sub>e per 1,000 tonnes of hydrocarbon produced.

### Tonnes of CO<sub>2</sub>e emissions per 1,000 tonnes of hydrocarbon produced



### Scope 1 total air emissions 1,000 tonnes of CO<sub>2</sub>e



- <https://www.iea.org/reports/world-energy-outlook-2019>.
- <https://www.ipcc.ch/sr15/>.

## Equality and transparency

**\$953m**

Total socio-economic contribution

**38%**

Female Board representation

### Ethical behaviour

We have zero tolerance for bribery, corruption and other forms of financial crime and this position is strongly reinforced by Tullow's Management and Board. Our current Code of Ethical Conduct (the Code) demonstrates the Company's clear position on lobbying and advocacy, prevention of the facilitation of tax evasion, anti-slavery and GDPR.

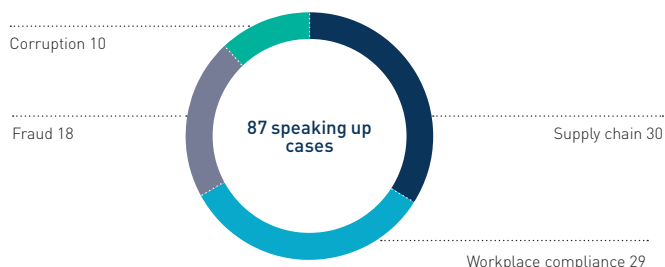
We require those who deliver services to us, or who act on our behalf, to abide by the Code and meet the requirements of specific business ethics and compliance clauses in their contracts. This ensures that third parties do not cause us to breach our own Code. Prior to awarding contracts, we conduct risk-based third-party due diligence to assess risks related to ownership structure, anti-bribery and corruption, sanctions, trade restrictions, human rights and labour conditions. In 2019, we further improved these due diligence processes.

Our Code guides the way we work and builds a culture of ethics and compliance. During 2019, we relaunched the annual eLearning on the Code to all staff. This focused on raising awareness of key issues such as due diligence and human rights, diversity and inclusion, and the importance of employee wellbeing.

All staff completed our annual Code certification process.

In 2019, we saw an increase in speaking up cases from 66 in 2018 to 87 in 2019. We had 10 of these submitted via our confidential speaking up line, Safecall. We investigated all reported possible or actual breaches of the Code and, in 2019, nine people left the Group or had their contracts terminated.

### Speaking up

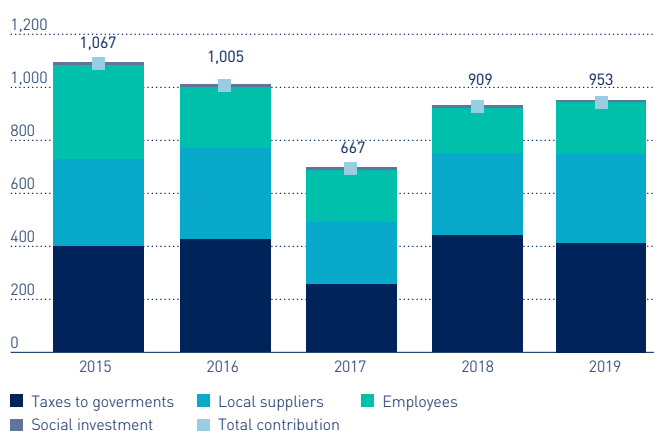


### 2019 total socio-economic contribution

Our payments to governments, including payments in kind, amounted to \$413 million in 2019 (2018: \$432 million).

Total payments to all major stakeholder groups including employees, suppliers and communities, as well as governments, brought our total socio-economic contribution to \$953.2 million (2018: \$909.2 million). In addition to payments to governments, this included \$336.2 million spent with local suppliers, \$199.6 million in payroll globally and \$4.4 million in discretionary spend on social projects. Our total payments made to the Ghanaian Government in 2019 amounted to \$270 million (2018: \$270 million).

### Total socio-economic contribution 2015–2019 by beneficiary \$million



### Supporting our people through the organisational change

At the end of 2019, Tullow's Management Team initiated a Business Review which involved the restructuring of the organisation to drive cost efficiency and effectiveness. This resulted in c.35 per cent headcount reduction and the proposed closure of both the Cape Town and Dublin offices.

Tullow ensured that through the process people were treated fairly and with respect. Where appropriate, suitable notice periods were provided and representative bodies were consulted. The process used objective and appropriate selection criteria for redundancies and ensured no discrimination via the selection process on the basis of gender, race, age or the raising of past concerns. In all markets, Tullow's severance payments exceeded statutory minimums and employees were provided with access to support and counselling via employee assistance and career transition programmes.

## Our people

### People and performance

Tullow is committed to developing our people to ensure they have the right skills and experience to deliver our strategy and have fulfilling roles and rewarding careers.

### Inclusion and diversity

We believe that an inclusive culture and diverse workforce are critical to maintaining a successful and sustainable business. We value the rich diversity, skills, abilities and creativity that people from different backgrounds and experiences bring to the Company.

Our diversity and inclusion plans focus on achieving a gender and nationality mix that is representative of the countries in which we operate, with a focus on increasing the number of Africans and women in leadership roles. In 2019, we focused on raising awareness of diversity and inclusion and manager training and on attracting diverse candidates through changes to our recruitment processes. This included using inclusive, gender neutral language and using diverse panels for interviewing to help to avoid potential unconscious bias.

Gender diversity	2017	2018	2019
Board diversity	11% (1/9)	13% (1/8)	<b>37.5%</b> <b>(3/8)</b>
Leadership diversity	25% (2/8)	25% (2/8)	<b>25%</b> <b>(1/4)</b>
Senior Management diversity	15% (10/65)	21% (14/68)	<b>20%</b> <b>(12/61)</b>
Workforce diversity	30% (313/1,030)	31% (303/990)	<b>32%</b> <b>(305/951)</b>

### Gender pay

We continue to report on the gender pay gap in the UK as required by law, showing a gap of 43 per cent at median rates in 2019, which is an improvement of 3 per cent on our result in 2018. We face an ongoing challenge to recruit and promote qualified and experienced women in technical roles in the oil and gas sector, and this has resulted in a higher proportion of men in senior roles. For our full 2019 Gender Pay Gap Report, go to our website.

### 2019 pay and bonus gaps

	Women's hourly rate		Women's bonus pay	
	2018	2019	2018	2019
Lower (mean)	39%	<b>35%</b>	48%	<b>44%</b>
Lower (median)	46%	<b>43%</b>	48%	<b>46%</b>

### 2019 pay quartiles

	Men		Women	
	2018	2019	2018	2019
Top quartile	90%	<b>89%</b>	10%	<b>11%</b>
Upper middle quartile	88%	<b>83%</b>	12%	<b>17%</b>
Lower middle quartile	62%	<b>62%</b>	38%	<b>38%</b>
Lower quartile	51%	<b>52%</b>	49%	<b>48%</b>

### Percentage received bonus pay

	Men		Women	
	2018	2019	2018	2019
	94%	<b>95%</b>	97%	<b>96%</b>

### Employee engagement: the Tullow Advisory Panel (TAP)

The TAP is a global workforce advisory group created to enable meaningful and regular dialogue between the workforce and the Board. Tullow's people are key stakeholders of the Company and the purpose of the TAP is to provide an opportunity for the Board to understand and take into consideration the interests of the workforce as it makes decisions for the long-term success and sustainability of the Company.

The UK Corporate Governance Code invites the boards of listed companies to become more engaged with their workforce either by the appointment of a director to the Board from the workforce, by designating one of the existing non-executive directors to represent the workforce at the Board or by the formation of a formal workforce advisory panel. Tullow has chosen the latter of these options to complement its existing engagements as it believes this will have the widest reach across the Group's office locations, enabling and promoting a higher degree of engagement from staff.

The TAP provides an opportunity for the workforce to raise issues directly with the non-executive directors and helps the Board in monitoring and assessing our corporate culture and behaviours. The TAP is intended to benefit the Group by promoting trust between staff, management and the Board, communicate more clearly and ensure staff and the Board are aligned with the Group's purpose, strategy and values.

The TAP is comprised of twelve representatives from across London, Accra, Cape Town, Kampala and Nairobi and these individuals are supported by up to 30 members of the workforce sitting on local panels in each of these locations. The local panels gather and provide feedback to their TAP representatives. The TAP will meet with different non-executive directors at least twice a year. However, since the management changes announced in December 2019, the Executive Chair is meeting with the TAP regularly until a new CEO is appointed, to ensure the Board is informed of employee concerns as the Business Review is worked through and implemented.

Standing discussion items may include the Group's purpose and strategy, values, culture and behaviour, the policies and practices concerning remuneration as well as any other emerging trends or concerns. The inaugural TAP meeting with the Board took place in November 2019 and was attended by the then non-executive Chair and CFO. The TAP and the Board engaged on such matters as the Group's safety record, the accountability and visibility of Executive Management, external market communications, the growth strategy and the status of major projects and organisational structure in both Kenya and Ghana.

# We proactively manage risks

We recognise that effectively managing risks and opportunities is essential to our long-term success and is fundamental in helping us achieve our strategic objectives and protecting long-term shareholder value. Together, our organisational structures, processes, standards, values and behaviours form a robust integrated internal control system that helps proactively manage our key risks.

## Risk oversight and governance

The Board is responsible for ensuring Tullow maintains an effective risk management and internal control system. Tullow's Management Team are responsible and accountable for overseeing and monitoring risks that fall under their remit.

The Board is responsible for overseeing the principal and enterprise-level risk identification, assessment and mitigation process and undertakes a semi-annual assessment of the risks facing the Company, including those risks that could

threaten our business strategy, operating model, future performance, solvency and liquidity.

The tone for risk management is driven by the Board, which works closely with the Management Team to review Tullow's risk portfolio, monitor any emerging risks, carry out deep-dive reviews on selected principal risks and better understand how risks are being managed across the Company. Tullow's risk governance framework is illustrated below:

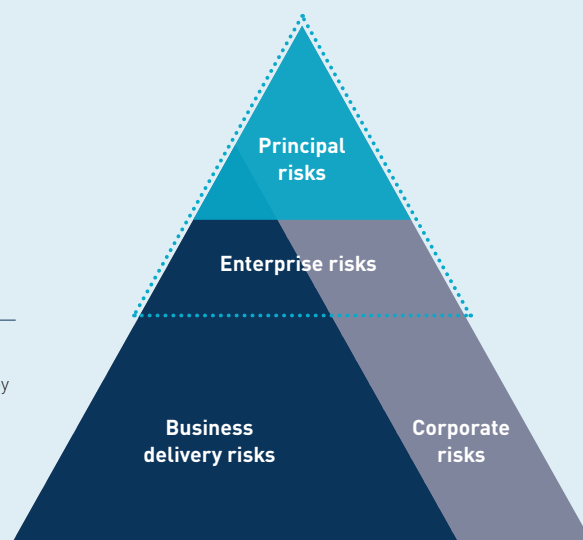
### Tullow risk governance framework:

#### Board

- Oversees identification, assessment and response to principal risks (annual planning)
- Determines risk appetite
- Monitors effectiveness of risk management process (delegated to Audit Committee)

#### Business leadership

- Ensures compliance with standards set by Heads of functions
- Identifies and assesses their respective business delivery risks (at least annually)
- Ensures effective risk mitigation actions are planned
- Monitors effectiveness of risk mitigation and response plans (quarterly)



#### Management team

- Identifies and assesses enterprise risks and principal risks
- Monitors effectiveness of risk reduction actions for those risks
- Monitors risk portfolio with a deep-dive into selected key risks (quarterly)
- Decides which enterprise risks, in addition to principal risks, require the Board to periodically review in detail

#### Heads of functions

- Set standards for managing risks in their respective functional areas
- Identify and assess their respective corporate risks (at least annually)
- Ensure effective risk mitigation actions are planned
- Monitor effectiveness of functional risk mitigation and response plans (quarterly)

### Categories of principal risks



#### Integrated Management System (IMS)

A robust Integrated Management System (IMS) is core to how we run our business and how we approach corporate governance and risk management. The IMS sets out all mandatory policies, standards and controls necessary to manage our activities and associated risks. Robust risk, assurance and performance management processes enable us to manage the opportunities and risks in all our activities and respond to our stakeholders' concerns.

#### In focus: key risk – Climate change

During the 2018 risk identification and assessment process, Tullow recognised climate change as a potential emerging risk and assessed it as low risk. However, during the 2019 annual top-down risk reassessment process, the Management Team identified it posed an increased risk and the Board then examined the issue in detail at its annual strategic off-site meeting. The potential impacts from evolving policy, regulation and taxes related to climate change, as well as the shift in oil demand resulting from the acceleration towards renewable sources of energy on Tullow's business, led to climate change and energy transition being assessed as a key risk. Responsibility and accountability for this enterprise-level risk has been assigned to the Executive Chair to reflect the strategic and fundamental challenges and opportunities that managing climate change and energy transition-related risks present to our business. We recognise that risks associated with climate change are multi-faceted and interconnect with most of Tullow's other defined categories of principal risk, including strategy, stakeholder, EHS or security, financial and organisation, and as a result, the Management Team will be supported by other leadership members in mitigating this risk.

#### Risk management process

Our risk management framework provides a systematic process for the identification, assessment and management of the key risks and opportunities which may impact the delivery of Tullow's strategic objectives. This framework promotes a bottom-up approach to risk management with top-down support and challenge.

Risk registers are maintained at each layer of the organisation and capture key risks facing Tullow. These are assessed at both an inherent and residual level, against two scales:

- according to their likelihood over a five-year period; and
- their potential consequence to Tullow in terms of safety, reputation, financial, legal and regulatory impact.

Each risk in the risk register has a dedicated assigned risk owner who is responsible for reviewing and reassessing them at least on a quarterly basis to evaluate the strength of existing controls and mitigating actions and determine whether additional risk reduction actions are needed to reduce the risk level further to within the risk appetite set by the Board. Tullow recognises that risk cannot be fully eliminated and that there are certain risks the Board and/or the Management Team will decide that they are happy to accept when pursuing strategic business opportunities. However, these decisions are made at an appropriate authority level and reflect Tullow's defined risk appetite.

Risk registers at the project and business functional level are consolidated upwards to formulate the key risks that the Management Teams are responsible and accountable for managing through their quarterly performance reviews.

Tullow's leadership undertakes a bottom-up review of the key risks faced by the business, including any emerging risks. The risks are further consolidated upwards resulting in the identification of key risks which are termed enterprise-level risks. These can be a single risk, or a set of aggregated risks which, taken together, are significant for Tullow. This regular bottom-up process is supported by an annual top-down assessment with the participation of the Management Team that enables adequate risk information flow from the Business units to the Board, and from the Board down to the Business units.

A member of the Management Team has ownership and accountability for stewardship of each of the enterprise-level risks. Additionally, the Management Team reviews and discusses enterprise-level risks on a quarterly basis and assures that mitigations are being effectively executed within the agreed timeframe by the accountable person.

The enterprise-level risks that the Board considered to have a significant enough impact during our planning horizon have been identified and categorised under one of the eight principal risk categories outlined on pages 34 to 36.

We are aware that other risks could emerge in the future (such as the financial impact from Brexit or the operational and safety impact from the Coronavirus, COVID-19) and if these risks are not successfully managed our cash flow, operating results, financial position, business strategy and reputation could be materially adversely affected. However, we are confident that we have a good risk management process in place to ensure these are identified in a timely manner and dealt with effectively.

## Risk management framework



### Risk appetite

The Board sets Tullow's risk appetite and acceptable risk tolerance levels for each of the eight principal risk categories and has reviewed the strategies devised by the Management Team to mitigate them. In considering Tullow's risk appetite, the Board has reviewed the risk process, the assessment of enterprise-level risks and the existing controls and mitigating actions that drive towards residual risk. During this process, the Board articulated which risks Tullow should not tolerate, which should be managed to an acceptable level and which should be accepted in order to deliver our business strategy.

The risk appetites are embedded into the Tullow IMS to ensure they are available to the whole organisation and can be used in development of all IMS policies and standards and in business decision making. Risks continue to be managed or monitored by senior management, with oversight by the Management Team. The risk appetite is reviewed at least annually by the Board to ensure that it reflects the current external and market conditions.

### Integrated assurance planning

Coordinated assurance activities are planned on an annual basis between Internal Audit, Heads of functions and Business leadership to align with key risks and to ensure the right level of assurance across Tullow. Heads of functions coordinate the assurance requirements for their respective functions, based on their key risks, internal/external changes, control failures and historical issues.

Responsibility for assurance activities are clearly articulated for each of the three lines of defence illustrated opposite.

## Lines of defence

Business leadership (FIRST)

Heads of functions (SECOND)

Internal Audit (THIRD)

## Nature of assurance

### Business leadership (ownership and management of risk)

- Own and manage business risks. Implement and execute controls in business. Monitor risks and control at business level.
- Assurance provided through self-reviews and focused assurance reviews.
- Projects – implement and execute controls at site/project level. Monitor risks and controls at site/project level.

### Heads of functions (risk management and oversight)

- Set functional standards (minimum controls) and monitor compliance with them.
- Provide challenge at key decision points (life cycle value chain, business plans, budgets, contracts, transactions).
- Own and manage functional risks. Implement and execute controls. Monitor risks and controls across the business.
- Assurance provided through periodic reporting and focused reviews.

### Internal Audit (independent assurance)

- Provide independent assurance of respective governance, internal control systems and controls across all levels of the business.
- Assurance provided through risk-based internal audits.

Business leadership act as the first line of defence and are responsible for ensuring their key risks are being managed effectively and that adequate controls are in place to manage those risks. This is done primarily through self-assessment reviews and focused assurance.

Heads of functions act as a second line of defence and as well as setting functional standards are responsible for ensuring compliance with them. They obtain assurance through periodic reporting and focused assurance reviews. They are also responsible for identifying and managing risks that fall under their remit.

Internal Audit acts as the third line of defence and is responsible for providing independent assurance through its risk-based internal audit programme.

Tullow's risk management and assurance processes provide the Board and the Management Team with reasonable, but not absolute, assurance that our assets and reputation are protected.

## Governance and risk management continued

Strategy risk		Link to KPI/scorecard – Pursuing our vision, growing our business and business delivery	
Risk of inability to make new significant oil discoveries and replenish exploration and subsurface portfolio		Risk owner: Mark MacFarlane	
Risk details	Risk mitigation and 2019 outcomes		
<ul style="list-style-type: none"><li>- Tullow owns exploration prospects and seeks to replenish its exploration portfolio in Africa and South America.</li><li>- Factors that influence access to new acreage and successful exploration include obtaining accurate drilling and seismic data, maturity of the oil industry in the countries in which it wishes to invest, and developing good relationships with key stakeholders.</li><li>- Failure to make new significant oil discoveries and replenish our exploration and subsurface portfolio will reduce our ability to grow the business and could ultimately result in significant exploration and capital write-offs.</li></ul>	<ul style="list-style-type: none"><li>- High grading of our exploration portfolio.</li><li>- Disciplined capital allocation model and financial risk sharing with our Joint Venture Partners.</li><li>- Focus on exploration prospects with clear and short-term routes to commercialisation.</li><li>- The Jethro-1 and Joe-1 Guyana wells were executed within budget, however are not commercial discoveries.</li><li>- Geophysical operations were conducted on time and to budget in Africa and South America.</li><li>- Risk sharing was actioned in Suriname and Côte d'Ivoire.</li><li>- New acreage was added in Peru, Argentina and Namibia.</li><li>- Exits were actioned in Zambia, Mauritania, Jamaica and Uruguay.</li></ul>		
Risk of failure to deliver commercially attractive and timely development projects		Risk owner: Mark MacFarlane	
Risk details	Risk mitigation and 2019 outcomes		
<ul style="list-style-type: none"><li>- Tullow has progressed the Kenya project into the Define stage, which precedes the Final Investment Decision (FID). The work done so far through the Early Oil Pilot Scheme (EOPS) and the earlier appraisal programme has significantly reduced the risk to the project.</li><li>- Factors that influence the successful delivery of the Kenya project and reaching FID by end of 2020 are dependent on government support to deliver access to land, water and the offloading berth currently being built at Lamu Port and successful EPC tenders for the upstream facilities and pipeline. Failure to achieve this may result in higher than anticipated costs leading to the project not being economically viable at current oil prices.</li><li>- Failure of the Ugandan Sale and Purchase Agreement to Total and CNOOC to close due to unacceptable tax interpretation from the Government has delayed a farm-down of the Uganda asset.</li></ul>	<p><b>Kenya</b></p> <ul style="list-style-type: none"><li>- EOPS has de-risked reservoir performance and has demonstrated the ability of Kenya to export oil with the first oil cargo sold in 2019.</li><li>- Focused community, national and county government engagement.</li><li>- Midstream ESIA submitted in Q4 2019, Upstream ESIA to be submitted in Q1 2020.</li><li>- Heads of Terms that define the Commercial Framework signed by the Government in Q3 2019.</li><li>- Long Form Agreements submitted to the Government in Q4 2019.</li><li>- Land acquisition process started by the Government in Q4 2019.</li><li>- Equity sell down process started in Q4 2019.</li><li>- Ongoing discussions with key stakeholders to align on key FID milestones and prerequisites.</li></ul> <p><b>Uganda</b></p> <ul style="list-style-type: none"><li>- The farm-down in Uganda to Total and CNOOC lapsed in August 2019 following the expiry of the SPA due to unacceptable tax interpretation from the Government.</li><li>- Alternative sales process to commence in 2020.</li><li>- Renewed engagements with Joint Venture Partners to commercially and legally de-risk the project before further significant capex is spent.</li></ul>		

Stakeholder risk		Link to KPI/scorecard – Growing our business, business delivery and shared prosperity	
Risk of disruption to business due to political/regulatory influence in Ghana		Risk owner: Mark MacFarlane	
Risk details	Risk mitigation and 2019 outcomes		
<ul style="list-style-type: none"><li>- Tullow has invested material amounts of capital in Jubilee and TEN assets in Ghana and continues to invest in the ongoing operations and new growth.</li><li>- However, the value of our investments may be eroded by factors such as the regular fiscal demands from governments which contradict the existing tax legislation and/or Petroleum Agreements.</li></ul>	<ul style="list-style-type: none"><li>- Stabilisation clauses in all our Petroleum Agreements.</li><li>- Non-technical risk standard sets minimum stakeholder management requirements.</li><li>- Tax advice taken and regular engagement with key senior Government personnel (e.g. HE The President, Minister of Energy, Minister of Finance) and institutions (Petroleum Commission, GNPC) to align on business and shared prosperity outcomes.</li><li>- Ongoing engagement with newly formed Upstream Petroleum Chamber and Government to understand changes to oil industry regulations.</li></ul>		

Climate change risk		Link to KPI/scorecard – Pursuing our vision and sustainability
Risk of failure to manage impact of climate change arising from evolving policy, regulation and carbon taxes		Risk owner: Dorothy Thompson
Risk details	Risk mitigation and 2019 outcomes	
<ul style="list-style-type: none"> <li>- Failure to manage the impact of climate change arising from evolving policies and increased volatility and downside risk in oil prices could affect the commerciality of our portfolio, lead to loss of licence to operate and result in limited access to/increased cost of capital.</li> <li>- Factors that will help to address climate change risks may include changes to strategy to align with the energy transition and changes to policies to accommodate global shift in demand for renewable sources of energy.</li> <li>- Risk mitigation could include a more aggressive and dynamic approach to hedging oil price risk.</li> </ul>	<ul style="list-style-type: none"> <li>- Cross-functional team established to address recommendations of TCFD and identify opportunities to reduce carbon emissions across our operations and/or investment in nature-based carbon sinks to offset emissions impact.</li> <li>- Enhanced climate disclosure in our Annual Report.</li> <li>- Alignment with and support for host government's Nationally Determined Contributions.</li> <li>- Regular stress testing on portfolio to ensure resilience to IEA's Sustainable Development Scenario (see Chief Financial Officer's statement page 17).</li> <li>- Target top-quartile ESG performance vs peer group.</li> </ul>	

EHS or security risk		Link to KPI/scorecard – Business delivery
Risk of major process safety, EHS incident or production failure on KNK (Jubilee and TEN FPSOs)		Risk owner: Mark MacFarlane
Risk details	Risk mitigation and 2019 outcomes	
<ul style="list-style-type: none"> <li>- Due to the nature of our operations, there is always the risk of a major incident resulting in fatalities, and/or extensive damage to facilities, the environment or communities.</li> <li>- Factors that contribute to such risks arise from poor maintenance of safety-critical equipment on board our Jubilee/TEN FPSOs, ineffective EHS procedures, competence of personnel and/or lack of training.</li> </ul>	<ul style="list-style-type: none"> <li>- Independently verified safety cases to demonstrate risks reduced to As Low As Reasonably Practicable and to ensure Tullow maintains an excellent EHS track record.</li> <li>- Asset and well integrity maintenance with regular assurance over FPSO systems and asset integrity.</li> <li>- Comprehensive all-risk insurance in place.</li> <li>- Jubilee safety case re-issued.</li> <li>- TEN FPSO shut down for maintenance and inspections.</li> <li>- Jubilee asset integrity programme Phase 1 completed.</li> <li>- Comprehensive assurance over computerised maintenance management system project initiated.</li> <li>- Re-aligned responsibilities and accountabilities over FPSO operatorship with MODEC.</li> </ul>	

Financial risk		Link to KPI/scorecard – Business delivery
Risk of insufficient liquidity and funding capacity		Risk owner: Les Wood
Risk details	Risk mitigation and 2019 outcomes	
<ul style="list-style-type: none"> <li>- Tullow remains exposed to erosion of its balance sheet and revenues due to oil price volatility, unexpected costs arising from operational incidents, failure to complete portfolio options or inability to refinance (refer to Going Concern disclosure on page 20 and Viability Statement disclosure on pages 36–37).</li> </ul>	<ul style="list-style-type: none"> <li>- Operations reset to be viable in a low oil price environment.</li> <li>- Board approved two-year oil hedge programme with downside protection and access to upside.</li> <li>- Range of high-quality assets that could be sold as part of portfolio management to unlock capital and pay down debt.</li> <li>- Comprehensive insurance programme in place.</li> <li>- Leverage targets and minimum headroom policy approved by the Board.</li> <li>- 2019 year-end undrawn facility headroom and free cash of \$1.2 billion; net debt of \$2.8 billion; and net debt/EBITDAX of 2.0 times.</li> <li>- c.60 per cent of 2020 oil entitlement hedged at an average floor price of \$57/bbl (refer to viability statement disclosure).</li> <li>- Consideration of Going Concern and Viability Statement provided on pages 20, 36–37 respectively.</li> </ul>	

## Governance and risk management continued

Organisation risk		Link to KPI/scorecard – Business delivery and progressive organisation
Risk that the organisational model, people strategy and culture do not support strategy		Risk owner: Ian Cloke
Risk details	Risk mitigation and 2019 outcomes	
<ul style="list-style-type: none"> <li>- Tullow's success depends on the quality of talent it can attract and retain, a strong ethically minded and performance-focused culture and a clear fit-for-purpose organisational model, which enables the delivery of Tullow's strategy.</li> <li>- Tullow may be unable to maintain or improve operational performance and pursue growth if the Company is unable to maintain, evolve and sustain its organisational capabilities, particularly at a time of significant organisational change.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular review of organisational model to support delivery of strategic objectives. A review of the business is currently ongoing.</li> <li>- Smart working rolled out and embedded.</li> <li>- Enhanced talent identification process through people forum process.</li> <li>- Diversity targets introduced and being monitored.</li> <li>- Total compensation benchmarking review considering gender and equal pay.</li> </ul>	

Conduct risk		Link to KPI/scorecard – Business delivery
Risk of major breach of business conduct standards		Risk owner: Les Wood
Risk details	Risk mitigation and 2019 outcomes	
<ul style="list-style-type: none"> <li>- Tullow operates in high-risk geographies defined by the Transparency International Corruption Index map and is required to comply with applicable regulation and legislation across a range of jurisdictions. Tullow maintains high ethical standards across its business, without which the Company could be exposed to increased risk of non-compliance with bribery and corruption legislation along with other applicable business conduct legislation and regulation and associated prosecutions and fines.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual employee eLearning and code certification process.</li> <li>- Due diligence standard and processes in place.</li> <li>- Misconduct and loss reporting standard and associated procedures reviewed and updated.</li> <li>- Developed a positive approach to GDPR investigations in alignment with the DPO.</li> <li>- Recorded and investigated 87 concerns raised, of which 76 cases are closed. Appropriate actions have been taken including employee dismissal (for serious breaches).</li> </ul>	

Cyber risk		Link to KPI/scorecard – Business delivery
Risk of major cyber or information security incident		Risk owner: Ian Cloke
Risk details	Risk mitigation and 2019 outcomes	
<ul style="list-style-type: none"> <li>- External cyber-attacks resulting in network compromise, network or industrial control system disruption and/or internal theft/loss of confidential information is an ongoing risk and continuously evolving.</li> </ul>	<ul style="list-style-type: none"> <li>- Advanced security operations centre in place providing 24/7 network and device monitoring.</li> <li>- Security awareness programme in place.</li> <li>- Joint Tullow/MODEC industrial control system security programme in place and progressing.</li> <li>- Corporate security programme in place and progressing.</li> <li>- Annual mandatory security and GDPR awareness training.</li> <li>- Staff susceptibility to phishing regularly tested.</li> </ul>	

## Viability statement

In accordance with provisions of the 2018 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 assessed the business over a number of time horizons for different reasons, including the following: Annual Corporate Budget (i.e. 2020), Two-year Forecast (i.e. 2020–2021), Five-year Corporate Business Plan (i.e. 2020–2024), Long-term Plan.

The Board conducted the review for the purposes of the Viability Statement over a three-year period. The three-year period was selected for the following reasons:

- in light of the current highly volatile market environment the Group considers the Group's facility and free cash headroom, debt: equity mix, and other financial ratios, over a three-year period as opposed to the five-year CBP period;
- the current contractual maturity of the Group's 2021 Convertible Bond and 2022 Corporate Bonds fall within a three year period, as such the three-year period is largely aligned with Tullow's funding cycle; and
- alignment with industry peers.

Notwithstanding this fact the Group will continue to monitor the business over all time horizons noted above.

As noted on page 20 in the Group's going concern assessment, utilising the annual business plan and considering the base assumption and a severe downside scenario, the Group continues to have headroom under its contractually committed facilities for the 12-month going concern assessment period. However, the Directors have identified that the Group's leverage could be above the RBL gearing covenant when calculated at 31 December 2020, which the Directors believe could be amended in advance as required which is both consistent with past practice and the reasonable expectation of the commercial interests of the counterparties involved. Furthermore the Board has plans to raise in excess of \$1 billion from portfolio management activities, including equity dilutions, farm-outs of exploration licences and asset sales in 2020.

On a longer-term basis, when considering the Viability Statement under the base assumptions and a combination of reasonably plausible, albeit severe, downside scenarios over the three-year period, the Group generates insufficient free cash flow to meet the contractual debt maturity profile of the RBL, as well as repay the 2021 convertible bonds and 2022 corporate bonds (which are assumed to require repayment at maturity). The projected liquidity shortfall arises after two years of the three-year period.

However, the Board plans to raise in excess of \$1 billion of proceeds from portfolio management, including equity dilutions, farm-outs of exploration licenses and asset disposals, in order to mitigate the potential risk, enable the Group to repay the \$300 million 2021 convertible bonds and the \$650 million 2022 corporate bonds and position it for future growth. Timely delivery of such portfolio management initiatives is required to support the Viability Statement conclusions. The Directors are confident that these can be delivered within the next two years and they therefore believe that the Group continues to be viable over the three-year assessment period.

Tullow's current long-term price assumption is \$65/bbl from 2024, materially in line with the IEA's Sustainable Development Scenario which projects a price of \$62/bbl by 2030. However, Tullow has also considered the impact of long-term oil prices declining to \$50/bbl on its exploration portfolio and its development and producing assets. The majority of prospects in its exploration portfolio remain commercially robust at that price but would result in a \$2.0 billion additional write-off or impairment as disclosed in notes 10 and 11 of the financial statements.

Principal risks*	Base assumption	Downside scenario
<b>Strategy risks</b>	Uganda: FID June 2022 with first oil 2026 and carry from FID. Kenya: minimum activity required to FID	No reasonably plausible financial exposure has been modelled
<b>Stakeholder risks</b>	Inclusion of financial exposure of all known risks assessed as "probable" of occurrence	Inclusion of financial exposure of all known risks assessed as 'possible' of occurrence
<b>Climate change risk</b>	n/a	Oil price: 2020: \$30/bbl, 2021 \$30/bbl 2022+: \$45/bbl
<b>EHS or security risks</b>	50/mean production and capex profiles	8 per cent reduction in production
<b>Financial risks</b>	Forward curve 2020 (\$38/bbl) and 2021 (\$43/bbl) followed by \$50/bbl 2022–2024  Contractual debt maturity profile of RBL and 2022 bonds (i.e. no refinancing)  No Conversion of convertible bonds and repayment at maturity (2021)	Oil price: 2020: \$30/bbl, 2021 \$30/bbl 2022+: \$45/bbl
<b>Organisation risk</b>	n/a	No reasonably plausible financial exposure has been modelled
<b>Conduct risk</b>	n/a	No reasonably plausible financial exposure has been modelled
<b>Cyber risk</b>	n/a	No reasonably plausible financial exposure has been modelled

\* For detailed information on risk mitigation, assurance and progress in 2019 refer to discussion of the detailed risks above.

This Strategic Report and the information referred to herein have been approved by the Board and signed on its behalf by:

**Dorothy Thompson**  
Executive Chair

11 March 2020

**Adam Holland**  
Company Secretary

11 March 2020

# A framework for corporate governance

As a UK-listed company Tullow Oil plc's governance policies and procedures are based on the Financial Reporting Council's UK Corporate Governance Code (the Code) and the Financial Reporting Council's Guidance on Board Effectiveness, both of which can be found at [www.frc.org.uk](http://www.frc.org.uk). This Directors' Report summarises how the Group has complied with the Code during the year ended 31 December 2019 and describes changes to the governance structure that took place before year end. The Code sets out how governance is achieved through the application of its five main principles and their supporting provisions:

- Board leadership and Company purpose;
- division of responsibilities;
- composition, succession and evaluation;
- audit, risk and internal control; and
- remuneration.

## Board leadership and Company purpose

The Board is accountable to shareholders and the Group's other stakeholders for the creation and delivery of long-term, sustainable operational and financial performance for the enhancement of shareholder and stakeholder value. The Board meets these aims through setting the Group's objectives, values and strategy and ensuring that the necessary resources are available to achieve the agreed strategic priorities. During 2019 the Group has been focused on being an Africa and South America focused, sustainable and progressive upstream exploration and production company whose purpose is to create shared prosperity through the exploration and development of oil and gas.

The Board operates through a governance framework with clear procedures, lines of responsibility and delegated authorities to ensure that strategy is implemented, and key risks assessed and managed effectively. These are underpinned by the Board's work to set the Group's core values, behaviours, culture and standards of business conduct and to ensure that these are clearly understood by the workforce, shareholders and other stakeholders.

The Board also ensures that there is sufficient engagement with the Group's stakeholders such that their views can be considered in Board decision making. The Group's stakeholders are divided into the following main groups: our investors, our host countries and their communities, our people, our business partners and our suppliers.

## Division of responsibilities

In our normal course of business the Chair is responsible for leadership of the Board and its overall effectiveness whilst the Chief Executive Officer is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy with the Executive Team<sup>1</sup>. One of the non-executive Directors has been selected by the Board to be the Senior Independent Director. The Board is fully satisfied that the Senior Independent Director demonstrates complete independence and robustness of character in this role. The Senior Independent Director is available to meet shareholders if they have concerns that cannot be resolved through discussion with the Chair or for matters where such contact would be inappropriate. In addition, during the year the Senior Independent Director meets with the other non-executive Directors, without the Chair present, to discuss the Chair's performance. The Chair meets regularly with the other non-executive Directors, without executives Directors present, to review Board discussions and engagement as well as the performance of the Executive Team.

The Chair offers governance meetings with shareholders at least once a year to receive their direct feedback. In line with the guidance issued by the Institute of Chartered Secretaries and Administrators (ICSA), the Board has approved formal terms of reference for a Committee of the Executive Directors. The separation of responsibilities between the Board and the Executive Team is clearly defined and agreed by the Board and is published on the Group's website.

Up to 9 December 2019, the Board consisted of seven independent non-executive Directors and three Executive Directors. The independent non-executive Directors consisted of an independent non-executive Chair, one Senior Independent Director and five independent non-executive Directors.



Read more about  
Stakeholder  
engagement  
on pages 46 and 47

1. Governance framework up to 9 December 2019.

## The Board of Directors

### Chair, Executive Directors, Senior Independent Director and non-executive Directors

The Board operates under the leadership of the Chair and is collectively responsible for setting the Company's strategy to deliver long-term value to shareholders and other stakeholders. The Board ensures the appropriate resources, leadership and effective controls are in place to deliver the strategy. The Board also sets out the Company's culture and values, monitors business performance, oversees risk management and determines the Company's risk appetite. The Board delegates some of its responsibilities to the Board sub-committees. The Board is accountable for the stewardship of the Company's business to the shareholders and other stakeholders.

### Audit Committee

Responsible for financial reporting, audit, internal control and risk management processes.

  
pages 48–53

### Nominations Committee

Responsible for Board composition, appointment of Directors and succession planning.

  
pages 54–55

### Safety and Sustainability Committee

Responsible for health, safety, environment, climate change, shared prosperity, security and business sustainability.

  
pages 56–57

### Remuneration Committee

Responsible for reward and compensation for Executive Directors, the Chair and Senior Managers and reviewing the remuneration arrangements of the workforce.

  
pages 58–79

## Executive Team<sup>1</sup>

### Chief Executive Officer, Chief Financial Officer, Exploration Director and five Executive Vice Presidents

The Executive Team operates under the leadership of the Chief Executive Officer and is responsible for the delivery and execution the Board's strategy as well as the day-to-day management of the Company's business including operational performance. The Executive Team is accountable to the Board.

1. Governance framework up to 9 December 2019.

The Executive Directors consisted of the Chief Executive Officer, the Chief Financial Officer and the Exploration Director. On 9 December 2019, the Chief Executive Officer and the Exploration Director resigned by mutual agreement and stepped down from the Board with immediate effect. The Board then appointed the Chair as Interim Executive Chair and initiated a search for a new Chief Executive Officer. The Executive Chair will lead the Group through this interim period until a new Chief Executive Officer has been appointed, whereupon the Executive Chair will revert back to the position of non-executive Chair of the Board.

As of 31 December 2019, the Board consisted of five independent non-executive Directors, a Senior Independent Director, an Executive Chair and one non-independent Executive Director (the Chief Financial Officer).

Also, in December 2019, the Executive Team was disbanded and a Management Team was formed in its place. The Management Team is led by the Executive Chair (with the support of the Company Secretary) and consists of the recently appointed Chief Operating Officer, the Chief Financial Officer,

one Executive Vice President and the Chief of Staff. The Management Team oversees the day-to-day operational matters of the Group and is carrying out a Business Review covering all areas of the business, its operations and cost base. The Management Team reports to the Board on these matters.

This temporary change in governance structure of the Group since December 2019 does not affect the roles of the other non-executive Directors. They have a broad range of business and commercial experience and provide independent and constructive challenge to the Executive Team and, latterly, the Management Team. They monitor the performance in implementing strategy and delivering the agreed objectives and targets.

The Board considers each of the non-executive Directors to be independent in character and judgement with no conflicts of interest. In addition, the Board is satisfied that all non-executive Directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties effectively. The Board is also of the view that no one individual or group of individuals dominates decision making.

## Directors' report continued

### Division of responsibilities continued

As part of the governance framework, the Board has delegated some of its responsibilities to four Committees: the Audit Committee, the Nominations Committee, the Safety and Sustainability Committee and the Remuneration Committee. The Board is satisfied that the Committees have sufficient time and resources to

carry out their duties effectively. Their terms of reference are reviewed and approved annually by the Board and the respective Committee Chairs report on their activities to the Board. The individual Committee terms of reference can be found on the Group's website. Director attendance at Board and Committee meetings is summarised in the following table:

 Committee Reports  
on pages 48–79

### Board and Board Committee attendance 2019

Director	Board (9)	Audit Committee (4)	Nominations Committee (5)	Safety and Sustainability Committee (4)	Remuneration Committee (6)
Paul McDade <sup>1</sup>	7				
Angus McCoss <sup>1</sup>	7			1 <sup>3</sup>	
Les Wood	9				
Dorothy Thompson	9		5	4	
Jeremy Wilson	9	4	5		6
Steve Lucas	9	4	4		
Mike Daly <sup>4</sup>	9		2	4	6
Sheila Khama <sup>2</sup>	7			3	
Genevieve Sangudi <sup>2</sup>	7	3			4
Martin Greenslade <sup>2</sup>	3	1			
Tutu Agyare <sup>1</sup>	2	1			2

1. Denotes Director(s) who were no longer Directors of the Company as at 31 December 2019.

2. Denotes Director(s) who joined the Company part way through the year.

3. Denotes Director(s) who ceased to be a Committee member part way through the year.

4. Denotes Director(s) who joined a Committee part way through the year.

The Board is supported and advised by the Company Secretary who ensures that it has the policies, processes, information, time and resources it needs for it to function effectively and efficiently. The Company Secretary is also responsible for ensuring compliance with all Board procedures and for providing advice to Directors when required. The Company Secretary acts as secretary to the Audit, Nominations, Safety and Sustainability and Remuneration Committees and has direct access to the Chairs of these Committees.

A programme of strategy presentations covering a wide number of operational and other strategic issues is made to the Board in June each year. In June 2019 the Board discussed in depth the Group's people and organisation, opportunities for organic growth within the subsurface portfolio and the Company's strategy for energy transition and sustainability. It also received presentations from the Company's brokers and defence advisers on the equity and other investment markets. During the year, the Board received presentations from Business Managers and reviewed and approved the Company's strategy. The Board also reviewed in detail the key risks facing the Company and agreed the Group's appetite for those risks.

In December 2019 following the downward revision of production guidance, the resignation of the Chief Executive Officer and the Exploration Director and the material drop in the Group's share price, the Board resolved to suspend the dividend policy and the Board meetings that took place focused on the Group's near-term business plan and budget, the governance structure, stakeholder engagement and initial proposals for the strategic reorganisation of the business.

The Board normally holds at least one Board meeting a year at an overseas office of the Group. These meetings provide the Board with deeper insights into the Company's operations and provides the Board with an opportunity to engage with the Group's stakeholders. Additional time is made for management to present to the Board on matters of strategic relevance, in-depth operational matters and key risks. In addition, opportunities are made for the Board to engage with a broad cross-section of the workforce. In 2019 overseas Board meetings were held at the Group's regional offices in Nairobi and Dublin.

### Composition, succession and evaluation

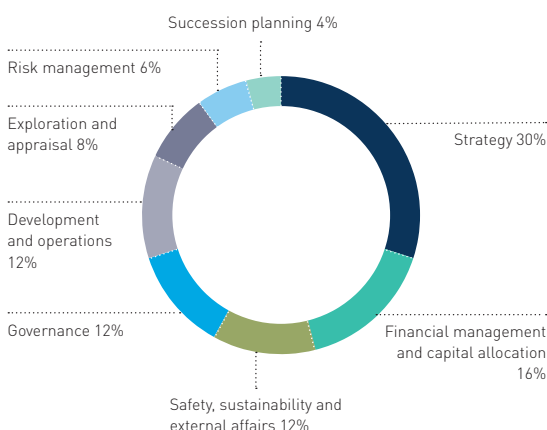
To ensure that serving Executive Directors and senior managers of the Company continue to possess the necessary skills and experience required for the strategy of the business, the Board has established a Nominations Committee to oversee the process of appointments and succession planning for Directors and other senior managers. The role of the Nominations Committee is critical in ensuring that the Group's Board and Committee composition and balance support both the Group's business ambitions and best practice in the area of corporate governance.

During 2019, there were a number of scheduled Board changes. In April, after almost nine years on the Board, Tutu Agyare stepped down as a non-executive Director, whereupon Genevieve Sangudi and Sheila Khama were appointed to the Board, both as non-executive Directors. In November, Martin Greenslade was also appointed a non-executive Director. In December, as referenced previously, there was an additional unscheduled change to the Board when Paul McDade and Angus McCoss resigned by mutual agreement. The Nominations Committee subsequently initiated a search for the recruitment of a new Chief Executive Officer.

Upon joining the Board, the three new non-executive Directors received induction programmes which were specifically designed to complement their background, experience and knowledge with a more detailed understanding of the upstream industry and other matters regularly discussed at the Board. The programmes included one-to-one meetings with senior management, functional leaders and visits to the Group's principal offices and operations. The new non-executive Directors also received an overview of their duties, corporate governance policies and Board processes.

Directors are initially appointed for a term of three years. All of the Directors will seek re-election at the next Annual General Meeting with the exception of Steve Lucas, who has served on the Board for eight years, and has indicated his intention to step down from the Board at the Annual General Meeting in April 2020. The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election or election of each of the Directors.

Board time (%)



 Nominations Committee Report on pages 54 and 55

As part of the ongoing evaluation of the Board's effectiveness, an external review of the Board was carried out during the latter half of 2019. The evaluation was carried out by Lintstock Ltd, which has no other connection with the Company, its Group or any of the Directors. The review required each of the Directors to submit anonymous responses to a series of questionnaires and undergo individual interviews to reflect on their performance and main areas under consideration by the Board and its Committees.

The evaluation reported a number of positive observations including that the Board shared a positive commitment to drive business success, including a shared commitment to the sustainability strategy and the energy transition. The review also found that the Board conducts its business in an environment where freedom of expression, diversity of opinions and challenge is both encouraged and accepted. In addition, the inclusion and diversity and the strong leadership of the Board was recognised. However, the review also found that the Board had some areas in which to progress further development including a clearer direction for the future growth of the business, to implement improvements in the accountability of performance management and to address the lack of a unanimous conviction that the organisational structure changes put in place in early 2019 would deliver the strategic goals set by the Board. The evaluation concluded that the Board needs to prioritise these issues during 2020 in order to rebuild investor confidence, grow the business and strengthen the balance sheet.

### Audit, risk and internal control

The Board has delegated responsibility to the Audit Committee to satisfy itself on the integrity of the financial statements and announcements on financial performance, overseeing the relationship with the external auditor and reviewing significant financial reporting and accounting policy issues.

The Audit Committee has also assumed responsibility for overseeing the Groups' internal audit programme and the process of identifying principal and emerging risks and ensuring that they are managed effectively. As part of that process, the company's internal financial controls and internal control and risk management systems are assessed annually.

The Directors acknowledge their responsibility for the Group's systems of internal control which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication and to comply with the requirements of the Code. Overall control is ensured by a regular detailed reporting system covering both operational and commercial performance and the state of the Group's financial affairs.

The Board has procedures for identifying, evaluating and managing principal risks that impact the Group and are regularly reviewed. Tullow recognises that any systems of risk management and internal control can only provide reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. However, the Board does seek to ensure that Tullow has appropriate systems in place for the identification and management of key risks, including emerging risks. In accordance with the requirements of the Code, the Board has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

### Safety and Sustainability Committee

In 2019, the remit of the Environment, Health and Safety Committee was broadened and renamed the Safety and Sustainability Committee. The Board has delegated to this Committee the responsibility and oversight of the Company's occupational and process safety, people and asset security, health and environmental stewardship. The Committee monitors performance and key risks associated with these areas. The Committee now provides oversight of the implementation of the Company's strategic priorities with respect to sustainability, namely: shared prosperity, responsible operations, environmental stewardship, and equality and transparency.

### Audit Committee

The Audit Committee will retain responsibility for oversight of the external audit of reserves and resources with Board governance strengthened by the nomination of a non-executive Director with appropriate technical expertise who will have responsibility for engagement with the Chief Petroleum Engineer on all matters relating to reserves and resources. The same nominated non-executive Director will be available to assist with technical concerns raised through the Company's confidential speaking-up service, Safe Call.

### Remuneration Committee

The policies and practices for determining the remuneration of the Executive Directors and the senior managers has been delegated to the Remuneration Committee. The principal role of the Remuneration Committee is to develop and maintain a Remuneration Policy that ensures Executive Directors and senior managers are rewarded in a manner that closely aligns with the successful delivery of the Company's long-term purpose and strategy as well as those of the shareholders and other stakeholders, including the workforce.

### Board oversight of climate change and disclosures in alignment with TCFD

has recognised that climate change and the decarbonisation of the global economy represent fundamental strategic risks to its business. Climate-related risks have, accordingly, been designated as an enterprise-level risk (and a distinct principal risk category) with the Board as a whole assuming direct responsibility for overseeing the identification and assessment of, and response to, these risks. Directors have responsibility for ensuring they remain sufficiently informed of climate-related risks to Tullow and the broader energy sector in order to be able to meet their fiduciary duties under the UK Companies Act 2006.

The Board will take particular account of the financial impact on Tullow's existing portfolio stemming from the risks of lower oil demand, lower oil prices and potential carbon taxes associated with scenarios aligned with the goals of the Paris Agreement. The Board will also use these scenarios to evaluate the commercial viability of new development projects and exploration campaigns.

The Board will monitor indications of any changes in Tullow's access to and cost of capital and debt, particularly stemming from shifts in investor sentiment towards the oil and gas sector related to climate change. The Board will agree Tullow's carbon management and performance, including



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targets for emissions reductions, as part of the establishment of the energy transition and net zero delivery plan in 2020. In addition, the Board will receive updates relating to host governments' energy transition and climate resilience plans as well as requests for support for private sector initiatives in those countries.

The main Tullow Board is supported by its four Committees – Audit, Nominations, Safety and Sustainability and Remuneration – to ensure governance related to climate change is implemented through the Company's existing governance structure.

#### Audit Committee

The Committee will assess and provide assurance of the financial impact of scenario analysis on our portfolio and ensure it is appropriately and transparently reflected in our financial disclosures including valuation of reserves.

#### Nominations Committee

The Committee ensures the Board and Executives have access to the relevant skills and capabilities to assess, address and report on exposure to climate change and the low carbon transition.

#### Safety and Sustainability Committee

The Committee has full oversight of Tullow's operational performance on carbon emissions management and how that performance translates into sustainability benchmarks and ratings scores, recognising the growing importance of these tools in investor decision making. In addition, the Safety and Sustainability Committee has broader oversight of Tullow's sustainability disclosure, ensuring it is balanced, complete and accurate.

The Executive Chair, Dorothy Thompson, is currently designated as the owner of climate-related risk. She is ultimately responsible for determining Tullow's strategic response to climate change and the energy transition, for identifying, assessing and managing climate-related risks and opportunities and for monitoring the progress of mitigation actions. She is supported in this by the other members of the Management Team.

The Management Team is responsible for reviewing the commercial resilience of Tullow's portfolio against the assumptions of the IEA, or other challenging, scenarios at least annually and evaluating the risks to the commercial viability of new development projects and exploration campaigns. The Management Team will also set and monitor targets established to improve climate performance and periodically review Tullow's mitigation of climate risks.

Climate change risks, opportunities and scenario assumptions (including oil demand, oil price, and carbon taxes) are considered and integrated into all stages of the business cycle and into financial accounting processes.

Each part of the business will evaluate climate-related risks and opportunities within their areas of responsibility, bearing in mind the cross-cutting nature of climate change risk which may affect other principal risk categories including strategy risk, stakeholder risk, EHS risk, financial risk, organisation risk and conduct risk.

#### Remuneration Committee

The Board approved the inclusion of an energy approved transition KPI in the 2020 scorecard, which aligns both executive pay and employees' performance related pay, which is to define and energy transition strategy in 2020 for Tullow to achieve net zero emissions (scope 1 and 2)



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#### Compliance

The Board is satisfied that the Group has complied in full with the Code during the year ending 31 December 2019, with the following exceptions:

- i. The Directors' Remuneration Policy, approved by shareholders in 2017, provides for Executive Director pension contributions, or payments in lieu, of up to 25 per cent of basic salary. This does not comply with Provision 38 of the Code which requires these contributions to be aligned with those available to the workforce. Provision 143 of the FRC's Guidance on Board Effectiveness acknowledges that it may not be practical to alter existing contractual arrangements and therefore the Remuneration Committee will propose, in a revised Remuneration Policy for new Directors to be presented at the Annual General Meeting in April 2020, that these arrangements be brought into line with those available to the workforce. For existing Executive Directors contributions will be adjusted so that they are in line with those available to the workforce by 1 January 2023.
- ii. The Directors' Remuneration Policy does not contain any formal policy for Directors' post-employment shareholding requirements as set out in Provision 36 of the Code. However, the revised Remuneration Policy to be presented at the Annual General Meeting in April 2020 will contain such provisions.
- iii. In contravention to Provision 9 of the Code, the roles of Chair and the Chief Executive Officer are currently being performed by Dorothy Thompson on an interim basis while the search for a new Chief Executive Officer is being conducted.

A search for a new CEO is currently underway. On appointment Dorothy Thompson will revert back to the position of Non-Executive Chair of the Board.

**Dorothy Thompson**  
Executive Chair

11 March 2020



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Safety and  
Sustainability  
Committee Report  
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## Board of Directors



N S

### Dorothy Thompson Executive Chair

Age: 59

Tenure: 1 year

Appointment: 2018

Independent: No

#### Key strengths

Executive leadership, public company governance and leadership, investor relations, corporate finance, accounting and audit, business development, risk management, technology and innovation.

#### Experience

Dorothy brings extensive leadership and governance experience to Tullow developed over a 35-year career in international business. Dorothy spent 12 years, until the end of 2017, as chief executive officer for Drax Group plc, the international power and energy trading company. Before joining Drax, Dorothy was vice president of the global independent power generation company InterGen Services Inc, managing its European business. Dorothy previously worked for PowerGen plc as head of project finance having started her career in development banking with the Commonwealth Development Corporation and the National Development Bank of Botswana, roles in which Dorothy gained significant experience in emerging markets in Africa. In addition, Dorothy spent nine years as a non-executive director of Johnson Matthey, a multinational specialist in the supply and innovation of sustainable technologies in the chemical industry, where she served on the audit, remuneration and nominations committees. Dorothy holds BSc (Hons) and MSc degrees in Economics from the London School of Economics and Political Science and was appointed a Commander of the Order of the British Empire in 2013 for services to the UK electricity industry.

#### Current external roles

Dorothy is currently a non-executive director of Eaton Corporation plc, an international power management company, where she chairs the governance committee and serves on the audit committee. In addition, Dorothy is a director of the Court of the Bank of England, where she chairs the audit and risk committee, is the senior independent director and is a member of the nominations committee and the real time gross settlement renewal committee.



### Les Wood Chief Financial Officer

Age: 57

Tenure: 2 years

Appointment: 2017

Independent: No

#### Key strengths

Upstream business, corporate finance, accounting and audit, business development, risk management, executive leadership, investor and government relations.

#### Experience

Les brings considerable financial and commercial expertise to Tullow, including major mergers and acquisitions delivery, joining in 2014 as Vice President Commercial and Finance after a 28-year career at BP plc. Les held a number of senior roles at BP plc including chief financial officer for BP plc Canada and BP plc Middle East as well as global head of business development. Les holds a BSc (Hons) in Chemistry from Herriot Watt University, Edinburgh, and an MSc in Inorganic Chemistry from Aberdeen University.

#### Current external roles

None.



N R S

### Mike Daly Non-executive Director

Age: 66

Tenure: 5 years

Appointment: 2014

Independent: Yes

#### Key strengths

Upstream business, exploration and appraisal executive leadership, business development, executive and public company leadership, technology and innovation, environment, health, safety and sustainability.

#### Experience

Mike brings significant upstream experience to Tullow from a 40-year career in the oil and gas business. Mike spent 28 years at BP plc where he held a number of senior executive and functional roles within the exploration and production division across Europe, South America, the Middle East and Asia, including eight years as head of exploration and new business development. He also served on BP's executive team as

executive vice president exploration, accountable for the leadership of BP's exploration business. Mike was a member of the World Economic Forum's Global Agenda Council on the Arctic and was on the board of the British Geological Survey. He remains a visiting Professor at the Department of Earth Sciences, Oxford University. He holds a BSc in Geology from Aberystwyth University and a PhD in Geology from Leeds University. Mike is also a graduate of the Program for Management Development, Harvard Business School, and in 2014 was awarded The Geological Society of London's Petroleum Group Medal.

#### Current external roles

Non-executive director of Compagnie Générale de Géophysique, a global provider of geoscience and geophysical services to the oil and gas industry, where he is chair of the health, safety, environment and sustainable development committee.



A

### Martin Greenslade Non-executive Director

Age: 54

Tenure: <1 year

Appointment: 2019

Independent: Yes

#### Key strengths

Corporate finance, accounting and audit, risk management and executive and public company leadership.

#### Experience

Martin, a chartered accountant, brings extensive corporate financial experience to Tullow from a 32-year career in the property, engineering and financial sectors in the UK and across Africa, Scandinavia and Europe. Since 2005 Martin has been Chief Financial Officer at Land Securities Group plc, a listed UK real estate company. Previously, he spent five years as group finance director of Alvis plc, an international defence and engineering company. Martin holds an MA in Computer and Natural Sciences from Cambridge University and is also a graduate of the Stanford Executive Program, Stanford University, California.

#### Current external roles

Martin is currently chief financial officer and board member at Land Securities Group plc. Martin is also a board trustee of the International Justice Mission, a human rights charity focused on protecting the poor from violence and ending human slavery.



S

### Sheila Khama Non-executive Director

Age: 62

Tenure: <1 year

Appointment: 2019

Independent: Yes

#### Key strengths

Extractives project and policy reform, executive leadership, corporate governance, business development, public-private partnership and sustainability.

#### Experience

Sheila brings to Tullow a wealth of executive experience in the banking and natural resources sectors across Africa from a distinguished 40-year career in high-profile business and advisory roles. Sheila spent eight years as group secretary at Anglo American, Botswana, before joining the First National Bank of Botswana as a marketing and communications executive. In 2005, Sheila returned to the Anglo American-De Beers Group to become chief executive officer of De Beers, Botswana. From 2010, Sheila moved to Accra, Ghana, to spend three years as director of the extractives advisory programme at the African Centre for Economic Transformation, an economic policy unit that supports the long-term growth and transformation of African countries. In 2013, Sheila took up a position as director of the Natural Resources Centre at the African Development Bank, Abidjan, Côte d'Ivoire, before becoming a policy adviser at the World Bank in Washington in 2016. In both roles Sheila advised host governments on sustainable development policies for natural resources. During this time she also represented the African Development Bank as an observer on the international board of directors of the Extractive Industries Transparency Initiative. Sheila holds a BA from the University of Botswana and an MBA from the Edinburgh University Business School.

#### Current external roles

Sheila is currently a member of the Advisory Panel of LafargeHolcim, the United Nations Sustainable Development Solutions Network, the Advisory Board of the Centre for Sustainable Development Investment, Columbia University and the audit committee of the United Nations Office of Operations, as well as a non-executive director of the Development Partner Institute.



A N

## Steve Lucas

### Non-executive Director

Age: 65

Tenure: 7 years

Appointment: 2012

Independent: Yes

#### Key strengths

Upstream business, corporate finance, accounting and audit, risk management, executive and public company leadership and investor relations.

#### Experience

Steve brings significant financial and leadership experience in the energy and extractive industries to Tullow after a 40-year business career.

Steve, a chartered accountant, most recently spent eight years as finance director of National Grid plc.

Previously, he held senior financial positions during an 11-year career at Royal Dutch Shell and 6 years at BG Group plc, latterly as group treasurer. During this time Steve has also held non-executive directorships at the American oil and gas drilling company Transocean Ltd, the Compass Group plc and the Indian energy and power company Essar Energy. Steve holds a BA in Geology from Oxford University.

#### Current external roles

Steve is currently chair of mining company Ferrexpo plc where he chairs the nominations committee.



R A

## Genevieve Sangudi

### Non-executive Director

Age: 43

Tenure: <1 year

Appointment: 2019

Independent: Yes

#### Key strengths

Corporate finance, accounting and audit, business development, risk management, executive leadership and investor relations.

#### Experience

Genevieve brings considerable marketing, investment and fund management experience to Tullow from a 22-year career in the financial sector in the US and across Africa.

Genevieve began her career in business development as a marketing executive at Proctor & Gamble, Boston, before joining Emerging Capital

Partners, a pan-African private equity firm, as a partner and managing director. At Emerging Capital Partners Genevieve served on the boards of portfolio companies working closely with the executive teams and set up the company's operations in Nigeria. Since 2011, Genevieve has been managing director, Sub-Saharan Africa, for the American private equity company Carlyle Group, based in Johannesburg, South Africa, leading on a number of significant transactions in Gabon, Tanzania, Nigeria and Uganda. Genevieve holds a BA from Macalester College, St Paul, Minnesota, an MA in International Affairs from Columbia University, New York, and MBA from the Columbia Business School, Columbia University.

#### Current external roles

Genevieve is currently managing director, Sub-Saharan Africa, for the American private equity company Carlyle Group.



A N R

## Jeremy Wilson

### Senior Independent Director

Age: 55

Tenure: 6 years

Appointment: 2013

Independent: Yes

#### Key strengths

Corporate finance, accounting and audit, business development, risk management, executive leadership, public company governance and leadership and investor relations.

#### Experience

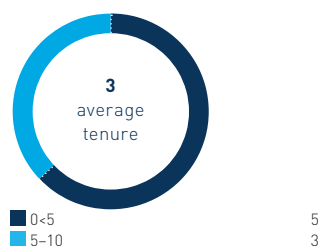
Jeremy brings extensive strategic and corporate finance experience to Tullow developed over a 30-year business career. Most recently Jeremy spent 26 years at the investment bank JP Morgan where he held a number of senior executive roles including head of European mergers and acquisitions, co-head of global natural resources and diversified industrials and latterly vice chair of the bank's energy group. Jeremy holds an MSc in Engineering from Cambridge University.

#### Current external roles

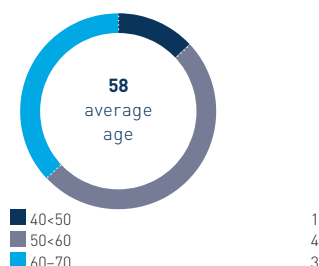
Jeremy is currently a non-executive director of John Wood Group plc, an international engineering company providing project and technical services to the energy industry, where he is senior independent director, serves on the audit and nominations committees and chairs the remuneration committee. Jeremy is also a co-founder and chair of the Lakeland Climbing Centre.

## Board composition statistics

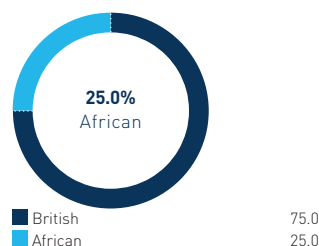
### Tenure (yrs)



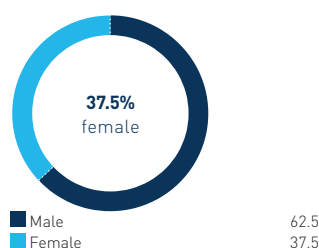
### Age (yrs)



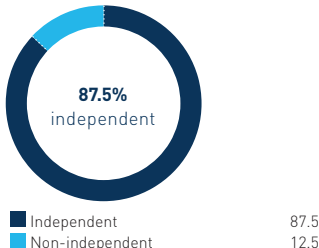
### Nationality (%)



### Gender (%)



### Independence (%)



## Committee membership key

- Committee Chair
- A Audit Committee
- N Nominations Committee
- S Safety and Sustainability Committee
- R Remuneration Committee

# Engaging with our stakeholders

To deliver the Company's strategy the Board understands the need to build and maintain successful relationships with all the Company's stakeholders. The Company has multiple stakeholders across its operations: our investors; our host countries; and our people. Below are examples of how the members of the Board have directly engaged with these

three stakeholder groups during 2019. Engagements are undertaken by individual Directors, including non-executive Directors, and also by the Board as a whole. Feedback from these engagements is regularly communicated to the Board and taken into account during Board discussions and decision making.

## Our key stakeholders

### Our investors



### How the Board engaged

- Chair and Senior Independent Director met with shareholders to discuss remuneration and succession planning
- Chair met with major investors to discuss governance
- Directors attended Annual General Meeting
- Ghana Investor Forum in Accra, led by CEO and CFO
- Directors attended 'Facts behind the Figures' investor relations event at the Ghana Stock Exchange
- Executive Directors attended and participated in investor relations roadshows and conferences engaging with over 55 per cent of the share ownership

### Our host countries



- New Directors visited Ghana and Kenya as part of Board induction
- Board hosted a stakeholder event in Nairobi engaging with government ministers and other key strategic partners of Project Oil Kenya
- Chair met with presidents, ambassadors and key officials of certain host countries
- Directors visited communities and projects in areas of operations
- Directors attended Africa Oil Week in South Africa and hosted a stakeholder event

### Our people



- Directors travelled to our office locations to present and engage in 'Tullow in Focus' events with staff and contractors
- CEO presented town hall events which included open Q&A throughout the year at different locations
- Board hosted informal evening event for all staff when visiting Nairobi and Cape Town offices
- Executive Directors host 'Meet the Exec' breakfasts with staff
- Chair visited our offices and engaged with staff in Nairobi, Accra, Dublin, Cape Town and London including the operational base in Kenya and the TEN FPSO in Ghana
- Board attended deep-dive session with the exploration group in Dublin
- New Directors engaged with workforce at office locations during Board induction visits
- Safety and Sustainability Committee members visited staff and contractors involved in the EOPS trucking project in Kenya
- The workforce Tullow Advisory Panel (TAP) was established and held its inaugural meeting with the Board



Executive Vice President Kweku Awotwi addresses the brokers and analysts (Oct 2019)

### Our investors

#### Facts behind the figures

In October, Tullow participated in a *Facts Behind the Figures* event in Accra, hosted by the Ghana Stock Exchange. The event was well attended by fund managers, brokers, analysts, media and other market participants. Les Wood, CFO and Executive Director, gave a keynote presentation on Tullow's performance in 2019 and Kweku Awotwi, Managing Director of Tullow Ghana, presented on Tullow's operations and impact in Ghana since 2007. The event provided the audience with a chance to engage with the senior management and Directors to understand Tullow's performance, investment case and plans both in Ghana and across the Group. This event was in addition to the annual Ghana Investor Forum, which was held in Accra in May, which is an event for local shareholders, analysts and investors led by Paul McDade, CEO, and Ike Duker, Chair West and East Africa, supported by other senior Tullow executives.



Members of the TAP at the inaugural meeting with the Board (Nov 2019)

### Our people

#### Tullow Advisory Panel

During the year, the Company added to its existing workforce engagement opportunities by establishing the Tullow Advisory Panel (TAP). Twelve members of the workforce, who collectively represent employees and contractors at all of Tullow's offices worldwide, were nominated by the workforce to sit on the panel. The TAP provides an opportunity for the the Board to understand and take into consideration the interests of Tullow's workforce as it makes decisions for the long-term success and sustainability of the Company. The TAP will meet with members of the Board at least twice a year and the attending non-executive Directors will rotate so that they each attend. Meetings will be chaired by the Company Secretary. In November, the TAP held its inaugural meeting with Dorothy Thompson, Chair, and Les Wood, CFO and Executive Director, and fed back to the Board the views of the workforce on the significant matters that were important to our staff and contractors.



The Board visiting the Amosing EOPS well site, Kenya (Oct 2019)



The Board visiting Lamu Port, Kenya (Oct 2019)

### Our host countries

#### Board visit to Kenya

In October, the Board held one of its meetings at Tullow's offices in Nairobi. During the visit, the Board took the opportunity to visit the EOPS operational base in Turkana County and Lamu Port. The site visit provided an opportunity for the Board to directly engage with and receive the views of our host communities and our strategic Kenyan Government partners as well as our contractors and staff. In addition, the Board hosted an informal evening reception for Nairobi office staff as well as a more formal dinner for senior government ministers and officials including the Cabinet Secretary for the Ministry of Petroleum and Mining, Cabinet Secretary for the Ministry of Water and Sanitation, the Principal Secretary for the Ministry of Energy, the Chief Executive officer of LAPSSSET, the director of the Petroleum Regulatory Authority and the Chief Secretary to the National Treasury. At these events the Board was able to personally reinforce the Company's commitment to Project Oil Kenya as well as receiving feedback from stakeholders on the execution strategy for the project.

#### Main shareholder events 2019

**January** – Trading Statement and Operational Update

**February** – 2018 Full-Year Results

**April** – Annual General Meeting and Trading Update

**May** – Ghana Investor Forum

**June** – Trading Statement and Operational Update

**July** – 2019 Half-Year Results

**November** – Trading Statement

## Audit Committee report



“The Audit Committee remains focused on maintaining strong standards of governance and risk management across the Group to support and exercise oversight of our business.”

### Steve Lucas

Chair of the Audit Committee

#### 2019 highlights

- Monitoring the transition of the external auditor from Deloitte LLP to Ernst & Young LLP.
- Reviewing the Group's supplier due diligence strategy.
- Implementing new solutions to strengthen financial controls.
- Regular review of risk management and internal control effectiveness.
- Overseeing an independent assessment of internal audit effectiveness.
- Maintaining a diversity of experience on the Committee with the introduction of Genevieve Sangudi and Martin Greenslade.
- Reviewing the impact of IFRS 16 Lease Accounting.
- Reviewing financial reporting and key financial judgement including impairment and going concern assessments.
- Oversight of the transition of the reserves and resources auditor from ERCE to TRACS.

### Dear shareholder

The Audit Committee continues to focus on key areas including ensuring a strong system of financial and non-financial controls, risk management and internal audit. In particular, the Audit Committee's activities in 2019 included oversight of Tullow's financial reports as well as assessing the effectiveness of the Company's risk management and internal control processes. In this report, I also outline key areas of financial judgement and estimation, which were considered in Tullow's accounts and the action taken by the Committee to ensure they fairly reflect Tullow's financial position.

In 2019 the composition of the Audit Committee has changed significantly. Tutu Agyare stepped down from the Board and the Audit Committee at the 2019 AGM. I would like to thank him for the unique perspectives and challenge which he provided. Genevieve Sangudi was appointed to the Audit Committee at the conclusion of the 2019 AGM. Martin Greenslade joined the Board and the Audit Committee in November and will replace me as Chair of the Committee from the 2020 AGM. The Committee now consists of four members until the 2020 AGM and, going forward, I am confident that the Committee will have the required competence and experience relevant to Tullow's business and the oil and gas industry.

This year the Committee's focus also included accounting, reporting and disclosure implications of new accounting standards, especially IFRS 16 Lease Accounting.

We have monitored the introduction of Ernst & Young LLP as the Company's statutory auditors for 2020, subject to shareholder approval at the 2020 AGM. I am glad that the rotation to Ernst & Young LLP will allow Tullow to stop applying transitional rules regarding auditor rotation. We have also overseen the transition of the Group's reserves auditor from ERCE to TRACS.

The Audit Committee saw further improvements to financial as well as compliance and operational controls, particularly relating to supplier due diligence, and we are further strengthening our financial and other systems and processes in 2020.

I am also pleased to report that the Committee has undergone an annual assessment of its effectiveness and it was found to be functioning effectively throughout 2019.

A handwritten signature in black ink, appearing to be 'SL' followed by a stylized flourish.

Steve Lucas

Chair of the Audit Committee

11 March 2020

## Governance

Steve Lucas has been Audit Committee Chair since May 2012. Steve is a chartered accountant. He was finance director at National Grid plc from 2002 to 2010 thus meeting the requirement of the UK Corporate Governance Code for the Audit Committee to have at least one member who has recent and relevant financial experience. The other members of the Audit Committee are Martin Greenslade, Genevieve Sangudi and Jeremy Wilson. Together, the members of the Committee demonstrate competence in the oil and gas industry, with Steve Lucas having significant prior experience in oil and gas companies, while other Committee members also bringing a wider range of industry, commercial and financial experience, which is vital in supporting effective governance. The Company Secretary serves as the secretary to the Committee.

The Chief Financial Officer, the Group Financial Controller, the Group Head of Internal Audit and representatives of the external auditor are invited to attend each meeting of the Committee and participated in all of the meetings during 2019. The Chair of the Board and the CEO also attend meetings of the Committee by invitation and were present at most of the meetings in 2019. The external auditor and the Group Head of Internal Audit have unrestricted access to the Committee Chair.

In 2019, the Audit Committee met on four occasions. Meetings are scheduled to allow sufficient time for full discussion of key topics and to enable early identification and resolution of risks and issues. Meetings are aligned with the Group's financial reporting calendar.

The Committee reviewed its terms of reference during the year to ensure they comply with relevant regulation, including the UK Corporate Governance Code 2018, the Companies Act 2006, the FRC's 2016 Guidance on Audit Committees, the FRC's 2014 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the FRC's Revised Ethical Standards 2019. The Audit Committee's terms of reference can be accessed via the corporate website. The Board approved the terms of reference on 5 December 2019.

## Summary of responsibilities

The Committee's detailed responsibilities are described in its terms of reference and include:

- monitor the integrity of the Financial Statements of the Group, reviewing and reporting to the Board on significant financial reporting issues and judgements including going concern and viability assessments;
- review and, where necessary, challenge the consistency of significant accounting policies, and whether appropriate accounting standards have been used;
- review the content of the Annual Report and Accounts and advise the Board on whether it is fair, balanced and understandable and if it provides the information necessary for shareholders to assess Tullow's position, performance, business model and strategy;
- monitor and review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- consider the level of assurance being provided on the risk management and internal controls systems and whether it is sufficient for the Board to satisfy itself that they are operating effectively;
- review the adequacy of the whistleblowing system, and the Company's procedures for detecting and preventing fraud;
- review and assess the annual Internal Audit plan, its alignment with key risks of the business and coordination with other assurance providers and receive a report on the results of the Internal Audit function's work on a periodic basis;
- oversee its relationship with the external auditor including assessing its independence and objectivity, review the annual audit plan to ensure it is consistent with the scope of the audit engagement, and review the findings of the audit;
- assess the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process; and
- oversee the system of Ethics and Compliance, including its procedures to prevent bribery and corruption, and response to any significant instances of non-compliance.



Read more about the Committee members on pages 44 and 45

## Audit Committee report continued

Significant financial judgements and areas of estimation	How the Committee addressed these judgements and areas of estimation
Carrying value of intangible exploration and evaluation assets	<p>A detailed accounting paper was received by the Committee from management on the Group's exploration and evaluation assets, with a separate paper for Kenya and Uganda, given their materiality. The papers documented the management's assessment of indicators for impairment and, if required, showed calculations for the impairments. The Committee reviewed these papers and challenged management's position, with particular focus on the Kenya and Uganda development projects following the decrease in the Group's oil price assumption, at both the November and February Audit Committee meetings.</p> <p>Furthermore, the Committee met and discussed the Group's reserves and resources with the Group's external reserves auditor, TRACs, at the December Board meeting to ascertain the hydrocarbon volumes audited by TRACs support the impairment assessment.</p> <p>The Committee supported management's assessment that an impairment was required in respect of Kenya and Uganda based on the value-in-use assessment performed. While the Committee also concurred that exploration assets in Mauritania, Namibia, Guyana and Kenya should be written off as proposed by management and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>
Carrying value of property, plant and equipment	<p>The Committee received and reviewed the papers prepared by management on the Group's oil price and discount rate assumptions, which are used in the assessment of the carrying value of PP&amp;E. At the November and February Audit Committee meetings these assumptions were challenged by the Committee compared to independent oil price forecasts. The Committee also challenged the Company's calculation of impairment discount rates, with particular focus on the asset and exploration risk adjustments made by management to a peer group WACC.</p> <p>At the November and February Audit Committee meetings the Audit Committee reviewed and challenged detailed papers on management's assessment of impairment triggers and resulting impairment tests for PP&amp;E. The Committee gave particular focus to TEN, given the materiality of historical impairments made to that asset. The Committee also discussed the Group's reserves and resources with the Group's external reserves auditor, TRACs, at the December Board meeting to get comfort over management's view of the carrying value of PP&amp;E. The Committee concurred with the impairment and impairment reversals proposed by management and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>
Recognition of assets held for sale	<p>The Committee received and reviewed a detailed accounting paper from management on assessment of the farm-down of Uganda assets and their classification as held for sale. Following the termination of the SPA the assumption that the transaction would be completed within 12 months was reviewed by the Committee at the November and February Audit Committee meetings. The Committee concurred with management's judgement that whilst the Group is committed to a sale of interests in Uganda, it does not have a signed SPA, therefore timing of any transaction is uncertain and verified there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>
Going concern and viability	<p>A detailed accounting paper and cash flow analysis was prepared by management and provided to the Committee, which then reviewed and challenged the assumptions and judgements in the underlying going concern and Viability Statement forecast cash flows. The Committee discussed with management the risks, sensitivities and mitigations identified by management to ensure the Company has sufficient headroom to continue as a going concern. The Committee agreed with management that there is however material uncertainty in relation to this assessment. The Committee also discussed the three-year time horizon used by management for the Viability Statement. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>
Decommissioning costs	<p>A detailed paper was prepared by management detailing the Group's decommissioning provision assumptions making reference, where appropriate, to relevant operator estimates and market data. At the February Audit Committee meeting the Committee challenged reasonableness of and got comfort around management's assessment of the changes to estimated decommissioning costs made during 2019. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>
Provisions	<p>A detailed accounting paper was prepared by management on provisions and reviewed by the Committee. This included a summary of independent legal advice on such disputes where appropriate. The Committee regularly monitors the risk by receiving regular summaries of all open litigations and disputes as part of the Group's Quarterly Performance reporting. The Committee then challenged management's position at the November and December Audit Committee meetings. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>
Uncertain tax and regulatory positions	<p>Detailed accounting papers on all tax and regulatory exposures were prepared by management for the Committee's review. Where relevant, the papers included summaries of external legal or tax advice on particular tax claims and assessments received. The committee also met with the Head of Tax in the February meeting to discuss and challenge the key judgements and estimates made including the likelihood of success and the value of the exposure which had been provided for. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts.</p>

### Key areas reviewed in 2019

The Committee fully discharged its responsibilities during the year and the following describes the work completed by the Audit Committee in 2019:

#### Annual Report

For the Audit Committee and the Board to be satisfied with the overall fairness, balance and clarity of the final report, the following steps are taken:

- collaborative approach taken by the Group, with support from the Executives and Group functions and direct input from the Board;
- a central dedicated project team working closely with our external auditor;
- early engagement and planning, taking into consideration investors' feedback, regulatory changes and leading practice;
- comprehensive guidance issued to key report contributors across the Group;
- validation of data and information included in the report both internally and by the external auditor;
- a series of key proof dates for comprehensive review across different levels in the Group that aim to ensure consistency and overall balance; and
- Senior Management and Board review and sign-off.

#### Financial reporting

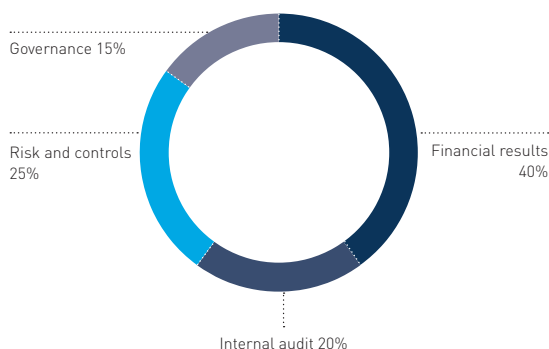
The Committee monitors the integrity of the Financial Statements and formal announcements relating to the Group's financial performance.

As part of the financial reporting process the Committee kept under review ongoing and emerging financial reporting risks and judgements. The Committee met in July 2019 to review half-year financial statements and in December 2019 at the financial reporting audit and planning phase to discuss an initial view of key financial reporting risks and judgements before the year-end process. Finally, the Committee met for the full-year accounts approval in February 2020. At each stage of the process the Committee considered the key risks identified as being significant to the 2019 Annual Report and Accounts as well as accounting policy changes and their most appropriate treatment and disclosure. The primary areas of judgement considered by the Committee in relation to the 2019 accounts and how these were addressed are detailed overleaf. Details on management's view of the overleaf key estimates and judgements can be found in the Group Accounting Policies on pages 101 to 108.

#### External auditor

Making recommendations to the Board on the appointment or re-appointment of the Group's external auditor, overseeing the Board's relationship with the external auditor and overseeing the selection of a new external auditor, and assessing the effectiveness of the external audit process is a key responsibility of the Audit Committee.

### Allocation of Audit Committee time [%]



- The UK Corporate Governance Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment or removal of the external auditor. On the basis of the competitive tender process carried out in 2018, the Committee recommended to the Board that it recommends to shareholders the appointment of Ernst & Young LLP as Tullow's statutory auditor at the 2020 AGM.
- The external auditor is required to rotate the audit partner responsible for the Group audit every five years. Mr Paul Wallek will be Ernst & Young LLP's lead audit partner with effect from 2020.
- The Group's current external auditor is Deloitte LLP. The Audit Committee assessed the qualifications, expertise and resources, and independence of Deloitte LLP as well as the effectiveness of the audit process. This review covered all aspects of the audit service provided by Deloitte LLP, including obtaining a report on the audit firm's own internal quality control procedures and consideration of the audit firm's annual transparency reports in line with the UK Corporate Governance Code. The Audit Committee also approved the external audit terms of engagement and remuneration. During 2019 the Committee held private meetings with the external auditor. The Audit Committee Chair also maintained regular contact with the audit partner, Mr Anthony Matthews, throughout the year. These meetings provide an opportunity for open dialogue with the external auditor without management being present. Matters discussed included the auditor's assessment of significant financial risks and the performance of management in addressing these risks, the auditor's opinion of management's role in fulfilling obligations for the maintenance of internal controls, the transparency and responsiveness of interactions with management, confirmation that no restrictions have been placed on it by management, maintaining the independence of the audit, and how it has exercised professional challenge.



Read more on  
Accounting policies  
on pages 101–108

### External auditor continued

- In order to ensure the effectiveness of the external audit process, Deloitte LLP conducts an audit risk identification process at the start of the audit cycle. This plan is presented to the Audit Committee for its review and approval and, for the 2019 audit, the key audit risks identified included carrying value of intangible exploration and evaluation assets, carrying value of property, plant and equipment, recognition of assets held for sale, going concern and viability, decommissioning costs and provisions for onerous service contracts. These and other identified risks are reviewed through the year and reported at Audit Committee meetings where the Committee challenges the work completed by the auditor and tests management's assumptions and estimates in relation to these risks. The Committee also seeks an assessment from management of the effectiveness of the external audit process. In addition, a separate questionnaire addressed to all attendees of the Audit Committee and Senior Finance Managers is used to assess external audit effectiveness. As a result of these reviews, the Audit Committee considered the external audit process to be operating effectively.
- The Committee closely monitors the level of audit and non-audit services provided by the external auditor to the Group. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. An internal Tullow standard for the engagement of the external auditor to supply non-audit services is in place to formalise these arrangements. It is reviewed biannually and was revised in 2018. It requires Audit Committee approval for all non-trivial categories of non-audit work. A breakdown of the fees paid in 2019 to the external auditor in respect of audit and non-audit work is included in note 4 to the Financial Statements.
- In addition to processes put in place to ensure segregation of audit and non-audit roles, Deloitte LLP is required, as part of the assurance process in relation to the audit, to confirm to the Committee that it has both the appropriate independence and the objectivity to allow it to continue to serve the members of the Company. This confirmation is received every six months and no matters of concern were identified by the Committee.

### External auditor rotation

Following the tender conducted in 2018, the Board appointed Ernst & Young LLP in December 2018 as the Group's statutory auditor for the financial year commencing 1 January 2020. This appointment remains subject to approval by shareholders at the 2020 Annual General Meeting. Throughout 2019, management has engaged with Ernst & Young LLP and Deloitte LLP to ensure a smooth transition.

Throughout 2018 and 2019 Tullow has reviewed non-audit services provided by Ernst & Young LLP to ensure that, where appropriate, they have been or will be terminated before Ernst & Young LLP becomes the statutory auditor. The Audit Committee has not identified any areas for concern for the independence of Ernst & Young LLP and will receive regular reports on its independence and objectivity once Ernst & Young LLP assumes its role as statutory auditor following the 2020 AGM.

### Internal controls and risk management

Responsibility for reviewing the effectiveness of the Group's risk management and internal control systems is delegated to the Audit Committee by the Board.

In 2019, the Audit Committee reviewed, discussed and briefed the Board on risks, controls and assurance, including the annual assessment of the system of risk management and internal control, to monitor the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters.

The Audit Committee obtained comfort over the effectiveness of the Group's risk management and internal control systems through various assurance activities that included:

- audits undertaken by the Internal Audit team;
- assurance undertaken by the Group functions and Business Units;
- enterprise risk management and assurance processes;
- external auditor's observations on internal financial controls identified as part of its audit; and
- regular performance, risk and assurance reporting by the Business Unit and Corporate teams to the Board.

During the year, in concert with the Board, the Audit Committee completed a robust assessment of the significant risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. This assessment included the identification of emerging risks, such as the impact of climate change which was deemed material enough to be included as a significant risk for Tullow in the medium to long term. The assessment process included several engagements with the Executive Team which has resulted in better understanding, ownership and accountability of enterprise-wide risks across all layers of the company. For each of the principal risk categories the Board reviewed the risk strategies and associated risk appetites to ensure they were still valid. The risk appetites were embedded in the Tullow IMS to ensure they are visible to the whole organisation and help risk owners define risk tolerance and target levels for each key risk.

Internal Audit periodically presented their findings to the Audit Committee, over delivery of the assurance plan, progress of issues raised and their timely resolution. On occasions, Senior Management representatives from the business were also invited to the Audit Committee to provide updates on key matters such as Group Finance Controls Project, S4 Hana and SAP health check, the Finance Enhancement Project, annual tax strategy review and endorsement of disclosure as well as improvements made in the SCM supplier due diligence process.

In addition, during the year, the Audit Committee received reports from the independent reserves auditor TRACS and reviewed the arrangements in place for managing risk relating to the Group's critical information systems.

All identified findings were assessed, with no indications of fraud noted. However, material findings were identified around the timing of a reserves audit and the production forecast reporting process and governance issues involving management override and a lack of independent reporting lines as per the Society of Petroleum Engineers (SPE)

Reserves standard. This finding has been addressed with direct interaction channels now in place between the Chief Petroleum Engineer and a Non-Executive Director for independent oversight on reserves and production forecast reporting. Tullow's Petroleum Reserves Management Standard is also under review to include requirements for Board approval prior to any forecasting disclosures being made.

The fact that issues and root causes had been identified through the Company's integrated assurance programme and for each issue, corrective actions were developed that are either addressed or in the process of being implemented, demonstrates that the system of risk management and internal controls is effective up to the date on which the Financial Statements were signed. As mentioned previously, there were areas identified for improvement during the course of 2019 and the Audit Committee is confident that systems and processes are in place to address them.

### Internal audit requirements

The Audit Committee's role is to consider how the Group's internal audit requirements are satisfied and make relevant recommendations to the Board.

- The Group Head of Internal Audit has direct access and responsibility to the Audit Committee Chair and Committee. The position's main responsibilities include evaluating the Group's assessment of the overall control environment. During 2019, the Group Head of Internal Audit met twice with the Audit Committee or its Chair without the presence of management. The Group Head of Internal Audit left the Company in 2019 and the Company has commenced the search for a new Group Head of Internal Audit.
- The Committee reviewed and challenged the programme of 2019 internal Audit work developed to address both financial and overall risk management objectives identified within the Group. The plan was subsequently adopted with progress reported at the Audit Committee meetings. 36 internal audits were undertaken during the year, covering a risk-based range of financial and business processes in the Group's London office and the main operational locations in Ghana and Kenya and locations in the Non-Operated and New Ventures portfolios.
- Internal Audit also ran a systematic programme of audits of suppliers' compliance with commercial and business ethics clauses, including bribery and corruption with regard to significant and high-risk contracts.
- Detailed results from the internal audits were reported to management and in summary to the Audit Committee during the year. Where required, the Audit Committee receives full reports and details on any key findings. The Audit Committee receives regular reports on the status of the implementation of Internal Audit recommendations.
- The Audit Committee assessed the effectiveness of Internal Audit through meeting with the Head of Internal Audit, its review and assessment of the internal audit plan and the results of audits reported, as well as an independent external assessment in 2019. In line with the requirements of the Institute of Internal Auditors, PwC was engaged to undertake the external assessment of Internal Audit's quality and effectiveness. The assessment covered compliance with the Institute of Internal Auditors' Standards including

professional practice, size and scope of the function. Internal Audit was deemed to be demonstrating good practice, was adequately resourced and cost effective in conducting its activities.

### Whistleblowing procedure

We ensure that an effective whistleblowing procedure is in place.

- In line with best practice and to ensure Tullow works to the highest ethical standards, an independent whistleblowing procedure was established in 2011 and operated throughout 2019 to allow staff to confidentially raise any concerns about business practices. This procedure complements established internal reporting processes. The whistleblowing policy is included in the Code of Ethical Conduct which is available to all staff in printed form and on the corporate intranet. Each member of staff needs to complete an online awareness course to refresh their knowledge of key provisions of Tullow's Code of Ethical Conduct. The Committee considers the whistleblowing procedures to be appropriate for the size and scale of the Group.
- The Committee receives from the Group Ethics and Compliance Manager summaries of investigations of significant known or suspected misconduct by third parties and employees including ongoing monitoring and following up of internal investigations.

### Review of effectiveness of the Audit Committee

- During the year, the Audit Committee has undergone an independent review of its effectiveness with the results reported to the Board. The Committee was considered to be operating effectively and in accordance with the UK Corporate Governance Code and the relevant guidance.

### Looking forward to 2020

- The Committee will continue to ensure a smooth transition from Deloitte LLP to Ernst & Young LLP as statutory auditors.
- The Committee will ensure an effective handover of the role of Chair from Steve Lucas to Martin Greenslade from the 2020 AGM.
- The Committee will review externally the effectiveness of the Internal Audit function.
- The Committee will continue to review the effectiveness of risk management process, integrated assurance, effectiveness of material controls and management's control improvement activities.



“For the Company to deliver on its strategy it needs the best leaders with a diversity of skills and experience who are bound together by the same values.”

**Dorothy Thompson**

Chair of the Nominations Committee

**2019 highlights**

- Appointment of three new independent non-executive Directors to the Board.
- Commencement of new search process for Chief Executive Officer.
- External Board evaluation.
- Achievement of diversity target of at least 30 per cent female and at least 20 per cent African membership on the Board by 2020.

### Dear shareholder

The main function of the Nominations Committee is to ensure that the Board and its Committees are appropriately constituted and have the necessary skills and expertise to support the Company's current and future activities and deliver its strategy for sustainable long-term success. Below board level, the Committee focuses on the recruitment, development and retention of a diverse pipeline of managers who will occupy the most senior positions in the Company in the future.

The diversity of a board contributes to its success and in early 2019, as part of the Committee's strategy to equip the Board with the skills and attributes it requires, we announced two diversity targets for the Board: at least 20 per cent African membership and at least 30 per cent female membership on the Board by 2020. I am pleased to report that following thorough searches based on individual merits and objective criteria, the Committee achieved both of these targets when Sheila Khama and Genevieve Sangudi joined the Board following the AGM in April 2019. Both of these search processes were assisted by the search consultant Odgers Berndtson which has no other connection with the Company, its Group or any of the Directors.

Sheila brings a deep knowledge and understanding of working with host governments and wider stakeholders in the countries and communities in which we operate. Genevieve has over 15 years of strategic investment experience of mergers and acquisitions across multiple sectors in Africa, including oil and gas and her skills encompass transaction strategy, fundraising, origination and execution. Further details of their biographies and committee memberships can be found on pages 44 and 45. The insights of Sheila and Genevieve and their contributions to the Board are of particular importance following the resignation of Tutu Agyare in April 2019 after nine years on the Board as a non-executive Director. I would like to take this opportunity to thank Tutu for his contribution to Tullow and his constant source of wise counsel to the Board during that period.


On 1 November 2019, the Board appointed Martin Greenslade as a non-executive Director and a member of the Audit Committee. Martin brings extensive financial experience to the Board from his current position as Chief Financial Officer and Executive Director of Land Securities Group plc, which he has held since 2005. Further details of his biography can be found on page 44. The search process for Martin's role was assisted by the search consultant Odgers Berndtson (already referred to above). It is anticipated that Martin will take over as Chair of the Audit Committee from the conclusion of the AGM in April 2020 when Steve Lucas, non-executive Director and current Chair of the Audit Committee, will step down from the Board after eight years with Tullow. The timing of Martin's appointment has provided for an orderly transition from Steve to Martin of this important role. I would like to thank Steve for his long-standing service to Tullow and in particular for his recent oversight of the successful tender process for the proposal of the appointment of Ernst & Young LLP as the Company's new external auditors from 2020.

The Committee believes that the diversity of a board is also improved by appointing non-executive Directors that still currently serve as Executives on other boards, and the Committee has promoted this in the appointments of Genevieve and Martin.

As many of our shareholders will be aware, on 9 December 2019, the Company announced that Paul McDade (Chief Executive Officer) and Angus McCoss (Exploration Director) resigned from the Board as Executive Directors by mutual agreement and with immediate effect. This followed a period of significant disappointing performance by the business. The Board appointed Mark MacFarlane, then Executive Vice President for East Africa and Non-Operated as Chief Operating Officer in a non-Board role and myself, Dorothy Thompson as Executive Chair for an interim period until a new Chief Executive Officer is appointed. The Committee has initiated a search for a new Chief Executive Officer and the process is well underway. This will be a critical appointment for the business and the Committee is determined to appoint an individual that possesses the skills, experience and values to lead Tullow and deliver our long-term strategy for the benefit of all our stakeholders.

The Committee is also responsible for ensuring there are plans in place for the orderly succession of senior manager positions within the business. During the course of 2019, the Committee and the Board reviewed the succession candidates and arrangements in place for the recruitment, development and retention of managers that will occupy the most senior positions in the Company in the future. In 2020, the Committee will continue in this work and will be particularly focused on achieving a diverse and inclusive workforce population with a nationality mix which is representative of our assets' geographic footprint and improves our gender diversity. Further details of our inclusion and diversity policy and how it has been implemented in 2019, including our diversity statistics can be found on page 30.

In October 2019, the Committee commissioned an external evaluation of the performance of the Board and its committees by Lintstock Ltd. Further details on the process and results of the evaluation can be found on page 41 and those results have been used to shape the Committee's most recent search processes and will continue to inform the work of the Committee in 2020.



**Dorothy Thompson**  
Chair of the Nominations Committee

11 March 2020

### Committee's role

The Committee reviews the composition and balance of the Board and senior managers on a regular basis and also ensures robust succession plans are in place for all Directors and senior managers. When recruiting new Executive or non-executive Directors, the Committee appoints external search consultants to provide a list of possible candidates, from which a shortlist is produced. External consultants are instructed that diversity is one of the criteria that the Committee will take into consideration in its selection of the shortlist. The Committee's terms of reference are reviewed annually and are set out on the corporate website.

### Committee's main responsibilities

The Committee's main duties are:

- reviewing the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of its members) and making recommendations to the Board with regard to any changes required;
- identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- succession planning for Directors and other senior managers;
- reviewing annually the time commitment required of non-executive Directors; and
- making recommendations to the Board regarding membership of the Audit, Remuneration and other Committees in consultation with the Chair of each Committee.

### Committee membership and meetings

The membership and attendance of the Committee meetings held in 2019 are shown on page 40.

In addition to five formal meetings, the Committee held several informal discussions, telephone conference calls and interviews during the year.



“The Committee has added the monitoring of Tullow’s sustainability strategy to the focus on reliable process safety performance, personal safety and environmental management.”

### Mike Daly

Chair of the Safety and Sustainability Committee

#### 2019 highlights

- Established a keen focus on process safety and contractor management in Ghana and Kenya EOPS.
- Integrated sustainability into the Committee agenda.
- Pursued the instigation of the TCFD recommendations and the development of emissions targets, offsets and their performance management in Tullow.

### Dear shareholder

The EHS Committee in 2019 modified its scope to cover safety and sustainability. The core tenant of the Committee’s role in terms of safety did not change; however, the scope expanded to include sustainability. The inclusion of sustainability was delivered through in-depth reviews of the evolving position of the oil and gas industry in relation to carbon emissions, climate change and long-term viability. The Committee operates a set agenda to monitor safety performance and increasingly is searching for meaningful metrics to monitor sustainability and carbon emissions and offsetting.

The Committee also executes in-depth reviews of strategically important and immediate issues for the Group. In 2019 the Committee continued to recognize the importance of process safety and particularly the need for a focus on asset integrity and maintenance in Ghana. As part of this focus the Group also monitored operational and safety management systems including those of our contractors across both Ghana and Kenya.

The impact of climate change and carbon emissions was also a key area of focus in 2019 with the Group reviewing its business against the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), as well as the Company’s overall approach to sustainability.

A handwritten signature in black ink, appearing to read 'Mike Daly'.

### Mike Daly

Chair of the Safety and Sustainability Committee

11 March 2020

### Committee’s role

The Committee’s expanded role is to monitor the performance and key risks that the Company faces in relation to safety and sustainability. The Committee oversees the processes and systems put in place by the Company to meet our stated objectives of protecting employees, the communities in which we operate and the natural environment, and potential future changes in external market drivers. Additionally, it monitors the effectiveness of operational organisations across the Company in delivering continuous improvement in EHS through reviewing a wide range of EHS leading and lagging indicators to gain an insight into how EHS policies, standards and practices are being implemented. The Committee reviews high-potential incidents, especially where they have occurred repeatedly in one location or activity (also see Responsible Operations, page 24). It also scrutinises the outcome of audits and investigations and importantly the closure of related actions.

### Committee's main responsibilities

The Committee's main responsibilities are:

- to review and provide advice regarding the environmental, health, security and asset protection, and safety policies of the Company;
- to monitor the performance, including regulatory compliance, of the Company in the progressive implementation of its environmental, health, security and asset protection, and safety policies, including process safety management;
- to review matters relating to material environmental, health, security and asset protection, and safety risks; and
- to consider material regulatory and technical developments in the fields of environmental, health, security and asset protection, and safety management. The Committee's terms of reference are reviewed annually and are available on the corporate website.

The Committee's membership changed during the year with Sheila Khama joining and other leadership changes following the initiation of the Business Review. The Committee currently comprises two non-executive Directors and the Executive Chair, Dorothy Thompson. The membership of Committee and attendance throughout the year is set out on page 40. The Committee is supported by the Company Secretary and Julia Ross, Chief of Staff.

The EHS related KPIs that the company measured its performance on in 2019 can be found on page 72 of this report.

### Committee activities in 2019

In 2019, the Committee reviewed the EHS elements of the Safety and Sustainability Plan and reviewed Tullow's response to the Taskforce on Climate-Related Financial Disclosure (see page 26).

### Looking forward to 2020

- The Committee will have a continuing emphasis on process safety, and the asset integrity in Ghana. Together with an increased focus on the close out of actions in relation to High Potential Incidents.
- The Committee will provide ongoing oversight of appropriate EHS risk management at all operational sites.
- The Committee will review the capability and organisation set up to deliver Safety and Sustainability performance across the organisation.

### Focus on Process Safety

To address the material risk of major accidents, Tullow applies process safety management standards and procedures to all operational activities and projects.

During 2019, the Company Process Safety Management Standard has been embedded in our operations and compliance monitored. This has been supported by the provision of training and reinforced by the work of the Process Safety Management Steering Committee.

Our process safety performance in 2019 has seen overall improvement, with a 24 per cent reduction in the number of process safety events (PSE) related to losses of primary containment (LOPC) releases. We have seen improvement in the number of Tier 3 PSEs with a 32 per cent reduction from last year.

However, we have experienced an increase in the severity of our PSEs (Tier 1 and 2). In Ghana we experienced three Tier 2 PSEs in our offshore operations and in Kenya we had one Tier 1 PSE at our EOPS onshore production facility.

These events were contained and resulted in no harm or injury to personnel and remediation measures were quickly taken to mitigate the impact on the environment.

Subsequent root cause investigations were conducted, and measures taken to prevent recurrence and ensure lessons were learned.

Tullow continued to support a positive incident reporting safety culture and ensure joint investigation of all incidents with key contractors.

We are reviewing key findings from investigations and audits including Land Transport, and the Kenya Early Oil Pilot Scheme which was supplemented by in-country visits from Board members to engage directly with staff. At each meeting the Committee tracked performance against EHS key performance indicators (KPIs), which include both leading and lagging indicators. In addition to providing a snapshot of Tullow's progress, EHS KPIs were used to identify areas where more focus may be required.



# Annual statement on remuneration

The Remuneration Committee is focused on ensuring Executive Directors are rewarded for promoting the long-term sustainable success of the Company and delivering on its strategy



“The Remuneration Committee seeks to align reward with the Company’s values and long-term strategy.”

**Jeremy Wilson**

Chair of the Remuneration Committee

## Dear shareholder

On behalf of the Board, I am presenting the Remuneration Committee’s report for 2019 on Directors’ remuneration. The report is divided into three main sections:

- this **Annual Statement**, which contains details of the 2020 Remuneration Policy review, how we will implement our Policy for 2020, a summary of performance and pay for 2019, an ‘at a glance’ summary of Executive Director remuneration for 2019 and 2020 and details in respect of the operation of the Committee;
- the **Directors’ Remuneration Policy Report**, which presents our proposed Remuneration Policy given that our current Policy, originally approved by shareholders at the 2017 AGM, is reaching the end of its three-year term; and
- the 2019 **Annual Report on Remuneration**, which provides details of the remuneration earned by Directors in the year ended 31 December 2019 and how the Policy will be operated in 2020.

Tullow’s current approach to executive remuneration is explained overleaf:

## Tullow's approach to executive remuneration

Salary	- Market base salary levels with annual increases not normally exceeding the average increase awarded to other UK-based employees.																															
Pension	- 25 per cent of salary (although see proposed changes to Policy in next section).																															
Benefits	- Market aligned.																															
Tullow Incentive Plan (TIP)	<p>Tullow operates a single incentive arrangement called the TIP which uses a combination of annual in-year performance indicators and three-year total shareholder return (TSR) to determine the payout, which is then awarded and split between an annual cash bonus and a share award with a five-year vesting period. The purpose of the TIP is to combine annual and long-term performance into a simple, competitive performance-linked plan which provides a real incentive to achieve our strategic targets and deliver superior shareholder returns.</p> <p>Under the TIP, an award of up to 400 per cent of base salary may be awarded each year subject to performance targets:</p> <ul style="list-style-type: none"><li>- 50 per cent of awards are based on a balanced scorecard of stretching annual in-year financial, operational and strategic objectives linked to the achievement of Tullow’s long-term strategy; and</li><li>- 50 per cent of awards are based on three-year relative TSR measured against a comparator group of oil and gas exploration and production companies.</li></ul> <p>Following the assessment of performance targets:</p> <ul style="list-style-type: none"><li>- TIP awards up to 200 per cent of salary are 50 per cent payable in cash and 50 per cent payable in deferred shares that do not vest for five years; and</li><li>- any part of a TIP award in excess of 200 per cent of salary is awarded in deferred shares that do not vest for five years (i.e. the maximum cash award under the TIP is 100 per cent of salary).</li></ul> <p>The following diagram explains how the TIP is expected to operate for 2020:</p> <table><tr><td>2018</td><td>2019</td><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td></tr><tr><td colspan="3">Performance periods (one and three years)</td><td colspan="5">Deferral periods (five years)</td></tr><tr><td colspan="3">Three-year relative TSR (50 per cent)</td><td rowspan="2">T I P  A W A R D</td><td colspan="4">TIP awards up to 200 per cent of salary: 50 per cent cash, 50 per cent deferred TIP shares*</td></tr><tr><td colspan="3">One-year financial/ operation scorecard (50 per cent)</td><td colspan="4">Any part of a TIP award &gt;200 per cent of salary: 100 per cent deferred TIP shares* * Deferred TIP shares vest after five years.</td></tr></table> <p>- Malus and clawback provisions (although see proposed changes to Policy in next section).</p>	2018	2019	2020	2021	2022	2023	2024	2025	Performance periods (one and three years)			Deferral periods (five years)					Three-year relative TSR (50 per cent)			T I P  A W A R D	TIP awards up to 200 per cent of salary: 50 per cent cash, 50 per cent deferred TIP shares*				One-year financial/ operation scorecard (50 per cent)			Any part of a TIP award >200 per cent of salary: 100 per cent deferred TIP shares* * Deferred TIP shares vest after five years.			
2018	2019	2020	2021	2022	2023	2024	2025																									
Performance periods (one and three years)			Deferral periods (five years)																													
Three-year relative TSR (50 per cent)			T I P  A W A R D	TIP awards up to 200 per cent of salary: 50 per cent cash, 50 per cent deferred TIP shares*																												
One-year financial/ operation scorecard (50 per cent)				Any part of a TIP award >200 per cent of salary: 100 per cent deferred TIP shares* * Deferred TIP shares vest after five years.																												
Shareholding guidelines	- 300 per cent of salary shareholding guidelines (although see proposed changes to Policy in next section).																															

### 2020 Remuneration Policy review

Following a review of the current Remuneration Policy and consultation with our major shareholders, the Committee concluded that the Policy remains appropriate and fit for purpose, albeit it wishes to make a number of minor changes to reflect developments in governance and good practice more generally. The Remuneration Policy changes, for which shareholder approval will be sought, are as follows:

- In respect of pension provision:
  - the maximum limit permitting 25 per cent of salary pension will be removed and pension contributions for existing Executive Directors will be frozen in cash terms with immediate effect and will be reduced to align to the percentage contribution available to the wider workforce by 1 January 2023; and
- furthermore, a commitment that pension provision for future Executive Director appointments/promotions will be aligned to the workforce will be added.
- Shareholding guidelines have been enhanced and updated to reflect the IA's Remuneration Principles:
  - shareholding guidelines will be increased from 300 per cent to 400 per cent of salary;
  - Executive Directors will be expected to retain 100 per cent of the net of tax shares which vest until they reach the guideline (currently Executive Directors are expected to retain at least 50 per cent of the net of tax shares which vest under the TIP until their shareholding guideline is achieved);

## Remuneration report continued

### 2020 Remuneration Policy review continued

- the guidelines will be amended so that unvested deferred TIP Awards net of applicable taxes will count towards the shareholding guideline (as per the IA's recent update to its Remuneration Principles); and
- consistent with the 2018 UK Corporate Governance Code, the current shareholding guidelines will be extended to apply post cessation. As such, it is proposed that from the 2020 AGM, 50 per cent of the shareholding guideline (i.e. 200 per cent of salary) shall be retained by Executive Directors for two years post cessation.
- Malus and clawback provisions have been updated in the TIP to extend the circumstances in which clawback may be applied by the Committee, including corporate failure and insolvency.

### How we will implement the new Policy for 2020

Dorothy Thompson, for the period she performs her interim role as Executive Chair and during any transition period following the appointment of a new CEO will receive an increase in her annual fee from £300,000 to £600,000, pro-rated as appropriate. She will not receive any further benefit or pension provision or receive incentive awards. Dorothy intends to revert to her previous role of non-executive Chair once a new CEO has been appointed and a transition of duties effected. It is intended after which her annual fee will revert to £300,000.

Les Wood, in his role as CFO, will receive:

- a base salary of £461,495 (i.e. no change from the prior year);
- a pension of 25 per cent of salary frozen in cash terms (noting that this will be aligned to the workforce by 1 January 2023) and benefit provision in line with the current Policy; and
- a TIP Award with a maximum potential of 400 per cent of salary based on: safety performance (10 per cent), production performance (15 per cent), financial performance (5 per cent), energy transition (5 per cent), strategic performance (15 per cent) and relative TSR (50 per cent). Please see page 12 of this report for further disclosure and details of these targets and how they are linked to our strategy.

No changes will be made to non-executive Director fees from 2019 levels.

### Pay and performance for 2019

Base salary levels were last increased with effect from 1 January 2019 (3 per cent increases). No increases have been awarded for 2020.

2019 was a challenging year for Tullow in terms of business performance (performance outcomes against the key performance metrics can be found on pages 71 to 73), culminating in a considerable downturn of share price at year end. As a result the Remuneration Committee took the decision to exercise negative discretion and as such awarded no TIP award to the Executive Directors. Furthermore, in setting the TIP awards for 2020, the Committee considered reducing the maximum potential of 400 per cent of salary given the material share price decline during the course of the year. However, on balance, the Committee feels that the share price decline is already captured in respect of the:

- 2019 TIP award level given that 50 per cent is based on relative TSR which resulted in a zero payout and noting that negative discretion was applied in respect of the other half of the awards to reduce the 2019 TIP award to zero; and
- 2020 and 2021 TIP awards (performance period ending 31 December 2020 and 31 December 2021 respectively), given that relative TSR target for 50 per cent of each award is now significantly underwater.

That said, to the extent that there is any TIP award for the performance period ending 31 December 2020, the Committee will assess the appropriateness of the award quantum and the number of shares which are ultimately deferred to ensure that cash and deferred share award levels are appropriate and in line with the shareholder experience.

### Shareholder consultation in respect of the Policy

Tullow is committed to maintaining good communications with investors. In formulating our revised Policy, the Company Chair and Remuneration Committee Chair met with a number of our major shareholders which were generally supportive of the changes that are being proposed for 2020. The Committee considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the opportunity to raise any issues or concerns they may have. The Committee will seek to engage directly with major shareholders and the main representative bodies should any material changes be proposed to the Policy.

### Workforce consultation

During the year, the Company re-enforced its existing workforce engagement processes by establishing the Tullow Advisory Panel (TAP) (see page 47). Twelve staff, who collectively represent employees and contractors from all of Tullow's global offices, were nominated by the workforce to sit on the panel. The panel provides an opportunity for the Board to understand and take into consideration the interests of Tullow's workforce, including their remuneration arrangements as it makes decisions for the long-term success and sustainability of the Company.

During 2019, fellow members of the Committee and I engaged with staff during visits to the Group's offices and operations, including in Dublin and Nairobi. Such visits help the Board to gain insight into the culture of the organisation and hear the views of the workforce first hand.

### Concluding thoughts

On behalf of the Committee, I would like to thank shareholders for their vote approving the 2019 Annual Statement and Report on Remuneration at the last AGM and look forward to your continued support over the coming year. If you have any comments or questions on any element of the report, please contact me via our Company Secretary, Adam Holland, at [companysecretary@tulloil.com](mailto:companysecretary@tulloil.com).



**Jeremy Wilson**

Chair of the Remuneration Committee

11 March 2020

## At a glance

### Implementation of Policy for Executive Directors for 2019

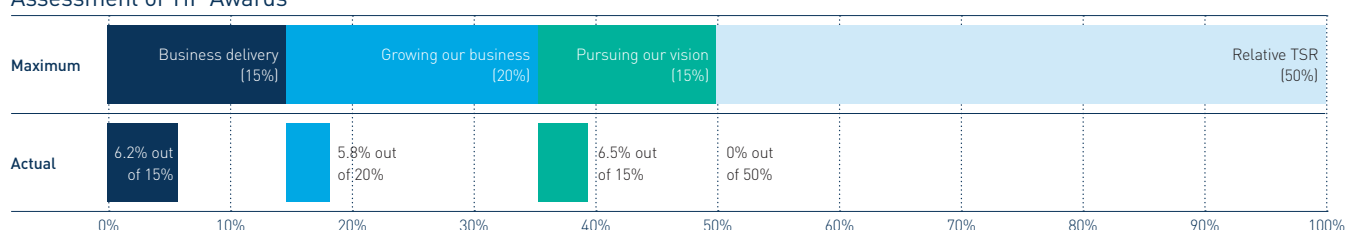
#### Single figure remuneration

Name of Director	Fees/salary £	Pension £	Taxable benefits £	TIP cash £	Deferred TIP shares £	Total £
Dorothy Thompson <sup>1</sup>	318,904	–	–	–	–	318,904
Paul McDade <sup>2</sup>	769,160	192,288	25,258	–	–	986,706
Angus McCoss <sup>2</sup>	434,970	108,742	13,016	–	–	556,728
Les Wood	461,500	115,374	1,487	–	–	578,361

1. Dorothy Thompson switched from non-executive Chair to Executive Chair from 9 December.

2. Stepped down from the Board on 9 December 2019.

#### Assessment of TIP Awards



Paul McDade and Angus McCoss were not entitled to TIP Awards for 2019.

Notwithstanding performance against the TIP targets, the Remuneration Committee exercised negative discretion based on company performance to reduce the value of the TIP Award for Les Wood to £0.

#### Implementation of Policy for Executive Directors for 2020

The Remuneration Policy will be implemented during 2020 as follows:

- Dorothy Thompson, for the period she performs her interim role as Executive Chair, will receive an increase in her annual fee from £300,000 to £600,000. She will not receive any further benefit or pension provision or receive incentive awards. Dorothy intends to revert to her previous role of non-executive Chair once a new CEO has been appointed, at which point her annual fee will revert to £300,000.
- Les Wood, in his role as CFO, will receive:
  - a base salary of £461,495 (no change from the prior year);
  - a pension of 25 per cent of salary (noting that the cash value of his pension is frozen at this level and this will be then aligned to the workforce by 1 January 2023);
  - benefit provision in line with the current Policy; and
  - a TIP Award with a maximum opportunity of 400 per cent of salary based on:
    - Safety performance (10 per cent);
    - Production performance (15 per cent);
    - Financial performance (5 per cent);
    - Energy transition (5 per cent);
    - Strategic performance (15 per cent).
    - Relative TSR (50 per cent).

Please see page 12 of this report for further disclosure and details of these targets and how they are linked to our strategy.

- No changes will be made to non-executive Director fees from 2019 levels:

- Base fee:	£65,000
- Senior independent Director fee:	£15,000
- Audit Committee Chair fee:	£20,000
- Remuneration Committee Chair and Safety and Sustainability Committee Chair:	£15,000.

### Governance

#### Remuneration Committee members

Jeremy Wilson (Committee Member for full year and Committee Chair from 25 April 2019), Tutu Agyare (Committee Chair to 25 April 2019), Mike Daly and Genevieve Sangudi (from 26 April 2019).

#### Remuneration Committee membership and attendance

All members of the Committee are independent non-executive Directors. None of the Committee members has day-to-day involvement with the business and nor do they have any personal financial interest, except as shareholders, in the matters to be recommended. The number of formal meetings held and the attendance by each member is shown in the table on page 40. The Committee also held informal discussions as required. The Group Company Secretary acts as Secretary to the Committee and is available to assist the members of the Committee as required, ensuring that timely and accurate information is distributed accordingly.

#### Activities of the Committee during 2019

A summary of the main Committee activities during 2019 are set out below:

- appointment of new Remuneration Committee Consultant to advise on the 2020 Directors' Remuneration Policy;
- meetings with shareholders to discuss proposed changes to the Directors' Remuneration Policy;
- monitoring progress against the 2019 KPI scorecard;
- reviewing feedback received from shareholders at the 2019 AGM;
- review of changes in remuneration-related guidance, shareholder policies and governance matters;
- review of remuneration arrangements for the wider workforce;
- determination of leaver treatment for Paul McDade and Angus McCoss;
- review and approval of remuneration arrangements for Senior Managers, including benchmarking and approval of interim package for the Executive Chair, Dorothy Thompson;
- review of the Committee's performance and terms of reference; and
- review of new KPIs for 2020 to align with strategy and culture of Tullow.

In addition, the Committee has sought to ensure that the new proposed Policy and practices are consistent with the six factors set out in Provision 40 of the new UK Corporate Governance Code:

#### Clarity

Our Policy is well understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during the recent consultation exercise).

#### Simplicity

The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.

#### Risk

Our Policy has been designed to ensure that inappropriate risk taking is discouraged and will not be rewarded via (i) the balanced use of both annual and three-year performance periods which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by deferred equity in our incentive plans (together with in-employment and post-cessation shareholding guidelines and five-year vesting period); (iii) malus/clawback provisions; and (iv) the ability to exercise negative discretion to remuneration outcomes.

#### Predictability

The TIP is subject to an individual annual cap and market standard dilution limits.

#### Proportionality

There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

#### Alignment to culture

Our executive pay policies are fully aligned to Tullow's culture through the use of metrics in the TIP that measure how we perform against our financial and non-financial KPIs.

#### Advice received from the Committee during 2019

During 2019, the Committee consulted the Executive Directors and Senior Managers about remuneration items relating to individuals other than themselves. The Company Secretary and the Committee's consultants also provided corporate governance guidance support to the Committee.

The Committee received external advice from FIT Remuneration Consultants LLP (FIT) during 2019 in respect of the implementation of the Policy and preparations for the 2020 Directors' Remuneration Policy. FIT was appointed as the Committee's advisers during 2019 following a competitive tender process. Both FIT is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct and provided no other services to the Company. Fees (ex VAT) paid to FIT respectively for advice provided in the year amounted to £51,372.31. FIT does not provide any other services and does not have any other connections to the Company its Group or the Directors that may affect its independence. The Committee evaluates the services provided by external advisors and is satisfied that the advice received from FIT was objective and independent.

## Directors' Remuneration Policy Report

This part of the Remuneration Report sets out the proposed Remuneration Policy for the Company which is intended to be effective following approval from shareholders through a binding vote at the AGM to be held in April 2020. The previous Remuneration Policy for the Company commenced on 1 January 2017 and became formally effective following approval from shareholders through a binding vote at the AGM held in April 2017.

### Policy overview

The principles of the Remuneration Committee are to ensure that remuneration is linked to Tullow's strategy and promote the attraction, motivation and retention of the highest quality executives who are key to delivering sustainable long-term value growth and substantial returns to shareholders.

### Policy changes

This revised Policy is broadly consistent with our existing Policy that was approved by shareholders at the 2017 AGM, albeit it has been updated for developments in corporate governance and feedback received from our shareholders.

The main changes to the Policy which was approved by shareholders at the 2017 AGM are as follows:

- In respect of pension provision:
  - the maximum limit permitting 25 per cent of salary pension has been removed;
  - a commitment that pension provision for future Executive Director appointments/promotions will be aligned to the workforce has been added; and
  - a commitment that pension provision for existing Executive Directors (excluding the current Interim Executive Chair, who does not receive a pension) will be aligned to the workforce by 1 January 2023 has been added.
- In respect of maximum opportunity:
  - the discretion of the Committee to increase the maximum TIP Award opportunity from 400 per cent to 500 per cent of base salary in the event that Tullow is a member of the FTSE 100 index for a full financial year has been removed, so that the maximum opportunity during the period of this Policy is 400 per cent of salary.
- Shareholding guidelines have been toughened and updated to reflect the IA's Remuneration Principles:
  - shareholding guidelines have been increased from 300 per cent to 400 per cent of salary;
  - Executive Directors will be expected to retain 100 per cent of the net of tax shares which vest until they reach the guideline (currently Executive Directors are expected to retain at least 50 per cent of the net of tax shares which vest under the TIP until their shareholding guideline is achieved);
  - the guidelines have been amended so that unvested deferred TIP Awards net of applicable taxes will count towards the shareholding guideline (as per the IA's recent update to its Remuneration Principles); and
  - consistent with the 2018 UK Corporate Governance Code, the current shareholding guidelines will be extended to apply post cessation. As such, from the 2020 AGM, 50 per cent of the shareholding guideline (i.e. 200 per cent of salary) will need to be retained by Executive Directors for two years post cessation.
- Malus and clawback provisions have been enhanced and the TIP rules have been updated to extend the circumstances in which clawback may be applied by the Committee, including corporate failure and insolvency.

## Directors' Remuneration Policy Report continued

### Summary Directors' Remuneration Policy

Base salary		
Purpose and link to strategy	Operation	Maximum opportunity
<p>To provide an appropriate level of fixed cash income.</p> <p>To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.</p>	<p>Generally reviewed annually with increases normally effective from 1 January. Base salaries will be set by the Committee taking into account:</p> <ul style="list-style-type: none"> <li>- the scale, scope and responsibility of the role;</li> <li>- the skills and experience of the individual;</li> <li>- the base salary of other employees, including increases awarded to the wider population; and</li> <li>- the base salary of individuals undertaking similar roles in companies of comparable size and complexity. This may include international oil and gas sector companies or a broader group of FTSE-listed organisations.</li> </ul>	<p>Any increases to current Executive Director salaries, presented in the 'Application of Policy in 2020' column below this Policy table, will not normally exceed the average increase awarded to other UK-based employees.</p> <p>Increases may be above this level in certain circumstances, for instance if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of newly appointed Executives to move towards market norms as their experience and contribution increase.</p>
Performance and provisions for the recovery		
<p>A broad assessment of individual and business performance is used as part of the salary review.</p> <p>No recovery provisions apply.</p>		
Pension and benefits		
Purpose and link to strategy	Operation	Maximum opportunity
<p>To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.</p>	<p>Defined contribution pension scheme or salary supplement in lieu of pension. The Company does not operate or have any legacy defined benefit pension schemes.</p> <p>Medical insurance, income protection and life assurance. Additional benefits may be provided as appropriate.</p> <p>Executive Directors may participate in the Tullow UK Share Incentive Plan (SIP).</p>	<p>Pension: Workforce aligned for new Executive Directors. Workforce aligned (as a percentage of salary) by 1 January 2023 for incumbent Directors.</p> <p>Benefits: The range of benefits that may be provided is set by the Committee after taking into account local market practice in the country where the Executive is based. No monetary maximum is given for benefits provided to the Executive Directors as the cost will depend on individual circumstances.</p> <p>Tullow UK SIP: Up to HM Revenue &amp; Customs (HMRC) limits. Maximum participation levels and matching levels for all staff, including Executive Directors, are set by reference to the rules of the plan and relevant legislation.</p>
Performance and provisions for the recovery		
<p>Not applicable.</p>		

## Tullow Incentive Plan (TIP)

Purpose and link to strategy	Operation	Maximum opportunity
<p>To provide a simple, competitive, performance-linked incentive plan that:</p> <ul style="list-style-type: none"> <li>- aligns the interests of management and shareholders;</li> <li>- promotes the long-term success of the Company;</li> <li>- provides a real incentive to achieve our strategic objectives and deliver superior shareholder returns; and</li> <li>- will attract, retain and motivate individuals with the required personal attributes, skills and experience.</li> </ul>	<p>An annual TIP award consisting of up to 400 per cent of base salary which is divided evenly between cash and deferred shares up to the first 200 per cent of base salary.</p> <p>Any amount above 200 per cent of base salary is awarded entirely in deferred shares</p> <p>Deferred shares are normally subject to deferral until the fifth anniversary of grant, normally subject to continued service.</p> <p>TIP awards are non-pensionable and will be made in line with the Committee's assessment of performance targets.</p> <p>At the discretion of the Committee, any portion of the cash component of a TIP award can be satisfied by granting deferred shares with a vesting date set by the Committee being not earlier than the first anniversary of grant.</p>	<p>400 per cent of salary.</p> <p>Dividend equivalents will accrue on TIP deferred shares over the vesting period.</p>

### Performance and provisions for the recovery

A balanced scorecard of stretching financial and operational objectives, linked to the achievement of Tullow's long-term strategy, will be used to assess TIP outcomes which may include targets relating to: relative or absolute total shareholder return (TSR); earnings per share (EPS); environmental, health and safety (EHS); financial; production; operations; project; exploration; or specific strategic and personal objectives.

Performance will typically be measured over one year for all measures apart from TSR and EPS, which, if adopted, will normally be measured over the three financial years prior to grant.

No more than 25 per cent of the maximum TIP opportunity will be payable for threshold performance.

Recovery provisions apply (see below).

## Shareholding guidelines

Purpose and link to strategy	Operation	Maximum opportunity
<p>To align the interests of management and shareholders and promote a long-term approach to performance and risk management.</p>	<p>Executive Directors are required to retain at least 100 per cent of post-tax share awards until a minimum shareholding equivalent to 400 per cent of base salary is achieved in owned shares.</p> <p>Unvested TIP shares net of applicable taxes count towards the minimum shareholding requirement.</p> <p>Shares included in this calculation are those held beneficially by the Executive Director and his or her spouse/civil partner.</p> <p>From the 2020 AGM, 50 percent of the shareholding guideline (i.e. 200 per cent of salary) will need to be retained by Executive Directors for two years post cessation.</p>	<p>400 per cent of salary.</p>

### Performance and provisions for the recovery

Not applicable.

### Directors' Remuneration Policy Report continued

#### Summary Directors' Remuneration Policy continued

Non-executive Directors		
Purpose and link to strategy	Operation	Maximum opportunity
To provide an appropriate fee level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities while also reflecting the time commitment and responsibility of the role.	<p>The Chair is paid an annual fee and the non-executive Directors are paid a base fee and additional responsibility fees for the role of Senior Independent Director or for chairing a Board Committee.</p> <p>Fees are normally reviewed annually.</p> <p>Each non-executive Director is also entitled to a reimbursement of necessary travel and other expenses including associated tax costs.</p> <p>Non-executive Directors do not participate in any share scheme or annual bonus scheme and are not eligible to join the Group's pension schemes.</p>	<p>Non-executive Director remuneration is determined within the limits set by the Articles of Association.</p> <p>There is no maximum prescribed fee increase although fee increases for non-executive Directors will not normally exceed the average increase awarded to Executive Directors. Increases may be above this level if there is an increase in the scale, scope or responsibility of the role.</p>
Performance and provisions for the recovery		
Not applicable.		

#### Operation of share plans

The Committee will operate the TIP in accordance with the Plan rules, Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans in relation to Senior Management, including Executive Directors. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the Directors' Remuneration Policy):

- who participates;
- the timing of grant of awards and/or payment;
- the size of awards and/or payment;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes and a good leaver's treatment;
- adjustments to awards required in certain circumstances (e.g. Rights Issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

The choice of the performance metrics applicable to the TIP, which are set by the Committee at the start of the relevant financial year, reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of stretching financial, operational and TSR-related objectives, explicitly linked to the achievement of Tullow's long-term strategy.

In addition to the TIP, Executive Directors are also eligible to participate in the UK SIP or any other all employee share plans on the same terms as other employees. All-employee share plans do not operate performance conditions.

#### Calculation of TIP awards

In addition to base salary and other benefits described in the Remuneration Policy, each Executive Director shall be eligible to receive an award issued under the rules of the TIP (a TIP Award). The TIP combines short- and long-term incentive-based pay and includes a cash bonus component and a deferred share award component.

At the beginning of each financial year, the Committee will determine a multiple of base salary, subject to the limits established under this Policy, to apply to a TIP Award. At the same time the Committee will also determine a balanced corporate scorecard of performance metrics applicable to any TIP Award. The choice of the performance metrics and the weightings given to them, which are set by the Committee at the start of the relevant financial year normally, reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of stretching financial, operational and total shareholder return (TSR) related objectives, explicitly linked to the achievement of Tullow's long-term strategy.

Following completion of the financial year, the Committee will review the Company's performance against the corporate scorecard resulting in a percentage score. The multiple set by the Committee is then applied to the percentage score to determine the total TIP Award amount. A TIP Award is divided equally between cash bonus and deferred shares up to the first 200 per cent of base salary. Any portion of a TIP Award above 200 per cent of base salary shall be satisfied in deferred shares only. Deferred shares forming part of a TIP Award are normally deferred for five years and are subject to malus and clawback. In its discretion, the Committee may elect to satisfy any portion of the cash bonus element of a TIP Award in deferred shares which will be deferred for a period determined by the Committee, being not less than one year from the date of grant. Deferred shares issued in lieu of any portion of the cash bonus component of a TIP Award shall be subject to malus, clawback and the minimum shareholding requirements set out on page 65 of this report.

### Legacy remuneration

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority was given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

### Discretion

The Committee reserves the right to exercise its discretion in the event of exceptional and unforeseen positive or negative developments during the performance period. In addition, the Committee reserves the right to reduce the TIP payment where the Committee considers that the level of payment is not commensurate with overall corporate performance and returns delivered to shareholders over the performance period.

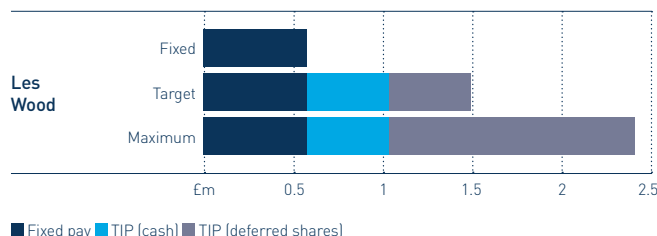
The Committee will review performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the TIP. Any revisions to the measures and/or weightings will only take place if it is necessary because of developments in the Group's strategy and, where these are material, following appropriate consultation with shareholders.

### Recovery provisions

TIP Awards are subject to malus and clawback. The Committee retains discretion to apply malus and clawback to both the cash and deferred share elements of the TIP during the five-year vesting period, triggers are outlined in the TIP rules, including but not limited to a material adverse restatement of the financial accounts or reserves, a catastrophic failure of operational, EHS and risk management or corporate failure or insolvency.

### Remuneration scenarios for Executive Directors

The charts below show how the composition of the Executive Directors' remuneration packages varies at different levels of performance under the Remuneration Policy, as a percentage of total remuneration opportunity and as a total value:



1. Base salary is effective as at 1 January 2020.
2. Fixed pay for the CFO includes pension which is based on a 25 per cent employer contribution.
3. The target TIP Award is taken to be 50 per cent of the maximum annual opportunity for 2020 (200 per cent of salary).
4. The maximum value of the TIP is taken to be 400 per cent of salary (i.e. the maximum annual opportunity) for 2020.
5. No share price appreciation has been assumed for the fixed, target and maximum scenarios.
6. The Committee is aware of the regulations requiring an indication of the impact of 50 per cent share price appreciation on the maximum scenario in the chart above. Given that TSR performance is measured over three years prior to grant of award, share price appreciation over the performance period would not impact on the value of the maximum award.

### Service agreements

Executive Director service agreements set out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees in the six months after ceasing employment. The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Group and the individuals concerned, while also taking due account of market and best practice.

The term of each service contract is not fixed. Each agreement is terminable by the Director on six months' notice and by the employing company on 12 months' notice.

The Executive Directors' service agreements and the appointment letters of the non-executive Directors are available for inspection by shareholders at the Company's registered office.

### External appointments

The Board operates a formal policy in relation to the external directorships that an Executive Director may hold. Whilst the policy does not prescribe a maximum number of external appointments, it sets out guidance that an Executive Director should not hold more than one non-executive director position in a FTSE 350 company.

### Directors' Remuneration Policy Report continued

#### Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved Policy.

Individuals will participate in the TIP up to the normal annual limit subject to: (i) award levels in the year of appointment being pro-rated to reflect the proportion of the financial year worked; and (ii) where a performance metric is measured over more than one year, the proportion of awards based on that metric may be reduced to reflect the proportion of the performance period worked. Depending on the timing and the specific circumstances of an appointment, it may be necessary to set alternative performance conditions for TIP awards following appointment. This may mean using different measures, rebalancing the weightings or using different performance periods to that used for existing Executive Directors. Any transitional arrangements will be explained in the relevant Annual Report of Remuneration. The Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer although any compensation would be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets where possible.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take account of the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Fee levels for non-executive Director appointments will take into account the expected time commitment of the role and the current fee structure in place at that time.

#### Policy for loss of office

Executive Directors' service contracts are terminable by the Director on six months' notice and by the relevant employing company on 12 months' notice. There are no specific provisions under which Executive Directors are entitled to receive compensation upon early termination, other than in accordance with the notice period.

On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his loss when determining the amount of any compensation. Disbursements such as legal and outplacement costs and incidental expenses may be payable where appropriate.

The Committee's policy in respect of the treatment of Executive Directors leaving Tullow following the introduction of the TIP is described below:

	Cessation of employment due to death, injury, disability, retirement, redundancy, the participant's employing company or business for which they work being sold out of the Company's Group or in other circumstances at the discretion of the Committee	Cessation of employment due to other reasons (e.g. termination for cause)
TIP (cash)	Cessation during a financial year, or after the year but prior to the normal TIP Award date, may, at the discretion of the Committee, result in the cash part of the TIP being paid following the date of cessation (pro-rated for the proportion of the year worked).	No entitlement to the cash part of the TIP following the date notice is served.
TIP (deferred shares)	<p>Cessation during a financial year, or after the year but prior to the normal TIP Award date, may, at the discretion of the Committee, result in an award of deferred shares being made (pro-rated for the proportion of the year worked).</p> <p>Unvested TIP shares generally vest at the normal vesting date (except on death or retirement – see below) unless the Committee determines they should vest at cessation.</p> <p>On death, TIP shares generally vest immediately unless the Committee determines that they should vest at the normal vesting date.</p> <p>On retirement (as evidenced to the satisfaction of the Committee), TIP shares will vest at the earlier of the normal vesting date and three years from retirement unless the Committee determines they should vest at cessation.</p>	Unvested TIP shares lapse. No entitlement to the deferred share element of the TIP following the date notice is served.

### Consideration of shareholders' views

The Committee considers shareholder feedback received at the AGM each year and, more generally, guidance from shareholder representative bodies. This feedback, plus any additional feedback received during any meetings from time to time, is considered as part of the Company's annual review of the continuing appropriateness of the Remuneration Policy.

### Employment conditions elsewhere in the Group

In setting the Remuneration Policy and remuneration levels for Executive Directors, the Committee is cognisant of the approach to rewarding employees in the Group and levels of pay increases generally. The Committee does not currently formally consult directly with employees on the executive pay policy, but it does receive regular updates from Adam Holland (Company Secretary) and Joanne Rich (Group Head of HR).

The following differences exist between the Company's policy for the remuneration of Executive Directors, as detailed in the summary table overleaf, and its approach to the payment of employees generally:

- benefits offered to other employees generally include a performance bonus award of up to 35 per cent of salary;
- pension provision of a payment of 10 per cent of salary into our Company defined contribution plan, increasing to 15 per cent of salary for employees over 50; and
- participation in the TIP is limited to the Executive Directors and Senior Management according to their role and responsibility. All other employees are eligible to participate in the Company's below Board-level share-based plans.

In general, these differences exist to ensure that remuneration arrangements are market competitive for all levels of role in the Company. Whilst there is a performance link to remuneration for all employees, in the case of the Executive Directors and Senior Management, a greater emphasis tends to be placed on variable pay given their opportunity to impact directly upon Company performance.

### Non-executive Director terms of appointment

Non-executive Director	Year appointed	Number of complete years on the Board	Date of current engagement commenced	Expiry of current term
Dorothy Thompson	2018	1	25.04.18	24.04.21
Mike Daly	2014	5	31.05.17	30.05.20
Martin Greenslade	2019	–	01.11.19	31.10.22
Sheila Khama	2019	–	26.04.19	25.04.22
Steve Lucas	2012	7	13.03.18	13.03.21
Genevieve Sangudi	2019	–	26.04.19	25.04.22
Jeremy Wilson	2013	6	21.10.19	20.10.22

In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointment of any non-executive Director may be terminated by either party on three months' notice. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of his or her appointment.

### Looking forward to 2020

- The Committee will continue to engage and consult with major shareholders on the suitability of the current Directors' Remuneration Policy and any proposed changes to it ahead of the AGM in 2020.
- The Committee will seek feedback and confirmation with regard to the implementation of approved changes.
- The Committee will continue to review the remuneration arrangements of the wider workforce when considering arrangements for Executives and Senior Management.

## Annual Report on Remuneration

### Directors' remuneration (audited)

The remuneration of the Directors for the year ended 31 December 2019 payable by Group companies and comparative figures for 2018 are shown in the table below:

		Fixed pay			Tullow Incentive Plan		Total £
		Salary/fees <sup>1</sup> £	Pensions <sup>2</sup> £	Taxable benefits <sup>3</sup> £	TIP cash <sup>4</sup> £	Deferred TIP shares <sup>5</sup> £	
Executive Directors							
Paul McDade <sup>6</sup>	2019	769,160	192,288	25,258	-	-	986,706
	2018	746,750	186,687	25,086	746,750	1,054,411	2,759,684
Angus McCoss <sup>6</sup>	2019	434,970	108,742	13,016	-	-	556,728
	2018	422,300	105,575	12,661	422,300	596,288	1,559,124
Les Wood	2019	461,500	115,374	1,487	-	-	578,361
	2018	448,050	112,012	1,304	448,050	632,647	1,642,063
Subtotal 2019	2019	1,665,630	416,404	39,761	-	-	2,121,795
Subtotal 2018	2018	1,617,100	404,274	39,051	1,617,100	2,283,346	5,960,871
Non-executive Directors							
Dorothy Thompson <sup>7</sup>	2019	318,904	-	-	-	-	318,904
	2018	139,945	-	-	-	-	139,945
Tutu Agyare <sup>8</sup>	2019	25,205	-	12,824	-	-	38,029
	2018	80,000	-	36,540	-	-	116,540
Mike Daly	2019	80,000	-	-	-	-	80,000
	2018	70,247	-	-	-	-	70,247
Steve Lucas	2019	85,000	-	2,026	-	-	87,026
	2018	80,000	-	991	-	-	80,991
Jeremy Wilson	2019	90,274	-	9,862	-	-	100,136
	2018	86,520	-	6,011	-	-	92,531
Genevieve Sangudi <sup>9</sup>	2019	44,520	-	4,554	-	-	49,074
Sheila Khama <sup>10</sup>	2019	44,520	-	5,301	-	-	49,821
Martin Greenslade <sup>11</sup>	2019	10,863	-	-	-	-	10,863
Subtotal 2019	2019	699,286	-	34,567	-	-	733,853
Subtotal 2018 (includes former non-executive Directors)	2018	635,941	-	77,601	-	-	713,542
Total	2019	2,364,916	416,404	74,328	-	-	2,855,648
	2018	2,253,041	404,274	116,652	1,617,100	2,283,346	6,674,413

1. Base salaries of the Executive Directors have been rounded up to the nearest £10 for payment purposes, in line with established policy.
2. None of the Executive Directors have a prospective entitlement to a defined benefit pension by reference to qualifying services.
3. Taxable benefits comprise private medical insurance for all Executive Directors and any other taxable expenses. Travel and subsistence benefits provided to Executive Directors and NEDs have also been included on a grossed-up basis as Tullow meets the UK tax liability on their behalf.
4. Given the poor performance of the Company during 2019, the Remuneration Committee has exercised negative discretion to award cash bonuses of nil.
5. These figures represent that part of the TIP award required to be deferred into shares. Given the poor performance of the Company during 2019, the Remuneration Committee has exercised discretion to award no deferred shares awards.
6. Paul McDade and Angus McCoss resigned as CEO and Exploration Director following mutual agreement between the Company and both Executive Directors effective 9 December 2019. Salary and cash in lieu of pension were payable to 31 December 2019 to settle accrued but unused leave entitlement.

7. Dorothy Thompson became Executive Chair of the Company effective 9 December 2019 following the announcement of Paul McDade stepping down as CEO. Salary and fees reflect the increase in fees effective 9 December 2019 in recognition of her increased responsibilities in the role of Executive Chair.
8. Tutu Agyare stepped down as a member of the Tullow Board and as Chairman of the Remuneration Committee following the AGM on 25 April 2019.
9. Genevieve Sangudi was appointed to the Tullow Board following the AGM on 25 April 2019; Genevieve is also a member of the Remuneration and Audit Committees.
10. Sheila Khama was appointed to the Tullow Board following the AGM on 25 April 2019; Sheila is also a member of the Board subcommittee for Safety and Sustainability.
11. Martin Greenslade was appointed as a non-executive Director of Tullow with effect from 1 November 2019. Martin has also been appointed as a member of the Audit Committee and will stand for election to the Board at the 2020 Annual General Meeting (AGM).

### Material contracts

There have been no contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

### Payments to past Directors

No payments were made to past Directors in 2019.

### Payments for loss of office

In connection with the termination of their employment, Paul McDade and Angus McCoss received a payment for salary and pension contributions in lieu of their contractual notice period of 12 months, continued private healthcare coverage/cash in lieu of benefit for up to 12 months and capped contributions towards both their legal fees and the provision of outplacement services, of £7,500 and £25,000 respectively.

Neither Paul McDade nor Angus McCoss will receive any cash or share-based awards under the Tullow Incentive Plan (TIP) in respect of the financial years ending 31 December 2019 or 31 December 2020.

In respect of the TIP, the Remuneration Committee has determined that Paul McDade's and Angus McCoss' unvested awards may continue to vest on their scheduled vesting dates, subject to the terms of the Tullow Incentive Plan. In respect of

the Tullow Share Incentive Plan, the shares which Paul McDade and Angus McCoss hold were released on termination of employment.

### Details of variable pay earned in the year

#### Determination of 2020 TIP Award based on performance to 31 December 2019 (audited)

The Group's progress against its corporate scorecard is tracked during the year to assess its performance against its strategy. The corporate scorecard is made up of a collection of key performance indicators (KPIs) which indicate the Company's overall health and performance across a range of operational, financial and non-financial measures. The corporate scorecard is central to Tullow's approach to performance management and the 2019 indicators were agreed with the Board and focus on targets that were deemed important for the year. Each KPI measured has a percentage weighting and financial indicators have trigger, base and stretch performance targets. Following the end of the 2019 financial year, the corporate scorecard KPI performance was 18.5 per cent of the maximum. However the Committee made the decision that there would be no bonuses for members of the Executive due to the overall poor performance of the Company.

Details of the performance targets and performance against those targets are as follows:

Performance metric	Performance					% of award (% of salary maximum)	Actual
<b>Business delivery</b> Targets relating to production, opex, net G&A and capex, EHS, operational projects and financing. These targets focused on delivering business activities and projects safely whilst minimising environmental impacts and delivering sustainable benefits	<b>Production</b>					15%	6.2%
	Production	Trigger target	Base target	Stretch target	2019 performance	(60)%	(24.8)%
	mboepd	91.3	98.1	105	82.7		
	Payout	0%	50%	100%	0%		
	The above production numbers exclude the lost production covered by business interruption insurance. Including the impact of insured barrels from the Jubilee field, Group working interest production is 86,800 boepd. Gas production has been excluded.						
	<b>Opex/boe</b>						
	Opex/boe	Trigger target	Base target	Stretch target	2019 performance		
	\$/boe	10.1	9.6	9.2	11.1		
	Payout	0%	50%	100%	0%		
	The operating costs are net of insurance proceeds.						
	<b>Net G&amp;A</b>						
	Net G&A	Trigger target	Base target	Stretch target	2019 performance		
	Net G&A (\$)	113	106	95	111.5		
	Payout	0%	50%	100%	80%		
	<b>Capex</b>						
	The capex numbers have been adjusted to remove Uganda. The capex including Uganda is \$490 million. Decommissioning capex is not included and is \$81 million (budget: \$125 million). Due to the underspend on capex, the Committee decided to allocate 1.5 per cent of the maximum 2 per cent for capex.						
	Capex	Trigger target	Base target	Stretch target	2019 performance		
	Capex	607	570	530	458		
	Payout	0%	50%	100%	100%		

## Remuneration report continued

### Annual Report on Remuneration continued

Details of variable pay earned in the year continued

Determination of 2020 TIP Award based on performance to 31 December 2019 (audited) continued

Performance metric	Performance	% of award (% of salary maximum)	Actual												
<b>Business delivery</b> continued	<p><b>SSEA</b></p> <p>Tullow's safe and sustainable operations KPIs were focused on the reduction of process safety events (LOPC releases) and maintaining continuous improvement in our occupational health and safety performance.</p> <p>In 2019, we recorded one Tier 1 PSE (LOPC release) at our EOPS onshore production facility in Kenya, and three Tier 2 PSEs (LOPC releases) in our operations in Ghana, two which occurred on the Jubilee FPSO and one which occurred during drilling operations on the Maersk Venturer rig. All of these PSEs resulted in no harm or injury to personnel. The 2019 KPI target (zero) set for both Tier 1 and Tier 2 PSEs was not achieved. The KPI target set for Tier 3 PSE's (LOPC releases) was achieved in 2019, with an overall 32 per cent reduction.</p> <p>As part of our ongoing journey to further improve and measure our company EHS performance, Tullow introduced a new 'Perfect EHS Days' initiative in 2019. Perfect EHS Days are days where we have no near miss (HiPo) incidents, no injuries or illnesses, no motor vehicle accidents and no environmental harm spill events. In 2019, we achieved an overall total of 318 Perfect EHS Days, which was similar to that achieved during the previous year.</p> <p>In view of the above performance and due to the Tier 1 and Tier 2 incidents, the Committee decided a 1.5 per cent score out of a maximum 4 per cent allocation.</p> <p><b>Delivery of operational projects</b></p> <p>The delivery of New Ventures operational programmes saw 3000 sq km of 3D seismic surveys recorded in Comoros, and 9,000 sq km 3D seismic in Argentina has commenced and is to be completed in 2020. 2D seismic planning and stakeholder engagement completed in Côte d'Ivoire. Ghana's 2019 drilling and completions programme resulted in the drilling and completion of five wells (target seven wells).</p> <p>The FPSO brownfields projects included the Jubilee CALM Buoy which exceeded its target 60 per cent complete by year end, although at increased costs due to delays in tank cleaning. The decommissioning programme was delivered as per plan and within budget.</p> <p>In view of the above performance the Committee determined a 1.1 per cent achievement out of a maximum 2 per cent allocation.</p> <p><b>Financing</b></p> <p>Ensuring sufficient liquidity to deliver the business plan was achieved by proactively managing debt facilities resulting in headroom and free cash in excess of \$1 billion throughout the year.</p> <p>Net debt was reduced to \$2.8 billion from \$3.1 billion at the beginning of the year and leverage (net debt:EBITDAX) was maintained within the target range of up to 2.0x despite lower production and a lower oil price.</p> <p>In view of this the Committee determined an allocation of 2 per cent out of a maximum allocation of 2 per cent.</p>														
<b>Growing our business</b>	<p>The business development and growth targets reflect the portfolio and long-term growth strategy of the Company. They focus on value creation and seeking opportunities.</p> <table> <tr> <th>KPI</th><th>Outcome</th><th>Target</th><th>2019</th></tr> <tr> <td>West Africa growth</td><td> <p>West Africa</p> <p>- Ghana: Pursue a multi-year Asset Venture Plan, mature new projects to FID and secure new exploration licence and E&amp;A rights across both DPAs</p> <p>- Non-op: Secure material value growth opportunities in West Africa core area</p> </td><td>6%</td><td>2.5%</td></tr> <tr> <td>East Africa growth</td><td> <p>East Africa</p> <p>- Commercialise Kenya investment</p> <p>- Complete SPA and FID Uganda development</p> </td><td>6%</td><td>0%</td></tr> </table>	KPI	Outcome	Target	2019	West Africa growth	<p>West Africa</p> <p>- Ghana: Pursue a multi-year Asset Venture Plan, mature new projects to FID and secure new exploration licence and E&amp;A rights across both DPAs</p> <p>- Non-op: Secure material value growth opportunities in West Africa core area</p>	6%	2.5%	East Africa growth	<p>East Africa</p> <p>- Commercialise Kenya investment</p> <p>- Complete SPA and FID Uganda development</p>	6%	0%	20% (80%)	5.8% (23.2%)
KPI	Outcome	Target	2019												
West Africa growth	<p>West Africa</p> <p>- Ghana: Pursue a multi-year Asset Venture Plan, mature new projects to FID and secure new exploration licence and E&amp;A rights across both DPAs</p> <p>- Non-op: Secure material value growth opportunities in West Africa core area</p>	6%	2.5%												
East Africa growth	<p>East Africa</p> <p>- Commercialise Kenya investment</p> <p>- Complete SPA and FID Uganda development</p>	6%	0%												

Performance metric	Performance				% of award (% of salary maximum)	Actual
	KPI	Outcome	Target	2019		
<b>Growing our business</b> continued New Ventures growth	New Ventures - Access and portfolio management and effective proceeds - Inventory progress and planning for 2019 - Exploration outcome	Acquired six Blocks covering 25,740 sq km in Argentina, Peru and Namibia. Over \$36 million of value has been generated for the Group through portfolio management in 2019. Eight prospects progressed to drill worthy status. Three oil discoveries made in Guyana confirm the petroleum system elements in Orinduik and Kanuku. Cretaceous discovery at Carapa extends light oil play from Stabroek blocks. Tertiary discoveries at Jethro and Joe encountered heavy oil.	8%	3.3%		
<b>Pursuing our vision</b> Pursuing Tullow's 2030 vision of being a progressive and sustainable company	Progressive - Progressive organisation - Innovation and process improvement Sustainability - Responsible operations - Shared prosperity - Environmental stewardship - Equality and transparency Leadership effectiveness	Line management training to majority of managers, senior leadership and executive development programmes were developed and delivered and a comprehensive progressive organisation people plan has been developed. Continued focus on people development through two people forum and executive forum events which continue to evolve. Smart and flexible working was launched and has been successfully taken up. S4 Hana, Concur and Success Factor were delivered. New collaboration tools have been installed. 60 predictive analytics models were developed and tested. Focusing on increasing spend with local companies, negotiating an industry leading consent agreement in Turkana and achieving socio-economic investments. All on track, except the community consent has made limited progress. Flare reduction opportunities assessment completed in 2019 focused on unplanned flaring. CDI seismic programme utilised light touch environmental footprint methodologies including pre line screening with drones. TCFD work completed in 2019, and carbon offsetting project feasibility work commenced, Kenya ESIA drafted, and Biodiversity Advisory Panel established. Inclusiveness and diversity targets have been set. Improved performance in Hampton Alexander and gender pay gap reporting. The purpose of this performance element is to consider the effectiveness of the executive leadership of Tullow which shall include: effectiveness of the Executive Team; Executive Team cohesion; demonstration of leadership; and management of unforeseen matters throughout the year. The below were taken into consideration in the scoring of the discretionary element: - market communications and trading statement updates; - reorganisation, business delivery and transformation; - government relations; - joint Venture Partnership relations; and - H&M insurance settlement.			15% (60)%	6.5% (26)%
<b>Relative TSR (total shareholder return)<sup>1</sup></b>	Performance against a bespoke group of listed exploration and production companies measured over three years to 31 December 2019 – 25 per cent is payable at median, increasing to 100 per cent payable at upper quartile.				50% (200%)	0% (0%)
<b>Total</b>					100% (400%)	18.5% (74.0%)

1. The TSR comparator group for the 2019 TIP award was as follows: Africa Oil, Aker BP, Apache, Cairn Energy, Cobalt Energy, Enquest, Genel Energy, Hess, Kosmos Energy, Lundin Petroleum, Oil Search, Ophir Energy, Pharos Energy, Premier Oil, Seplat Petroleum, Santos and Woodside Petroleum.

## Annual Report on Remuneration continued

### TIP Awards granted in 2019 (audited)

The fifth set of TIP Awards were granted to Executive Directors on 14 February 2019, based on the performance period ended 31 December 2018, as follows:

Executive	Number of TIP shares awarded <sup>1</sup>	Face value of awards at grant date	Normal vesting dates (end of exercise window)	Pre-grant performance period
Paul McDade	481,027	1,054,411	14.02.2024	01.01.2018 to 31.12.2018 (TSR 01.01.2016 to 31.12.2018)
Angus McCoss	272,030	596,288		
Les Wood	288,617	632,647		

1. Awards are made in the form of nil-cost options, the face value of the awards is equal to the TIP cash bonus awarded for the year ended 31 December 2018 and the number of shares awarded is calculated using the price on the day preceding the grant date which on 13 February 2019 was 219.2p.

### UK SIP shares awarded in 2019 (audited)

The UK SIP is a tax-favoured all-employee plan that enables UK employees to save out of pre-tax salary. Quarterly contributions are used by the plan trustee to buy Tullow Oil plc shares (partnership shares). The Group funds an award of an equal number of shares (matching shares). The current maximum contribution is £150 per month. Details of shares purchased and awarded to Executive Directors under the UK SIP are as follows:

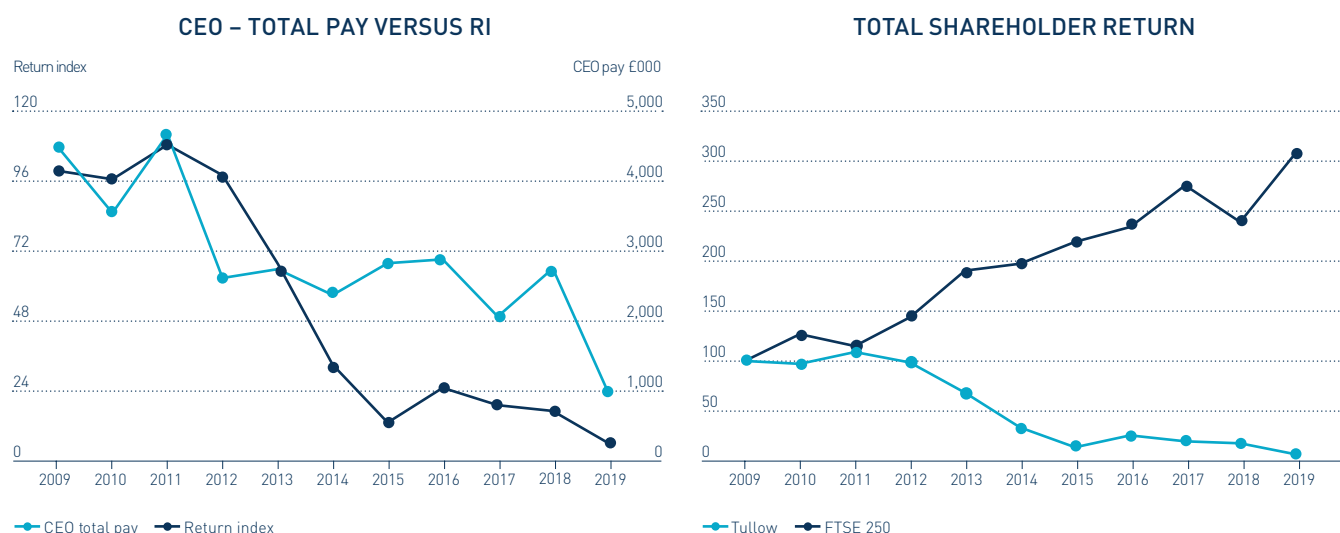
Director	Shares held 01.01.19	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.19 <sup>2</sup> (including dividend shares)	Dividend shares acquired in the year	SIP shares that became unrestricted in year	Total unrestricted shares held at 31.12.19 <sup>1</sup>
Paul McDade	17,453	911	911	19,762	487	516	9,821
Angus McCoss	11,514	910	910	13,662	328	516	3,882
Les Wood	3,421	910	910	5,353	112	291	291

1. Unrestricted shares (which are included in the total shares held at 31 December 2019) are those which no longer attract a tax liability if they are withdrawn from the plan.

2. Paul McDade and Angus McCoss left the business on 9 December 2019. Total shares held are as at 9 December 2019.

### CEO – total pay versus TSR

For 2019 the CEO total pay is based on an annualised summation of base pay, pension, benefits and TIP cash bonus and share award equivalent value for Paul McDade.



### Comparison of overall performance and pay

The Remuneration Committee has chosen to compare the TSR of the Company's ordinary shares against the FTSE 250 index.

The values indicated in the graph above show the share price growth plus re-invested dividends for the period 2009 to 2019 from a £100 hypothetical holding of ordinary shares in Tullow Oil plc and in the index.

The total remuneration figures for the Chief Executive during each of the last nine financial years are shown in the tables below. For 2017, total remuneration figures are shown for Aidan Heavey based on the period he held the office of Chief Executive Officer and for the transition period up to 31 October 2017 and for Paul McDade from 27 April 2017 when he commenced in his office of Chief Executive. The total remuneration figure includes the annual bonus based on that year's performance (2011 to 2019), PSP awards based on three-year performance periods ending in the relevant year (2011 to 2012) and the value of TIP Awards based on the performance period ending in the relevant year (2013 to 2019). The annual bonus payout, PSP vesting level and TIP Award, as a percentage of the maximum opportunity, are also shown for each of these years. For 2019, based on the poor performance of the company the TIP Award was 0 per cent of base pay.

	Year ending in								
Aidan Heavey	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration	£4,688,541	£2,623,116	£2,750,273	£2,378,316	£2,835,709	£2,893,232	£1,717,276	–	–
Annual bonus	80%	70%	–	–	–	–	–	–	–
PSP vesting	100%	23%	–	–	–	–	–	–	–
TIP	–	–	30%	23%	38%	39%	40%	–	–

	Year ending in								
Paul McDade	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration	n/a	n/a	n/a	n/a	n/a	n/a	£1,416,281	£2,759,684	<b>£986,706</b>
TIP	–	–	n/a	n/a	n/a	n/a	40%	60.3%	<b>0%</b>

### Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any pension benefits receivable in the year) between the financial year ended 31 December 2018 and 31 December 2019, compared to that of the average for all employees of the Group.

	% change from 2018 to 2019		
	Salary	Benefits	Bonus
Chief Executive	3%	0.7%	(100%)
Average employees	(3.6%)*	0%	(38.4%)

\* Decrease in average pay for all employees is driven by a decrease in headcount from 31 December 2018 to 31 December 2019, with some leavers being in the highest earnings category.

## Annual Report on Remuneration continued

### CEO pay ratio 2019

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	A	8:1	5:1	4:1
2018 (Voluntary Disclosure)	A	23:1	15:1	10:1

In response to the CEO pay ratio requirements established by the Companies (Miscellaneous Reporting) Regulations 2018, Tullow has undertaken to adopt the calculation of a CEO pay ratio to compare the single total figure of remuneration (STFR) for the CEO to the STFR of all UK employees. This has been calculated using the methodology described as 'Option A' in the Regulations, as Tullow recognises that this is the most statistically accurate form of calculation.

For the CEO and each UK employee<sup>1</sup> the STFR has been calculated as a summation of base pay, benefits, employer pension contributions receivable during the year ended 31 December 2019 and cash bonus payable and value of share awards to be granted for the performance year ending 31 December 2019.

1. All STFRs have been based on a full-time equivalent and annualised to provide a dataset for the full year ending 31 December 2019. Tullow would like to build on this reporting in future years by looking at the same dataset for employees globally to determine a global CEO pay ratio.

The STFR at 25th percentile is £116,891, £184,003 at median and £252,470 at 75th percentile.

The wages component at 25th percentile is £79,435, £123,840 at median and £156,735 at 75th percentile.

In setting both our CEO remuneration and the remuneration structures for the wider UK workforce, Tullow has adopted a remuneration structure which includes the same core components for employees at all levels (base pay, benefits, pension, cash bonus and share awards). Whilst all employees receive a base salary commensurate to our position in the market, the differences exist in the quantum of variable pay achievable by our Executives and Senior Management; at these levels there is a greater emphasis placed on variable pay given their opportunity to impact directly on Company performance. Based on this distinction, the Company believes taking into account company performance in a particular financial year and the impact on variable pay, that the median pay ratio is consistent with and reflective of the wider pay, reward and progression policies impacting our UK employees.

### Relative importance of spend on pay

The following table shows the Group's actual spend on pay for all employees relative to tax and retained profits.

Staff costs have been compared to tax expense, and retained profits in order to provide a measure of their scale compared to other key elements of the Group's financial metrics.

	2018	2019	% change
Staff costs (£m)	155.1	<b>156.4</b>	1%
Tax (credit)/expense (£m) <sup>1</sup>	131.3	<b>31.9</b>	(76%)
Retained profits (£m) <sup>1</sup>	497.7	<b>(904.8)</b>	(282%)

1. Voluntary disclosure.

### Shareholder voting at the AGM

At last year's AGM on 25 April 2019 the remuneration-related resolution received the following votes from shareholders:

2018 Annual Statement and Annual Report on Remuneration		
	Total number of votes	% of votes cast
For	795,256,539	86.87
Against	120,176,428	13.13
Total votes cast (for and against)	<b>915,432,967</b>	<b>65.28</b>
Votes withheld	488,576	

At the AGM on 26 April 2017, the remuneration-related resolution to approve the Directors Remuneration Policy Report received the following votes from shareholders:

To approve the Directors' Remuneration Policy Report		
	Total number of votes	% of votes cast
For	582,011,448	88.03
Against	79,143,373	11.97
Total votes cast (for and against)	<b>661,154,821</b>	<b>72.19</b>
Votes withheld	73,467	

## Summary of past TIP Awards

Details of nil-cost options granted to Executive Directors under the TIP:

Director	Award grant date	Share price on grant date	As at 01.01.19	Granted during the year	Exercised during the year	As at 31.12.19 <sup>4</sup>	Earliest date shares can be acquired <sup>1</sup>	Latest date shares can be acquired <sup>3</sup>
Paul McDade	19.02.14	774p	68,334	–	68,334	–	19.02.17	19.02.24
	18.02.15	400p	101,364	–	50,682	50,682	18.02.19	18.02.21
	11.02.16	148p	375,157	–	–	375,157	11.02.21	11.02.22
	27.04.17	214p	226,927	–	–	226,927	27.04.22	27.04.23
	08.02.18	187p	278,628	–	–	278,628	08.02.23	08.02.24
	14.02.19	219p	–	481,027	–	481,027	14.02.24	14.02.25
Dividend equivalents								
08.02.18	10.05.19	187p	–	4,877	–	4,877	08.02.23	08.02.24
14.02.19	10.05.19	219p	–	8,420	–	8,420	14.02.24	14.02.25
08.02.18	17.10.19	187p	–	2,569	–	2,569	08.02.23	08.02.24
14.02.19	17.10.19	219p	–	4,435	–	4,435	14.02.24	14.02.25
Total awards			1,050,410	501,328	119,016	<b>1,432,722</b>		
Angus McCoss	18.02.15	400p	101,364	–	50,682	50,682	18.02.19	18.02.21
	11.02.16	148p	375,157	–	–	375,157	11.02.21	11.02.22
	27.04.17	214p	226,927	–	–	226,927	27.04.22	27.04.23
	08.02.18	187p	197,082	–	–	197,082	08.02.23	08.02.24
	14.02.19	219p	–	272,030	–	272,030	14.02.24	14.02.25
Dividend equivalents								
08.02.18	10.05.19	187p	–	3,450	–	3,450	08.02.23	08.02.24
14.02.19	10.05.19	219p	–	4,762	–	4,762	14.02.24	14.02.25
08.02.18	17.10.19	187p	–	1,817	–	1,817	08.02.23	08.02.24
14.02.19	17.10.19	219p	–	2,508	–	2,508	14.02.24	14.02.25
			900,530	284,567	50,682	<b>1,134,415</b>		
Les Wood <sup>2</sup>	11.02.16	148p	160,053	–	160,053	–	11.02.19	11.02.26
	27.04.17	214p	101,249	–	–	101,249	27.04.20	27.07.27
	08.02.18	187p	148,802	–	–	148,802	08.02.23	08.02.28
	14.02.19	219p	–	288,617	–	288,617	14.02.24	14.02.29
Dividend equivalents								
08.02.18	10.05.19	187p	–	2,605	–	2,605	08.02.23	08.02.28
14.02.19	10.05.19	219p	–	5,052	–	5,052	14.02.24	14.02.29
08.02.18	17.10.19	187p	–	1,372	–	1,372	08.02.23	08.02.28
14.02.19	17.10.19	219p	–	2,661	–	2,661	14.02.24	14.02.29
			410,104	300,307	160,053	<b>550,358</b>		

1. 50 per cent of the 2014 award vests on 19 February 2017 and 50 per cent vests on 19 February 2018; 50 per cent of the 2015 award vests on 18 February 2019 and 50 per cent vests on 18 February 2020.

2. Les Wood – TIP Awards granted prior to appointment as an Executive Director have a three-year vesting period.

3. Latest dates shares can be acquired are reflective of good leaver treatment under the TIP rules for Paul McDade and Angus McCoss.

4. As at 9 December 2019 for Paul McDade and Angus McCoss.

## Remuneration report continued

### Annual Report on Remuneration continued

#### Summary of past 2005 Performance Share Plan (PSP)

Details of shares granted to Executive Directors for nil consideration under the PSP:

Director	Award grant date	Share price on grant date	As at 01.01.19	Exercised during year	As at 31.12.19	Earliest date shares can be acquired	Latest date shares can be acquired
Paul McDade	18.03.09	778p	115,392	115,392	–	18.03.12	18.03.19
	17.03.10	1,281p	16,392	16,392	–	17.03.13	17.03.20
			131,784	131,784	–		

All of the PSP awards listed are based on relative three-year TSR performance and the Committee considering that both the Group's underlying financial performance and its performance against other key factors (e.g. health and safety) over the relevant period are satisfactory. 50 per cent of awards were measured against an international oil sector comparator group (see past remuneration reports for details of specific companies) and 50 per cent of awards were measured against the FTSE 100. All outstanding awards under PSP have been granted as, or converted into, nil exercise price options.

#### Summary of past Deferred Share Bonus Plan (DSBP) awards

Details of nil exercise cost options granted to Executive Directors for nil consideration under the DSBP:

Director	Award grant date	As at 01.01.19	Exercised during the year	As at 31.12.19	Earliest date shares can be acquired	Latest date shares can be acquired
Paul McDade	18.03.09	33,289	33,289	–	01.01.12	18.03.19
	17.03.10	18,702	18,702	–	01.01.13	17.03.20
	18.03.11	13,266	13,266	–	01.01.14	18.03.21
	21.03.12	30,291	30,291	–	01.01.15	21.03.22
	22.02.13	30,287	30,287	–	01.01.16	22.02.23
		125,835	125,835	–		

All outstanding awards under the DSBP were granted as, or have been converted into, nil exercise price options.

#### Share price range

During 2019, the highest mid-market price of the Company's shares was 250p and the lowest was 40p. The year-end price was 64p.

## Directors' interests in the share capital of the Company (audited)

The interests of the Directors (all of which were beneficial), who held office at 31 December 2019 or during FY 2019, are set out in the table below:

	Ordinary shares held		% of salary under 2019 Remuneration Policy shareholding guidelines <sup>1</sup>	% of salary represented by ordinary shares and all award, i.e. sum of vested and unvested (net of applicable taxes)	TIP awards		SIP		SIP total
	01.01.19	31.12.19			Unvested	Vested	Restricted	Unrestricted	31.12.19
Executive Directors									
Paul McDade	520,738	719,910	59.9%	123.09%	1,432,722	–	9,941	9,821	19,762
Angus McCoss	360,839	403,660	59.39%	147.86%	1,134,415	–	9,780	3,882	13,662
Les Wood	60,280	144,919	20.10%	60.55%	550,358	–	5,062	291	5,353
Non-executive Directors									
Tutu Agyare <sup>3</sup>	2,930	2,930	–	–	–	–	–	–	2,930
Mike Daly	4,795	4,795	–	–	–	–	–	–	4,795
Steve Lucas	720	720	–	–	–	–	–	–	720
Dorothy Thompson	68,148	68,148	–	–	–	–	–	–	68,148
Jeremy Wilson <sup>4</sup>	67,959	87,959	–	–	–	–	–	–	87,959
Genevieve Sangudi	–	–	–	–	–	–	–	–	–
Sheila Khama <sup>4</sup>	–	–	–	–	–	–	–	–	–
Martin Greenslade <sup>4</sup>	–	–	–	–	–	–	–	–	–

1. Calculated using share price of 64p at year end. Under the Company's shareholding guidelines, each Executive Director is required to build up their shareholdings in the Company's shares to at least 300 per cent of their current salary, which increases to 400% of salary under the new policy if approved. Further details of the minimum shareholding requirement are set out in the Remuneration Policy Report.

2. Calculated taking into account the total of ordinary shares held and unvested awards net of applicable taxes.

3. Ordinary Shares held by Tutu Agyare at 25 April 2019.

4. Acknowledged that no ordinary shares are held at 31 December 2019. There is an intention to purchase timing permitted.

On 6 January 2020 Les Wood was awarded 1,502 SIP shares, all of which are restricted. Accounting for certain restricted SIP shares becoming unrestricted SIP shares in the period between 1 January 2020 and the date of this report, Les Wood holds 6,302 restricted SIP shares and 553 unrestricted SIP shares (total 6,855).

There have been no other changes in the interests of any Director between 1 January 2020 and the date of this report.

## Approval

This report was approved by the Board of Directors on 11 March 2020 and signed on its behalf by:



**Jeremy Wilson**

Chair of the Remuneration Committee

11 March 2020

## Other statutory information

The Directors present their Annual Report and audited financial statements for the Group for the year ended 31 December 2019.

### Principal activities

Tullow is an independent oil and gas, exploration and production group, quoted on the London, Euronext Dublin and Ghanaian stock exchanges. The Group has interests in 74 exploration and production licences across 14 countries.

### Strategic Report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic Report in the Annual Report. This can be found on pages 1 to 37. The Strategic Report contains an indication of the directors' view on likely future developments in the business of the Group. In addition, following the introduction of the EU Non-Financial Reporting Directive, the Strategic Report also provides direction on where information on the impact of activities on employees, social and environmental matters, human rights and anti-corruption and anti-bribery matters can be found within the Annual Report and financial statements, as well as a description of the Group's policies and where these are located. The Corporate Governance Report on pages 38 to 84 is the corporate governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1. The Annual Report and Financial Statements use financial and non-financial KPIs wherever possible and appropriate.

### Results and dividends

The loss on ordinary activities after taxation of the Group for the year ended 31 December 2019 was \$1,694million (2018: profit of \$85million).

An interim 2019 dividend of US0.0235 share (\$33million) was paid in October 2019. In November 2019 the Board announced that it has suspended the current dividend policy and as a result is not recommending to shareholders that a final dividend be paid to shareholders in May 2020 in respect of the financial year 2019.

### Subsequent events since 31 December 2019

In February 2020, Tullow concluded its Business Review – which included a review of organisation structure and resources. Subject to the outcome of the consultation, this will most likely result in a 35% reduction in headcount, with an associated expected restructuring cost of c.\$50 million. It is anticipated that the reorganisation will generate cash G&A savings of c.\$200 million over the next three years.

The six-monthly redetermination of Tullow's Reserves Based Lending (RBL) facility is expected to conclude at the end of March, with debt capacity is expected to be c.\$1.9bn. Subject to confirmation of this debt capacity amount the Group will have headroom of c.\$0.7 billion which is above the Group's policy target of no less than \$500 million and is appropriate in light of Tullow's reduced future capital commitments. On completion of the redetermination process the Group plans to voluntarily reduce facility commitments by \$210 million, effectively accelerating the October 2020 scheduled amortisation. The reduction in debt capacity and commitments will result in a reduction of finance costs.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The group failed to reach agreement and on 7 March 2020, Saudi Aramco unilaterally and aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, oil prices fell by around 20 per cent and the forward curve for 2020 and 2021 fell to approximately \$38/bbl and \$42/bbl respectively. These recent events will continue to have an impact on oil price volatility. Tullow prudently manages its commodity risk and is well hedged with 60 per cent of 2020 production hedged at a floor price of \$57/bbl and 40 per cent hedged at a floor price of \$52/bbl for 2021. Realised oil prices for January and February 2020 are expected to average over \$60/bbl.

### Share capital

As at 10 March 2020, the Company had an allotted and fully paid up share capital of 1,408,413,172 ordinary shares each with a nominal value of £0.10.

### Substantial shareholdings

As at 10 March 2020 the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

Shareholder	Number of shares	% of issued capital (as at date of notification)
Sam Dossou-Aworet	168,960,502	12.00%
M&G plc	73,686,244	5.23%
RWC Asset Management LLP	71,022,015	5.09%
Summerhill Trust Company (Isle of Man) Limited	58,838,104	4.19%
Azvalor Asset Management S.G.I.I.C., S.A.	45,533,489	3.24%

## Shareholders' rights

The rights and obligations of shareholders are set out in the Company's Articles of Association (which can be amended by special resolution). The rights and obligations attaching to the Company's shares are as follows:

- dividend rights – holders of the Company's shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Subject to shareholder approval, payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets;
- voting rights – voting at any general meeting may be conducted by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy or corporate representative appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy or corporate representative). If a proxy has been appointed by more than one shareholder and has been instructed by one or more of those shareholders to vote 'for' the resolution and by one or more of those shareholders to vote 'against' a particular resolution, the proxy shall have one vote for and one vote against that resolution. On a poll, every shareholder who is present in person has one vote for every share held by that shareholder and a proxy has one vote for every share in respect of which he has been appointed as proxy (the deadline for exercising voting rights by proxy is set out in the form of proxy). On a poll, a corporate representative may exercise all the powers of the company that has authorised him.

A poll may be demanded by any of the following: (a) the Chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy or represented by a duly authorised corporate representative at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all the shares conferring that right;

- return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the authority of a special resolution, divide among the shareholders the whole or any part of the Company's assets, or vest the Company's assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any property in respect of which there is a liability;
- control rights under employee share schemes – the Company operates a number of employee share schemes. Under some of these arrangements, shares are held by trustees on behalf of employees. The employees are not entitled to exercise directly any voting or other control rights. The trustees will generally vote in accordance with employees' instructions and abstain where no instructions are received. Unallocated shares are generally voted at the discretion of the trustees; and
- restrictions on holding securities – there are no restrictions under the Company's Articles of Association or under UK law that either restrict the rights of UK resident shareholders to hold shares or limit the rights of non-resident or foreign shareholders to hold or vote the Company's ordinary shares.

There are no UK foreign exchange control restrictions on the payment of dividends to US persons on the Company's ordinary shares.

## Material agreements containing 'change of control' provisions

The following significant agreements will, in the event of a 'change of control' of the Company, be affected as follows:

- to the extent that a 'change of control' occurs as a result of any person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers), gaining control of the Company:
  - under the \$2.4 billion senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, Natixis, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Lloyds Bank plc, ING Bank N.V., DNB Bank ASA and The Standard Bank of South Africa Limited and the lenders specified therein:
  - the Company is obliged to notify the agent (who notifies the lenders) upon the occurrence of a change of control; and

## Other statutory information continued

### Material agreements containing 'change of control' provisions continued

- if any lender so requires, it may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document. So long as such lender states its requirement to be repaid within 20 business days of being notified by the agent (such period being the 'notice period'), the repayment amount will become due and payable by no later than 10 business days after the end of such notice period and, in respect of each letter of credit issued under the agreement, full cash cover will be required by no later than 10 business days after the end of such notice period; and
- to the extent that a 'change of control' occurs, in general terms, as a result of (i) a disposal of all or substantially all the properties or assets of the Company and all its restricted subsidiaries (other than through a merger or consolidation) in one or a series of related transactions; (ii) a plan being adopted relating to the liquidation or dissolution of the Company; or (iii) any person becomes the beneficial owner, directly or indirectly, of shares of the Company which grant that person more than 50 per cent of the voting rights of the Company:
  - under an indenture relating to \$650 million of 6.25 per cent Senior Notes due in 2022 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the Company must make an offer to noteholders to repurchase all the notes at 101 per cent of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the change of control and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes; and
  - under an indenture relating to \$800 million of 7 per cent Senior Notes due in 2025 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the Company must make an offer to noteholders to repurchase all the notes at 101 per cent of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the change of control and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes; and
- to the extent that a 'change of control' occurs, in general terms, as a result of: (i) any person or persons, acting together, acquiring or becoming entitled to more than 50 per cent of the voting rights of the Company; or (ii) an offer being made to all of the Company's shareholders to acquire all or a majority of the issued ordinary share capital of the Company (or such offeror proposing a scheme of arrangement with regard to such acquisition, and thereby becoming entitled to exercise more than 50 per cent of the voting rights of the Company):
  - under a trust deed constituting \$300 million of 6.625 per cent guaranteed convertible bonds due in 2021 ('the Convertible Bonds') between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the bondholders shall have the right to require the Company to: (i) convert, in accordance with a formula specified in the trust deed, the Convertible Bonds into preference shares in the Company, which in turn will be exchanged by the Company for ordinary shares; or (ii) redeem the Convertible Bonds at their principal amount, together with accrued and unpaid interest at the date of the change of control event. The Company is required to give the Trustee notice of the occurrence of an event constituting a change of control within five calendar days of the occurrence of such event, and the bondholders shall thereafter have 60 calendar days in which to exercise the election referred to above. If the bondholders elect to redeem the Convertible Bonds, the Company is required to make payment of this amount 14 business days after receiving notification of such election.

### Directors

The biographical details of the Directors of the Company at the date of this report are given on pages 44 and 45.

Details of Directors' service agreements and letters of appointment can be found on page 68. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and other share option schemes are set out on pages 70 to 79 in the Directors' Remuneration Report.

### Directors' indemnities and insurance cover

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that where the defence is unsuccessful the Director must repay those defence costs. The Company also maintains directors' and officers' liability insurance cover, the level of which is reviewed annually.

### Conflicts of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board requires Directors to declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group.

### Powers of Directors

The general powers of the Directors are set out in Article 104 of the Articles of Association of the Company. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the Articles of Association of the Company and any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Please note the following specific provisions relevant to the exercise of power by the Directors:

- Pre-emptive rights and new issues of shares – the holders of ordinary shares have no pre-emptive rights under the Articles of Association of the Company. However, the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted under the Companies Act 2006 which provides that the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in general meeting, but which in either event cannot last for more than five years. Under the Companies Act 2006, the Company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer on a pre-emptive basis to existing shareholders, unless this requirement is waived by a special resolution of the shareholders.
- Repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares that have been bought back may be held as treasury shares or must be cancelled immediately upon completion of the purchase. The Company received authority at the last Annual General Meeting to purchase up to a maximum of 138,913,807 ordinary shares. The authority lasts until the earlier of the conclusion of the Annual General Meeting of the Company in 2019 or 30 June 2018.
- Borrowing powers – the net external borrowings of the Group outstanding at any time shall not exceed an amount equal to four times the aggregate of the Group's adjusted capital and reserves calculated in the manner prescribed in Article 105 of the Company's Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

### Appointment and replacement of Directors

The Company shall appoint (disregarding Alternate Directors) no fewer than two and no more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- the shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- the Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- each Director is required in terms of the Articles of Association to retire from office at the third Annual General Meeting after the Annual General Meeting at which he or she was last elected or re-elected, although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best corporate governance, the Board intends that each Director will submit him or herself for re-election on an annual basis;
- the Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and
- there are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors or where he or she is prohibited by law from being a Director.

## Other statutory information continued

### Encouraging diversity in our workforce

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age or disability.

We want our workforce to be truly representative of all sections of society and for all our employees to feel respected and able to reach their potential. Our commitment to these aims and detailed approach are set out in Tullow's Code of Ethical Conduct and Equal Opportunities Policy.

We aim to provide an optimal working environment to suit the needs of all employees, including those of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to help them remain safely in continuous employment.

### Employee involvement and engagement

We use a range of methods to inform and consult with employees about significant business issues and our performance. These include webcasts, the Group's intranet and town hall meetings. In 2019, we established the TAP (Tullow Workforce Advisory Panel) in conjunction with existing means to continue engaging with our workforce. Further details on the TAP and employee engagement are described on pages 46 and 47 of this report.

We have an employee share plan for all permanent employees, which gives employees a direct interest in the business' success.

### Political donations

In line with Group policy, no donations were made for political purposes.

### Corporate responsibility

The Group works to achieve high standards of environmental, health and safety management. Our performance in these areas can be found on pages 23 to 30 of this report. Further information is available on the Group website: [www.tullowoil.com](http://www.tullowoil.com), and our 2019 Sustainability Report.

### Auditor and disclosure of relevant audit information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all steps that ought to have been taken to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to appoint Ernst & Young as the Company's auditor will be proposed at the AGM. More information can be found in the Audit Committee Report on pages 48 to 53.

### Annual General Meeting

The Notice of Annual General Meeting will set out the resolutions to be proposed at the forthcoming AGM. The meeting will be held on 23 April 2020 at Tullow Oil plc's Head Office, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, from 12 noon.

This Corporate Governance Report (which includes the Directors' Remuneration Report) and the information referred to herein have been approved by the Board and signed on its behalf by:



**Adam Holland**  
Company Secretary

11 March 2020

Registered office:  
9 Chiswick Park  
566 Chiswick High Road  
London W4 5XT

Company registered in England and Wales No. 3919249

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board



**Dorothy Thompson**  
Executive Chair

11 March 2020



**Les Wood**  
Chief Financial Officer

11 March 2020

## **Report on the audit of the Financial Statements**

### **1. Opinion**

In our opinion:

- the Financial Statements of Tullow Oil plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement;
- the Group and Parent Company statements of accounting policies;
- the related notes 1 to 30 to the Group Financial Statements; and
- the related notes 1 to 7 to the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### **2. Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **3. Material uncertainty relating to going concern**

We draw attention to the accounting policies on page 101 in the Financial Statements and the detailed information on page 20, regarding the Group's ability to continue as a going concern; this is dependent on the Group's ability to generate sufficient cashflows in order to meet scheduled loan repayments and covenant requirements, and hence to operate within its existing debt facilities. Oil price volatility continues to place increased pressure on these cashflows and the ability of the Group to comply in the future with the gearing covenant. As indicated on page 20, given current market conditions, there is a risk that the Group may not be able to complete any planned portfolio management activities and that its lenders may not approve the semi-annual RBL redetermination liquidity assessments or amendments to covenants.

In response to this, we obtained, challenged and assessed management's going concern forecasts, and performed procedures, including:










- testing the clerical accuracy of the model used to prepare the going concern forecasts;
- assessing the historical accuracy of forecasts prepared by management;
- verifying the consistency of key inputs relating to future costs, hedging and production to other financial and operational information obtained during our audit;

### 3. Material uncertainty relating to going concern continued

- agreeing the available facilities to underlying agreements and external confirmation from debt providers and testing covenant calculation forecasts performed by management;
- challenging management as to the reasonableness of pricing assumptions applied, based on benchmarking to market data;
- performing sensitivity analysis on management's forecasts, including applying downside scenarios such as lower oil prices and reduced production, and considering the mitigating actions highlighted by management in the event that they were required;
- with assistance from Deloitte restructuring specialists, challenging management as to their ability to obtain approvals of the RBL capacity redetermination and amendments to loan covenants if required, including consideration of past precedence and other correspondence with the finance providers; and
- challenging management as to the adequacy of disclosures made in the Annual Report and Accounts.

As stated on page 20, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 4. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>- the carrying value of exploration and evaluation (E&amp;E) assets; </li> <li>- the carrying value of property, plant and equipment (PP&amp;E); </li> <li>- going concern (<i>see material uncertainty relating to going concern section</i>); </li> <li>- management override of controls;  and</li> <li>- the provision for tax claims .</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li> Newly identified</li> <li> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>
<b>Materiality</b>	<p>The materiality that we used for the Group Financial Statements was \$40 million which represents approximately 3 per cent of adjusted EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration) and approximately 4 per cent of net assets.</p>
<b>Scoping</b>	<p>The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed in all of the Group's other relevant locations. The materialities applied to components ranged from \$16 million to \$32 million (2018: \$25 million to \$40 million).</p>
<b>Significant changes in our approach</b>	<p>Reflecting the shortfall against expected production in 2019 and the reduction in subsequent forecasts, both our work on the going concern and viability statements and management override of controls have been identified as key audit matters in the current year.</p> <p>We have also identified the provision for tax claims as a key audit matter for 2019 due to the quantum of exposure to uncertain tax positions.</p> <p>There have been no other significant changes to our approach to the audit.</p>

## 5. Conclusions relating to going concern, principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 31–37 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 52 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 36–37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the going concern and prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

**Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.**

In addition to the impact of the matters disclosed in the material uncertainty relating to going concern section, we draw attention to the disclosures on pages 36–37 regarding the longer-term viability of the Group.

## 6. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## 6. Key audit matters continued

### 6.1. Carrying value of exploration and evaluation (E&E) assets

<b>Key audit matter description</b>	<p>The carrying value of E&amp;E assets as at 31 December 2019 is \$1,764.4 million (2018: \$1,898.6 million) and the Group has written off or impaired E&amp;E expenditure totalling \$1,253.4 million (2018: \$295.2 million) in the year then ended.</p> <p>The assessment of the carrying value of E&amp;E assets requires management to exercise judgement as described in the 'critical accounting judgements' section of the Annual Report and Accounts on page 107.</p> <p>Management's assessment requires consideration of a number of factors, including, but not limited to, the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal and the success of drilling and geological analysis to date, and the assessment of whether sufficient data exists to indicate that the carrying amount is unlikely to be recovered through successful development or sale.</p> <p>If sufficient data exists to indicate that the carrying amount is unlikely to be fully recovered through successful development or sale, an impairment test is performed in accordance with the requirements of IAS 36 Impairment of Assets. As these assets have not yet reached Final Investment Decision stage, there is inherent uncertainty in the estimation of the future timing and amount of forecast cash flows used to perform the impairment test. We have pinpointed the key audit matter in this area to those E&amp;E assets in the Group's portfolio which are at higher risk of future impairment, specifically those with ongoing significant values held, being the Kenyan and Ugandan CGUs.</p> <p>The carrying values in respect of Kenya and Uganda constitute \$667 million and \$960 million respectively of the Group's E&amp;E assets.</p> <p>Given the assets' importance to the Group in terms of longer-term production and the level of estimation uncertainty in the determination of their recoverable amounts, we also considered there to be a fraud risk that the assumptions applied to the valuations are inappropriate. The impact of climate change on commodity prices and investment decisions were also considered.</p> <p>Please refer to note 10 on page 115 of the Annual Report and Accounts and the Audit Committee Report on page 48 for further information.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We evaluated management's assessment of E&amp;E assets held on the balance sheet at 31 December 2019 with reference to the criteria of IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>, IAS 36 <i>Impairment of Assets</i> and the Group's accounting policy (see page 107).</p> <p>Our work to assess the assets at higher risk of future impairment included, but was not limited to, the following audit procedures:</p> <ul style="list-style-type: none"> <li>- participating in meetings with operational and finance staff to understand the plan for recovering value from these assets and the level of certainty over the forecast future cash flows, including review of associated evidence;</li> <li>- benchmarking and analysis of oil price assumptions against forward curves and other market data, including the impact of climate change;</li> <li>- agreement of forecast hydrocarbon production profile estimates to third-party resource reports;</li> <li>- verification of estimated future costs by agreement to the latest operator information, internal budgets or third-party estimates where available, and assessment of their appropriateness with reference to field development and production profiles with involvement from Deloitte petroleum engineering experts;</li> <li>- recalculation and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists;</li> <li>- reviewing the appropriateness of disclosure in relation to the level of uncertainty around the timing and amount of future cash flows, including the impact of climate change; and</li> <li>- consideration of evidence of potential management bias in the assumptions selected.</li> </ul>
<b>Key observations</b>	<p>The assumptions made by management when determining the Kenya and Uganda assets' recoverable amount fall within a reasonable range.</p> <p>Overall, we are satisfied that the recoverable amount of the assets has been determined and impairment charges recognised in accordance with the requirements of IAS 36 <i>Impairment of Assets</i>.</p> <p>Management has appropriately disclosed the impact of sensitivities on the impairments recognised on the Kenyan and Ugandan CGUs in respect of both the discount rate and commodity prices in particular in the intangible E&amp;E note on page 115. We concur that the risks associated with climate change are appropriately captured in the commodity price sensitivity disclosure.</p>

# Independent auditor's report to the members of Tullow Oil plc continued

## 6. Key audit matters continued

### 6.2. Carrying value of property, plant and equipment (PP&E) <>

<b>Key audit matter description</b>	<p>In 2019 Tullow recognised a net impairment of \$781.2 million against the value of its PP&amp;E assets, of which \$712.8 million related to the impairment of the TEN asset. Please refer to note 11 and the Audit Committee Report on page 48 for further details.</p> <p>As described in the 'key sources of estimation uncertainty' section of the Annual Report and Accounts on page 108, the assessment of the carrying value of PP&amp;E assets for impairment requires management to compare it against the recoverable amount of the asset. The calculation of the recoverable amount requires judgement in estimating future oil prices, the applicable asset discount rate and the cost and production profiles of reserves estimates. The impact of climate change on commodity prices and investment decisions were also considered.</p> <p>We have identified the TEN asset in Ghana as the Group's only field whose impairment assessment represents a key audit matter as a result of its material size and sensitivity to changes in underlying assumptions. Given the asset's importance to the Group in terms of future production and the estimation uncertainty in the determination of its recoverable amount, we also considered there to be a fraud risk that the assumptions applied to the valuation are inappropriate.</p> <p>Management has disclosed the impact of sensitivities of both the discount rate and commodity prices in the PP&amp;E note on page 116.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We examined management's assessment of impairment indicators, which concluded that a decrease in the forecast oil price assumption and the revisions to the production profiles during the year represented an indicator of impairment for the Group's oil assets.</p> <p>The assumptions that underpin management's calculation of the recoverable amounts of the TEN asset are inherently judgemental. Our audit work therefore assessed the reasonableness of management's key assumptions when calculating its recoverable amount.</p> <p>Specifically our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"><li>- benchmarking and analysis of oil price assumptions against forward curves and other market data, including the impact of climate change;</li><li>- agreement of hydrocarbon production profiles and proven and probable reserves to third-party reserve reports;</li><li>- verification of estimated future costs by agreement to approved budgets and assessment of their appropriateness with reference to field production profiles, with involvement from Deloitte petroleum engineering experts;</li><li>- recalculation and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists; and</li><li>- consideration of evidence of management bias in the assumptions selected and the application of professional scepticism to address the risk of fraud.</li></ul>
<b>Key observations</b>	<p>The assumptions made by management when determining the TEN asset's recoverable amount fall within a reasonable range, and the long-term oil price used was comparatively conservative when compared to the range of the forecasts published.</p> <p>Overall, we are satisfied that the recoverable amount of the assets has been determined and impairment charges and reversals have been recognised in accordance with the requirements of IAS 36 Impairment of Assets.</p> <p>We concur that the risks associated with climate change are appropriately captured in the commodity price sensitivity disclosure.</p>

## 6. Key audit matters continued

### 6.3. Management override of controls

#### Key audit matter description

The risk of management override of controls due to fraud is a pervasive risk of material misstatement in the Financial Statements. This is because management is in a unique position to manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.

We assessed an increased potential management override risk, as a result of the matters and uncertainties noted on pages 52–53 in the Audit Committee Report.

Additionally, in 2019 the Group released a number of market announcements, including in relation to:

- the downward revision of the 2019 full-year production guidance primarily due to the underperformance of TEN and Jubilee fields;
- a reduction in TEN reserves at 31 December 2019;
- negative drilling results from the Guyana wells; and
- the subsequent departure of the Group's Exploration Director and CEO.

These have had a significant negative impact on Tullow's share price and resulted in a full business review of the operations commissioned by the Board. In addition, as disclosed on pages 52–53, we note that certain operational reporting controls have been identified as needing remediation which includes establishing independent reporting lines to the Board.

In light of these events, there is a risk that management override of controls occurred in the period and increased audit effort was required. We have also assessed whether the current or prior year Financial Statements are materially misstated as a result.

#### How the scope of our audit responded to the key audit matter

Specifically our work included, but was not limited to, the following procedures:

- obtaining an understanding of the controls in place around the significant risk areas and key financial reporting cycles;
- evaluating whether the judgments and decisions made by management in making accounting estimates even if they are individually reasonable, indicate a possible bias that may represent a risk of material misstatement due to fraud;
- testing the appropriateness of journal entries and other adjustments recorded in the general ledger using Deloitte analytics software and evaluating the business rationale and evidence for the entries;
- making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- holding meetings with the internal audit, legal and compliance teams, including reviewing their 2019 reports and considering the impact on current and prior year financial reporting; and
- reviewing the disclosures regarding certain operational reporting controls that have been identified as needing remediation for consistency with the recommendations provided to the Audit Committee and our understanding of the business.

#### Key observations

Certain operational reporting controls have been identified as needing remediation during the period as set out on pages 52–53.

Through our procedures, we have not identified issues that have an impact on financial reporting in either 2018 or 2019 and are satisfied that the current and prior year Financial Statements are not materially misstated as a result of fraud.

## Independent auditor's report to the members of Tullow Oil plc continued

### 6. Key audit matters continued

#### 6.4. Provision for tax claims ⓘ

<b>Key audit matter description</b>	<p>The nature, rate and type of taxation which is applicable to hydrocarbon exploration and production activities varies widely by jurisdiction.</p> <p>In addition, the Group is subject to various claims from local tax authorities in the normal course of its business. The Group is in formal dispute proceedings regarding a number of these claims.</p> <p>Significant judgement is required to estimate the appropriate level of provision for the tax claims against the Group as the validity and ultimate outcome of such claims can be uncertain. As such, the Group has included uncertain tax and regulatory positions in its disclosure of key sources of estimation uncertainty on page 108.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have challenged the assumptions made by management regarding each significant claim with Tullow's tax team, such as its assessment of the likely outcome of the claim, and its estimate of any future settlement value.</p> <p>We have also evaluated the provisions and potential exposures together with tax specialists within the audit team from the relevant jurisdictions.</p> <p>Our audit work included the review of correspondence with the relevant tax authorities and the review of legal advice relating to the tax claims.</p> <p>We used our knowledge of the specific tax regimes to challenge the Group's assumptions and judgements regarding the level of provisions made and the disclosures provided to ensure these are appropriate and sufficient.</p>
<b>Key observations</b>	<p>We are satisfied that the judgements made by management are reasonable, based on the audit evidence gathered.</p> <p>The ultimate outcome of tax dispute proceedings can be unpredictable. It is therefore appropriate that management has disclosed the maximum potential impact of the current claims against the Group in its disclosure of key sources of estimation uncertainty on page 108.</p>

### 7. Our application of materiality

#### 7.1. Materiality

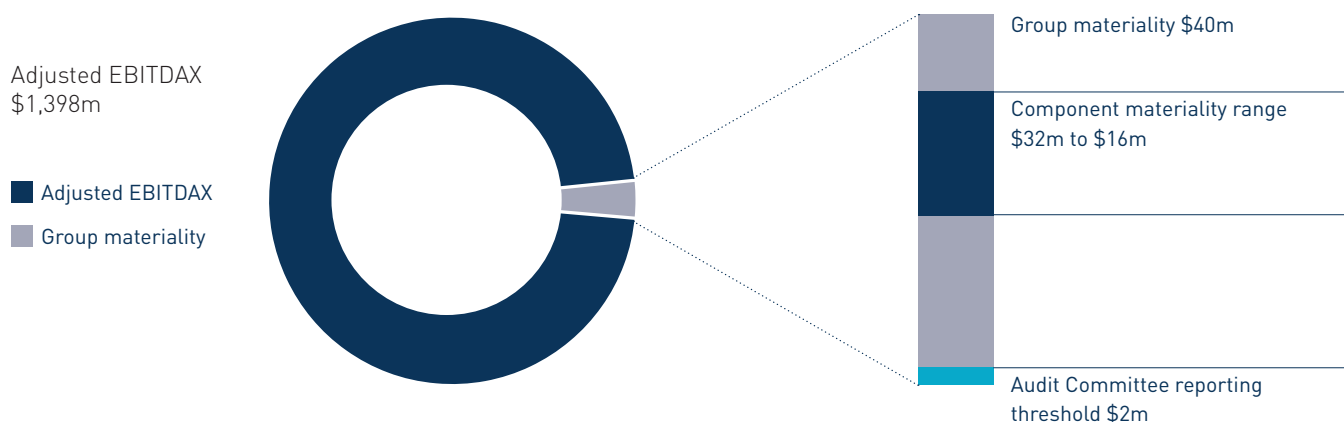
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
<b>Materiality</b>	\$40 million (2018: \$50 million)	\$32 million (2018: \$40 million)
<b>Basis for determining materiality</b>	<p>3 per cent of adjusted EBITDAX (2018: 2 per cent of net assets, equating to 3 per cent of adjusted EBITDAX).</p> <p>Management has presented a reconciliation of adjusted EBITDAX to loss from continuing activities on page 22 of the Annual Report and Accounts.</p>	Parent Company materiality equates to 1.6 per cent (2018: 1 per cent) of net assets, which is capped at 80 per cent (2018: 80 per cent) of Group materiality.
<b>Rationale for the benchmark applied</b>	<p>Materiality was determined based on 3 per cent of adjusted EBITDAX.</p> <p>In previous years, due to the volatility of commodity prices, we determined materiality based on the net asset position of the Group, benchmarked to adjusted EBITDAX.</p>	The Parent Company does not trade, as a result a profitability metric is not key to understanding the performance of the business. It holds material investments in subsidiaries, intercompany receivables and external debt. As a result, the net assets are the key metric of the Parent Company.

## 7. Our application of materiality continued

### 7.1. Materiality continued



### 7.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Group performance materiality was set at 70 per cent of Group materiality for the 2019 audit (2018: 70 per cent). In determining performance materiality, we considered the following factors:

- the control environment and the lack of significant control deficiencies identified;
- the lack of changes in the operations of the business; and
- the limited number of uncorrected misstatements historically.

### 7.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$2.0 million (2018: \$2.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

## 8. An overview of the scope of our audit

### 8.1. Identification and scoping of components

The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed at the Group's other locations. The materialities applied to components ranged from \$16 million to \$32 million (2018: \$25 million to \$40 million).

### 8.2. Working with other auditors

The Group team either directly performed or worked as an integrated team for the audit work in certain locations including the UK, Kenya and Uganda, as well as the consolidation process. The Group team planned and oversaw the work performed by component auditors in Ghana, Gabon and South Africa; the level of direct involvement varied by location and included, at a minimum, a review of the reports provided on the results of the work undertaken by the component audit teams.

In addition, the senior statutory auditor and senior members of his Group audit team visited Ghana to direct and review the audit work performed by the component auditors.

## 9. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## Independent auditor's report to the members of Tullow Oil plc continued

### 9. Other information continued

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

### 10. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### 11. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### 12. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

#### 12.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group's ethics and compliance manager and the Audit Committee about their own identification and assessment of the risks of irregularities, including the disclosures of their review of internal controls as set out on pages 52–53;

## 12. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

### 12.1. Identifying and assessing potential risks related to irregularities continued

- any matters we identified having obtained and reviewed the Group's documentation of its policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether it was aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether it has knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations,
- the matters discussed among the audit engagement team, including significant component audit teams and were communicated to relevant internal specialists, including tax, valuations, IT and industry specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the carrying value of exploration and evaluation (E&E) assets and the carrying value of property, plant and equipment (PP&E). In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority, Market Abuse Regulation and the relevant tax compliance regulations in the jurisdictions in which Tullow operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included environmental laws and regulations in the countries in which the Group operates and anti-bribery and corruption legislation.

### 12.2. Audit response to risks identified

As a result of performing the above, we identified the carrying value of exploration and evaluation (E&E) assets, the carrying value of property, plant and equipment (PP&E) and management override of controls as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Ghana Revenue Authority and the Ghana Ministry of Energy;
- reviewing the disclosures in the Audit Committee Report on pages 52–53 relating to instances of management override of controls in 2019; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **Report on other legal and regulatory requirements**

### **13. Opinions on other matters prescribed by the Companies Act 2006**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

### **14. Matters on which we are required to report by exception**

#### **14.1. Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### **14.2. Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### **15. Other matters**

#### **15.1. Auditor tenure**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 August 2002 to audit the Financial Statements for the year ended 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ended 31 December 2002 to 31 December 2019. 31 December 2019 is our final year as auditor to the Group.

#### **15.2. Consistency of the Audit Report with the additional report to the Audit Committee**

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

### **16. Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Anthony Matthews FCA (Senior Statutory Auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

11 March 2020

## Group income statement

Year ended 31 December 2019

	Notes	2019 \$m	2018 \$m
Continuing activities			
<b>Sales revenue</b>	2	<b>1,682.6</b>	1,859.2
Other operating income – lost production insurance proceeds	6	<b>42.7</b>	188.4
Cost of sales	4	<b>(966.7)</b>	(966.0)
<b>Gross profit</b>		<b>758.6</b>	1,081.6
Administrative expenses	4	<b>(111.5)</b>	(90.3)
Gain on disposal	9	<b>6.6</b>	21.3
Exploration costs written off	10	<b>(1,253.4)</b>	(295.2)
Impairment of property, plant and equipment, net	11	<b>(781.2)</b>	(18.2)
Provisions for onerous contracts and restructuring	4,21	<b>(4.2)</b>	(170.8)
<b>Operating (loss)/profit</b>		<b>(1,385.1)</b>	528.4
(Loss)/gain on hedging instruments	19	<b>(1.5)</b>	2.4
Finance revenue	5	<b>55.5</b>	58.4
Finance costs	5	<b>(322.3)</b>	(328.7)
<b>(Loss)/profit from continuing activities before tax</b>		<b>(1,653.4)</b>	260.5
Income tax expense	7	<b>(40.7)</b>	(175.1)
<b>(Loss)/profit for the year from continuing activities</b>		<b>(1,694.1)</b>	85.4
Attributable to:			
Owners of the Company		<b>(1,694.1)</b>	84.8
Non-controlling interest		<b>–</b>	0.6
		<b>(1,694.1)</b>	85.4
<b>(Loss)/earnings per ordinary share from continuing activities</b>	8	<b>¢</b>	¢
Basic		<b>(120.8)</b>	6.1
Diluted		<b>(120.8)</b>	5.9

## Group statement of comprehensive income and expense

Year ended 31 December 2019

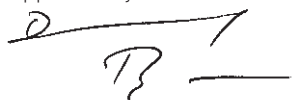
	Notes	2019 \$m	2018 \$m
<b>(Loss)/profit for the year</b>		<b>(1,694.1)</b>	85.4
<b>Items that may be reclassified to the income statement in subsequent periods</b>			
Cash flow hedges			
(Loss)/gain arising in the year	19	<b>(118.6)</b>	100.7
(Loss)/gain arising in the year – time value	19	<b>(73.6)</b>	16.2
Reclassification adjustments for items included in (loss)/profit on realisation	19	<b>(7.6)</b>	32.7
Reclassification adjustments for items included in loss on realisation – time value	19	<b>61.0</b>	52.7
Exchange differences on translation of foreign operations		<b>(3.5)</b>	(15.4)
<b>Other comprehensive (loss)/profit</b>		<b>(142.3)</b>	186.9
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,836.4)</b>	272.3
Attributable to:			
Owners of the Company		<b>(1,836.4)</b>	271.7
Non-controlling interest		<b>–</b>	0.6
		<b>(1,836.4)</b>	272.3

## Group balance sheet

As at 31 December 2019

	Notes	2019 \$m	2018 \$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	10	1,764.4	1,898.6
Property, plant and equipment	11	3,891.7	4,916.4
Other non-current assets	12	623.2	696.4
Derivative financial instruments	19	3.1	51.2
Deferred tax assets	22	517.5	649.4
		<b>6,799.9</b>	8,212.0
<b>Current assets</b>			
Inventories	13	191.5	134.8
Trade receivables	14	38.7	159.4
Other current assets	12	928.7	969.0
Current tax assets	7	42.9	60.5
Derivative financial instruments	19	0.7	79.7
Cash and cash equivalents	15	288.8	179.8
Assets classified as held for sale	16	–	840.2
		<b>1,491.3</b>	2,423.4
<b>Total assets</b>		<b>8,291.2</b>	10,635.4
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(1,127.6)	(1,204.3)
Provisions	21	(172.8)	(198.5)
Current tax liabilities		(159.6)	(83.0)
Derivative financial instruments	19	(14.8)	(2.7)
		<b>(1,474.8)</b>	(1,488.5)
<b>Non-current liabilities</b>			
Trade and other payables	17	(1,212.9)	(1,282.3)
Borrowings	18	(3,071.7)	(3,219.1)
Provisions	21	(753.6)	(677.0)
Deferred tax liabilities	22	(793.4)	(1,075.3)
Derivative financial instruments	19	(1.2)	–
		<b>(5,832.8)</b>	(6,253.7)
<b>Total liabilities</b>		<b>(7,307.6)</b>	(7,742.2)
<b>Net assets</b>		<b>983.6</b>	2,893.2
<b>EQUITY</b>			
Called-up share capital	23	210.9	209.1
Share premium	23	1,380.0	1,344.2
Equity component of convertible bonds		48.4	48.4
Foreign currency translation reserve		(242.1)	(238.6)
Hedge reserve	19	4.6	130.8
Hedge reserve – time value	19	(17.5)	(4.9)
Other reserves		755.2	755.2
Retained earnings		(1,155.9)	649.0
<b>Equity attributable to equity holders of the Company</b>		<b>983.6</b>	2,893.2
<b>Total equity</b>		<b>983.6</b>	2,893.2

Approved by the Board and authorised for issue on 11 March 2020.



**Dorothy Thompson**  
Executive Chair

11 March 2020



**Les Wood**  
Chief Financial Officer

11 March 2020

## Group statement of changes in equity

Year ended 31 December 2019

	Notes	Share capital \$m	Share premium \$m	Equity component of convertible bonds \$m	Foreign currency translation reserve <sup>1</sup> \$m	Hedge reserve <sup>2</sup> \$m	Hedge reserve – time value <sup>2</sup> \$m	Other reserves <sup>3</sup> \$m	Retained earnings \$m	Total \$m	Non-controlling interest \$m	Total equity \$m
At 1 January 2018		208.2	1,326.8	48.4	(223.2)	(2.6)	(73.8)	740.9	681.3	2,706.0	10.4	2,716.4
Adjustment on adoption of IFRS 9 <sup>4</sup> , net of tax		–	–	–	–	–	–	–	(110.8)	(110.8)	–	(110.8)
Profit for the year		–	–	–	–	–	–	–	84.8	84.8	0.6	85.4
Hedges, net of tax	19	–	–	–	–	133.4	68.9	–	–	202.3	–	202.3
Currency translation adjustments		–	–	–	(15.4)	–	–	–	–	(15.4)	–	(15.4)
Issue of shares	23	0.9	17.4	–	–	–	–	–	–	18.3	–	18.3
Issue of employee share options	23	–	–	–	–	–	–	–	(18.2)	(18.2)	–	(18.2)
Transfers		–	–	–	–	–	–	14.3	(14.3)	–	–	–
Share-based payment charges	24	–	–	–	–	–	–	–	26.2	26.2	–	26.2
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	(11.0)	(11.0)
At 1 January 2019		<b>209.1</b>	<b>1,344.2</b>	<b>48.4</b>	<b>(238.6)</b>	<b>130.8</b>	<b>(4.9)</b>	<b>755.2</b>	<b>649.0</b>	<b>2,893.2</b>	<b>–</b>	<b>2,893.2</b>
Loss for the year		–	–	–	–	–	–	–	(1,694.1)	(1,694.1)	–	(1,694.1)
Hedges, net of tax	19	–	–	–	–	(126.2)	(12.6)	–	–	(138.8)	–	(138.8)
Currency translation adjustments		–	–	–	(3.5)	–	–	–	–	(3.5)	–	(3.5)
Vesting of employee share options	23	<b>1.8</b>	<b>35.8</b>	–	–	–	–	–	(37.6)	–	–	–
Share-based payment charges	24	–	–	–	–	–	–	–	27.7	27.7	–	27.7
Dividends paid	30	–	–	–	–	–	–	–	(100.9)	(100.9)	–	(100.9)
<b>At 31 December 2019</b>		<b>210.9</b>	<b>1,380.0</b>	<b>48.4</b>	<b>(242.1)</b>	<b>4.6</b>	<b>(17.5)</b>	<b>755.2</b>	<b>(1,155.9)</b>	<b>983.6</b>	<b>–</b>	<b>983.6</b>

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.
2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.
3. Other reserves include the merger reserve. The value associated with the treasury shares reserve, disclosed in the previous year, has been represented as part of retained earnings, consistent with share-based payment reserve movements. At 31 December 2019 the Group did not hold any shares in a Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 24).
4. Figures as at 1 January 2018 have been restated in relation to the adoption of IFRS 9.

## Group cash flow statement

Year ended 31 December 2019

	Notes	2019 \$m	2018 Restated \$m
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(1,653.4)	260.5
Adjustments for:			
Depreciation, depletion and amortisation	11	724.6	584.1
Gain on disposal	9	(6.6)	(21.3)
Exploration costs written off	10	1,253.4	295.2
Impairment of property, plant and equipment, net	11	781.2	18.2
Provision for onerous contracts	21	(0.4)	167.4
Payment under onerous contracts	21	(20.4)	(208.6)
Decommissioning expenditure	21	(75.1)	(99.1)
Share-based payment charge	24	24.8	23.8
Loss/(gain) on hedging instruments	19	1.5	(2.4)
Finance revenue	5	(55.5)	(58.4)
Finance costs	5	322.3	328.7
Operating cash flow before working capital movements		1,296.4	1,288.1
Decrease/(increase) in trade and other receivables		241.4	(100.2)
(Increase)/decrease in inventories		(56.6)	32.5
(Decrease)/increase in trade payables		(131.5)	86.9
Cash generated from operating activities		1,349.7	1,307.3
Income taxes paid		(91.0)	(103.3)
Net cash from operating activities		1,258.7	1,204.0
<b>Cash flows from investing activities</b>			
Proceeds from disposals	9	7.0	9.9
Purchase of intangible exploration and evaluation assets	29	(259.4)	(202.1)
Purchase of property, plant and equipment	29	(261.5)	(238.4)
Interest received		1.9	2.9
Net cash used in investing activities		(512.0)	(427.7)
<b>Cash flows from financing activities</b>			
Debt arrangement fees		–	(15.0)
Repayment of borrowings	29	(520.0)	(1,755.1)
Drawdown of borrowings	29	375.0	1,240.0
Repayment of obligations under leases	20	(172.1)	(117.4)
Finance costs paid		(215.4)	(234.5)
Dividends paid	30	(100.9)	–
Net cash used in financing activities		(633.4)	(882.0)
<b>Net increase/(decrease) in cash and cash equivalents</b>		113.3	(105.7)
<b>Cash and cash equivalents at beginning of year</b>	15	179.8	284.0
Foreign exchange (loss)/gain		(4.3)	1.5
<b>Cash and cash equivalents at end of year</b>	15	288.8	179.8

## Accounting policies

Year ended 31 December 2019

### (a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The primary activity of the Group is the discovery and production of oil and gas.

### (b) Adoption of new and revised standards

#### New International Financial Reporting Standards adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual IFRS Improvement Process IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- Annual IFRS Improvement Process IAS 12 Borrowing Costs – Borrowing costs eligible for capitalisation

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 28. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for the periods commencing on, and after, 1 January 2019. The standard eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model. IFRS 16 replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

In accordance with the transition provisions in IFRS 16 the modified retrospective approach has been followed by the Group. The adoption of IFRS 16 in the year resulted in \$123.2 million being recorded on the balance sheet as property, plant and equipment right-of-use assets and \$195.1 million as lease liabilities. During the current year the effect on income statement was recognised through a depreciation charge on the right-of-use asset and interest expense on the lease liability. In the statement of cash flows, the Group separated the total amount of cash paid into principal (presented within financing activities) and interest (presented within operating activities) in accordance with IFRS 16. In prior periods operating lease payments were all presented as operating cash flows under IAS 17.

A summary of the impact of the implementation of IFRS 16 is shown in note 28.

#### Upcoming International Financial Reporting Standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (c) Changes in accounting policy

Following the implementation of IFRS 16, the Group amended the accounting policy for leases. Other accounting policies are consistent with the prior year.

### (d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and assets classified as held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest \$0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis (refer to the Finance Review section of the Director's Report).

## Accounting policies continued

Year ended 31 December 2019

The principal accounting policies adopted by the Group are set out below.

### (e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control, and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

### Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

### (f) Assets classified as held for sale

Non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. A loss for any initial or subsequent write-down of the asset or disposal group to a revised fair value less costs to sell is recognised at each reporting date. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management views this trigger as signature of a Sales and Purchase Agreement or Board approval. Management must be committed to the

sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

If the above criteria are no longer met, the asset ceases to be recognised as held for sale and is reclassified to intangible exploration and evaluation assets or to property, plant and equipment. It is then valued at the lower of its carrying value before the asset was classified as held for sale and the recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the value is shown in income from continuing operations for the year.

### (g) Revenue

Sales revenue from contracts with customers represents the sales value, net of VAT, of the Group's share of liftings in the year together with the gain/loss on realisation of cash flow hedges and tariff income. Revenue is recognised when performance obligations have been met, which is typically when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### (h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

### (i) Inventory

Inventories, other than oil products, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, costs of production and transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

**(j) Foreign currencies**

The US dollar is the presentational currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

**(k) Exploration, evaluation and production assets**

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

**(l) Commercial reserves**

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified

degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

**(m) Depletion and amortisation**

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

**(n) Impairment of property, plant and equipment**

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax weighted average cost of capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs in Gabon, an element of which is determined by whether the assets are onshore or offshore.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

**(o) Decommissioning**

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

## Accounting policies continued

Year ended 31 December 2019

### (p) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and ten years.

### (q) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs, which include interest on borrowings calculated using the effective interest method as described in paragraph (aa), obligations under finance leases, the unwinding effect of the effect of discounting provisions and exchange differences, are recognised in the income statement in the period in which they are incurred.

### (r) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

### (s) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum revenue tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

### (t) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

### (u) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and commodity options contracts, to hedge its foreign currency risks and commodity price risks respectively.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

**(u) Derivative financial instruments** continued

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the time value hedge reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the time value hedge reserve is reclassified to profit or loss on a rational basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

**Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses oil option contracts for its exposure to volatility of Dated Brent prices. The ineffective portion relating to option contracts is recognised as gain or loss on hedging instruments in the Group income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Cash flow hedge accounting is discontinued only when the hedging relationship or a part thereof ceases to meet the qualifying criteria. This includes when the designated hedged forecast transaction or part thereof is no longer considered to be highly probable to occur, or when the hedging instrument is sold, terminated or exercised without replacement or rollover. When cash flow hedge accounting is discontinued, amounts previously recognised within other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to profit or loss or transferred to the initial carrying amount of a non-financial asset or liability as above. If the forecast transaction is no longer expected to occur, amounts previously recognised within other comprehensive income will be immediately reclassified to profit or loss.

**(v) Convertible bonds**

Where bonds issued with certain conversion rights are identified as compound instruments, the liability and equity components are separately recognised.

The fair value of the liability component on initial recognition is calculated by discounting the contractual stream of future cash flows using the prevailing market interest rate for similar non-convertible debt.

The difference between the fair value of the liability component and the fair value of the whole instrument is recorded as equity.

Transaction costs are apportioned between the liability and the equity components of the instrument based on the amounts initially recognised.

The liability component is subsequently measured at amortised cost using the effective interest rate method, in line with our other financial liabilities.

The equity component is not remeasured.

On conversion of the instrument, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

**(w) Leases**

On inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether the contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset, the Group has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and the Group has the right to direct the use of the asset.

**i) Lessee accounting**

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any amount receivable from Joint Venture Partners and any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset, less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, and the Joint Venture receivable is allocated against the monthly Joint Venture billing cycle.

The initial measurement of the corresponding lease liability is at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease payments include fixed payments, less any lease incentive receivable, variable lease payments based on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees.

## Accounting policies continued

Year ended 31 December 2019

### **(w) Leases continued**

#### **i) Lessee accounting continued**

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, those leases with a remaining lease term of less than 12 months as at 1 January 2019 and leases of low-value assets with an annual cost of \$5,000. For certain leases on property rental for expat staff, a threshold of \$100,000 was applied. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Over the course of a lease contract, there will be taxable timing differences that could give rise to deferred tax, subject to local tax laws and regulations.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

#### **(x) Share-based payments**

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk-free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

### **(y) Financial assets**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. The subsequent measurement of financial assets depends on their classification, as set out below.

#### **i) Financial assets measured at amortised cost**

Assets are subsequently classified and measured at amortised cost when the business model of the company is to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. These assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the assets are derecognised, modified or impaired. This category of financial assets includes trade and other receivables.

Financial assets measured at amortised cost include trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### **ii) Financial asset measured at fair value through other comprehensive income**

Assets are subsequently classified and measured at fair value through other comprehensive income when the business model of the company is to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest.

#### **iii) Financial assets measured at fair value through profit or loss**

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. These assets are carried on the balance sheet at fair value with gains or losses recognised in the income statement. Derivatives, other than those designated as effective hedging instruments, are included in this category.

As at 31 December 2019, the Group does not have any financial assets classified at fair value through profit or loss or other comprehensive income.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### **(z) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**(aa) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

**(ab) Financial liabilities**

The measurement of financial liabilities is determined by the initial classification.

**i) Financial liabilities at fair value through profit or loss:**

Those balances that meet the definition of being held for trading are measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognised in the income statement.

**ii) Financial liabilities measured at amortised cost:**

All financial liabilities not meeting the criteria of being classified at fair value through profit or loss are classified as financial liabilities measured at amortised cost. The instruments are initially recognised at its fair value net of transaction costs that are directly attributable to the issue of financial liability. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Trade payables and borrowings fall under this category of financial instruments.

As at 31 December 2019 all financial liabilities are measured at amortised cost.

The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

**(ac) Equity instruments**

Equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**(ad) Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**(ae) Insurance proceeds**

Insurance proceeds related to lost production under the Business Interruption insurance policy are recorded as other operating income in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies are recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy where no asset is disposed are recorded within additions to property, plant and equipment.

**(af) Critical accounting judgements**

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations which are dealt with in policy (ag), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

**Carrying value of intangible exploration and evaluation assets (note 10):**

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and the success of a well result or geological or geophysical survey.

The most material area in where this judgement was applied during 2019 was in the assessment of the value in use (VIU) of the Kenyan and Ugandan CGUs, following the Group's reduction in long-term oil price assumption being identified as an impairment trigger. Due to the stage of these projects being pre-final investment decision and only having 2C resources booked, the VIU assessment required judgement in a number of different aspects including oil prices differentials, project financing assumptions, uncontracted cost profiles and certain fiscal terms.

Details on impact of these key estimates and judgements using sensitivities applied to impairment models can be found in note 10.

## Accounting policies continued

Year ended 31 December 2019

### (af) Critical accounting judgements continued

#### Lease accounting (note 28):

On initial application of IFRS 16 Leases, the following key judgements were applied:

##### *Discount rate*

The Group applied an incremental borrowing rate on transition, as no contract contained an implicit discount rate. In assessing the appropriate incremental borrowing rate applicable for each contract, management has applied the practical expedient which allows for the adoption of a portfolio approach, where a single discount rate for a portfolio of leases with similar characteristics can be applied. As the Group has two bonds and a convertible bond listed on Exchanges, and a Reserves Based Lending Facility from a consortium of lenders, these are considered the best reference for the incremental borrowing rate for the Group. The weighted average cost of borrowing across these sources of funding is considered to be the Group's "all in rate", which was 6.9 per cent at 31 December 2018.

##### *Joint Venture Partner approvals*

Where Tullow are Operators and have signed a leased contract that extends beyond the duration of JV Partner approvals, the Group have concluded that under certain circumstances the lease would fall outside the scope of IFRS 16. These circumstances are when the JV Partner approval is for a period of 12 months or less, where the lease is not critical to ongoing operations, and when there is no financial penalty for cancellation, or non-extension.

##### *Low value leases*

The Group holds a significant number of low-value leases, mainly property rentals for expat staff accommodations that are above the revised annual \$100,000 threshold but are immaterial to the Group in aggregate.

### (ag) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Carrying value of property, plant and equipment (note 11):

Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators of impairments or impairment reversals are present and an impairment or impairment reversal test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices assumptions, pre-tax discount rates and commercial reserves and the related cost profiles. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually by management and is regularly reviewed by independent consultants. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms

of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

The estimation applied by management to the exploration risk premium adjustment to its impairment discount rates, estimated future commodity prices and forecast cash flows on the TEN asset would have the most material impact on the 2019 Financial Statements should management had concluded differently. Details on impact of these key estimates and judgements using sensitivity applied to impairment models can be found in note 11.

#### Decommissioning costs (note 21):

There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including from changes to market rates for goods and services, to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an internal expert and the results of this review are then assessed alongside estimates from operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

#### Provisions (note 21):

Due to the historical reduction in work programmes the Group identified a number of onerous service contracts in prior years and has a number of ongoing contractual disputes. Management has estimated the value of any future economic outflows associated with these contracts including, where relevant, assessment based of external legal and expert advice and prior experience of such claims.

If management had concluded differently regarding the estimated value of any future economic outflows associated with these contracts the provision and income statement expense recorded would increase/decrease, respectively. Details on the magnitude of the potential increase can be found within the contingent liability disclosure in note 25.

#### Uncertain tax and regulatory positions (note 7):

The Group is subject to various material claims which arise in the ordinary course of its business, including corporate income tax claims, indirect tax claims, cost recovery claims and claims from other regulatory bodies in a number of the jurisdictions in which the Group operates. The Group is in formal dispute proceedings regarding a number of these claims. In order to assess whether these claims should be provided for in the Financial Statements, management has assessed all claims in the context of the laws and operating agreements of the countries in which it operates. Management has applied judgement in assessing the likely outcome of the claims and has estimated the financial impact based on external tax and legal advice and prior experience of such claims.

If management had concluded differently regarding the estimated claims the maximum potential impact of the Group's income statement would be \$990 million- by their nature these matters can take many years to finalise.

# Notes to the Group Financial Statements

Year ended 31 December 2019

## Note 1. Segmental reporting

The information reported to the Group's Chief Executive Officer and the Executive Chair for the purposes of capital allocation and assessment of segment performance is focused on three Business Delivery Teams – West Africa including European decommissioning assets, East Africa and New Ventures. Therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, loss and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2019 and 31 December 2018.

	Notes	West Africa \$m	East Africa \$m	New Ventures \$m	Unallocated \$m	Total \$m
<b>2019</b>						
<b>Sales revenue by origin</b>		<b>1,682.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,682.6</b>
Other operating income – lost production insurance proceeds		–	–	–	42.7	42.7
<b>Segment result<sup>1</sup></b>		<b>(11.1)</b>	<b>(1,073.6)</b>	<b>(172.3)</b>	<b>(19.4)</b>	<b>(1,276.4)</b>
Gain on disposal						6.6
Unallocated corporate expenses						(115.3)
<b>Operating loss</b>						<b>(1,385.1)</b>
Loss on hedging instruments						(1.5)
Finance revenue						55.5
Finance costs						(322.3)
<b>Profit before tax</b>						<b>(1,653.4)</b>
Income tax expense						(40.7)
<b>Profit after tax</b>						<b>(1,694.1)</b>
<b>Total assets</b>		<b>6,315.8</b>	<b>1,762.2</b>	<b>175.1</b>	<b>38.1</b>	<b>8,291.2</b>
<b>Total liabilities</b>		<b>(3,986.9)</b>	<b>(85.9)</b>	<b>(52.5)</b>	<b>(3,182.3)</b>	<b>(7,307.6)</b>
<b>Other segment information</b>						
Capital expenditure:						
Property, plant and equipment	11	434.2	14.2	0.4	79.6	528.4
Intangible exploration and evaluation assets	10	8.9	134.4	136.0	–	279.3
Depreciation, depletion and amortisation	11	(701.1)	(1.5)	–	(22.0)	(724.6)
Impairment of property, plant and equipment, net	11	(737.4)	–	–	(43.8)	(781.2)
Exploration costs written off	10	(9.0)	(1,071.0)	(173.4)	–	(1,253.4)

1. Segment result is a non IFRS measure which includes gross profit, exploration costs written off, impairment of property, plant and equipment, and provisions for onerous contracts.

All sales are made to external customers. Included in revenue arising from West Africa are revenues of approximately \$362.6 million, \$247.0 million, \$186.6 million and \$181.6 million relating to the Group's customers who each contribute more than 10 per cent of total sales revenue (2018: \$429.8 million, \$280.9 million, \$222.8 million, \$203.6 million and \$189.4 million). As the sales of oil and gas are made on global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 1. Segmental reporting continued

	Notes	West Africa \$m	East Africa \$m	New Ventures \$m	Unallocated \$m	Total \$m
<b>2018</b>						
<b>Sales revenue by origin</b>		1,859.2	–	–	–	1,859.2
Other operating income – lost production insurance proceeds		–	–	–	188.4	188.4
<b>Segment result</b>		528.0	(74.5)	(100.7)	248.0	600.8
Gain on disposal						21.3
Unallocated corporate expenses						(93.7)
<b>Operating profit</b>						528.4
Loss on hedging instruments						2.4
Finance revenue						58.4
Finance costs						(328.7)
<b>Profit before tax</b>						260.5
Income tax credit						(175.1)
<b>Profit after tax</b>						85.4
<b>Total assets</b>		7,618.9	2,662.0	280.8	73.7	10,635.4
<b>Total liabilities</b>		(4,252.7)	(141.8)	(96.9)	(3,250.8)	(7,742.2)
<b>Other segment information</b>						
Capital expenditure:						
Property, plant and equipment	11	257.1	1.4	4.3	5.3	268.1
Intangible exploration and evaluation assets	10	2.1	168.3	60.0	–	230.4
Depreciation, depletion and amortisation	11	(569.2)	(0.2)	–	(14.7)	(584.1)
Impairment of property, plant and equipment, net	11	(18.2)	–	–	–	(18.2)
Exploration costs written off	10	(139.9)	(74.5)	(80.8)	–	(295.2)
<b>Sales revenue and non-current assets by origin</b>		<b>Sales revenue 2019 \$m</b>	<b>Sales revenue 2018 \$m</b>	<b>Non-current assets 2019 \$m</b>	<b>Non-current assets 2018 \$m</b>	
Congo		–	1.1	–	–	
Côte d'Ivoire		51.0	44.9	73.7	86.7	
Equatorial Guinea		57.2	146.6	83.5	72.2	
Gabon		312.9	213.6	154.3	171.1	
Ghana		1,261.5	1,404.1	4,082.4	5,171.5	
Mauritania		–	2.1	–	–	
UK		–	46.8	–	–	
<b>Total West Africa</b>		<b>1,682.6</b>	<b>1,859.2</b>	<b>4,393.9</b>	<b>5,501.5</b>	
Kenya		–	–	679.2	1,131.2	
Uganda		–	–	1,000.2	631.9	
<b>Total East Africa</b>		<b>–</b>	<b>–</b>	<b>1,679.4</b>	<b>1,763.1</b>	
Norway		–	–	11.3	12.3	
Other		–	–	133.3	169.7	
<b>Total New Ventures</b>		<b>–</b>	<b>–</b>	<b>144.6</b>	<b>182.0</b>	
Unallocated		–	–	61.5	63.8	
<b>Total revenue/non-current assets</b>		<b>1,682.6</b>	<b>1,859.2</b>	<b>6,279.3</b>	<b>7,511.4</b>	

Non-current assets excludes derivative financial instruments and deferred tax assets.

**Note 2. Total revenue**

	Notes	2019 \$m	2018 \$m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		<b>1,736.8</b>	1,943.0
Loss on realisation of cash flow hedges	19	<b>(53.4)</b>	(86.8)
		<b>1,683.4</b>	1,856.2
Tariff income		<b>(0.8)</b>	3.0
<b>Total sales revenue</b>		<b>1,682.6</b>	1,859.2
Other operating income – lost production insurance proceeds	6	<b>42.7</b>	188.4
<b>Total revenue</b>		<b>1,725.3</b>	2,047.6

Finance revenue has been presented as part of net financing costs (refer to note 5).

**Note 3. Staff costs**

The average annual number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2019 Number	2018 Number
Administration	<b>491</b>	501
Technical	<b>498</b>	530
<b>Total</b>	<b>989</b>	1,031

Staff costs in respect of those employees were as follows:

	2019 \$m	2018 Restated <sup>1</sup> \$m
Salaries	<b>168.6</b>	179.6
Social security costs	<b>17.3</b>	16.5
Pension costs	<b>13.7</b>	10.7
	<b>199.6</b>	206.8

1. Staff costs in 2018 have been restated reflecting a calculation error identified during the preparation of the 2019 financial statements and increased by \$17 million. This error related to this note only and has no impact on the rest of the financial statements.

Average staff costs remained in line with prior year, with a decrease in overall expense due to decrease in average head count. A proportion of the Group's staff costs shown above is recharged to the Group's Joint Venture Partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was \$67.3 million (2018: \$66.0 million).

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to \$13.7 million (2018: \$10.7 million). As at 31 December 2019, there was a liability of \$1.3 million (2018: \$0.3 million) for contributions payable included in other payables.

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited, which forms part of these Financial Statements.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 4. Other costs

	Notes	2019 \$m	2018 \$m
Operating loss is stated after charging/(deducting):			
Operating costs		<b>351.3</b>	327.0
Depletion and amortisation of oil and gas and leased assets <sup>1</sup>	11	<b>696.1</b>	567.7
Underlift, overlift and oil stock movements		<b>(137.3)</b>	40.7
Share-based payment charge included in cost of sales	24	<b>2.6</b>	1.0
Other cost of sales		<b>54.0</b>	29.6
<b>Total cost of sales</b>		<b>966.7</b>	966.0
Share-based payment charge included in administrative expenses	24	<b>22.2</b>	22.8
Depreciation of other fixed assets <sup>1</sup>	11	<b>28.5</b>	16.4
Relocation costs associated with restructuring		<b>–</b>	(1.3)
Other administrative costs		<b>60.8</b>	52.4
<b>Total administrative expenses</b>		<b>111.5</b>	90.3
<b>Total restructuring costs</b>		<b>3.8</b>	3.4
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		<b>0.4</b>	0.4
The audit of the Company's subsidiaries pursuant to legislation		<b>1.8</b>	1.8
Total audit services		<b>2.2</b>	2.2
Non-audit services:			
Audit-related assurance services – half-year review		<b>0.4</b>	0.4
Corporate finance services		<b>–</b>	0.1
Other services		<b>0.1</b>	0.1
Total non-audit services		<b>0.5</b>	0.6
<b>Total</b>		<b>2.7</b>	2.8

1. Depreciation expense on leased assets of \$85.9 million as per note 11 includes a charge of \$9.9 million on leased administrative assets, which is presented within administrative expenses in the income statement. The remaining balance of \$76.0 million relates to other leased assets and is included within cost of sales.

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Other services include ad hoc assurance services in relation to the Group's JV agreements. The per cent of non-audit services to audit services during the year was 23 per cent.

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on pages 48 to 53. No services were provided pursuant to contingent fee arrangements.

### Note 5. Net financing costs

	Notes	2019 \$m	2018 \$m
Interest on bank overdrafts and borrowings		<b>216.0</b>	276.0
Interest on obligations under leases		<b>103.5</b>	101.5
Total borrowing costs		<b>319.5</b>	377.5
Less amounts included in the cost of qualifying assets	10	<b>(16.3)</b>	(65.3)
		<b>303.2</b>	312.2
Finance and arrangement fees		<b>0.7</b>	(0.6)
Other interest expense		<b>2.1</b>	2.7
Unwinding of discount on decommissioning provisions	21	<b>16.3</b>	14.4
<b>Total finance costs</b>		<b>322.3</b>	328.7
Interest income on amounts due from Joint Venture Partners for leases		<b>(50.0)</b>	(52.7)
Other finance revenue		<b>(5.5)</b>	(5.7)
<b>Total finance revenue</b>		<b>(55.5)</b>	(58.4)
<b>Net financing costs</b>		<b>266.8</b>	270.3

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.0 per cent (2018: 6.9 per cent) to cumulative expenditure on such assets.

**Note 6. Insurance proceeds**

During 2019 the Group continued to issue insurance claims in respect of the Jubilee Turret Remediation Project. Insurance proceeds of \$123.8 million were recorded in the year ended 31 December 2019 (2018: \$310.8 million). Proceeds related to lost production under the Business Interruption insurance policy of \$42.7 million (2018: \$188.4 million) were recorded as other operating income – lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of \$4.2 million (2018: \$45.6 million) were recorded within the operating costs line of cost of sales (see note 4). Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of \$76.9 million (2018: \$76.9 million) were recorded within additions to property, plant and equipment (see note 11). Coverage related to the Turret Remediation Project under the Business Interruption insurance policy ended in August 2019 and full and final settlement for the Hull and Machinery claim was reached in December 2019.

**Note 7. Taxation on (loss)/profit on continuing activities**

Analysis of expense for the year

	Notes	2019 \$m	2018 \$m
<b>Current tax</b>			
UK corporation tax		(31.8)	(37.3)
Foreign tax		197.2	171.7
<b>Total corporate tax</b>		165.4	134.4
UK petroleum revenue tax		–	–
<b>Total current tax</b>		165.4	134.4
<b>Deferred tax</b>			
UK corporation tax		91.7	33.9
Foreign tax		(218.7)	(11.3)
<b>Total deferred corporate tax</b>		(127.0)	22.6
Deferred UK petroleum revenue tax		2.3	18.1
<b>Total deferred tax</b>	22	(124.7)	40.7
<b>Total income tax expense</b>		40.7	175.1

**Factors affecting tax credit for the year**

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total income tax expense/(credit) shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 19 per cent (2018: 19 per cent) to the (loss)/profit before tax is as follows:

	2019 \$m	2018 \$m
<b>(Loss)/profit from continuing activities before tax</b>	<b>(1,653.4)</b>	260.5
Tax on (loss)/profit from continuing activities at the standard UK corporation tax rate of 19% (2018: 19%)	(314.1)	49.5
Effects of:		
Non-deductible exploration expenditure	208.7	20.8
Net tax on fair value movements on derivatives	(1.3)	32.0
Other non-deductible expenses	18.8	12.8
Derecognition of deferred tax previously recognised	12.4	37.3
Utilisation of tax losses not previously recognised	(0.8)	(10.6)
Net losses not recognised	73.7	7.7
Adjustment relating to prior years	49.4	1.0
Adjustments to deferred tax relating to change in tax rates	–	(2.1)
Higher rate of taxation on Norway losses	–	(10.0)
Other tax rates applicable outside the UK and Norway	11.3	52.4
PSC income not subject to corporation tax	(17.2)	(8.8)
Other income not subject to corporation tax	(0.2)	(6.9)
<b>Total income tax expense for the year</b>	<b>40.7</b>	175.1

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 7. Taxation on (loss)/profit on continuing activities continued

#### Factors affecting tax credit for the year continued

The Finance Act 2016 further reduced the main rate of UK corporation tax applicable to all companies subject to corporation tax, except for those within the oil and gas ring fence, to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020. These changes were substantively enacted on 6 September 2016 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK, such as Ghana (35 per cent), Gabon (50 per cent) and Equatorial Guinea (35 per cent). Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of \$5,120.3 million (2018: \$5,347.1 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of losses of \$4,102.7 million (2018: \$3,581.3 million) as they may not be used to offset taxable profits due to uncertainty of recovery.

The Group has recognised deferred tax assets of \$348.8 million (2018: \$527.5 million) in relation to tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions.

A deferred tax liability of \$8.8 million (2018: \$7.8 million) is not recognised on temporary differences of relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

#### Tax relating to components of other comprehensive income

During 2019 \$nil (2018: \$nil) of tax has been recognised through other comprehensive income.

#### Current tax assets

As at 31 December 2019, current tax assets were \$42.9 million (2018: \$60.5 million) of which all relates to the UK (2018: \$58.7 million).

### Note 8. Earnings/ (loss) per ordinary share

Basic earnings/(loss) per ordinary share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per ordinary share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive ordinary shares that would be issued if employee and other share options or the convertible bonds were converted into ordinary shares.

	2019 \$m	2018 \$m
<b>(Loss)/profit for the year</b>		
Net (loss)/profit attributable to equity shareholders	<b>(1,694.1)</b>	84.8
Effect of dilutive potential ordinary shares	–	–
<b>Diluted net (loss)/profit attributable to equity shareholders</b>	<b>(1,694.1)</b>	84.8
	2019 Number	2018 Number
<b>Number of shares</b>		
Basic weighted average number of shares	<b>1,402,186,891</b>	1,391,103,880
Dilutive potential ordinary shares	<b>42,690,148</b>	47,493,251
<b>Diluted weighted average number of shares</b>	<b>1,444,877,039</b>	1,438,597,131

### Note 9. Disposals

On 10 November 2017, Tullow completed the sale of its remaining Dutch assets to Hague and London Oil plc (HALO). Under the terms of the agreement, a contingent deferred consideration is to be recognised over the course of four years following the sale, subject to certain criteria being met. During 2019, the Group recognised a gain on disposal of \$9.5 million equivalent to the entire proceeds relating to this transaction.

**Note 10. Intangible exploration and evaluation assets**

	Notes	2019 \$m	2018 \$m
At 1 January		<b>1,898.6</b>	1,933.4
Additions	1	<b>279.3</b>	230.4
Disposals		<b>(0.4)</b>	(4.0)
Amounts written off		<b>(1,253.4)</b>	(295.2)
Net transfer from assets held for sale	16	<b>840.2</b>	32.2
Currency translation adjustments		<b>0.1</b>	1.8
<b>At 31 December</b>		<b>1,764.4</b>	1,898.6

Included within 2019 additions is \$16.3 million (note 5) of capitalised interest (2018: \$65.3 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is ongoing.

The below table provides a summary of the exploration costs written off on a pre and post-tax basis by country.

Country	CGU	Rationale for 2019 write-off	2019 Pre-tax write-off \$m	2019 Post-tax write-off \$m	2019 Remaining recoverable amount \$m
Mauritania	Block C-3	b	<b>28.4</b>	<b>28.4</b>	–
Namibia	PEL 37	b	<b>26.7</b>	<b>26.7</b>	–
Jamaica	Walton Morant	b	<b>35.8</b>	<b>35.8</b>	–
Uganda	Exploration areas 1,1A, 2 and 3A	d	<b>535.2</b>	<b>535.2</b>	<b>960.0</b>
Guyana	Jethro well	a	<b>30.7</b>	<b>30.7</b>	–
Guyana	Joe well	a	<b>12.5</b>	<b>12.5</b>	–
Guyana	Carapa-1 well	a	<b>18.1</b>	<b>18.1</b>	–
Kenya	Blocks 10BB and 13T	d	<b>419.0</b>	<b>419.0</b>	<b>667.0</b>
Kenya	Blocks 12A, 12B and 10BA	b	<b>118.0</b>	<b>118.0</b>	–
New Ventures	Various	c	<b>29.0</b>	<b>29.0</b>	–
<b>Total write-off</b>			<b>1,253.4</b>	<b>1,253.4</b>	–

a. Current year unsuccessful exploration results.

b. Licence relinquishments, expiry or planned exit.

c. New Ventures expenditure is written off as incurred.

d. Following VIU assessment as a result of reduction in long term oil price assumption, using a pre-tax discount rate of 14%.

Oil prices stated in note 11 are benchmark prices to which an individual field price differential is applied. Exploration write-offs for the Kenya and Uganda development area assessments are prepared on a value-in-use basis using discounted future cash flows based on 2C resource profiles. A reduction or increase in the long-term price assumptions of \$15/bbl, based on the range seen in external oil price market forecasts, are considered to be a reasonably possible change for the purposes of sensitivity analysis. Decreases to oil prices would increase the exploration write-off charge by \$1,108.0 million, whilst increases to oil prices specified above would result in a credit to the exploration write-offs of \$831.0 million. A 1 per cent increase in the pre-tax discount rate would increase the exploration write-off by \$268.0 million. A 1 per cent decrease in the pre-tax discount rate would decrease the exploration write-off by \$266.0 million. The Group believes a 1 per cent change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' discount rates.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 11. Property, plant and equipment

	Notes	2019 Oil and gas assets \$m	2019 Other fixed assets \$m	2019 Leased assets \$m	2019 Total \$m	2018 Oil and gas assets \$m	2018 Other fixed assets \$m	2018 Total \$m
<b>Cost</b>								
At 1 January		11,794.0	271.0	–	12,065.0	11,592.6	279.7	11,872.3
Adjustment on adoption of IFRS 16 Leases	28	(907.7)	–	907.7	–	–	–	–
Additions	1,6	357.1	21.0	150.3	528.4	261.5	6.6	268.1
Disposals		–	(0.3)	(20.6)	(20.9)	–	(0.7)	(0.7)
Currency translation adjustments		36.2	7.0	1.1	44.3	(60.1)	(14.6)	(74.7)
<b>At 31 December</b>		<b>11,279.6</b>	<b>298.7</b>	<b>1,038.5</b>	<b>12,616.8</b>	<b>11,794.0</b>	<b>271.0</b>	<b>12,065.0</b>
<b>Depreciation, depletion and amortisation</b>								
At 1 January		(6,951.1)	(197.5)	–	(7,148.6)	(6,425.3)	(192.3)	(6,617.6)
Adjustment on adoption of IFRS 16 Leases	28	151.5	–	(151.5)	–	–	–	–
Charge for the year	4	(620.1)	(18.6)	(85.9)	(724.6)	(567.7)	(16.4)	(584.1)
Impairment loss		(737.4)	(43.8)	–	(781.2)	(55.8)	–	(55.8)
Reversal of impairment loss		–	–	–	–	37.6	–	37.6
Capitalised depreciation		–	–	(29.0)	(29.0)	–	–	–
Disposal		–	0.3	1.8	2.1	–	0.7	0.7
Currency translation adjustments		(37.5)	(6.2)	(0.1)	(43.8)	60.1	10.5	70.6
<b>At 31 December</b>		<b>(8,194.6)</b>	<b>(265.8)</b>	<b>(264.7)</b>	<b>(8,725.1)</b>	<b>(6,951.1)</b>	<b>(197.5)</b>	<b>(7,148.6)</b>
<b>Net book value at 31 December</b>		<b>3,085.0</b>	<b>32.9</b>	<b>773.8</b>	<b>3,891.7</b>	<b>4,842.9</b>	<b>73.5</b>	<b>4,916.4</b>

The currency translation adjustments arose due to the movement against the Group's presentational currency, USD, of the Group's UK assets, which have a functional currency of GBP.

	Trigger for 2019 impairment/ (reversal)	2019 Impairment/ (reversal) \$m	Pre-tax discount rate assumption	2019 Remaining recoverable amount \$m
Limande and Turnix CGU (Gabon)	a,c	(4.1)	13%	28.1
Echira, Niungo, and Igongo CGU (Gabon)	a,c	(2.4)	15%	11.4
Oba and Middle Oba CGU (Gabon)	a,c	3.8	15%	13.0
Ceiba and Okume (Equatorial Guinea)	a,c	(6.5)	10%	78.1
Mauritania	b	(1.4)	n/a	–
Espoir (Côte d'Ivoire)	a,c	12.5	10%	73.6
TEN (Ghana)	a,c	712.8	10%	1,801.6
UK 'CGU' <sup>d</sup>	b	22.7	n/a	–
SAP (UK)	e	43.8	n/a	–
<b>Impairment</b>		<b>781.2</b>		

a. Decrease to long term price assumptions.

b. Change to decommissioning estimate.

c. Revision of value based on revisions to reserves.

d. The fields in the UK are grouped into one CGU as all fields within those countries share critical gas infrastructure.

e. Reassessment of useful life.

During 2019 and 2018 the Group applied the following nominal oil price assumptions for impairment assessments:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 onwards
<b>2019</b>	<b>Forward curve*</b>	<b>Forward curve*</b>	<b>\$60/bbl</b>	<b>\$63/bbl</b>	<b>\$65/bbl</b>	<b>\$65/bbl inflated at 2%</b>
2018	Forward curve*	Forward curve*	\$66/bbl	\$68/bbl	\$75/bbl	\$75/bbl inflated at 2%

\* Forward curve as at 31 December.

**Note 11. Property, plant and equipment** continued

Oil prices stated above are benchmark prices to which an individual field price differential is applied. All impairment assessments are prepared on a value-in-use basis using discounted future cash flows based on 2P reserves profiles. A reduction or increase in the two-year forward curve of \$15/bbl, based on the approximate volatility of the oil price over the previous two years, and a reduction or increase in the medium and long-term price assumptions of \$15/bbl, based on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the impairment charge by \$801.5 million, whilst increases to oil prices specified above would result in a credit to the impairment charge of \$668.9 million. A 1 per cent increase in the pre-tax discount rate would increase the impairment by \$56.8 million. A 1 per cent decrease in the pre-tax discount rate would decrease the impairment by \$56.8 million. The Group believes a 1 per cent change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

**Note 12. Other assets**

	2019 \$m	2018 \$m
<b>Non-current</b>		
Amounts due from Joint Venture Partners	576.6	614.9
Uganda VAT recoverable	33.5	33.1
Other non-current assets	13.1	48.4
	623.2	696.4
<b>Current</b>		
Amounts due from Joint Venture Partners	711.8	670.8
Underlifts	97.8	22.9
Prepayments	69.5	73.4
VAT and WHT recoverable	4.9	3.8
Other current assets	44.7	198.1
	928.7	969.0

Other current assets mainly relate to receivables from the insurers, which were collected during the year.

**Note 13. Inventories**

	2019 \$m	2018 \$m
Warehouse stock and materials	64.9	54.6
Oil stock	126.6	80.2
	191.5	134.8

Inventories include a provision of \$15.3 million (2018: \$20.9 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

**Note 14. Trade receivables**

Trade receivables comprise amounts due for the sale of oil and gas. They are generally due for settlement within 30–60 days and are therefore all classified as current. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**Impairment of trade receivables**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of sales over the historical period and the corresponding historical credit losses experienced within this period. These rates are then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period. Based on historical data the expected credit loss of trade receivables as at 31 December 2019 would be immaterial; therefore, in line with IFRS 9, no further assessment has been performed and no impairment was recognised (2018: \$nil).

In order to minimise the risk of default, credit risk is managed on a Group basis (note 19).

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 15. Cash and cash equivalents

	Notes	2019 \$m	2018 \$m
Cash at bank	19	<b>288.8</b>	175.5
Short-term deposits		<b>–</b>	4.3
		<b>288.8</b>	179.8

Cash and cash equivalents includes an amount of \$183.0 million (2018: \$78.0 million) which the Group holds as operator in Joint Venture bank accounts. In addition to the cash held in Joint Venture bank accounts the Group had \$nil (2018: \$14.1 million) held in restricted bank accounts.

### Note 16. Assets classified as held for sale

In 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda. Under the Sale and Purchase Agreement, Tullow agreed to transfer 21.57 per cent of its 33.33 per cent Uganda interests for a total consideration of \$900 million. As a result, the portion of the Ugandan assets being disposed were classified as assets held for sale. In August 2019 the Sale and Purchase Agreements lapsed as a result of being unable to agree all aspects of the tax treatment of the transaction with the Government of Uganda which was a condition to completing the SPAs. Following expiry of the SPA, the Uganda assets have been reclassified from assets held for sale to intangible assets.

The major classes of assets and liabilities comprising the assets classified as held for sale as at 31 December 2019 were as follows:

	Uganda 2019 \$m	Total 2019 \$m	Uganda 2018 \$m	Total 2018 \$m
Intangible exploration and evaluation assets	–	–	840.2	840.2
Total assets classified as held for sale	–	–	840.2	840.2
<b>Net assets of disposal groups</b>	–	–	840.2	840.2

### Note 17. Trade and other payables

#### Current liabilities

	Notes	2019 \$m	2018 \$m
Trade payables		<b>95.4</b>	97.1
Other payables <sup>1</sup>		<b>95.7</b>	105.1
Overlifts		<b>–</b>	16.6
Accruals		<b>636.1</b>	747.8
VAT and other similar taxes		<b>16.2</b>	16.5
Current portion of leases	20	<b>284.2</b>	221.2
		<b>1,127.6</b>	1,204.3

1. Other payables include accrued interest of \$43.2 million (2018:\$40.0 million).

Payables related to operated Joint Ventures (primarily in Ghana and Kenya) are recorded gross with the amount representing the partners' share recognised in amounts due from Joint Venture Partners (note 12). The change in trade payables and in other payables predominantly represents timing differences and levels of work activity, and implementation of IFRS 9.

#### Non-current liabilities

	Notes	2019 \$m	2018 \$m
Other non-current liabilities		<b>72.0</b>	91.3
Non-current portion of leases	20	<b>1,140.9</b>	1,191.0
		<b>1,212.9</b>	1,282.3

Trade and other payables are non-interest bearing except for leases (note 20).

**Note 18. Borrowings**

	2019 \$m	2018 \$m
<b>Non-current</b>		
Bank borrowings – after two years but within five years		
Reserves Based Lending credit facility	<b>1,357.4</b>	568.0
6.25% Senior Notes due 2022 (\$650 million)	<b>645.5</b>	644.4
6.625% Convertible Bonds due 2021 (\$300 million)	<b>278.2</b>	267.0
Bank borrowings – more than five years		
Reserves Based Lending credit facility	<b>–</b>	950.0
7.0% Senior Notes due 2025 (\$800 million)	<b>790.6</b>	789.7
	<b>3,071.7</b>	3,219.1
Carrying value of total borrowings	<b>3,071.7</b>	3,219.1

The Group has provided security in respect of certain borrowings in the form of share pledges, as well as fixed and floating charges over certain assets of the Group.

During the year, the Group continued to have access to a Reserves Based Lending (RBL) facility which was split between a commercial bank facility and an International Finance Corporation (IFC) facility. Commitments under the commercial bank facility remained at \$2,400 million throughout the year. As at 31 October 2019, commitments under the IFC facility were fully amortised in line with the agreement. The RBL facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of aggregate commitments over the period to the final maturity date of 21 November 2024, with an initial three-year grace period relating to the \$2,400 million commercial bank facility, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

At 31 December 2019, available headroom under the RBL amounted to \$1,055 million (2018: \$974 million).

**Capital management**

The Group defines capital as the total equity and net debt of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2019 except for the decision to suspend the dividend payment following the announcement made in December 2019 by the Executive Chair. The Group monitors capital on the basis of the gearing, being net debt divided by adjusted EBITDAX, and maintains a policy target of between 1x and 2x. A summary of the gearing calculation and a reconciliation of the metric to IFRS measures can be found in the Finance Review on page 22 and viability summary on pages 36 and 37.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 19. Financial instruments

#### Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group reviews its exposure on a regular basis and will undertake hedging if deemed appropriate. The Group holds a portfolio of commodity derivative contracts, with various counterparties. A portfolio of interest rate derivatives was held and matured during 2018. The mix between the fixed and floating rate borrowings was considered appropriate during the year and therefore the Group did not enter into new interest rate derivatives. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits are monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

	2019 \$m	2018 \$m
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Trade receivables	38.7	159.4
Amounts due from Joint Venture partners	1,288.4	1,285.7
Cash and cash equivalents	288.8	179.8
<b>Derivative financial instruments</b>		
Used for hedging	3.8	130.9
	<b>1,619.7</b>	1,755.8
<b>Financial liabilities</b>		
<b>Liabilities at amortised cost</b>		
Trade payables	167.4	188.4
Borrowings	3,071.7	3,219.1
Lease liabilities	1,425.1	1,412.2
<b>Derivative financial instruments</b>		
Used for hedging	(16.0)	(2.7)
	<b>4,648.2</b>	4,817.0

#### Fair values of financial assets and liabilities

With the exception of the Senior Notes and the convertible bonds, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Senior Notes, as determined using market values at 31 December 2019, was \$1,269.6 million (2018: \$1,373.0 million) compared to the carrying value of \$1,436.0 million (2018: \$1,434.2 million).

The fair value of the convertible bonds, as determined using market values as at 31 December 2019, was \$281.9 million (2018: \$326.9 million) compared to the carrying value of \$278.3 million (2018: \$267.0 million).

The Group has no material financial assets that are past due. No material financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

#### Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

**Note 19. Financial instruments** continued

## Fair values of derivative instruments continued

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	2019 Less than 1 year \$m	2019 1-3 years \$m	2019 Total \$m	2018 Less than 1 year \$m	2018 1-3 years \$m	2018 Total \$m
Cash flow hedges						
Oil derivatives	35.3	26.0	61.3	137.9	78.6	216.5
	35.3	26.0	61.3	137.9	78.6	216.5
Deferred premium						
Oil derivatives	(49.4)	(24.1)	(73.5)	(61.0)	(27.4)	(88.4)
	(49.4)	(24.1)	(73.5)	(61.0)	(27.4)	(88.4)
<b>Total assets</b>	<b>0.7</b>	<b>3.1</b>	<b>3.8</b>	<b>79.7</b>	<b>51.2</b>	<b>130.9</b>
<b>Total liabilities</b>	<b>(14.8)</b>	<b>(1.2)</b>	<b>(16.0)</b>	<b>(2.7)</b>	<b>–</b>	<b>(2.7)</b>

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2018: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

**Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Group balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. No material enforceable master netting agreements were identified.

The Group has entered into ISDA Master Agreements with derivative counterparties. The following table shows the amounts recognised for financial assets and liabilities which are subject to offsetting arrangements on a gross basis, and the amounts offset in the Group balance sheet.

	Gross amounts recognised \$m	Gross amounts offset in Group balance sheet \$m	Net amounts presented in Group balance sheet \$m
<b>31 December 2019</b>			
Derivative assets	10.2	(6.5)	3.7
Derivative liabilities	(22.4)	6.5	(15.9)
	Gross amounts recognised \$m	Gross amounts offset in Group balance sheet \$m	Net amounts presented in Group balance sheet \$m
<b>31 December 2018</b>			
Derivative assets	209.6	(78.6)	130.9
Derivative liabilities	7.0	(9.9)	(2.7)

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 19. Financial instruments continued

#### Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil revenue. Such commodity derivatives tend to be priced using benchmarks, such as Dated Brent, which correlate as far as possible to the underlying oil revenue. There is an economic relationship between the hedged items and the hedging instruments due to a common underlying, i.e. Dated Brent, between them. Forecast oil sales, which are based on Dated Brent, are hedged with options which have Dated Brent as reference price. An increase in Dated Brent will cause the value of the hedged item and hedging instrument to move in opposite directions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity derivatives are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The Group hedges its estimated oil revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests.

As at 31 December 2019 and 31 December 2018, all of the Group's oil derivatives have been designated as cash flow hedges. The Group's oil hedges have been assessed to be highly effective.

The Group adopted a risk component hedging strategy from 2019. This results from designating the variability in all the cash flows attributable to the change in the benchmark price per the oil sales contracts where the critical terms of the hedged item and hedging instrument match. There is, however, the potential for a degree of ineffectiveness inherent in the Group's pre-2019 hedge designation for open hedge relationship. This is due to the differential on the Group's underlying African crudes relative to Dated Brent and the timing of oil liftings relative to the hedges. The ineffectiveness recognised in the Group income statement was a loss of \$1.5 million (2018: \$2.4 million gain). Ineffectiveness is expected to reduce as the pre-2019 hedges phases out.

Floor protection is placed around current market levels and layered in over the course of the year, using a combination of derivatives which protects downside prices and provides some exposure to upside.

The following table demonstrates the timing, volumes and average floor price protected for the Group's commodity hedges:

Hedging position as at 31 December 2019	2020	2021
Oil volume (bopd)	44,997	22,000
Average floor price protected (\$/bbl)	57.28	52.80
Hedging position as at 31 December 2018	2019	2020
Oil volume (bopd)	55,732	24,997
Average floor price protected (\$/bbl)	56.25	59.31

The following table demonstrates the hedge position as at 31 December 2019:

2020 hedge position at 31 December 2019	Bopd	Bought put (floor)	Sold call	Bought call
<b>Hedge structure</b>				
Collars	32,997	\$57.60	\$79.21	–
Three-way collars (call spread)	12,000	\$56.42	\$77.82	\$87.68
<b>Total/weighted average</b>	<b>44,997</b>	<b>\$57.28</b>	<b>\$78.84</b>	<b>\$87.68</b>
2021 hedge position at 31 December 2019	Bopd	Bought put (floor)	Sold call	Bought call
<b>Hedge structure</b>				
Collars	21,500	\$52.85	\$75.59	–
Three-way collars (call spread)	500	\$50.00	\$70.50	\$80.50
<b>Total/weighted average</b>	<b>22,000</b>	<b>\$52.78</b>	<b>\$75.48</b>	<b>\$80.50</b>

The following table demonstrates the sensitivity of the Group's derivative financial instruments to reasonably possible movements in Dated Brent oil prices:

	Market movement as at 31 Dec 2019	Effect on equity	2019 \$m	2018 \$m
Brent oil price	25%		(43.9)	14.2
Brent oil price	(25%)		237.2	486.9

The following assumptions have been used in calculating the sensitivity in movement of the oil price: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil hedges and the sensitivities have been run only on the intrinsic element of the hedge as management considers this to be the material component of oil hedge valuations.

**Note 19. Financial instruments** continued**Hedge reserve summary**

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

The following table summarises the cash flow hedge reserve by intrinsic and time value, net of tax effects:

<b>Cash flow hedge reserve</b>	<b>2019 \$m</b>	<b>2018 \$m</b>
Oil derivatives – intrinsic	<b>4.6</b>	130.8
Oil derivatives – time value	<b>(17.5)</b>	(4.9)

The deferred gains and losses in the hedge reserve are subsequently transferred to the income statement at maturity of derivative contracts. The tables below show the impact on the hedge reserve and on sales revenue during the year:

<b>Deferred amounts in the hedge reserve – intrinsic</b>	<b>2019 \$m</b>	<b>2018 \$m</b>
At 1 January	<b>130.8</b>	(2.6)
Reclassification adjustments for items included in the income statement on realisation:		
Oil derivatives – transferred to sales revenue	<b>(7.6)</b>	34.4
Interest rate derivatives – transferred to finance costs	<b>–</b>	(1.7)
<b>Subtotal</b>	<b>(7.6)</b>	32.7
Revaluation (losses)/gains arising in the year	<b>(118.6)</b>	100.7
Movement in current and deferred tax	<b>–</b>	–
	<b>(126.2)</b>	133.4
<b>At 31 December</b>	<b>4.6</b>	130.8

<b>Deferred amounts in the hedge reserve – time value</b>	<b>2019 \$m</b>	<b>2018 \$m</b>
At 1 January	<b>(4.9)</b>	(73.8)
Reclassification adjustments for items included in the income statement on realisation:		
Oil derivatives – transferred to sales revenue	<b>61.0</b>	52.7
Revaluation (losses)/gains arising in the year	<b>(73.6)</b>	16.2
<b>At 31 December</b>	<b>(17.5)</b>	(4.9)

<b>Reconciliation to sales revenue</b>	<b>2019 \$m</b>	<b>2018 \$m</b>
Oil derivatives – transferred to sales revenue	<b>7.6</b>	34.4
Deferred premium paid	<b>(61.0)</b>	52.4
<b>Net (gains)/losses from commodity derivatives in sales revenue (note 2)</b>	<b>(53.4)</b>	86.8

**Cash flow and interest rate risk**

Subject to parameters set by management, the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by reference to US dollar LIBOR.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 19. Financial instruments continued

#### Interest Rate Benchmark Reform

The replacement of benchmark interest rates such as LIBOR and other IBORs is a priority for global regulators. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR (including GBP LIBOR and USD LIBOR) to alternative Risk-Free Rates (RFR) by the end of 2021.

The Group's current IBOR linked contracts do not include adequate and robust fall-back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall-back language for different instruments and different IBORs, which the Group is monitoring closely and will look to implement these when appropriate.

Fixed rate debt comprises Senior Notes and convertible bonds.

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2019 and 2018, was as follows:

	2019 Cash at bank \$m	2019 Fixed rate debt \$m	2019 Floating rate debt \$m	2019 Total \$m	2018 Cash at bank \$m	2018 Fixed rate debt \$m	2018 Floating rate debt \$m	2018 Total \$m
US\$	259.9	(1,750.0)	(1,344.3)	(2,834.4)	149.7	(1,750.0)	(1,490.0)	(3,090.3)
Euro	0.5	–	–	0.5	0.4	–	–	0.4
Sterling	16.3	–	–	16.3	10.9	–	–	10.9
Other	12.1	–	–	12.1	18.8	–	–	18.8
	288.8	(1,750.0)	(1,344.3)	(2,805.5)	179.8	(1,750.0)	(1,490.0)	(3,060.2)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in interest rates:

	Market movement	Effect on finance costs		Effect on equity	
		2019 \$m	2018 \$m	2019 \$m	2018 \$m
Interest rate	100 basis points	(13.4)	(14.9)	(13.4)	(14.9)
Interest rate	(25) basis points	3.4	3.7	3.4	3.7

#### Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil and amounts due from JV Partners (including in relation to their share of the TEN FPSO lease). These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. JV Partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with an appropriate credit rating, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

The Group generally enters into derivative agreements with banks which are Lenders under the Reserves Based Lending facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, and receivables from joint venture partners, as at 31 December 2019 was \$1,619.7 million (2018: \$1,569.6 million).

#### Foreign currency risk

The Group conducts and manages its business predominantly in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place as at 31 December 2019 (2018: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2019, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were \$28.9 million in non-US dollar-denominated cash and cash equivalents (2018: \$30.1 million).

**Note 19. Financial instruments** continued**Foreign currency risk** continued

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in US dollar exchange rates:

	Market movement	Effect on profit before tax		Effect on equity	
		2019 \$m	2018 \$m	2019 \$m	2018 \$m
US\$/foreign currency exchange rates	20%	<b>(4.8)</b>	(4.8)	<b>(4.8)</b>	(4.8)
US\$/foreign currency exchange rates	(20%)	<b>7.3</b>	7.3	<b>7.3</b>	7.3

**Liquidity risk**

The Group manages its liquidity risk using both short-term and long-term cash flow projections, supplemented by debt financing plans and active portfolio management across the Group. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short, medium and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management potential has been identified across the Group to deliver material proceeds to reduce debt and enhance the financial capability and flexibility of the Group. The Group had \$1.2 billion (2018: \$1.0 billion) of total facility headroom and free cash as at 31 December 2019.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
<b>31 December 2019</b>							
Non-interest bearing	n/a	92.0	36.1	71.8	7.4	72.0	279.3
Lease liabilities	7.1%	20.1	69.3	194.8	1,111.0	29.9	1,425.1
Fixed interest rate instruments	7.8%						
Principal repayments		–	–	–	950.0	800.0	1,750.0
Interest charge		9.9	28.0	78.6	304.8	28.0	449.3
Variable interest rate instruments	5.8%						
Principal repayments		–	–	–	1,345.0	–	1,345.0
Interest charge		5.9	11.8	53.1	308.2	–	379.0
		<b>127.9</b>	<b>145.2</b>	<b>398.3</b>	<b>4,026.4</b>	<b>929.9</b>	<b>5,627.7</b>
	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
<b>31 December 2018</b>							
Non-interest bearing	n/a	96.2	136.9	2.2	–	91.3	326.6
Finance lease liabilities	7.1%	18.3	41.6	162.6	861.3	714.9	1,798.7
Fixed interest rate instruments	7.8%						
Principal repayments		–	–	–	950.0	800.0	1,750.0
Interest charge		9.9	28.0	78.6	385.4	84.0	585.9
Variable interest rate instruments	5.5%						
Principal repayments		–	–	–	568.0	922.0	1,490.0
Interest charge		7.8	15.5	69.9	357.8	40.0	491.0
		<b>132.2</b>	<b>222.0</b>	<b>313.3</b>	<b>3,122.5</b>	<b>2,652.2</b>	<b>6,442.2</b>

In November 2018, a portfolio of interest rate swaps that fixed \$300.0 million of variable interest rate risk matured. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 20. Leases

This note provides information for leases where the Group is a lessee. The Group did not enter into any contracts acting as a lessor.

#### i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 \$m	1 January 2019 <sup>1</sup> \$m
<b>Right-of-use assets (included within Property, plant and equipment)</b>		
Property leases	57.4	60.5
Oil and gas production and support equipment leases	710.0	809.2
Transportation equipment leases	6.4	12.7
Other equipment	–	0.1
<b>Total</b>	<b>773.8</b>	<b>882.5</b>

1. In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 28.

Additions to the right-of-use asset during the 2019 financial year were \$150.3 million. These include the impact of IFRS 16, amounts capitalised during the year and the treatment of previous finance lease balances.

	31 December 2019 \$m	1 January 2019 <sup>1</sup> \$m
<b>Lease liabilities</b>		
Property leases	60.6	63.6
Oil and gas production and support equipment leases	1,351.0	1,517.4
Transportation equipment leases	13.5	26.2
Other equipment	–	0.1
<b>Total</b>	<b>1,425.1</b>	<b>1,607.3</b>
Current	284.2	293.0
Non-current	1,140.9	1,314.3
<b>Total</b>	<b>1,425.1</b>	<b>1,607.3</b>

1. In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 28.

The Group's leases balance includes TEN FPSO and Espoir FPSO, classified as Oil and gas production and support equipment. Prior to 1 January 2019 both vessels were recognised as finance leases under IAS 17 Leases.

As at 31 December 2019, the present value of TEN FPSO and Espoir FPSO right-of-use asset was \$675.6 million (1 January 2019: \$746.9 million) and \$6.7 million (1 January 2019: 9.3 million), respectively. The present value of TEN FPSO and Espoir FPSO lease liability was \$1,269.6 million (1 January 2019: \$1,389.6 million) and \$20.1 million (1 January 2019: 22.6 million), respectively. A receivable from Joint Venture Partners of \$600.2 million (1 January 2019: \$656.9 million) was recognised in other assets (note 12) to reflect the value of future payments that will be met by cash calls from partners. The present value of the receivable from Joint Venture Partners unwinds over the expected life of the lease and is reported within finance revenue.

#### ii) Amounts recognised in the statement of profit or loss

	31 December 2019 \$m	1 January 2019 <sup>1</sup> \$m
<b>Right-of-use assets (included within Property, plant and equipment)</b>		
<b>Depreciation charge of right-of-use assets</b>		
Property leases	11.9	–
Oil and gas production and support equipment leases	73.9	–
Transportation equipment leases	–	–
Other equipment	–	–
<b>Total</b>	<b>85.8</b>	<b>–</b>
Interest expense on lease liabilities (included in finance cost)	103.5	–
Interest income on amounts due from Joint Venture Partners	(50.0)	–
Expense relating to low-value leases	4.5	–
<b>Total</b>	<b>143.8</b>	<b>–</b>

The total cash outflow for leases in 2019 was \$172.1 million.

## Note 21. Provisions

	Notes	Decommissioning 2019 \$m	Other provisions 2019 \$m	Total 2019 \$m	Decommissioning 2018 \$m	Other provisions 2018 \$m	Total 2018 \$m
At 1 January		794.0	81.5	875.5	897.4	135.0	1,032.4
New provisions and changes in estimates		109.0	15.5	124.5	(5.8)	155.1	149.3
Disposals		–	(0.3)	(0.3)	–	–	–
Payments		(75.1)	(20.4)	(95.5)	(99.1)	(208.6)	(307.7)
Unwinding of discount	5	16.3	–	16.3	14.4	–	14.4
Currency translation adjustment		5.9	–	5.9	(12.9)	–	(12.9)
<b>At 31 December</b>		<b>850.1</b>	<b>76.3</b>	<b>926.4</b>	794.0	81.5	875.5
<b>Current provisions</b>		<b>102.6</b>	<b>70.2</b>	<b>172.8</b>	121.6	76.9	198.5
<b>Non-current provisions</b>		<b>747.5</b>	<b>6.1</b>	<b>753.6</b>	672.4	4.6	677.0

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

	Inflation assumption	Discount rate assumption	Cessation of production assumption	2019 \$m	2018 \$m
Côte d'Ivoire	2%	2%	2033	55.6	47.1
Equatorial Guinea	2%	2%	2030–2032	116.1	100.8
Gabon	2%	2–2.5%	2022–2037	56.7	50.1
Ghana	2%	2–2.5%	2032–2036	365.6	292.1
Mauritania	n/a	n/a	2018	82.6	94.8
UK	n/a	n/a	2018	173.5	209.1
				<b>850.1</b>	794.0

## Note 22. Deferred taxation

	Accelerated tax depreciation \$m	Decommissioning \$m	Revaluation of financial assets \$m	Tax losses \$m	Other timing differences \$m	Provision for onerous service contracts \$m	Deferred PRT \$m	Total \$m
At 1 January 2018	(1,138.3)	180.6	(0.1)	530.0	(24.1)	44.7	30.5	(376.7)
Credit/(charge) to income statement	37.3	(47.7)	0.1	(0.8)	(1.0)	(10.5)	(18.1)	(40.7)
Exchange differences	(0.2)	(5.2)	–	(1.7)	0.2	(0.8)	(0.8)	(8.5)
At 1 January 2019	<b>(1,101.2)</b>	<b>127.7</b>	<b>–</b>	<b>527.5</b>	<b>(24.9)</b>	<b>33.4</b>	<b>11.6</b>	<b>(425.9)</b>
Credit/(charge) to income statement	<b>363.1</b>	<b>(21.1)</b>	<b>–</b>	<b>(177.8)</b>	<b>(26.0)</b>	<b>(11.5)</b>	<b>(2.0)</b>	<b>124.7</b>
Transfer to current tax liability	–	–	–	–	24.2	–	–	24.2
Exchange differences	–	1.7	–	(0.4)	(0.1)	(0.2)	0.1	1.1
<b>At 31 December 2019</b>	<b>(738.1)</b>	<b>108.3</b>	<b>–</b>	<b>349.3</b>	<b>(26.8)</b>	<b>21.7</b>	<b>9.7</b>	<b>(275.9)</b>

	2019 \$m	2018 \$m
Deferred tax liabilities	<b>(793.4)</b>	(1,075.3)
Deferred tax assets	<b>517.5</b>	649.4
	<b>(275.9)</b>	(425.9)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 23. Called-up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	\$m	\$m
Ordinary shares of 10p each			
At 1 January 2018	1,386,567,336	208.2	1,326.8
Issued during the year			
Exercise of share options	6,872,380	0.9	17.4
At 1 January 2019	<b>1,393,439,716</b>	<b>209.1</b>	<b>1,344.2</b>
Issued during the year			
Exercise of share options	<b>14,458,235</b>	<b>1.8</b>	<b>35.8</b>
<b>At 31 December 2019</b>	<b>1,407,897,951</b>	<b>210.9</b>	<b>1,380.0</b>

The Company does not have a maximum authorised share capital.

### Note 24. Share-based payments

Analysis of share-based payment charge

	Notes	2019 \$m	2018 \$m
Tullow Incentive Plan		<b>15.8</b>	11.8
2005 Performance Share Plan		–	–
Employee Share Award Plan		<b>11.9</b>	14.3
2010 Share Option Plan and 2000 Executive Share Option Scheme		–	0.1
UK and Irish Share Incentive		–	–
<b>Total share-based payment charge</b>		<b>27.7</b>	26.2
Capitalised to intangible and tangible assets		<b>1.9</b>	1.3
Expensed to operating costs	4	<b>2.6</b>	1.0
Expensed as exploration costs written off		<b>1.0</b>	1.1
Expensed as administrative cost	4	<b>22.2</b>	22.8
<b>Total share-based payment charge</b>		<b>27.7</b>	26.2

#### Tullow Incentive Plan (TIP)

Under the TIP, Senior Management can be granted nil exercise price options, normally exercisable from three years (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and total shareholder return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period; however, it has been agreed for the 2018 and 2019 TIP awards that an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares will also be payable on exercise of the award. There are further details of the TIP in the Remuneration Report on pages 58 to 79.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2019 was 5.5 years.

#### 2005 Performance Share Plan (PSP)

Under the PSP, Senior Management could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. All PSP awards are fully vested.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2019 was 0.2 years.

**Note 24. Share-based payments** continued**Employee Share Award Plan (ESAP)**

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions. No dividends are paid over the vesting period; however, it has been agreed for the 2018 and 2019 ESAP awards that an amount equivalent to the dividends that would have been paid on the ESAP shares during the vesting period if they were 'real' shares will also be payable on exercise of the award.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2019 was 7.0 years.

**2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)**

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100 per cent of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2019 had exercise prices of 900p to 1,294p (2018: 601p to 1,294p) and remaining contractual lives between 71 days and 3.6 years. The weighted average remaining contractual life is 2.1 years.

**UK and Irish Share Incentive Plans (SIPs)**

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares (Partnership Shares) at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares (Matching Shares) on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge); and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period).

Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge); and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 24. Share-based payments continued

#### UK and Irish Share Incentive Plans (SIPs) continued

The following table illustrates the number and average weighted share price at grant or weighted average exercise price (WAEP) of, and movements in, share options under the TIP, PSP, DSBP, ESAP and 2010 SOP/2000 ESOS.

		Outstanding as at 1 January	Adjustment for the Rights Issue during the year	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2019 TIP –	number of shares	20,295,802	–	6,010,697	(5,350,737)	(1,152,629)	19,803,133	2,966,380
2019 TIP –	average weighted share price at grant	208.1	–	226.3	231.2	273.4	203.6	213.8
2018 TIP –	number of shares	16,753,447	–	5,453,170	(1,539,418)	(371,397)	20,295,802	1,616,059
2018 TIP –	average weighted share price at grant	249.2	–	181.1	524.3	356.4	208.1	530.1
2019 PSP –	number of shares	408,605	–	–	(363,521)	(40,203)	4,881	4,881
2019 PSP –	average weighted share price at grant	868.2	–	–	872.6	778.0	1,281.0	1,281.0
2018 PSP –	number of shares	571,911	–	–	(163,306)	–	408,605	408,605
2018 PSP –	average weighted share price at grant	868.9	–	–	870.8	–	868.2	868.2
2019 DSBP –	number of shares	224,102	–	–	(224,102)	–	–	–
2019 DSBP –	average weighted share price at grant	1,260.5	–	–	1,260.5	–	–	–
2018 DSBP –	number of shares	224,102	–	–	–	–	224,102	224,102
2018 DSBP –	average weighted share price at grant	1,260.5	–	–	–	–	1,260.5	1,260.5
2019 ESAP –	number of shares	26,513,311	–	5,611,909	(8,630,213)	(1,238,892)	22,256,115	7,750,966
2019 ESAP –	average weighted share price at grant	221.5	–	226.3	219.0	223.3	223.6	258.9
2018 ESAP –	number of shares	26,689,114	–	5,907,717	(4,848,390)	(1,235,130)	26,513,311	7,027,121
2018 ESAP –	average weighted share price at grant	252.2	–	181.1	348.9	192.0	221.5	362.3
2019 SOP/ESOS –	number of shares	8,122,372	–	–	–	(1,689,231)	6,433,141	6,433,141
2019 SOP/ESOS –	WAEP	1,079.1	–	–	–	901.9	1,125.6	1,125.6
2018 SOP/ESOS –	number of shares	9,876,367	–	–	–	(1,753,995)	8,122,372	8,122,372
2018 SOP/ESOS –	WAEP	1,047.6	–	–	–	901.9	1,079.1	1,079.1
2019 phantoms –	number of phantom shares	1,280,230	–	–	–	(162,835)	1,117,395	1,117,395
2019 phantoms –	WAEP	1,086.7	–	–	–	1,085.5	1,086.9	1,086.9
2018 phantoms –	number of phantom shares	1,429,868	–	–	–	(149,638)	1,280,230	1,280,230
2018 phantoms –	WAEP	1,086.5	–	–	–	1,085.0	1,086.7	1,086.7

The options granted during the year were valued using a proprietary binomial valuation.

**Note 24. Share-based payments** continued**UK and Irish Share Incentive Plans (SIPs)** continued

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2019 TIP	2019 ESAP	2018 TIP	2018 ESAP
Weighted average fair value of awards granted	<b>226.30</b>	<b>226.30</b>	181.1p	181.1p
Weighted average share price at exercise for awards exercised	<b>186.88</b>	<b>217.53</b>	213.0p	212.9p
Principal inputs to options valuations model:				
Weighted average share price at grant	<b>226.3</b>	<b>226.3</b>	181.1p	181.1p
Weighted average exercise price	<b>0.0p</b>	<b>0.0p</b>	0.0p	0.0p
Risk-free interest rate per annum <sup>1</sup>	<b>0.7%/0.8%</b>	<b>0.7%</b>	0.9%/1.2%	0.9%
Expected volatility per annum <sup>1,2</sup>	<b>53%/55%</b>	<b>53%</b>	62%/52%	62%
Expected award life (years) <sup>1,3</sup>	<b>3.0/5.0</b>	<b>3.0</b>	3.0/5.0	3.0
Dividend yield per annum <sup>4</sup>	<b>n/a</b>	<b>n/a</b>	n/a	n/a
Employee turnover before vesting per annum <sup>1</sup>	<b>5%/0%</b>	<b>5%</b>	5%/0%	5%

1. Shows the assumption for TIP awards made to Senior Management/Executives and Directors respectively.

2. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.

3. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

4. No dividend yield assumption is needed for the fair value calculations for the 2019 TIP and 2019 ESAP awards as a dividend equivalent will be payable on the exercise of these awards.

	2019 PSP	2018 PSP	2019 DSBP	2018 DSBP	2019 SOP/ESOS	2018 SOP/ESOS
Weighted average share price at exercise for awards exercised	<b>157.7p</b>	234.8p	<b>148.8p</b>	204.1p	<b>n/a</b>	n/a

**Note 25. Commitments and contingencies**

	2019 \$m	2018 \$m
<b>Capital commitments</b>	<b>230.4</b>	233.9
<b>Contingent liabilities</b>		
Performance guarantees	<b>82.6</b>	60.8
Other contingent liabilities	<b>104.3</b>	66.0
	<b>186.9</b>	126.8

Where Tullow acts as operator of a Joint Venture the capital commitments reported represent Tullow's net share of these commitments.

Where Tullow is non-operator the value of capital commitments is based on committed future work programmes.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Other contingent liabilities include amounts for ongoing legal disputes with third parties where we consider the likelihood of a cash outflow to be higher than remote but not probable. The timing of any economic outflow if it were to occur would likely range between one and five years.

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 26. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24 Related Party Disclosures.

	2019 \$m	2018 \$m
Short-term employee benefits	3.1	5.7
Post-employment benefits	0.5	0.5
Amounts awarded under long-term incentive schemes	–	3.0
Share-based payments	3.2	2.2
	6.8	11.4

#### Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

#### Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

#### Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that are deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

#### Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2 Share-based Payment.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 58 to 79.

### Note 27. Events since 31 December 2019

In February 2020, Tullow concluded its Business Review – which included a review of organisation structure and resources. Subject to the outcome of the consultation, this will most likely result in a 35 per cent reduction in headcount, with an associated cost of the restructuring. It is anticipated that the reorganisation will generate savings over the next three years.

Tullow's six-monthly redetermination of its Reserves Based Lending (RBL) facility is expected to conclude on schedule at the end of March. Based on discussions with the syndicate to date, Tullow expects to conclude the process with debt capacity of c.\$1.9 billion. Once approved, the Group will have headroom of c.\$0.7 billion which is above the Group's policy target of no less than \$500 million and is appropriate in light of Tullow's reduced future capital commitments. In addition, the reduced debt capacity reduces the Group's finance fees. On completion of the six-monthly redetermination process, the Group plans to voluntarily reduce facility commitments by \$211 million, effectively accelerating the October 2020 amortisation. The next amortisation of commitments will not be until April 2021.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The group failed to reach agreement and on 7 March 2020, Saudi Aramco unilaterally and aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, oil prices fell by around 20 per cent and the forward curve for 2020 and 2021 fell to approximately \$38/bbl and \$42/bbl respectively. These recent events will continue to have an impact on oil price volatility. Tullow prudently manages its commodity risk and is well hedged with 60 per cent of 2020 production hedged at an average floor price of \$57/bbl and c.40 per cent hedged at an average floor price of \$52/bbl for 2021. Realised oil prices for January and February 2020 are expected to average over \$60/bbl.

**Note 28. New International Financial Reporting Standards adopted****IFRS 16 Leases**

The Group adopted IFRS 16 Leases, for the year commencing 1 January 2019. On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases which were previously classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities have been measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease (if available), or the incremental borrowing rate as of 1 January 2019, which was 6.9 per cent. The determination of whether there is an interest rate implicit in the lease, the calculation of the Group's incremental borrowing rate, and whether any adjustments to this rate are required for certain portfolios of leases involves some judgement and is subject to change over time.

In accordance with the transition provisions in IFRS 16, the modified retrospective approach has been adopted, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated. The financial impact of transition to IFRS 16 for the financial year 2019 has been summarised within this note.

Lease liabilities related to operated Joint Ventures are disclosed gross with the debit representing the partner's share disclosed in amounts due from Joint Venture Partners.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard on transition:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- to not separate non-lease components from all leases with a right-of-use asset less than \$2 million.

The Group has identified lease portfolios for property, oil and gas production and support equipment, transportation equipment, and other equipment.

**Lease liabilities – gross value on transition**

Lease portfolio	Examples	\$m
Property leases	Offices, staff rental property, warehouses, airport space	63.6
Oil and gas production and support equipment leases	Drilling rigs, support vessels	105.2
Transportation equipment leases	Cars and aircraft	26.2
Other equipment	Non-material equipment such as IS equipment	0.1
<b>Total</b>		<b>195.1</b>

**Initial measurement of lease liabilities**

	\$m
Operating lease commitments disclosed as at 31 December 2018	120.2
Discounted using the lessee's incremental borrowing rate of at the date of initial application (6.9%)	100.9
Finance lease liabilities recognised as at 31 December 2018	1,412.2
Low-value leases not recognised as a liability	(4.5)
Contracts reassessed as lease contracts	98.7
<b>Lease liability recognised as at 1 January 2019</b>	<b>1,607.3</b>

## Notes to the Group Financial Statements continued

Year ended 31 December 2019

### Note 28. New International Financial Reporting Standards adopted continued

#### Financial impact of the transition

##### Balance Sheet

The impact of the transition has resulted in higher property, plant and equipment, current and non-current other assets and current and non-current lease liabilities.

For short-term leases (lease term less than 12 months) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. Depending on the nature of the lease, this is either recognised as additions to property, plant and equipment, operating costs or administrative costs.

	31 December 2019 \$m
Property, plant and equipment	
Non-current	91.5
<b>Total IFRS 16 transition</b>	<b>91.5</b>

	31 December 2019 \$m
Other assets	
Current	29.2
Non-current	11.4
<b>Total IFRS 16 transition</b>	<b>40.6</b>

	31 December 2019 \$m
Lease liabilities	
Current	(62.3)
Non-current	(73.0)
<b>Total IFRS 16 transition</b>	<b>(135.3)</b>

##### Income statement

The Group impact of the transition resulted in a small net decrease in administrative expenses, along with a \$10.0 million increase in finance costs, partly offset by interest on amounts due from Joint Venture Partners of \$3.7 million. The Group has recognised depreciation on right-of-use assets for 2019 of \$39.2 million, of which \$29.0 million has subsequently been capitalised through the Group's normal operations in accordance with relevant accounting policy.

	31 December 2019 \$m
Administrative expenses	1.0
Operating profit	1.0
Finance revenue	3.7
Finance costs	(10.6)
Profit/loss	(5.9)
Deferred tax credit	1.5

##### Cash flow statement

Lease payments are currently split between financing cash flows and operating cash flows in the cash flow statement. Financing cash flows represent repayment of principal, and operating cash flow payments of interest. In prior periods, operating lease payments were all presented as operating cash flows under IAS 17.

##### Non-IFRS measures

As described above the implementation of IFRS 16 impacts operating costs and capital expenditure. However, Tullow has adjusted its definition of EBITDAX, cash operating costs and capital investment including expenditure previously recognised as operating lease costs and associated capital expenditure in the year.

**Note 29. Cash flow statement reconciliations**

Note 27: Cash flow statement reconciliations				2019 \$m	2018 \$m
Purchases of intangible exploration and evaluation assets					
Additions to intangible exploration and evaluation assets				279.3	230.4
<b>Associated cash flows</b>					
Purchases of intangible exploration and evaluation assets				(259.4)	(202.1)
<b>Non-cash movements/presented in other cash flow lines</b>					
Capitalised interest				(16.3)	(65.3)
Movement in working capital				(3.6)	37.0
				2019 \$m	2018 \$m
Purchases of property, plant and equipment					
Additions to property, plant and equipment				528.4	268.1
<b>Associated cash flows</b>					
Purchases of property, plant and equipment				(261.5)	(238.4)
<b>Non-cash movements/presented in other cash flow lines</b>					
Decommissioning asset revisions				(109.0)	(5.8)
Finance lease additions				(150.3)	(3.8)
Movement in working capital				(7.6)	(20.1)
	2019 \$m	2018 \$m	2017 \$m	2019 Movement	2018 Movement
Movement in borrowings					
Non-current borrowings	3,071.7	3,219.1	3,606.4	(147.4)	(387.3)
<b>Associated cash flows</b>					
Debt arrangement fees				–	(15.0)
Repayment of borrowings				(520.0)	(1,755.1)
Drawdown of borrowings				375.0	1,240.0
<b>Non-cash movements/presented in other cash flow lines</b>					
<b>IFRS 9 transition adjustment</b>				–	110.8
Amortisation of arrangement fees and accrued interest				(2.4)	8.2

**Note 30. Dividends**

In 2019, the Board recommended and paid a final 2018 dividend of 4.8p per share (\$67 million) and an interim 2019 dividend of 2.35p per share (\$33 million).

As announced in the “Board Changes and 2020 Guidance” press release on 9 December, the Board has decided to suspend the dividend for 2019.

## Company balance sheet

As at 31 December 2019

	Notes	2019 \$m	2018 \$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	1	<b>4,580.1</b>	5,567.1
		<b>4,580.1</b>	5,567.1
<b>Current assets</b>			
Other current assets	3	<b>1,104.6</b>	1,164.6
Cash at bank		<b>0.2</b>	5.6
		<b>1,104.8</b>	1,170.2
<b>Total assets</b>		<b>5,684.9</b>	6,737.3
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other creditors	4	<b>(439.9)</b>	(353.8)
Intercompany derivative liability	6	<b>(1.8)</b>	(11.2)
		<b>(441.7)</b>	(365.0)
<b>Non-current liabilities</b>			
Borrowings	5	<b>(2,793.5)</b>	(2,952.1)
Intercompany derivative liability	6	<b>–</b>	(0.8)
		<b>(2,793.5)</b>	(2,952.9)
<b>Total liabilities</b>		<b>(3,235.2)</b>	(3,317.9)
<b>Net assets</b>		<b>2,449.7</b>	3,419.4
<b>Capital and reserves</b>			
Called-up share capital	7	<b>210.9</b>	209.1
Share premium	7	<b>1,380.1</b>	1,344.2
Other reserves		<b>866.1</b>	866.1
Retained earnings		<b>(7.4)</b>	1,000.0
<b>Total equity</b>		<b>2,449.7</b>	3,419.4

During the year the Company made a loss of \$893.9 million (2018: \$145.9 million profit).

Approved by the Board and authorised for issue on 11 March 2020.



**Dorothy Thompson**  
Executive Chair



**Les Wood**  
Chief Financial Officer

## Company statement of changes in equity

Year ended 31 December 2019

	Share capital \$m	Share premium \$m	Other reserves <sup>1</sup> \$m	Retained earnings \$m	Total equity \$m
At 1 January 2018	208.2	1,326.8	851.9	1,306.6	3,693.5
Adjustment on adoption of IFRS 9, net of tax	–	–	–	(446.3)	(446.3)
Profit for the year	–	–	–	145.9	145.9
Issue of employee share options	0.9	17.4	–	–	18.3
Vesting of employee share options	–	–	–	(18.2)	(18.2)
Transfers	–	–	14.2	(14.2)	–
Share-based payment charges	–	–	–	26.2	26.2
At 1 January 2019	<b>209.1</b>	<b>1,344.2</b>	<b>866.1</b>	<b>1,000.0</b>	<b>3,419.4</b>
Loss for the year	–	–	–	(893.9)	(893.9)
Dividends paid	–	–	–	(100.9)	(100.9)
Vesting of employee share options	<b>1.8</b>	<b>35.9</b>	–	<b>(37.7)</b>	–
Share-based payment charges	–	–	–	<b>25.1</b>	<b>25.1</b>
<b>At 31 December 2019</b>	<b>210.9</b>	<b>1,380.1</b>	<b>866.1</b>	<b>(7.4)</b>	<b>2,449.7</b>

1. Other reserves include the merger reserve.

At 31 December 2019 the Group did not hold any shares in a Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans.

## Company accounting policies

As at 31 December 2019

### (a) General information

Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The Financial Statements are presented in US dollars and all values are rounded to the nearest \$0.1 million, except where otherwise stated. Tullow Oil plc is the ultimate Parent of the Tullow Oil Group.

### (b) Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework as issued by the Financial Reporting Council.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7 Financial Instruments: Disclosures.
- Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 Presentation of Financial Statements – comparative information requirements in respect of certain assets.

The following paragraphs of IAS 1 Presentation of Financial Statements:

- 10(d) (statement of cash flows);
- 111 (cash flow statement information);
- 134–136 (capital management disclosures);
- IAS 7 Statement of Cash Flows;
- paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- paragraph 17 of IAS 24 Related Party Disclosures (key management compensation); and
- the requirements in IAS 24 Related Party Disclosures, to disclose related party transactions entered into between two or more members of a group. Where relevant, equivalent disclosures have been given in the Group accounts.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

The Company has applied the exemption from the requirement to publish a separate profit and loss account for the Parent Company set out in section 408 of the Companies Act 2006.

During the year the Company made a loss of \$893.9 million (2018: \$145.9 million profit).

### (c) Going concern

Refer to the Finance Review section of the Directors' Report.

### (d) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

### (e) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

### (f) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition. As of 31 December 2019, all financial assets were classified at amortised cost.

Assets are classified and measured at amortised cost when the business model of the company is to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. These assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the assets are derecognised, modified or impaired.

### (g) Financial liabilities

The measurement of financial liabilities is determined by the initial classification.

#### i) Financial liabilities at fair value through profit or loss:

Those balances that meet the definition of being held for trading are measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognised in the income statement.

Intercompany derivative liabilities fall under this category of financial instruments.

#### ii) Financial liabilities measured at amortised cost:

All financial liabilities not meeting the criteria of being classified at fair value through profit or loss are classified as financial liabilities measured at amortised cost. The instruments are initially recognised at its fair value net of transaction costs that are directly attributable to the issue of financial liability. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Borrowings and trade creditors fall under this category of financial instruments.

**(h) Share issue expenses**

Costs of share issues are written off against the premium arising on the issues of share capital.

**(i) Finance costs of debt**

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**(j) Taxation**

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

**(k) Capital management**

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

**(l) Critical accounting judgements and key sources of estimation uncertainty**

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations which are dealt with in policy (ag), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

**Investments (note 1):**

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) and property, plant and equipment assets.

Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

For property, plant and equipment, the value of assets/fields supporting the investment value is assessed by estimating the discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax weighted average cost of capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

**Amounts due from subsidiary undertakings (note 3):**

The Company is required to assess the carrying values of each of the amounts due from subsidiary undertakings, considering the requirements established by IFRS 9 Financial Instruments.

The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39. Where conditions exist for impairment on amounts due from subsidiary undertakings expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, if the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculated an expected credit loss. This calculation considers the percentage of loss of the amount due from subsidiary undertakings, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered. Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

## Notes to the Company Financial Statements

Year ended 31 December 2019

### Note 1. Investments

	2019 \$m	2018 \$m
Shares at cost in subsidiary undertakings	4,580.1	5,567.1
	4,580.1	5,567.1

During 2019, the Company decreased its investments in subsidiaries' undertakings by \$987.0 million (2018: \$152.8 million decrease); additional impairment of \$1,905.1 million (2018: \$202.9 million) was recognised against the Company's investments in subsidiaries to fund losses incurred by Group service companies and exploration companies.

The Company's subsidiary undertakings as at 31 December 2019 are listed on pages 160 to 161. The principal activity of all companies relates to oil and gas exploration, development and production.

### Note 2. Deferred tax

The Company has tax losses of \$628.5 million (2018: \$526.7 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of \$nil (2018: \$nil) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

### Note 3. Other current assets

Amounts falling due within one year

	2019 \$m	2018 \$m
Other debtors	8.0	28.9
Due from subsidiary undertakings	1,096.6	1,135.7
	1,104.6	1,164.6

The amounts due from subsidiary undertakings include \$1,067.2 million (2018: \$1,067.2 million) that incurs interest at LIBOR plus 4.5 per cent (2018: LIBOR plus 4.5 per cent). The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. At 31 December 2019 a provision of \$114.8 million (2018: \$291.7 million) was held in respect of the recoverability of amounts due from subsidiary undertakings.

### Note 4. Trade and other creditors

Amounts falling due within one year

	2019 \$m	2018 \$m
Accrued interest	33.9	30.9
Corporation tax payable	–	9.3
Due to subsidiary undertakings	406.0	313.6
	439.9	353.8

### Note 5. Borrowings

	2019 \$m	2018 \$m
<b>Non-current</b>		
Bank borrowings – after two years but within five years		
Reserves Based Lending credit facility	1,357.4	568.0
6.25% Senior Notes due 2022	645.5	644.4
Bank borrowings – more than five years		
Reserves Based Lending credit facility	–	950.0
7.00% Senior Notes due 2025	790.6	789.7
	2,793.5	2,952.1

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group.

## Note 6. Financial instruments

### Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2019 Annual Report and Accounts of Tullow Oil plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

### Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

### Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Company has an intercompany oil derivative trade with a wholly owned subsidiary to purchase downside oil price protection up to 31 December 2020, for a deferred consideration of \$69.1 million.

The Company's derivative carrying and fair values were as follows:

Assets/liabilities	2019 Less than 1 year \$m	2019 1–3 years \$m	2019 Total \$m	2018 Less than 1 year \$m	2018 1–3 years \$m	2018 Total \$m
Intercompany oil derivatives	(1.8)	–	(1.8)	(11.2)	(0.8)	(12.0)
<b>Total assets</b>	–	–	–	–	–	–
<b>Total liabilities</b>	(1.8)	–	(1.8)	(11.2)	(0.8)	(12.0)

The following provides an analysis of the Company's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Company's derivatives are Level 2 (2018: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Company determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

### Income statement summary

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

Loss on derivative instruments	2019 \$m	2018 \$m
Intercompany oil derivatives	7.5	(1.0)

## Notes to the Company Financial Statements continued

Year ended 31 December 2019

### Note 6. Financial instruments continued

#### Cash flow and interest rate risk

The interest rate profile of the Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2019 and 31 December 2018 was as follows:

	2019 Cash at bank \$m	2019 Fixed rate debt \$m	2019 Floating rate debt \$m	2019 Total \$m	2018 Cash at bank \$m	2018 Fixed rate debt \$m	2018 Floating rate debt \$m	2018 Total \$m
US\$	0.1	(1,450.0)	(1,344.3)	(2,794.4)	5.5	(1,450.0)	(1,490.0)	(2,934.5)
Euro	0.1	–	–	0.1	0.1	–	–	0.1
	0.2	(1,450.0)	(1,344.3)	(2,794.5)	5.6	(1,450.0)	(1,490.0)	(2,934.4)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

#### Liquidity risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate	Less than 1 month \$m	1–3 months \$m	3 months to 1 year \$m	1–5 years \$m	5+ years \$m	Total \$m
<b>31 December 2019</b>							
Non-interest bearing	n/a	33.9	–	414.0	–	–	447.9
Fixed interest rate instruments	5.8%						
Principal repayments		–	–	–	650.0	800.0	1,450.0
Interest charge		–	28.0	68.6	284.9	28.0	409.5
Variable interest rate instruments	5.8%						
Principal repayments		–	–	–	1,345.0	–	1,345.0
Interest charge		5.9	11.8	53.1	308.2	–	379.0
		39.8	39.8	535.7	2,588.1	828.0	4,031.4
	Weighted average effective interest rate	Less than 1 month \$m	1–3 months \$m	3 months to 1 year \$m	1–5 years \$m	5+ years \$m	Total \$m
<b>31 December 2018</b>							
Non-interest bearing	n/a	353.8	–	–	–	–	353.8
Fixed interest rate instruments	7.8%						
Principal repayments		–	–	–	650.0	800.0	1,450.0
Interest charge		–	28.0	68.6	325.8	84.0	506.4
Variable interest rate instruments	5.5%						
Principal repayments		–	–	–	568.0	922.0	1,490.0
Interest charge		7.8	15.5	69.9	357.8	40.0	491.0
		361.6	43.5	138.5	1,901.6	1,846.0	4,291.2

#### Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

	Market movement	Impact on profit before tax	
		2019 \$m	2018 \$m
Brent oil price	25%	–	–
Brent oil price	(25%)	–	(17.5)

The following assumptions have been used in calculating the sensitivity in movement of oil prices: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations and the sensitivities have been run only on the intrinsic element of the derivatives as management considers this to be the material component of oil derivative valuations.

**Note 7. Called-up equity share capital and share premium account**

## Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital \$m	Share premium \$m
<b>At 1 January 2018</b>	1,386,567,336	208.2	1,326.8
Issued during the year			
Exercise of share options	6,872,380	0.9	17.4
<b>At 1 January 2019</b>	<b>1,393,439,716</b>	<b>209.1</b>	<b>1,344.2</b>
Issued during the year			
Exercise of share options	<b>14,458,235</b>	<b>1.8</b>	<b>35.9</b>
<b>At 31 December 2019</b>	<b>1,407,897,951</b>	<b>210.9</b>	<b>1,380.1</b>

The Company does not have an authorised share capital. The par value of the Company's shares is 10p.

## Five-year financial summary (unaudited)

	2019 \$m	2018 \$m	2017 Restated \$m	2016 \$m	2015 \$m
<b>Group income statement</b>					
<b>Sales revenue</b>	<b>1,682.6</b>	1,859.2	1,722.5	1,269.9	1,606.6
Other operating income – lost production insurance proceeds	<b>42.7</b>	188.4	162.1	90.1	–
Cost of sales	<b>(966.7)</b>	(966.0)	(1,069.3)	(813.1)	(1,015.3)
<b>Gross profit</b>	<b>758.6</b>	1,081.6	815.3	546.9	591.3
Administrative expenses	<b>(111.5)</b>	(90.3)	(95.3)	(116.4)	(193.6)
Gain/(loss) on disposal	<b>6.6</b>	21.3	(1.6)	(3.4)	(56.5)
Goodwill impairment	<b>–</b>	–	–	(164.0)	(53.7)
Exploration costs written off	<b>(1,253.4)</b>	(295.2)	(143.4)	(723.0)	(748.9)
Impairment of property, plant and equipment, net	<b>(781.2)</b>	(18.2)	(539.1)	(167.6)	(406.0)
Provision for onerous contracts and restructuring	<b>(4.2)</b>	(170.8)	(13.5)	(127.2)	(226.3)
<b>Operating (loss)/profit</b>	<b>(1,385.1)</b>	528.4	22.4	(754.7)	(1,093.7)
(Loss)/gain on hedging instruments	<b>(1.5)</b>	2.4	1.4	18.2	(58.8)
Finance revenue	<b>55.5</b>	58.4	42.0	26.4	4.2
Finance costs	<b>(322.3)</b>	(328.7)	(351.7)	(198.2)	(149.0)
<b>(Loss)/profit from continuing activities before tax</b>	<b>(1,653.4)</b>	260.5	(285.9)	(908.3)	(1,297.3)
Income tax (expense)/credit	<b>(40.7)</b>	(175.1)	110.6	311.0	260.4
<b>(Loss)/profit for the year from continuing activities</b>	<b>(1,694.1)</b>	85.4	(175.3)	(597.3)	(1,036.9)
(Loss)/earnings per ordinary share from continuing activities					
Basic – ¢	<b>(120.8)</b>	6.1	(13.7)	(55.8)	(97.0)
Diluted – ¢	<b>(120.8)</b>	5.9	(13.7)	(55.8)	(97.0)
Dividends paid	<b>100.9</b>	–	–	–	–
<b>Group balance sheet</b>					
Non-current assets	<b>6,799.9</b>	8,212.0	8,704.2	8,340.1	9,506.8
Net current assets	<b>16.5</b>	934.9	969.8	813.1	259.2
Total assets less current liabilities	<b>6,816.4</b>	9,146.9	9,674.0	9,153.2	9,766.0
Long-term liabilities	<b>(5,832.8)</b>	(6,253.7)	(6,957.6)	(6,910.7)	(6,591.3)
<b>Net assets</b>	<b>983.6</b>	2,893.2	2,716.4	2,242.5	3,174.7
Called-up equity share capital	<b>210.9</b>	209.1	208.2	147.5	147.2
Share premium	<b>1,380.0</b>	1,344.2	1,326.8	619.3	609.8
Equity component of convertible bonds	<b>48.4</b>	48.4	48.4	48.4	–
Foreign currency translation reserve	<b>(242.1)</b>	(238.6)	(223.2)	(232.2)	(249.3)
Hedge reserve	<b>4.6</b>	130.8	(2.6)	128.2	569.9
Hedge reserve – time value	<b>(17.5)</b>	(4.9)	(73.8)	–	–
Other reserves	<b>755.2</b>	755.2	740.9	740.9	740.9
Retained earnings	<b>(1,155.9)</b>	649.0	681.3	778.0	1,336.4
Equity attributable to equity holders of the Parent	<b>983.6</b>	2,893.2	2,706.0	2,230.1	3,154.9
Non-controlling interest	<b>–</b>	–	10.4	12.4	19.8
<b>Total equity</b>	<b>983.6</b>	2,893.2	2,716.4	2,242.5	3,174.7

## Transparency disclosure (unaudited)

### Transparency disclosure

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU).

The UK Regulations came into effect on 1 January 2015, but Tullow was an early adopter of the EU Directive and has published its tax payments to governments in full, in its Annual Report and Accounts since 2013. The 2017 disclosure remains in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosure on VAT, stamp duty, withholding tax, PAYE and other taxes.

The payments disclosed are based on where the obligation for the payment arose; payments raised at a project level have been disclosed at project level and payments raised at a corporate level have been disclosed on that basis. However, where a payment or a series of related payments does not exceed £86,000, it is disclosed at a corporate level, in accordance with the UK Regulations. The voluntary disclosure has been prepared on a corporate level.

All of the payments disclosed in accordance with the Directive have been made to national governments, either directly or through a ministry or department of the national government, with the exception of Ghana payments in respect of production entitlements and licence fees, which are paid to the Ghana national oil company. Our total economic contribution to all stakeholders and our 2019 tax payments can be found on page 29.

**Production entitlements in barrels** – includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of Tullow's working interest share of production in a licence. The figures disclosed are produced on an entitlement basis rather than a liftings basis. It does not include the government's or NOC's working interest share of production in a licence. Production entitlements have been multiplied by the Group's 2019 average realised oil price \$62.4/bbl.

**Income taxes** – represent cash tax calculated on the basis of profits including income or capital gains. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebates received from the government or revenue authority during the year. Income taxes do not include fines and penalties.

**Royalties** – represent cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Royalties paid in kind have been recognised within the production entitlements category. The cash payment of royalties occurs in the year in which the tax has arisen.

**Bonus payments** – represent any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature bonus, POD bonus or a production bonus.

**Licence fees** – represent licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

**Infrastructure improvement payments** – represent payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges, ports, schools and hospitals.

**VAT** – represents net cash VAT received from/paid to governments during the year. The amount disclosed is equal to the VAT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a Joint Venture typically makes VAT payments in respect of the Joint Venture as a whole and, as such, where Tullow has a non-operated presence in a country, limited VAT will be paid.

**Stamp duty** – includes taxes that are placed on legal documents usually in the transfer of assets or capital. Usually these taxes are reflected in stamp duty returns made to governments and are paid shortly after capital or assets are transferred.

**Withholding tax (WHT)** – represents tax charged on services, interest, dividends or other distributions of profits. The amount disclosed is equal to the WHT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a Joint Venture typically makes WHT payments in respect of the Joint Venture as a whole and, as such, where Tullow has a non-operated presence in a country, limited WHT will be paid.

**PAYE and national insurance** – represent payroll and employer taxes paid (such as PAYE and national insurance) by Tullow as a direct employer. The amount disclosed is equal to the return submitted by Tullow to governments with the cash payment made in the year the charge is borne.

**Carried interests** – comprise payments made under a carrying agreement or PSC/PSA by Tullow for the cash settlement of costs owed by a government or national oil company for their equity interest in a licence.

**Customs duties** – represent cash payments made in respect of customs/excise/import and export duties made during the year including items such as railway levies. These payments typically arise through the import/transportation of goods into a country with the cash payment made in the year the charge is borne.

**Training allowances** – comprise payments made in respect of training government or national oil company staff. This can be in the form of mandatory contractual requirements or discretionary training provided by a company.

## Transparency disclosure (unaudited) continued

2019	European transparency directive disclosure							
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonus payments	Licence fees	Infrastructure improvement payments
Licence/Company level	BBL '000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CI-301	–	–	–	–	–	–	–	–
CI-302	–	–	–	–	–	–	–	–
CI-518	–	–	–	–	–	–	–	–
CI-519	–	–	–	–	–	–	–	–
CI-520	–	–	–	–	–	–	–	–
CI-521	–	–	–	–	–	–	–	–
CI-522	–	–	–	–	–	–	–	–
CI-524	–	–	–	–	–	–	–	–
C1-26 Special Area "E"	–	3,275	–	–	–	–	–	–
Tullow Côte d'Ivoire Exploration Ltd.	–	–	–	–	–	–	–	–
<b>Total Côte d'Ivoire</b>	<b>–</b>	<b>3,275</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Ceiba	125	–	–	–	–	–	–	–
Okume Complex	301	–	–	–	–	–	–	–
Tullow Equatorial Guinea Ltd.	–	–	39,970	–	–	–	–	–
<b>Total Equatorial Guinea</b>	<b>426</b>	<b>–</b>	<b>39,970</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Echira	–	–	–	2,887	–	–	–	–
Ezanga	–	–	–	4,979	–	–	–	–
Limande	–	–	–	2,477	–	–	–	–
M'Oba	–	–	–	263	–	–	–	–
Niungo	–	–	–	3,981	–	–	–	–
Oba	–	–	–	1,384	–	–	–	–
Ruche	–	–	–	1,472	–	–	–	–
Simba	–	–	–	11,978	–	–	–	–
Tchatamba Marin	–	–	–	10,404	–	–	–	–
Turnix	–	–	–	1,527	–	–	–	–
Tullow Oil Gabon SA	–	–	50,538	–	–	–	–	–
Tulipe Oil SA	–	–	–	–	–	–	–	–
<b>Total Gabon</b>	<b>–</b>	<b>–</b>	<b>50,538</b>	<b>41,352</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Deep Water Tano	–	–	–	–	–	–	–	–
Jubilee Field Unit Area	614	–	–	–	–	–	–	372
TEN Development Area	527	–	–	–	–	–	–	17
West Cape Three Points	–	–	–	–	–	–	18	–
Tullow Ghana Ltd.	–	–	75,000	–	–	–	59	1,203
<b>Total Ghana</b>	<b>1,141</b>	<b>–</b>	<b>75,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>78</b>	<b>1,592</b>

## Voluntary disclosure

VAT	Stamp duty	Withholding tax	PAYE and National Insurance	Carried interests	Customs duties	MGO taxes	R&D credit	Training allowances	Total	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	BBL '000
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	-	-	375	375	-
-	-	-	-	-	-	-	-	-	3,275	-
-	-	-	23	-	-	-	-	-	23	-
-	-	-	<b>23</b>	-	-	-	-	<b>2,230</b>	<b>5,528</b>	-
-	-	-	-	-	-	-	-	-	-	125
-	-	-	-	-	-	-	-	-	-	301
-	-	-	-	-	-	-	-	-	39,970	-
-	-	-	-	-	-	-	-	-	<b>39,970</b>	<b>426</b>
-	-	-	-	-	-	-	-	-	2,887	-
-	-	-	-	-	-	-	-	-	4,979	-
-	-	-	-	-	-	-	-	-	2,477	-
-	-	-	-	-	-	-	-	-	263	-
-	-	-	-	-	-	-	-	-	3,981	-
-	-	-	-	-	-	-	-	-	1,384	-
-	-	-	-	-	-	-	-	-	1,472	-
-	-	-	-	-	-	-	-	-	11,978	-
-	-	-	-	-	-	-	-	-	10,404	-
-	-	-	-	-	-	-	-	-	1,527	-
-	-	-	-	-	-	-	-	-	50,538	-
682	-	20	408	-	-	-	-	1	1,111	-
<b>682</b>	-	<b>20</b>	<b>408</b>	-	-	-	-	<b>1</b>	<b>93,001</b>	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,413	-	-	7,786	614
-	-	-	-	-	-	9,435	-	-	9,452	527
-	-	-	-	-	-	-	-	-	18	-
3,564	-	57,734	17,862	23,333	5,077	-	-	250	184,081	-
<b>3,564</b>	-	<b>57,734</b>	<b>17,862</b>	<b>23,333</b>	<b>5,077</b>	<b>16,848</b>	-	<b>250</b>	<b>201,337</b>	<b>1,141</b>

## Transparency disclosure (unaudited) continued

2019	European transparency directive disclosure							
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonus payments	Licence fees	Infrastructure improvement payments
Licence/Company level	BBL '000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
PSC B (Chinguetti EEA)	–	–	–	–	–	–	35	–
Block C-3	–	–	–	–	–	–	22	–
Tullow Mauritania Ltd.	–	–	–	–	–	–	–	–
<b>Total Mauritania</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>57</b>	<b>–</b>
Block 10BA	–	–	–	–	–	–	347	–
Block 10BB	–	–	–	–	–	–	93	–
Block 13T	–	–	–	–	–	–	19	–
Tullow Kenya B.V.	–	–	–	–	–	–	–	–
<b>Total Kenya</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>459</b>	<b>–</b>
Tullow South Africa Pty Ltd.	–	–	–	–	–	–	–	–
<b>Total South Africa</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
PEL 37	–	–	–	–	–	–	151	–
Tullow Namibia Ltd.	–	–	–	–	–	–	–	–
<b>Total Namibia</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>151</b>	<b>–</b>
Tullow Uganda Ltd	–	–	–	–	–	–	–	–
Tullow Uganda Operations pty	–	–	–	–	–	–	158	–
<b>Total Uganda</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>158</b>	<b>–</b>
Block MLO 114	–	–	–	–	–	–	6	–
Block MLO 119	–	–	–	–	–	–	5	–
Block MLO 122	–	–	–	–	–	–	4	–
<b>Total Argentina</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15</b>	<b>–</b>
South Omo	–	–	–	–	–	–	–	–
<b>Total Ethiopia</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Tullow Zambia B.V.	–	–	2	–	–	–	–	–
<b>Total Zambia</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Tullow Uruguay Ltd.	–	–	–	–	–	–	–	–
<b>Total Uruguay</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Tullow Peru Limited	–	–	–	–	–	–	–	–
<b>Total Peru</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Voluntary disclosure

VAT	Stamp duty	Withholding tax	PAYE and National Insurance	Carried interests	Customs duties	MGO taxes	R&D credit	Training allowances	Total	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	BBL '000
-	-	-	-	-	-	-	-	-	35	-
-	-	-	-	-	-	-	-	350	372	-
-	-	8	94	-	-	-	-	-	101	-
<b>-</b>	<b>-</b>	<b>8</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>509</b>	<b>-</b>
-	-	-	-	-	-	-	-	-	347	-
-	-	-	-	-	-	-	-	-	93	-
-	-	-	-	-	-	-	-	-	19	-
3	-	1,704	5,748	-	82	-	-	678	8,215	-
<b>3</b>	<b>-</b>	<b>1,704</b>	<b>5,748</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>-</b>	<b>678</b>	<b>8,673</b>	<b>-</b>
(337)	-	-	2,547	-	-	-	-	-	2,210	-
<b>(337)</b>	<b>-</b>	<b>-</b>	<b>2,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,210</b>	<b>-</b>
-	-	-	-	-	-	-	-	-	151	-
837	-	12	4	-	-	-	-	38	891	-
<b>837</b>	<b>-</b>	<b>12</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>1,042</b>	<b>-</b>
-	-	2	-	-	-	-	-	-	2	-
-	-	418	2,331	-	2	-	-	50	2,959	-
<b>-</b>	<b>-</b>	<b>420</b>	<b>2,331</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>2,961</b>	<b>-</b>
-	-	67	-	-	-	-	-	-	73	-
-	-	51	-	-	-	-	-	-	56	-
-	-	-	-	-	-	-	-	-	4	-
<b>-</b>	<b>-</b>	<b>118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>-</b>
-	-	-	-	-	227	-	-	-	227	-
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>-</b>
-	-	2	-	-	-	-	-	-	4	-
<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>
-	-	-	-	-	-	-	-	21	21	-
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>21</b>	<b>-</b>
-	-	-	-	-	-	-	-	34	34	-
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>34</b>	<b>-</b>

## Transparency disclosure (unaudited) continued

2019	European transparency directive disclosure							
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonus payments	Licence fees	Infrastructure improvement payments
Licence/Company level	BBL '000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Orinduik	–	–	–	–	–	–	40	–
Tullow Guyana B.V.	–	–	–	–	–	–	–	–
<b>Total Guyana</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>40</b>	<b>–</b>
Tullow Suriname B.V.	–	–	–	–	–	–	–	–
<b>Total Suriname</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Walton Morant	–	–	–	–	–	–	128	–
Tullow Jamaica Ltd.	–	–	–	–	–	–	–	–
<b>Total Jamaica</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>128</b>	<b>–</b>
Katy	–	–	–	–	–	–	(1)	–
Kelvin	–	–	–	–	–	–	2	–
P039	–	–	–	–	–	–	54	–
P060	–	–	–	–	–	–	22	–
P852	–	–	–	–	–	–	91	–
CMS III Unit	–	–	–	–	–	–	1	–
Tullow Group Services Limited	–	–	–	–	–	–	–	–
Tullow Oil SPE Limited	–	–	(25,705)	–	–	–	–	–
Tullow Oil SK Ltd	–	–	(24,257)	–	–	–	–	–
<b>Total UK</b>	<b>–</b>	<b>–</b>	<b>(49,962)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>169</b>	<b>–</b>
Tullow Oil Norge AS	–	–	(38,414)	–	–	–	–	–
<b>Total Norway</b>	<b>–</b>	<b>–</b>	<b>(38,414)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Tullow Oil Limited	–	–	–	–	–	–	–	–
<b>Total Ireland</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>1,567</b>	<b>3,275</b>	<b>77,134</b>	<b>41,352</b>	<b>–</b>	<b>–</b>	<b>1,254</b>	<b>1,593</b>

## Voluntary disclosure

VAT	Stamp duty	Withholding tax	PAYE and National Insurance	Carried interests	Customs duties	MGO taxes	R&D credit	Training allowances	Total	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	BBL '000
-	-	-	-	-	-	-	-	-	40	-
-	-	-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	-	-	<b>25</b>	<b>65</b>	-
-	-	-	-	-	-	-	-	193	193	-
-	-	-	-	-	-	-	-	<b>193</b>	<b>193</b>	-
-	-	-	-	-	-	-	-	-	128	-
-	-	-	-	-	-	-	-	109	109	-
-	-	-	-	-	-	-	-	<b>109</b>	<b>237</b>	-
-	-	-	-	-	-	-	-	-	(1)	-
-	-	-	-	-	-	-	-	-	2	-
-	-	-	-	-	-	-	-	-	54	-
-	-	-	-	-	-	-	-	-	22	-
-	-	-	-	-	-	-	-	-	91	-
-	-	-	-	-	-	-	-	-	1	-
(13,723)	-	-	63,880	-	-	-	-	-	50,157	-
-	-	-	-	-	-	-	-	-	(25,705)	-
-	-	-	-	-	-	-	-	-	(24,257)	-
<b>(13,723)</b>	-	-	<b>63,880</b>	-	-	-	-	-	<b>364</b>	-
-	-	-	-	-	-	-	-	-	(38,414)	-
-	-	-	-	-	-	-	-	-	<b>(38,414)</b>	-
(911)	-	-	4,490	-	-	-	(2,684)	-	895	-
<b>(911)</b>	-	-	<b>4,490</b>	-	-	-	<b>(2,684)</b>	-	<b>895</b>	-
(9,884)	-	60,018	97,388	23,333	5,387	16,848	(2,684)	3,977	318,991	1,567

Payments in kind in \$'000 94,317

<b>Total</b>	<b>413,308</b>
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## Sustainability data (unaudited)

### Environmental performance summary\*

	2015	2016	2017	2018	2019
<b>Emissions</b>					
Total air emissions (tonnes of CO <sub>2</sub> e) <sup>1</sup>	758,790	772,110	1,619,055	1,235,349	<b>1,279,971</b>
Scope 1 total air emissions (tonnes of CO <sub>2</sub> e)	752,539	754,338	1,603,384	1,218,010	<b>1,263,258</b>
Scope 2 total air emissions (tonnes of CO <sub>2</sub> e)	4,631	4,763	2,928	2,996	<b>1,688</b>
Scope 3 total air emissions (tonnes of CO <sub>2</sub> e) <sup>2</sup>	1,620	13,010	12,743	14,343	<b>15,026</b>
Total air emissions by production (tonnes of CO <sub>2</sub> e) per 1,000 tonnes hydrocarbon produced	122	142	185	139	<b>134</b>
CO <sub>2</sub> emissions (tonnes)	656,932	653,813	1,306,254	998,141	<b>1,032,601</b>
CH <sub>4</sub> emissions (tonnes)	2,073	2,741	13,315	9,686	<b>10,231</b>
N <sub>2</sub> O emissions (tonnes)	30	22	63	61	<b>129</b>
CO <sub>2</sub> emissions (tonnes)/1,000 tonnes of HC produced	106	122	150	112	<b>108</b>
CH <sub>4</sub> emissions (tonnes)/1,000 tonnes of HC produced	0.33	0.51	1.52	1.09	<b>1.07</b>
N <sub>2</sub> O emissions (tonnes)/1,000 tonnes of HC produced	—	—	0.01	0.01	<b>0.01</b>
<b>Flaring</b>					
Total hydrocarbon flared (tonnes)	110,638	149,217	290,797	142,259	<b>128,375</b>
Total hydrocarbon flared by production (tonnes/1,000 tonnes hydrocarbon produced)	17.84	27.93	33.29	16.03	<b>13.48</b>
<b>Water usage</b>					
Metered water (m <sup>3</sup> )	70,466	56,728	89,366	96,215	<b>95,111</b>
Seawater (m <sup>3</sup> )	8,004,940	9,080,888	12,567,127	13,412,811	<b>13,709,711</b>
Ground water (m <sup>3</sup> )	113,847	46,322	60,998	58,401	<b>33,397</b>
Fresh water (m <sup>3</sup> )	—	—	—	—	<b>—</b>
Other water (m <sup>3</sup> )	10	—	1,537	3,622	<b>5,501</b>
Total water usage (m <sup>3</sup> ) – all operational sites	8,189,262	9,183,938	12,719,027	13,571,049	<b>13,843,720</b>
Recycled water (m <sup>3</sup> )	5,451	4,722	2,308	554	<b>2,282</b>
Total water from sustainable sources (m <sup>3</sup> )	5,451	4,722	2,308	554	<b>2,282</b>
<b>Waste</b>					
Total waste disposed (tonnes)	72,380	58,554	39,407	64,026	<b>80,475</b>
Waste recycled/reused/treated (%)	70.93	27.95	5.00	18.00	<b>27.00</b>
Waste recycled/reused/treated (tonnes)	50,979	14,071	1,129	10,983	<b>21,419</b>
Hazardous waste disposed (tonnes)	50,487	8,903	1,137	11,165	<b>21,483</b>
Hazardous waste recycled/reused/treated (%)	99.49	74.36	31.00	97.00	<b>97.00</b>
Non-hazardous waste disposed (tonnes)	21,893	49,651	38,270	52,861	<b>58,993</b>
Non-hazardous waste recycled/reused/treated (%)	3.44	15.01	2.00	—	<b>1.00</b>
<b>Uncontrolled releases</b>					
Oil and chemical spills (#)	7	2	3	—	<b>1</b>
Oil and chemical spills (tonnes)	24.71	4.85	6.44	—	<b>344</b>
<b>Energy use</b>					
Total indirect and direct energy use (GJ)	5,158,200	7,318,373	8,036,831	9,744,373	<b>10,304,896</b>
Total indirect and direct energy use by production (GJ/1,000 tonnes hydrocarbon produced)	832	1,370	920	1,098	<b>1,082</b>
<b>Fines and sanctions</b>					
	—	—	—	—	<b>—</b>

\* All environmental data is third-party assured.

1. Fugitive emissions are not currently captured in our total air emissions.

2. Tullow currently only measures air travel as part of its Scope 3 emissions and not all air travel is captured.

## Health and safety performance summary\*

	2015	2016	2017	2018	2019
Hours worked (million)	13.29	9.20	10.89	10.53	<b>10.79</b>
Number of employee fatalities	—	—	—	—	<b>—</b>
<b>Number of contractor fatalities</b>	—	—	—	—	<b>—</b>
Number of third-party fatalities involving members of the public	—	—	1	1	<b>1</b>
<b>Lost time injuries (LTIs)</b>	4.00	—	4.00	3.00	<b>1.00</b>
<b>Lost time injury rate (LTIR)</b>	0.30	—	0.37	0.28	<b>0.09</b>
OGP LTIR Δ	0.29	0.27	0.27	0.26	<b>N/A</b>
Total recordable injuries (TRI)	12.00	9.00	8.00	6.00	<b>6.00</b>
Total recordable injury rate (TRIR)	0.90	0.98	0.73	0.57	<b>0.56</b>
OGP TRIF Δ	1.21	1.03	0.96	0.99	<b>N/A</b>
<b>High potential incidents (HiPos)</b>	15.00	8.00	7.00	6.00	<b>15.00</b>
<b>High potential incident frequency (HiPoF)</b>	1.13	0.87	0.64	0.57	<b>1.39</b>
Malaria frequency rate Δ	0.30	—	—	—	<b>0.09</b>
Kilometres driven ('000,000)	6.45	5.44	5.19	5.40	<b>6.74</b>
Vehicle accident frequency rate (VAFR)	0.47	0.55	0.77	0.18	<b>0.30</b>

\* All data in the health and safety performance summary table is third-party assured with the exception of the indicators marked Δ.

## Local content

	2015	2016	2017	2018	2019
Local supplier spend (\$ million)	308.9	336.6	234.6	283.4	<b>336.2</b>
By country	2015	2016	2017	2018	2019
Ethiopia	—	—	—	—	<b>—</b>
Ghana	226.0	297.0	194.2	251.3	<b>298.8</b>
Kenya	75.0	28.0	37.0	30.5	<b>35.4</b>
Mauritania	—	—	—	—	<b>—</b>
Uganda	7.9	11.6	3.4	1.6	<b>2.0</b>
<b>Total</b>	308.9	336.6	234.6	283.4	<b>336.2</b>

## Sustainability data (unaudited) continued

### Compliance\*

	2015	2016	2017	2018	2019
Corruption	17	5	2	8	10
Fraud	22	19	8	11	18
Workplace compliance	47	46	38	37	30
Supply chain	17	21	12	10	29
<b>Total speaking up cases</b>	103	91	60	66	87

\* All data in the compliance table is third-party assured.

### Employees\*

	2015	2016	2017	2018	2019
Number of employees	1,156	1,023	922	893	879
Number of contractors	247	129	108	97	72
Number of expatriates in the workforce	268	173	144	144	135
Number of people on local contract terms	1,135	979	886	846	816
<b>Total employees</b>	1,403	1,152	1,030	990	951
Number of females	396	583	582	511	305
Number of Africans	565	533	485	470	487
Percentage of females	34%	33%	34%	34%	35%
Percentage of Africans	49%	52%	53%	53%	55%
<b>Number of managers</b>	338	297	274	271	249
Percentage of female managers	22%	22%	22%	24%	26%
<b>Number of senior managers</b>	115	68	65	68	61
Percentage of female senior managers	12%	13%	15%	21%	20%
Percentage of African senior managers	13%	16%	11%	13%	18%
<b>Number of Board members</b>	12	11	9	8	8
Percentage of female Board members	17%	18%	11%	13%	38%
Percentage of African Board members	8%	9%	11%	13%	25%

\* All data in the compliance table is third-party assured.

## Shareholder information

### Financial calendar

2019 full-year results announced	12 March 2020
Annual General Meeting	23 April 2020
AGM trading update	23 April 2020
Trading statement and operational update	15 July 2020
2020 half-year results announced	9 September 2020
November trading update	11 November 2020

### Shareholder enquiries

All enquiries concerning shareholdings, including notification of change of address, loss of a share certificate or dividend payments, should be made to the Company's registrars.

For shareholders on the UK register, Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Once registered, this service, accessible from anywhere in the world, enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details and access other relevant information.

### United Kingdom registrar

#### Computershare Investor Services PLC

The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

Tel – UK shareholders: 0870 703 6242

Tel – Irish shareholders: +353 1 247 5413

Tel – overseas shareholders: +44 870 703 6242

Contact: [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

### Ghana registrar

#### The Central Securities Depository (Ghana) Limited

4th Floor, Cedi House, P.M.B CT 465 Cantonments,  
Accra, Ghana

Tel – Ghana shareholders: + 233 303 972 254/302 689 313

Contact: [info@csd.com.gh](mailto:info@csd.com.gh)

### Share dealing service

A telephone share dealing service has been established for shareholders with Computershare for the sale and purchase of Tullow Oil shares. Shareholders who are interested in using this service can obtain further details by calling the appropriate telephone number below:

UK shareholders: 0870 703 0084

Irish shareholders: +353 1 447 5435

If you live outside the UK or Ireland and wish to trade you can do so through the Computershare Trading Account.

To find out more or to open an account, please visit [www.computershare-sharedealing.co.uk](http://www.computershare-sharedealing.co.uk) or phone Computershare on +44 870 707 1606.

### ShareGift

If you have a small number of shares whose value makes it uneconomical to sell, you may wish to consider donating them to ShareGift which is a UK registered charity specialising in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a range of charities, reflecting suggestions received from donors. Should you wish to donate your Tullow Oil plc shares in this way, please download and complete a transfer form from [www.sharegift.org/forms](http://www.sharegift.org/forms), sign it and send it together with the share certificate to ShareGift, PO Box 72253, London SW1P 9LQ. For more information regarding this charity, visit [www.sharegift.org](http://www.sharegift.org).

### Electronic communication

To reduce impact on the environment, the Company encourages all shareholders to receive their shareholder communications, including Annual Reports and notices of meetings, electronically. Once registered for electronic communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Tullow actively supports Woodland Trust, the UK's leading woodland conservation charity. Computershare, together with Woodland Trust, has established eTree, an environmental programme designed to promote electronic shareholder communications. Under this programme, the Company makes a donation to eTree for every shareholder who registers for electronic communication. To register for this service, simply visit <http://www.investorcentre.co.uk/etreeuk/tullowoilplc> with your shareholder number and email address to hand.

### Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information can be found at <http://scamsmart.fca.org.uk/> and in the Shareholder Services section of the Investors area of the Tullow website: [www.tullowoil.com](http://www.tullowoil.com).

### Corporate brokers

#### Barclays

5 North Colonnade Canary Wharf London E14 4BB

#### J. P. Morgan Cazenove

25 Bank Street Canary Wharf London E14 5JP

#### Davy

Davy House 49 Dawson Street Dublin 2 Ireland

## Licence interests

Current exploration, development and production interests

### West Africa

Licence/Unit area	Fields	Area sq km	Tullow interest	Operator	Other partners
<b>Côte d'Ivoire<sup>1</sup></b>					
CI-26 Special Area "E"	Espoir	235	21.33%	CNR	Petroci
<b>Equatorial Guinea</b>					
Ceiba	Ceiba	70	14.25%	Trident Energy	Kosmos, GEPetrol
Okume Complex	Okume, Oveng, Ebano, Elon, Akom North	192	14.25%	Trident Energy	Kosmos, GEPetrol
<b>Gabon</b>					
Avouma	Avouma, South Tchibala	52	7.50%	Vaalco	Addax (Sinopec), Sasol, PetroEnergy
Ebouri	Ebouri	15	7.50%	Vaalco	Addax (Sinopec), Sasol, PetroEnergy
Echira	Echira	76	40.00%	Perenco	Gabon Oil Company
Etame	Etame, North Tchibala	49	7.50%	Vaalco	Addax (Sinopec), Sasol, PetroEnergy
Ezanga		5,626	8.57%	Maurel & Prom	
Gwedidi	Gwedidi	5	7.50%	Maurel & Prom	Gabon Oil Company
Igongo	Igongo	117	36.00%	Perenco	Gabon Oil Company
Limande	Limande	54	40.00%	Perenco	Gabon Oil Company
Mabounda	Mabounda	6	7.50%	Maurel & Prom	Gabon Oil Company
Maroc	Maroc	17	7.50%	Maurel & Prom	Gabon Oil Company
Maroc Nord	Maroc Nord	17	7.50%	Maurel & Prom	Gabon Oil Company
Mbigou	Mbigou	5	7.50%	Maurel & Prom	Gabon Oil Company
M'Oba	M'Oba	57	24.31%	Perenco	Gabon Oil Company
Niambi	Niambi	4	7.50%	Maurel & Prom	Gabon Oil Company
Niungo	Niungo	96	40.00%	Perenco	Gabon Oil Company
Oba	Oba	44	10.00%	Perenco	Gabon Oil Company
Omko	Omko	16	7.50%	Maurel & Prom	Gabon Oil Company
Onal	Onal	46	7.50%	Maurel & Prom	Gabon Oil Company
Ruche	Tortue	850	10.00%	BW Energy	Panoro, Gabon Oil Company
Simba	Simba	315	57.50%	Perenco	
Tchatamba Marin	Tchatamba Marin	30	25.00%	Perenco	ONE-Dyas BV
Tchatamba South	Tchatamba South	40	25.00%	Perenco	ONE-Dyas BV
Tchatamba West	Tchatamba West	25	25.00%	Perenco	ONE_Dyas BV
Turnix	Turnix	18	27.50%	Perenco	Gabon Oil Company
<b>Ghana</b>					
Deepwater Tano <i>TEN Development Area<sup>2</sup></i>	Jubilee, Wawa, Tweneboa, Enyenra, Ntomme	619	49.95% 47.18% <sup>2</sup>	Tullow	Kosmos, Anadarko, GNPC, Petro SA
West Cape Three Points Jubilee		150	25.66%	Tullow	Kosmos, Anadarko, GNPC, Petro SA
Jubilee Field Unit Area <sup>3,4</sup>	Jubilee, Mahogany, Teak		35.48%	Tullow	Kosmos, Anadarko, GNPC, Petro SA

Notes:

1. Exploration licences in Côte d'Ivoire are managed by the New Ventures Business Team – refer to this section for details.
2. GNPC has exercised its right to acquire an additional 5 per cent in TEN. Tullow's interest is 47.175 per cent.
3. A unitisation agreement covering the Jubilee field was agreed by the partners of the West Cape Three Points and the Deepwater Tano licences.
4. The Jubilee Unit Area was expanded in 2017 to include the Mahogany and Teak fields. It now includes all of the remaining part of the West Cape Three Points licence and a small part of the Deepwater Tano licence.

## Europe<sup>5</sup>

Licence/Unit area	Blocks	Fields	Area sq km	Tullow interest	Operator	Other partners
<b>United Kingdom<sup>5,6</sup></b>						
<b>Thames Area</b>						
P007	49/24aF1 (Gawain)	Gawain <sup>7,9</sup>	69	50.00%	Perenco	
P037	49/28a 49/28b 49/28a (part)	Thames <sup>7</sup> , Yare <sup>7</sup> , Bure <sup>7</sup> , Wensum <sup>7</sup> Thurne <sup>7</sup> , Deben <sup>7</sup>	90	66.67%  86.96%	Perenco  Tullow	Spirit Energy  Spirit Energy
Gawain Unit <sup>8</sup>	49/24F1 (Gawain) 49/29a (part)	Gawain <sup>7</sup>		50.00%	Perenco	

## East Africa

Licence	Fields	Area sq km	Tullow interest	Operator	Other partners
<b>Kenya</b>					
Block 10BA		15,811	50.00%	Tullow	Africa Oil, Total
Block 10BB	Amosing, Ngamia	6,172	50.00%	Tullow	Africa Oil, Total
Block 12B		6,200	100.00%	Tullow	
Block 13T	Twiga	4,719	50.00%	Tullow	Africa Oil, Total
<b>Uganda</b>					
Exploration Area 1	Jobi East, Mpyo	372	33.33% <sup>10</sup>	Total	CNOOC
Exploration Area 1A	Lyc	85	33.33% <sup>10</sup>	Total	CNOOC
Production Licence 1/12	Kingfisher	344	33.33% <sup>10</sup>	CNOOC	Total
<b>Tilenga Project<sup>11</sup></b>					
Production Licence 01/16	Kasamene – Wahrindi	20	33.33% <sup>10</sup>	Tullow <sup>10</sup>	CNOOC, Total
Production Licence 02/16	Kigogole – Ngara	92	33.33% <sup>10</sup>	Tullow <sup>10</sup>	CNOOC, Total
Production Licence 03/16	Nsoga	60	33.33% <sup>10</sup>	Tullow <sup>10</sup>	CNOOC, Total
Production Licence 04/16	Ngege	57	33.33% <sup>10</sup>	Tullow <sup>10</sup>	CNOOC, Total
Production Licence 05/16	Mputa – Nzizi – Waraga	86	33.33% <sup>10</sup>	Tullow <sup>10</sup>	CNOOC, Total
Production Licence 06/16	Ngiri	50	33.33% <sup>10</sup>	Total	CNOOC
Production Licence 07/16	Jobi – Rii	121	33.33% <sup>10</sup>	Total	CNOOC
Production Licence 08/16	Gunya	55	33.33% <sup>10</sup>	Total	CNOOC

### Notes:

5. Operations in the UK are dealt with by the West African Business Team despite falling outside this geographic region.
6. Production from the CMS Area has now ceased. Decommissioning works across this area are ongoing.
7. These fields are no longer producing. Decommissioning works are ongoing.
8. For the UK offshore area, fields that extend across more than one licence area with differing partner interests become part of a unitised area. The interest held in the Unitised Field Area is split amongst the holders of the relevant licences according to their proportional ownership of the field. The unitised areas in which Tullow is involved are listed in addition to the nominal licence holdings.
9. Refer to Gawain Unit for field interest.
10. In August 2019, Tullow announced that its farm-down to Total and CNOOC was terminated, following the expiry of the Sale and Purchase Agreements (SPAs). Tullow has now initiated a new sales process to reduce its 33.33 per cent operated stake in the Lake Albert project.
11. The Tilenga Project involves the development of fields located in Production Licences 01/16, 02/16, 03/16, 04/16, 05/16, 06/16, 07/16 and 08/16.

## Licence interests continued

Current exploration, development and production interests

### New Ventures

Licence/Unit area	Blocks	Fields	Area sq km	Tullow interest	Operator	Other partners
<b>Argentina</b>						
Block MLO-114			5,942	40.00%	Tullow	Pluspetrol, Wintershall
Block MLO-119			4,546	40.00%	Tullow	Pluspetrol, Wintershall
Block MLO-122			4,420	100.00%	Tullow	
<b>The Comoros</b>						
Block 35			5,368	35.00%	Tullow	Bahari Res, Discovery Expl
Block 36			5,952	35.00%	Tullow	Bahari Res, Discovery Expl
Block 37			4,743	35.00%	Tullow	Bahari Res, Discovery Expl
<b>Côte d'Ivoire</b>						
CI-301			1,495	60.00%	Tullow	Cairn Energy, Petroci
CI-302			1,412	60.00%	Tullow	Cairn Energy, Petroci
CI-518			1,250	60.00%	Tullow	Cairn Energy, Petroci
CI-519			887	60.00%	Tullow	Cairn Energy, Petroci
CI-520			1,059	60.00%	Tullow	Cairn Energy, Petroci
CI-521			1,280	60.00%	Tullow	Cairn Energy, Petroci
CI-522			1,229	60.00%	Tullow	Cairn Energy, Petroci
CI-524			551	90.00%	Tullow	Petroci
<b>Guyana</b>						
Kanuku			5,165	37.50%	Repsol	Total
Orinduik			1,776	60.00%	Tullow	Total, Eco Atlantic O&G
<b>Jamaica</b>						
Walton Morant			32,065	80.00%	Tullow	United Oil & Gas
<b>Namibia</b>						
PEL 0037	2012B, 2112A, 2113B		17,295	35.00%	Tullow	Pancontinental, ONGC Videsh, Paragon
PEL 0090	2813B		5,433	56.00%	Tullow	Trago Energy, Harmattan Energy, NAMCOR
<b>Peru</b>						
Block Z-38			4,875	35.00%	Karoon	Pitkin
Block Z-64			542	100.00%	Tullow	
Block Z-65 <sup>12</sup>			5,162	100.00%	Tullow	
Block Z-66 <sup>12</sup>			5,616	100.00%	Tullow	
Block Z-67 <sup>12</sup>			5,884	100.00%	Tullow	
Block Z-68 <sup>12</sup>			6,002	100.00%	Tullow	
<b>Suriname</b>						
Block 47			2,369	50.00%	Tullow	Pluspetrol, Ratio Exploration
Block 54			8,480	50.00%	Tullow	Equinor
Block 62			4,061	80.00%	Tullow	Pluspetrol

Notes:

12. Award of this licence to Tullow is subject to issue of government decree.

## Commercial reserves and contingent resources summary (unaudited) working interest basis

	West Africa		East Africa		New Ventures		Total		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
<b>Commercial reserves</b>									
1 January 2019	236.2	259.9	–	–	–	–	236.2	259.9	279.5
Revisions	12.9	(110.6)	–	–	–	–	12.9	(110.6)	(5.5)
Production	(30.5)	(2.6)	–	–	–	–	(30.5)	(2.6)	(31.0)
<b>31 December 2019</b>	<b>218.6</b>	<b>146.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>218.6</b>	<b>146.7</b>	<b>243.0</b>
<b>Contingent resources</b>									
1 January 2019	137.3	436.0	656.7	42.7	–	–	794.0	478.7	873.6
Additions	–	–	–	–	47.4	–	47.4	–	47.4
Revisions	141.3	336.8	(18.8)	11.7	–	–	122.5	348.5	180.6
<b>31 December 2019</b>	<b>278.6</b>	<b>772.8</b>	<b>637.9</b>	<b>54.4</b>	<b>47.4</b>	<b>–</b>	<b>963.9</b>	<b>827.2</b>	<b>1,101.6</b>
<b>Total</b>									
<b>31 December 2019</b>	<b>497.2</b>	<b>919.5</b>	<b>637.9</b>	<b>54.4</b>	<b>47.4</b>	<b>–</b>	<b>1,182.5</b>	<b>973.9</b>	<b>1,344.6</b>

### Notes:

1. Proven and Probable Commercial Reserves are as audited and reported by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years, with the exception of minor assets contributing less than 5 per cent of the Group's reserves.
2. Proven and Probable Contingent Resources are as audited and reported by an independent engineer. Resources estimates are reviewed by the independent engineer based on significant new data received following exploration or appraisal drilling.
3. The revision to reserves relates mainly to increases at the Jubilee Field and in some of the non-operated assets, offset by a reduction at the Enyenra Field.
4. The additional contingent resources relate to oil discoveries in Guyana.
5. The revision to the contingent resources relate mainly to increases at the TEN and Jubilee Fields.

The Group provides for depletion and amortisation of tangible fixed assets on a net entitlements basis, which reflects the terms of the Production Sharing Contracts related to each field. Total net entitlement reserves were 225.1 mmboe at 31 December 2019 (31 December 2018: 264.9 mmboe).

Contingent Resources relate to resources in respect of which development plans are in the course of preparation or further evaluation is under way with a view to future development.

## Tullow Oil plc subsidiaries

As at 11 March 2020

Each undertaking listed below is a subsidiary by virtue of Tullow Oil plc holding, directly or indirectly, a majority of voting rights in the undertaking. The ownership percentages are equal to the effective equity owned by the Group. Unless otherwise noted, the share capital of each undertaking comprises ordinary shares or the local equivalent thereof.

The percentage of equity owned by the Group is 100 per cent unless otherwise noted. The results of all undertakings listed below are fully consolidated in the Group's Financial Statements.

Company name	Country of incorporation	Direct or indirect	Address of registered office
Hardman Oil and Gas Pty Ltd	Australia	Indirect	Level 9, 1 William Street, Perth WA 6000, Australia
Hardman Resources Pty Ltd	Australia	Indirect	Level 9, 1 William Street, Perth WA 6000, Australia
Tullow Chinguetti Production Pty Ltd	Australia	Indirect	Level 9, 1 William Street, Perth WA 6000, Australia
Tullow Petroleum (Mauritania) Pty Ltd	Australia	Indirect	Level 9, 1 William Street, Perth WA 6000, Australia
Tullow Uganda Holdings Pty Ltd	Australia	Indirect	Level 9, 1 William Street, Perth WA 6000, Australia
Tullow Uganda Operations Pty Ltd	Australia	Indirect	Level 9, 1 William Street, Perth WA 6000, Australia
Tullow Do Brasil Petroleo E Gas Ltda <sup>1</sup>	Brazil	Indirect	Avenida Rio Branco 311, suite 509 – part, Centro, CEP: 20040-903, Rio de Janeiro, Brazil
Tullow (EA) Holdings Limited	British Virgin Islands	Indirect	Ritter House, Wickhams Cay, Tortola, VG1110, British Virgin Islands
Planet Oil International Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Argentina Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Comoros Limited (new 2018)	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Côte d'Ivoire Onshore Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow EG Exploration Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Gambia Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Group Services Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Jamaica Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow New Ventures Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Mozambique Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil 100 Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil 101 Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil Finance Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil SK Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil SNS Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil SPE Limited	England and Wales	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Peru Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Senegal Exploration Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Technologies Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Uganda Midstream Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Uruguay Limited	England and Wales	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Hardman Petroleum France SAS	France	Indirect	Parc d'Activite – c/o Soprim Degrad des Cannes 97354 Remire Montjoly, French Guiana

Company name	Country of incorporation	Direct or indirect	Address of registered office
Tulipe Oil SA	Gabon	Indirect	Rue Louise Charon B.P. 9773, Libreville
Tullow Oil Gabon SA	Gabon	Indirect	Rue Louise Charon B.P. 9773, Libreville
Tullow Ghana Exploration and Production Limited	Ghana	Indirect	Plot No. 70, George Walker Bush Highway, North Dzorwulu, Accra, Ghana
Tullow Oil (Mauritania) Ltd	Guernsey	Indirect	P.O. Box 119, Martello Court, Admiral Park, St. Peter Port GY1 3HB, Guernsey
Tullow Oil Holdings (Guernsey) Ltd	Guernsey	Indirect	P.O. Box 119, Martello Court, Admiral Park, St. Peter Port GY1 3HB, Guernsey
Tullow Oil Limited	Ireland	Direct	Number 1, Central Park, Leopardstown, Dublin 18, Ireland
Tullow Congo Limited	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Equatorial Guinea Limited	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Gabon Holdings Limited <sup>2</sup>	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Gabon Limited	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Mauritania Limited	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Namibia Limited	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Uganda Limited	Isle of Man	Indirect	First Names House, Victoria Road, Douglas IM2 4DF, Isle of Man
Tullow Côte d'Ivoire Exploration Limited	Jersey	Indirect	44 Esplanade St Helier JE4 9WG, Jersey
Tullow Côte d'Ivoire Limited	Jersey	Indirect	44 Esplanade St Helier JE4 9WG, Jersey
Tullow Ghana Limited	Jersey	Indirect	44 Esplanade St Helier JE4 9WG, Jersey
Tullow India Operations Limited	Jersey	Indirect	44 Esplanade St Helier JE4 9WG, Jersey
Tullow Oil (Jersey) Limited	Jersey	Direct	44 Esplanade St Helier JE4 9WG, Jersey
Tullow Oil International Limited	Jersey	Indirect	44 Esplanade St Helier JE4 9WG, Jersey
Tullow Ethiopia BV	Netherlands	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Guyana BV	Netherlands	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Hardman Holdings BV	Netherlands	Indirect	Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands
Tullow Kenya BV	Netherlands	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Netherlands Holding Cooperatief BA	Netherlands	Indirect	Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands
Tullow Overseas Holdings BV	Netherlands	Direct	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Suriname BV	Netherlands	Indirect	Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands
Tullow Uganda Holdings BV	Netherlands	Indirect	Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands
Tullow Zambia BV	Netherlands	Indirect	9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom
Tullow Oil Norge AS	Norway	Indirect	Tordenskioldsgate 6B, 0160 Oslo, Norway
Energy Africa Bredasdorp (Pty) Ltd	South Africa	Indirect	11th Floor, Convention Tower, Heerengracht Street, Foreshore, Cape Town 8001, South Africa
Tullow South Africa (Pty) Limited	South Africa	Indirect	11th Floor, Convention Tower, Heerengracht Street, Foreshore, Cape Town 8001, South Africa
T.U. S.A.	Uruguay	Indirect	Colonia 810, Of. 403, Montevideo, Uruguay

## Notes:

1. 1 per cent held directly by Tullow Oil plc.
2. 50 per cent held directly by Tullow Oil plc.

## Glossary

<b>£m</b>	Pound sterling million
<b>AFS</b>	Available for sale
<b>AGM</b>	Annual General Meeting
<b>ASOC</b>	Advanced security operations centre
<b>bbl</b>	Barrel
<b>bbo</b>	Billion barrels of oil
<b>bcf</b>	Billion cubic feet
<b>boe</b>	Barrels of oil equivalent
<b>boepd</b>	Barrels of oil equivalent per day
<b>bopd</b>	Barrels of oil per day
<b>¢</b>	Cent
<b>Capex</b>	Capital expenditure
<b>CISP</b>	Cyber Information Sharing Partnership
<b>CMS</b>	Caister Murdoch System
<b>CMS III</b>	A group development of five satellite fields linked to CMS
<b>CNOOC</b>	China National Offshore Oil Corporation
<b>CSA</b>	Control self-assessment
<b>CSO</b>	Civil Society Organisations
<b>CtO</b>	Case to operate
<b>D&amp;O</b>	Development and operations
<b>DD&amp;A</b>	Depreciation, depletion and amortisation
<b>DoA</b>	Delegation of authority
<b>DPO</b>	Data protection officer
<b>DSBP</b>	Deferred Share Bonus Plan
<b>E&amp;A</b>	Exploration and appraisal
<b>E&amp;P</b>	Exploration and production
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EBITDAX</b>	Earnings before interest, tax, depreciation, amortisation and exploration
<b>EHS</b>	Environment, health and safety
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>EOPS</b>	Early Oil Pilot Scheme
<b>EPS</b>	Earnings per share
<b>EuroStoxx</b>	A European market index
<b>ESIA</b>	Environmental Social Impact Assessment
<b>ESOS</b>	Executive Share Option Scheme
<b>EWI</b>	Extended well test
<b>FEED</b>	Front-end engineering and design
<b>FID</b>	Final Investment Decision
<b>FFD</b>	Full field development

<b>FPSO</b>	Floating production storage and offloading vessel
<b>FRC</b>	Financial Reporting Council
<b>FRS</b>	Financial Reporting Standard
<b>FTSE 250</b>	Equity index consisting of the 101st to 350th largest UK-listed companies by market capitalisation
<b>FVTPL</b>	Fair value through profit or loss
<b>G&amp;A</b>	General and administrative
<b>G&amp;H</b>	Gifts and hospitality
<b>GDPR</b>	General data protection regulation
<b>GHG</b>	Greenhouse gas
<b>GJFFD</b>	Greater Jubilee Full Field Development
<b>GNPC</b>	Ghana National Petroleum Corporation group company and its subsidiary undertakings
<b>HIPO</b>	High-potential incident
<b>HMRC</b>	HM Revenue & Customs
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting Standards Board
<b>IFC</b>	International Finance Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>IIA</b>	Invest in Africa
<b>IMF</b>	International Monetary Fund
<b>IMS</b>	Integrated Management System
<b>IOC</b>	International oil company
<b>IPIECA</b>	International Petroleum Industry Environmental Conservation Association
<b>IR</b>	Investor relations
<b>ITLOS</b>	International Tribunal for the Law of the Sea
<b>JDA</b>	Joint Development Agreement
<b>JV</b>	Joint Venture
<b>kboepd</b>	Thousand barrels of oil equipment per day
<b>km</b>	Kilometres
<b>KPI</b>	Key performance indicator
<b>LAPSSET</b>	Lamu Port-South Sudan-Ethiopia-Transport Corridor project
<b>LIBOR</b>	London Interbank Offered Rate
<b>LTI</b>	Lost time injury
<b>LTIR</b>	Lost time injury rate (Frequency rate measured in LTIs per million hours worked)
<b>M&amp;A</b>	Mergers and acquisitions
<b>mmbo</b>	Million barrels of oil
<b>mmboe</b>	Million barrels of oil equivalent
<b>mmscfd</b>	Million standard cubic feet per day
<b>MoU</b>	Memorandum of Understanding
<b>MTM</b>	Mark to market
<b>MVC</b>	Motor vehicle collision
<b>MVCF</b>	Motor vehicle collision frequency
<b>MW</b>	Megawatt

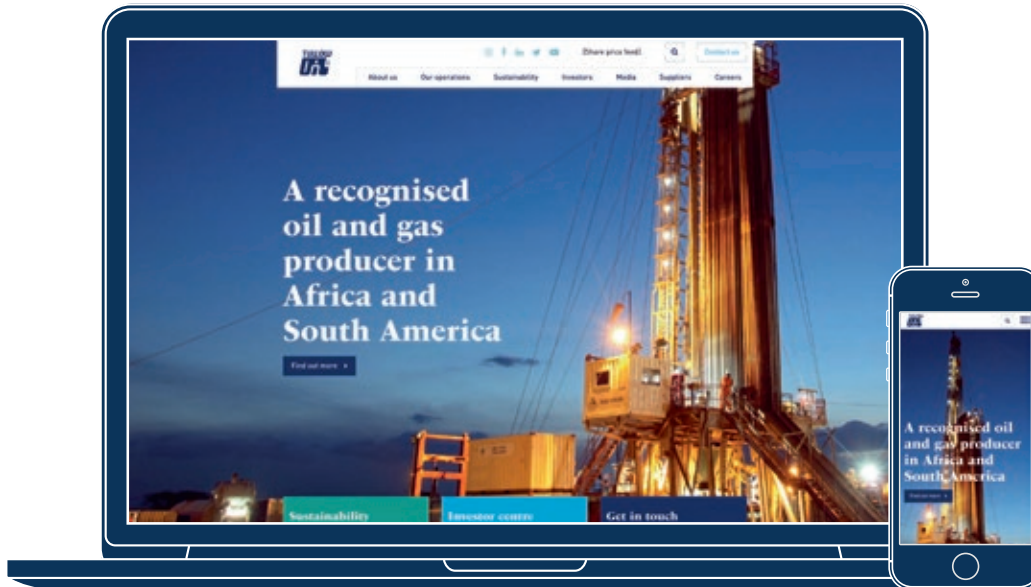
## Glossary continued

<b>NGO</b>	Non-governmental organisation
<b>OPEC</b>	Organisation of Petroleum Exporting Countries
<b>Opex</b>	Operating expenses
<b>OSE</b>	Organisation, strategy and effectiveness
<b>p</b>	Pence
<b>PAYE</b>	Pay As You Earn
<b>PEP</b>	Politically exposed persons
<b>PoD</b>	Plan of development
<b>PP&amp;E</b>	Property, plant and equipment
<b>PRT</b>	Petroleum revenue tax
<b>PSA</b>	Production Sharing Agreement
<b>PSC</b>	Production Sharing Contract
<b>PSP</b>	Performance Share Plan
<b>S&amp;P 500</b>	Standard & Poor's 500, US stock market index based on market capitalisation
<b>SC</b>	Supply chain
<b>SCT</b>	Supplementary corporation tax
<b>SEENT</b>	South East Etame North Tchibala
<b>SID</b>	Senior Independent Director
<b>SIP</b>	Share Incentive Plan
<b>SOGA</b>	Skills for oil and gas in Africa
<b>SOP</b>	Share Option Plan
<b>Sq km</b>	Square kilometres
<b>Sq m</b>	Square metres
<b>SRI</b>	Socially responsible investment
<b>SSEA</b>	Safety, sustainability and external affairs
<b>TEN</b>	Tweneboa – Enyenra – Ntomme
<b>TIP</b>	Tullow Incentive Plan
<b>TRP</b>	Turret Remediation Project
<b>TSR</b>	Total Shareholder Return
<b>TRIR</b>	Total recordable injury rate
<b>UK GAAP</b>	UK Generally Accepted Accounting Practice
<b>VAT</b>	Value added tax
<b>VP</b>	Vice President
<b>VPSHR</b>	Voluntary Principles on Security and Human Rights
<b>WAEP</b>	Weighted average exercise price
<b>WACC</b>	Weighted average cost of capital
<b>WHO</b>	World Health Organization
<b>Wildcat</b>	Exploratory well drilled in land not known to be an oil field

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## www.tulloil.com

Our main corporate website has key information about our business, operations, investors, media, sustainability, careers and suppliers.



### RESULTS, REPORTS AND PRESENTATIONS

Financial results, corporate Annual Reports, webcasts and fact books are all stored in the Investor Relations section of our website: [www.tulloil.com/reports](http://www.tulloil.com/reports).

### E-COMMUNICATIONS

All documents on the website are available to view without any particular software requirement other than the software which is available on the Group's website.

For every shareholder who signs up for electronic communications, a donation is made to the eTree initiative run by Woodland Trust. You can register for email communication at: [www.etree.com/tulloilplc](http://www.etree.com/tulloilplc).

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