2019 Strategic Report

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

Strategic report

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

Revenue

$1.7bn[1]

2018: $1.9bn

Capital investment

$490m[2]

2018: $423m

Underlying cash operating costs

$11.1/boe[2]

2018: $10.0/boe

Free cash flow

$355m[2]

2018: $411m

Adjusted EBITDAX

$1.4bn[2]

2018: $1.6bn

Net debt

$2.8bn[2]

2018: $3.1bn

(Loss)/profit after tax

$(1,694)m

2018: $85m

Gearing[3]

2.0 times[2]

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

Our investors:
Delivering sustainable returns on capital

Our host countries:
Creating shared prosperity

Our people:
Providing a great place to work and develop careers

Our focused strategy

Delivering low-cost oil and gas production in Africa

- Providing robust and sustainable cash flows

Disciplined exploration and development

- Near-field short cycle, new fields in proven basins and selected frontier opportunities
- Progressing and delivering value from Uganda and Kenya projects

Efficient and effective organisation

- Streamlined and agile business
- Controlled and integrated approach to oil and gas operations
- Continued high priority on safety

Committed to sustainability

- Shared prosperity in our host countries and communities
- Responsible approach to environmental stewardship
- Committed to equality and transparency
- Responding to the energy transition

Financial strategy

- Implementing a more conservative capital structure
- Clear options for rebalancing through asset portfolio management

Managing our risks

Strategy	See more on page **34**	Financial	See more on page **35**
Stakeholder	See more on page **34**	Organisation	See more on page **36**
Climate change	See more on page **35**	Conduct	See more on page **36**
EHS or security	See more on page **35**	Cyber	See more on page **36**

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.

Read more about management changes **in our Annual Report online**

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.

Read more about our Operations review **on pages 13–15**

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

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.

Read more about the Board of Directors **in our Annual Report online**

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.

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.

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

Read more in our Sustainability Report **www.tullowoil.com/sustainability**

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.

Read more about TAP **on page 30 and on page 47 of our Annual Report online**

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.

Read more about our strategic roadmap **on page 3**

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

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

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 our Annual Report online) 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 our Annual Report online). 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 our Annual Report online) 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

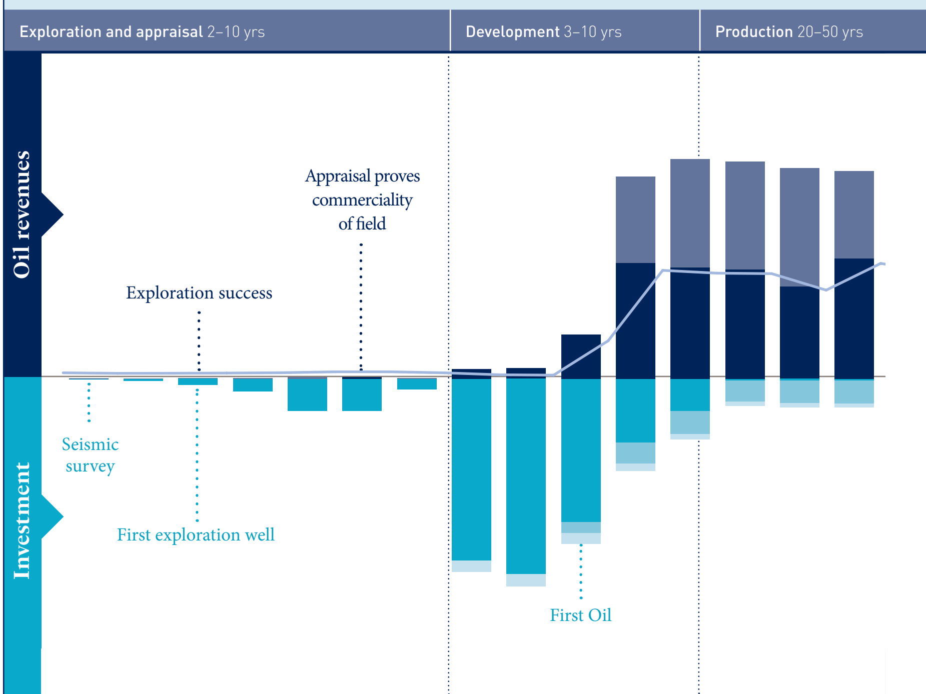
Tullow's business model is to find and monetise oil from our portfolio of assets across Africa and South America. Our activities are focused on generating cash flow from production, selectively developing discoveries and investing in exploration to find new oil for future growth or early monetisation. 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



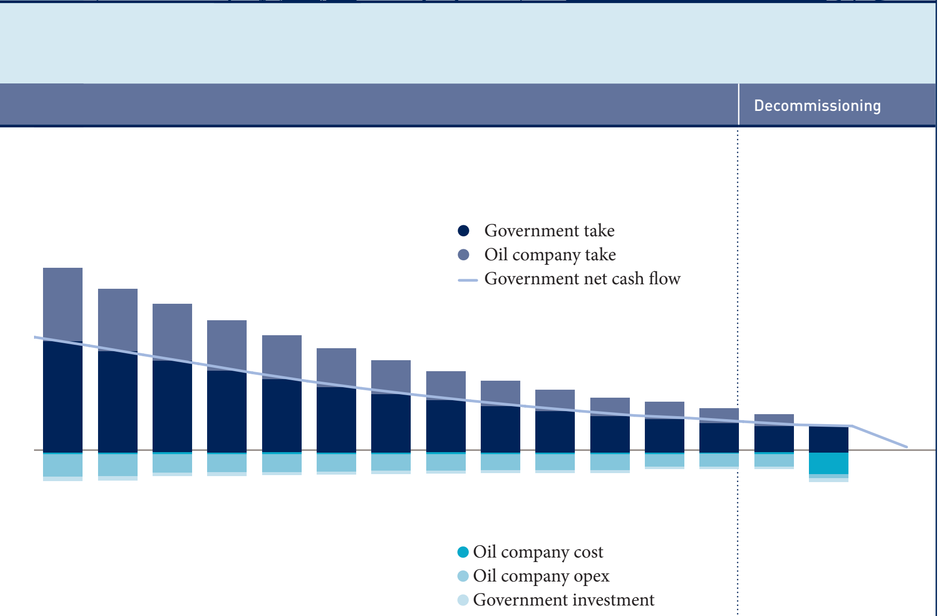
Develop

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



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."

Read more about TCFD **on pages 25 and 26**

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.

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

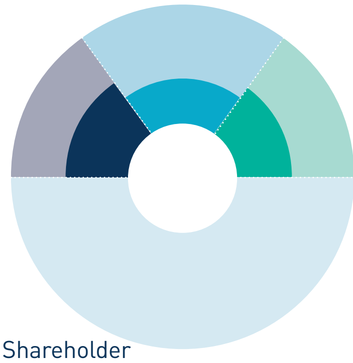
1. Business delivery
- Disappointing production performance in Ghana
- Net debt reduction of $0.3 billion

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.



Remuneration Report
pages 58–79

2020 Scorecard

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

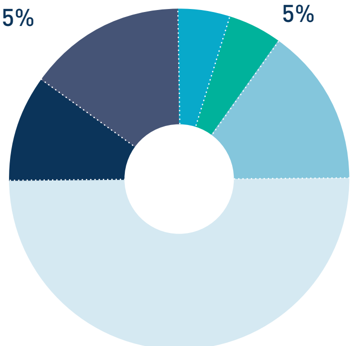
2. Production
- 70,000–80,000 barrels of oil produced per day

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.

Net oil production (kboepd)

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

Discover more about our strategy **on page 3**

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[1]	Sustainable Development Scenario[2]
Ghana	+10 to 20%	0 to -9%
Non-op	+10 to 20%	0 to -9%
Kenya	+20 to 50%	-10 to -20%
Uganda	+10 to 20%	-10 to -20%
Exploration	+20 to 50%	-20 to -30%

Impact on NPV
- +20 to 50%
- +10 to 20%
- 0 to -9%
- -10 to -20%
- -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)[1]	**84,800**	81,400
Sales volume (boepd)	**74,000**	74,200
Realised oil price ($/bbl)	**62.4**	68.5
Total revenue ($m)[2]	**1,683**	1,859
Gross profit ($m)	**759**	1,082
Underlying cash operating costs per boe ($/boe)[3]	**11.1**	10.0
Exploration costs written off ($m)	**1,253**	295
Impairment of property, plant and equipment, net ($m)	**781**	18
Operating (loss)/profit ($m)	**(1,385)**	528
(Loss)/profit before tax ($m)	**(1,653)**	261
(Loss)/profit after tax ($m)	**(1,694)**	85
Basic (loss)/earnings per share (cents)	**(120.8)**	6.1
Capital investment ($m)[3]	**490**	423
Adjusted EBITDAX ($m)[3]	**1,398**	1,600
Net debt ($m)[3]	**2,806**	3,060
Gearing (times)[3]	**2.0**	1.9
Free cash flow ($m)[3]	**355**	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
Year-end 2018 net debt	**3,060.2**
Sales revenue	(1,682.6)
Other operating income – lost production insurance proceeds	(42.7)
Operating costs	351.3
Operating and administrative expenses	77.6
Cash flow from operations	**(1,296.4)**
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
Year-end 2019 net debt	**2,805.5**

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)
Capital investment	**490.0**	423.2
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
Cash capital expenditure per the cash flow statement	**520.9**	440.5

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.

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	**3,071.7**	3,219.1
Non-cash adjustments	**22.6**	20.9
Less cash and cash equivalents	**(288.8)**	(179.8)
Net debt	**2,805.5**	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	**(1,694.1)**	85.4
Adjusted for:		
Income tax expense	**40.7**	175.1
Finance costs	**322.3**	328.7
Finance revenue	**(55.5)**	(58.4)
Loss/(gain) on hedging instruments	**1.5**	(2.4)
Depreciation, depletion and amortisation	**724.6**	584.1
Share-based payment charge	**25.8**	24.9
Provisions	**4.2**	170.8
Gain on disposal	**(6.6)**	(21.3)
Exploration costs written off	**1,253.4**	295.2
Impairment of property, plant and equipment, net	**781.2**	18.2
Adjusted EBITDAX	**1,397.5**	1,600.3
Net debt	**2,805.5**	3,060.2
Gearing (times)	**2.0**	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 $m
Cost of sales	**966.7**	966.0
Less:		
Depletion and amortisation of oil and gas and leased assets	**696.1**	567.7
Underlift, overlift and oil stock movements	**(137.3)**	40.7
Share-based payment charge included in cost of sales	**2.6**	1.0
Other cost of sales	**54.0**	29.6
Underlying cash operating costs	**351.3**	327.0
Production (mmboe)	**31.7**	32.9
Underlying cash operating costs per boe ($/boe)	**11.1**	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	**1,258.7**	1,204.0
Net cash used in investing activities	**(512.0)**	(427.7)
Debt arrangement fees	**–**	(15.0)
Repayment of obligations under leases	**(172.1)**	(117.4)
Finance costs paid	**(215.4)**	(234.5)
Foreign exchange (loss)/ gain	**(4.3)**	1.5
Free cash flow	**354.9**	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 tullowoil.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	3, 12	4, 8, 9	13, 14, 15	10, 16

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.

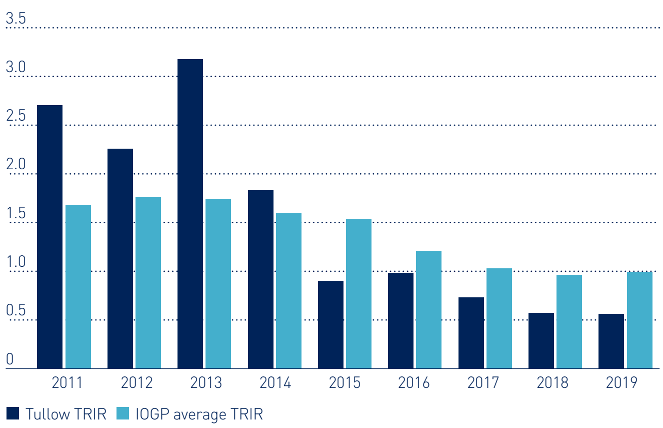
During 2019, Tullow experienced an increasing trend of High Potential Incidents. In September, senior management held a global safety event, which took place in 16 locations across 10 countries, to raise awareness and reinforce a positive safety culture. The safety event comprised of a review of the 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 of our Annual Report online.

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		
Governance: 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*
Strategy: 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
Risk management: 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
Metrics and targets: 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

* See our Annual Report online.

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[2]. 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.

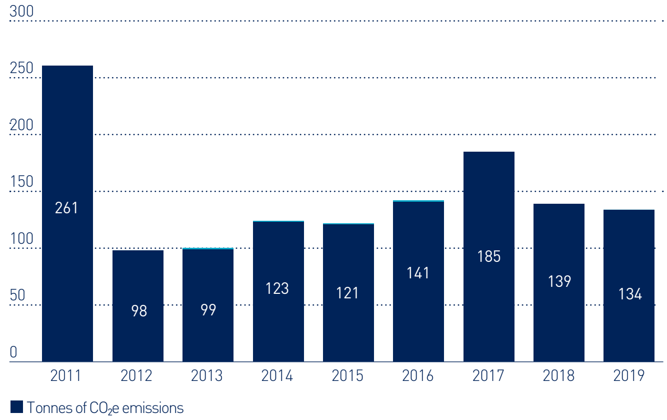
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Discover more about Insights from TCFD scenario analysis **on page 17**

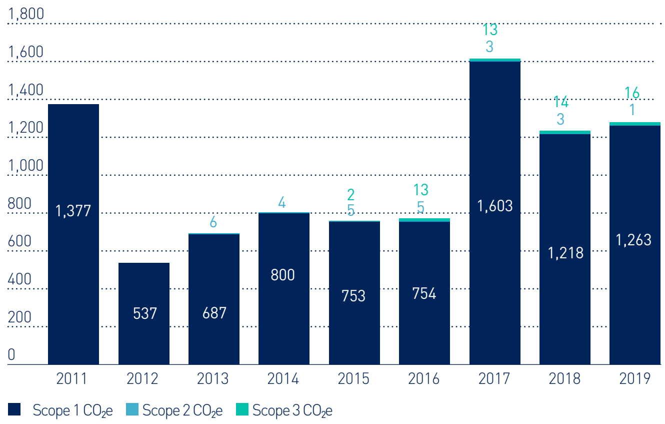
Greenhouse gas emissions

Tullow's total Scope 1 emissions in 2019 were 1.26 million tonnes of CO_2e (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_2e per 1,000 tonnes of hydrocarbon produced.

Tonnes of CO_2e emissions
per 1,000 tonnes of hydrocarbon produced



Scope 1 total air emissions
1,000 tonnes of CO_2e



1. https://www.iea.org/reports/world-energy-outlook-2019.
2. 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.

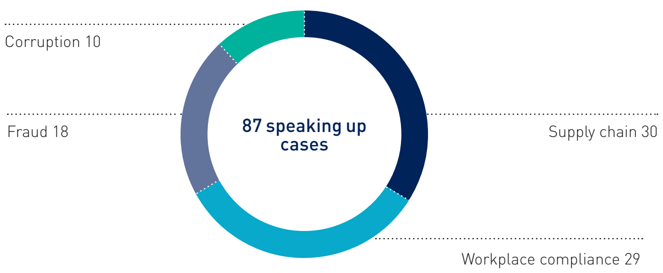
We require those who deliver services to us, or who act on our behalf, to abide by the Code and meet the requirements of specific business ethics and compliance clauses in their contracts. This ensures that third parties do not cause us to breach our own Code. Prior to awarding contracts, we conduct 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

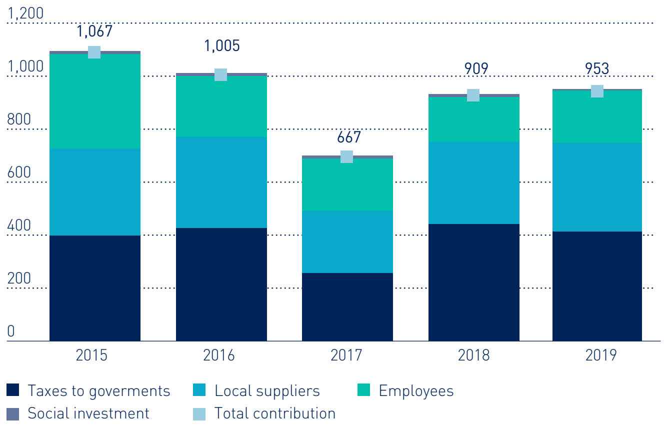


2019 total socio-economic contribution

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)	**37.5% (3/8)**
Leadership diversity	25% (2/8)	25% (2/8)	**25% (1/4)**
Senior Management diversity	15% (10/65)	21% (14/68)	**20% (12/61)**
Workforce diversity	30% (313/1,030)	31% (303/990)	**32% (305/951)**

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%	**35%**	48%	**44%**
Lower (median)	46%	**43%**	48%	**46%**

2019 pay quartiles

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

Percentage received bonus pay

Men		Women	
2018	**2019**	2018	**2019**
94%	**95%**	97%	**96%**

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:

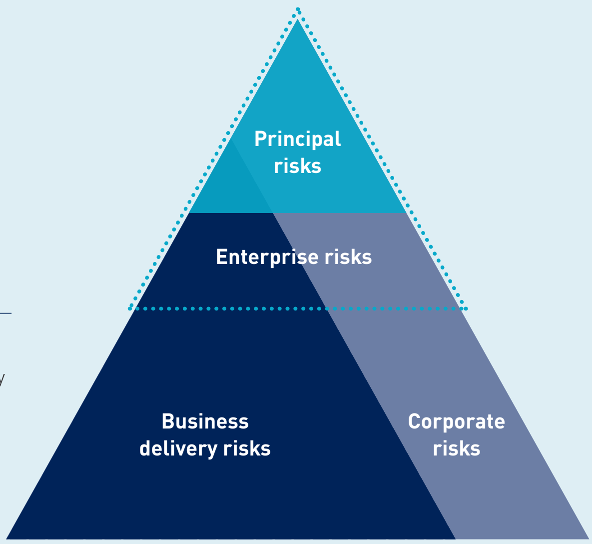
Tullow risk governance framework:

Board

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

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



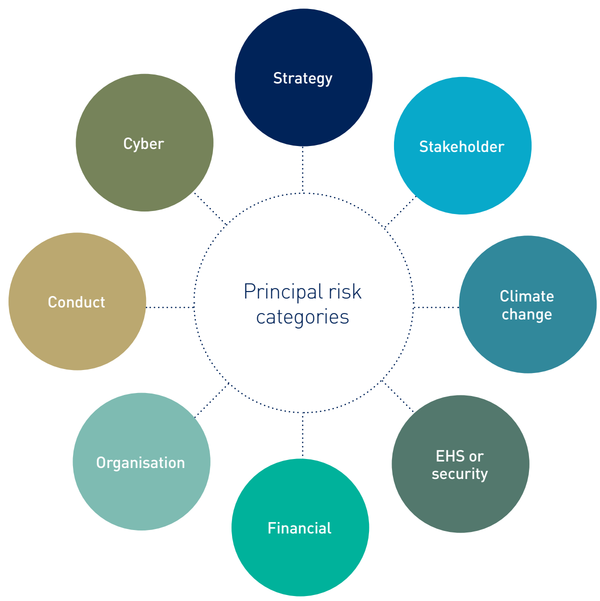
Business leadership

- 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)

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:

a) according to their likelihood over a five-year period; and

b) 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.

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
- Tullow owns exploration prospects and seeks to replenish its exploration portfolio in Africa and South America. - 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. - 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.	- High grading of our exploration portfolio. - Disciplined capital allocation model and financial risk sharing with our Joint Venture Partners. - Focus on exploration prospects with clear and short-term routes to commercialisation. - The Jethro-1 and Joe-1 Guyana wells were executed within budget, however are not commercial discoveries. - Geophysical operations were conducted on time and to budget in Africa and South America. - Risk sharing was actioned in Suriname and Côte d'Ivoire. - New acreage was added in Peru, Argentina and Namibia. - Exits were actioned in Zambia, Mauritania, Jamaica and Uruguay.

Risk of failure to deliver commercially attractive and timely development projects

Risk owner: Mark MacFarlane

Risk details	Risk mitigation and 2019 outcomes
- 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. - 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. - 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.	**Kenya** - EOPS has de-risked reservoir performance and has demonstrated the ability of Kenya to export oil with the first oil cargo sold in 2019. - Focused community, national and county government engagement. - Midstream ESIA submitted in Q4 2019, Upstream ESIA to be submitted in Q1 2020. - Heads of Terms that define the Commercial Framework signed by the Government in Q3 2019. - Long Form Agreements submitted to the Government in Q4 2019. - Land acquisition process started by the Government in Q4 2019. - Equity sell down process started in Q4 2019. - Ongoing discussions with key stakeholders to align on key FID milestones and prerequisites. **Uganda** - 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. - Alternative sales process to commence in 2020. - Renewed engagements with Joint Venture Partners to commercially and legally de-risk the project before further significant capex is spent.

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
- 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. - 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.	- Stabilisation clauses in all our Petroleum Agreements. - Non-technical risk standard sets minimum stakeholder management requirements. - 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. - Ongoing engagement with newly formed Upstream Petroleum Chamber and Government to understand changes to oil industry regulations.

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
- 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. - 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. - Risk mitigation could include a more aggressive and dynamic approach to hedging oil price risk.	- 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. - Enhanced climate disclosure in our Annual Report. - Alignment with and support for host government's Nationally Determined Contributions. - Regular stress testing on portfolio to ensure resilience to IEA's Sustainable Development Scenario (see Chief Financial Officer's statement page 17). - Target top-quartile ESG performance vs peer group.

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
- 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. - 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.	- Independently verified safety cases to demonstrate risks reduced to As Low As Reasonably Practicable and to ensure Tullow maintains an excellent EHS track record. - Asset and well integrity maintenance with regular assurance over FPSO systems and asset integrity. - Comprehensive all-risk insurance in place. - Jubilee safety case re-issued. - TEN FPSO shut down for maintenance and inspections. - Jubilee asset integrity programme Phase 1 completed. - Comprehensive assurance over computerised maintenance management system project initiated. - Re-aligned responsibilities and accountabilities over FPSO operatorship with MODEC.

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
- 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).	- Operations reset to be viable in a low oil price environment. - Board approved two-year oil hedge programme with downside protection and access to upside. - Range of high-quality assets that could be sold as part of portfolio management to unlock capital and pay down debt. - Comprehensive insurance programme in place. - Leverage targets and minimum headroom policy approved by the Board. - 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. - c.60 per cent of 2020 oil entitlement hedged at an average floor price of $57/bbl (refer to viability statement disclosure). - Consideration of Going Concern and Viability Statement provided on pages 20, 36–37 respectively.

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
- 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. - 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.	- Regular review of organisational model to support delivery of strategic objectives. A review of the business is currently ongoing. - Smart working rolled out and embedded. - Enhanced talent identification process through people forum process. - Diversity targets introduced and being monitored. - Total compensation benchmarking review considering gender and equal pay.

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
- 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.	- Annual employee eLearning and code certification process. - Due diligence standard and processes in place. - Misconduct and loss reporting standard and associated procedures reviewed and updated. - Developed a positive approach to GDPR investigations in alignment with the DPO. - Recorded and investigated 87 concerns raised, of which 76 cases are closed. Appropriate actions have been taken including employee dismissal (for serious breaches).

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
- 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.	- Advanced security operations centre in place providing 24/7 network and device monitoring. - Security awareness programme in place. - Joint Tullow/MODEC industrial control system security programme in place and progressing. - Corporate security programme in place and progressing. - Annual mandatory security and GDPR awareness training. - Staff susceptibility to phishing regularly tested.

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:

i. 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;

ii. 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

iii. 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 (see our Annual Report online).

Principal risks*	Base assumption	Downside scenario
Strategy risks	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
Stakeholder risks	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
Climate change risk	n/a	Oil price: 2020: $30/bbl, 2021 $30/bbl 2022+: $45/bbl
EHS or security risks	50/mean production and capex profiles	8 per cent reduction in production
Financial risks	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
Organisation risk	n/a	No reasonably plausible financial exposure has been modelled
Conduct risk	n/a	No reasonably plausible financial exposure has been modelled
Cyber risk	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

Glossary

£m	Pound sterling million
AFS	Available for sale
AGM	Annual General Meeting
ASOC	Advanced security operations centre
bbl	Barrel
bbo	Billion barrels of oil
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
¢	Cent
Capex	Capital expenditure
CISP	Cyber Information Sharing Partnership
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CNOOC	China National Offshore Oil Corporation
CSA	Control self-assessment
CSO	Civil Society Organisations
CtO	Case to operate
D&O	Development and operations
DD&A	Depreciation, depletion and amortisation
DoA	Delegation of authority
DPO	Data protection officer
DSBP	Deferred Share Bonus Plan
E&A	Exploration and appraisal
E&P	Exploration and production
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration
EHS	Environment, health and safety
EITI	Extractive Industries Transparency Initiative
EOPS	Early Oil Pilot Scheme
EPS	Earnings per share
EuroStoxx	A European market index
ESIA	Environmental Social Impact Assessment
ESOS	Executive Share Option Scheme
EWT	Extended well test
FEED	Front-end engineering and design
FID	Final Investment Decision
FFD	Full field development

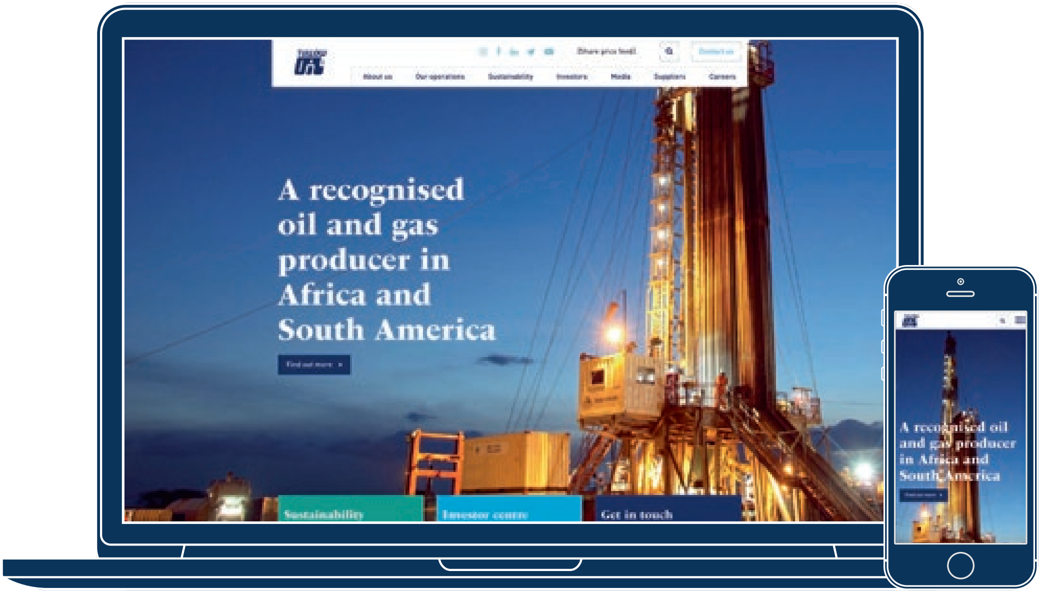
FPSO	Floating production storage and offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FTSE 250	Equity index consisting of the 101st to 350th largest UK-listed companies by market capitalisation
FVTPL	Fair value through profit or loss
G&A	General and administrative
G&H	Gifts and hospitality
GDPR	General data protection regulation
GHG	Greenhouse gas
GJFFD	Greater Jubilee Full Field Development
GNPC	Ghana National Petroleum Corporation group company and its subsidiary undertakings
HIPO	High-potential incident
HMRC	HM Revenue & Customs
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIA	Invest in Africa
IMF	International Monetary Fund
IMS	Integrated Management System
IOC	International oil company
IPIECA	International Petroleum Industry Environmental Conservation Association
IR	Investor relations
ITLOS	International Tribunal for the Law of the Sea
JDA	Joint Development Agreement
JV	Joint Venture
kboepd	Thousand barrels of oil equipment per day
km	Kilometres
KPI	Key performance indicator
LAPSSET	Lamu Port-South Sudan-Ethiopia-Transport Corridor project
LIBOR	London Interbank Offered Rate
LTI	Lost time injury
LTIR	Lost time injury rate (Frequency rate measured in LTIs per million hours worked)
M&A	Mergers and acquisitions
mmbo	Million barrels of oil
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
MoU	Memorandum of Understanding
MTM	Mark to market
MVC	Motor vehicle collision
MVCF	Motor vehicle collision frequency
MW	Megawatt

Glossary continued

NGO	Non-governmental organisation
OPEC	Organisation of Petroleum Exporting Countries
Opex	Operating expenses
OSE	Organisation, strategy and effectiveness
p	Pence
PAYE	Pay As You Earn
PEP	Politically exposed persons
PoD	Plan of development
PP&E	Property, plant and equipment
PRT	Petroleum revenue tax
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
PSP	Performance Share Plan
S&P 500	Standard & Poor's 500, US stock market index based on market capitalisation
SC	Supply chain
SCT	Supplementary corporation tax
SEENT	South East Etame North Tchibala
SID	Senior Independent Director
SIP	Share Incentive Plan
SOGA	Skills for oil and gas in Africa
SOP	Share Option Plan
Sq km	Square kilometres
Sq m	Square metres
SRI	Socially responsible investment
SSEA	Safety, sustainability and external affairs
TEN	Tweneboa – Enyenra – Ntomme
TIP	Tullow Incentive Plan
TRP	Turret Remediation Project
TSR	Total Shareholder Return
TRIR	Total recordable injury rate
UK GAAP	UK Generally Accepted Accounting Practice
VAT	Value added tax
VP	Vice President
VPSHR	Voluntary Principles on Security and Human Rights
WAEP	Weighted average exercise price
WACC	Weighted average cost of capital
WHO	World Health Organization
Wildcat	Exploratory well drilled in land not known to be an oil field

Stay up to date
www.tullowoil.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.tullowoil.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/tullowoilplc.**

COMPANY SECRETARY AND REGISTERED OFFICE

Adam Holland
Tullow Oil plc
9 Chiswick Park
566 Chiswick High Road
London
W4 5XT
United Kingdom

Tel: **+44 20 3249 9000**

Fax: **+44 20 3249 8801**

To contact any of Tullow's principal subsidiary undertakings, please find address details on **www.tullowoil.com/contacts** or send 'in care of' to Tullow's registered address.

FSC www.fsc.org MIX Paper from responsible sources FSC® C022913

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP002490

This report is printed on mixed source paper which is FSC® certified (the standards for well-managed forests, considering environmental, social and economic issues).

Printed by **Pureprint Group**

Produced by

designportfolio

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

Tel: **+44 20 3249 9000**

Fax: **+44 20 3249 8801**

Email: **info@tullowoil.com**

Website: **www.tullowoil.com**

Tullow Oil plc 2019 Strategic Report