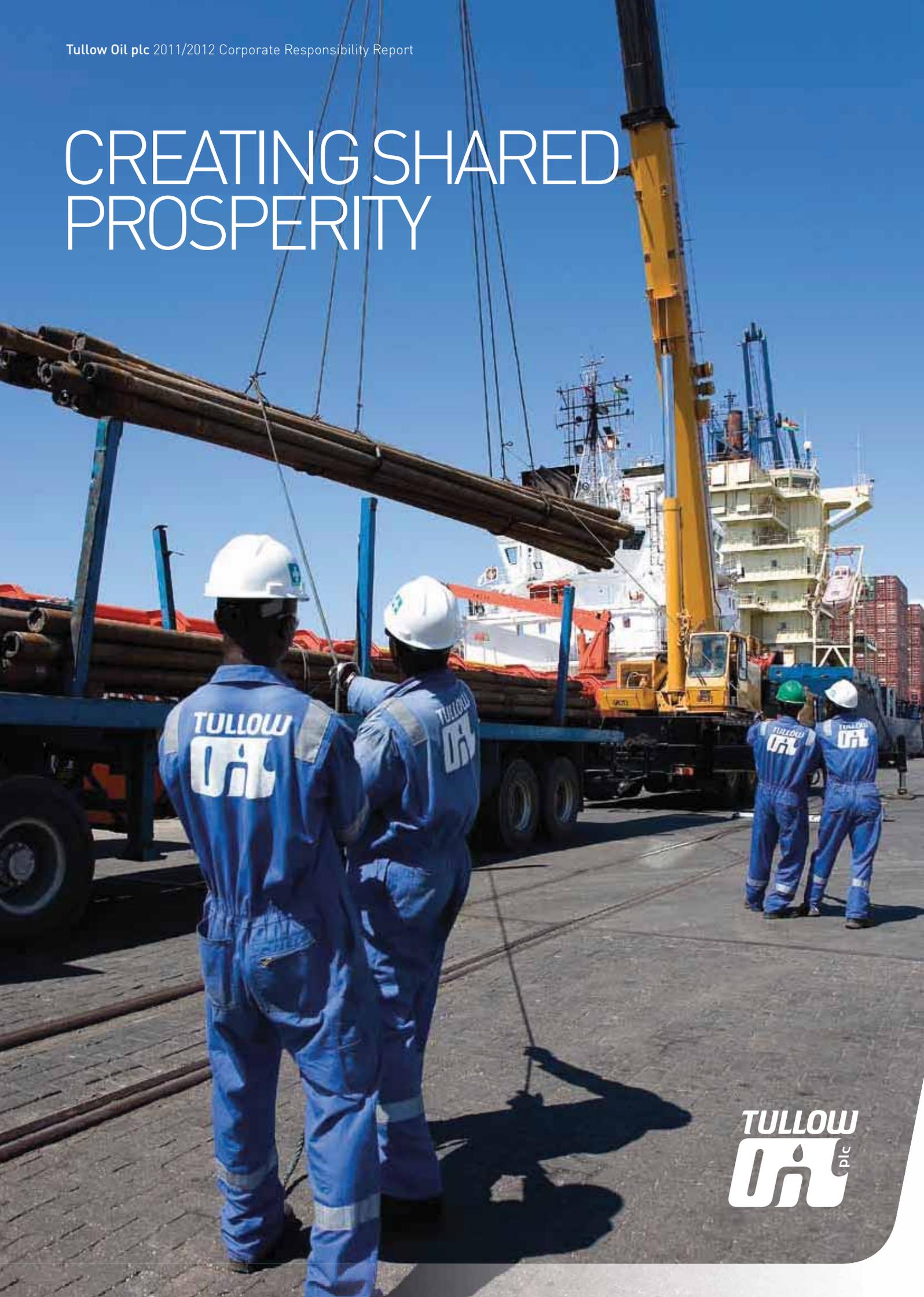


CREATING SHARED PROSPERITY



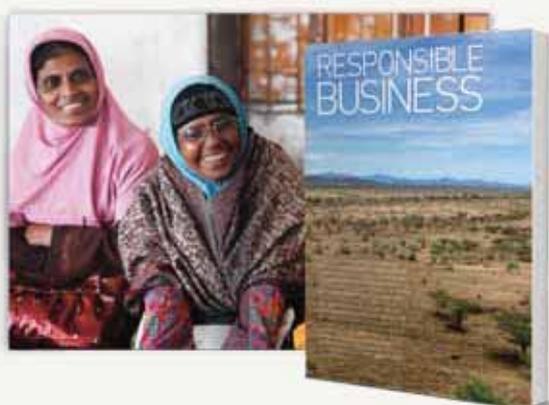
Tullow has more than 100 licences in 22 countries, organised into three Regional Businesses. The Group has key producing assets in six countries in Africa, including the Jubilee field in Ghana, where Tullow is operator. Other producing assets are in the UK, the Netherlands, Pakistan and Bangladesh. We have major development projects under way in Ghana and Uganda and have made significant recent oil discoveries in French Guiana and Kenya.

RESPONSIBLE BUSINESS

Creating shared prosperity shapes our approach to our corporate responsibilities. It ensures that our strategic priorities and business objectives are aligned with our commitment to play our role in contributing to the development of new oil countries in our portfolio of assets. We know we will only earn the trust of the local, national and international community, and change perceptions of the oil industry, if we act as a responsible business with honesty and transparency. Our special feature provides a Regional Business overview of our progress with creating shared prosperity and highlights some of the key initiatives in each country.

Pages

23-47



ABOUT THIS REPORT

Each year, we solicit feedback and suggestions on how we can improve our reporting. This has resulted in new features in our 2011/2012 report, including a letter from our new Chairman, Simon Thompson, discussing the challenge of how to maximise the benefits of oil while minimising any adverse impacts; a more extensive overview of how we define stakeholders' issues and materiality; a new Regional Business special feature; and expanded 2011/2012 performance information and 2012/13 KPIs. Assured data in this report is for the financial year ending 31 December 2011.

Our reporting objective is to give a fair and transparent overview of our corporate responsibility performance. Sections 1 and 2 provide a summary of our progress in 2011/2012, with detailed information for those who wish to read more in sections 3 and 4.

The report has been published online as an interactive pdf. We have also published a summary report in English and French for easy use in external engagements, particularly where the audience is large and the majority of readers may not wish to access the most detailed information.

June 2012

CREATING SHARED PROSPERITY

'Creating Shared Prosperity' is the 'big idea' we are working towards to make sure we run our business in a way that makes a positive and lasting contribution to economic and social development in our host countries. This year's report charts our progress toward this and our plans for 2012/2013. We use these symbols throughout to signpost the eight key elements of Creating Shared Prosperity.



Financial performance



Governance



Stakeholder engagement



Environment, Health & Safety



Our people



Sustainable supply chain



Local content



Social enterprise

CONTENTS

1

OVERVIEW

Tullow had a record year in 2011 and there is much to look forward to in 2012. Learn more about us, our performance and our approach to corporate responsibility.

- 4 Chairman's statement
- 6 Performance highlights
- 8 Tullow at a glance
- 10 Chief Executive's review
- 12 Strategy, business model and values
- 14 Governance, risk and corporate responsibility framework

2

STAKEHOLDER PRIORITIES

Engaging with our stakeholders, listening to their issues and concerns and addressing these through our actions helps build a strong foundation for our business activities. Read about our approach to identifying the issues of most importance.

- 18 Stakeholder engagement
- 19 About this report
- 20 Why we engage
- 23 Special feature: Responsible business

3

MEASURING OUR PERFORMANCE

We made good progress in all aspects of creating shared prosperity in 2011 and have exciting plans to deliver another year of achievement against our objectives in 2012. Read about our Corporate Responsibility performance here.

- 50 Performance overview
- 56 Governance
- 60 Stakeholder engagement
- 62 Environment, Health & Safety (EHS)
- 68 Our people
- 72 Sustainable supply chain
- 74 Local content
- 76 Social enterprise

4

SUPPLEMENTARY INFORMATION

This section contains the independent assurance report, supplementary data, including payments made to the Government of Ghana, and a resource guide to help you find out more about Tullow.

- 80 Independent Assurance Report
- 81 Supplementary Data
- 84 Key Corporate Responsibility Policies and Systems
- 85 Glossary
- 86 Index
- 87 Contacts and feedback
- 88 Other resources



Ugandan students at the TTE training college, Middlesbrough, UK.



4

Chairman's statement

For companies involved in the discovery and extraction of oil, the question is how to maximise the developmental benefits of this vital resource while minimising its adverse impacts on the environment and society.

6

Performance highlights 2011

Record financial results and industry leading exploration success were underpinned by a strong corporate responsibility performance.

8

Tullow at a glance

We are Africa's leading independent oil company and our global portfolio of licences spans 22 countries, 15 of which are in Africa.

10

Chief Executive's review

Creating shared prosperity underpins our philosophy of how we aim to run our business. It stems from our commitment to make a meaningful contribution to economic and social development in our host countries.

12

Strategy, business model and values

Our vision is to be the leading global independent exploration and production company. We are establishing an unrivalled competitive position that differentiates us from our peers.

14

Governance, risk and corporate responsibility framework

We have a strong governance framework that gives direct ownership of risk management and corporate responsibility to the Board and Executive Directors.



FOCUS ON RESULTS

We have a strong sense of focus on results, driving tasks and projects through to completion with the flexibility to adapt to changing situations.

OVERVIEW



MEETING THE CHALLENGE

“Oil is a unique resource without which modern industrialised society cannot exist. It is also a remarkable source of wealth creation that can make a dramatic contribution to economic development and the alleviation of poverty. For responsible companies involved in the discovery and extraction of this vital raw material, the challenge is therefore how to maximise the developmental benefits of oil while minimising any adverse impacts on the environment and society.”



Simon Thompson
Chairman



For more information
www.tulloil.com/crr2011/chairmaninterview

The case against oil is threefold: its extraction and transportation can damage the environment; the revenues that it generates can distort both the local economy and the political processes of host countries; and its combustion generates greenhouse gases that contribute to climate change. The case in favour is that it is currently an irreplaceable source of energy; that while the risk of harm to the environment can never be totally eliminated it can be minimised; and that oil revenues, properly managed, can break the cycle of poverty and kick-start a country on the path to sustainable economic growth.

In some sections of the media, civil society and academia, there appears to be a presumption that while oil wealth may be appropriately managed in developed economies, it is a 'curse' in Africa. As Africa's leading independent oil company, we reject the inevitability of this analysis, but we fully acknowledge our responsibility to play an active part in trying to ensure that the mistakes of the past are not repeated in the future. Our aspiration is to ensure that our technical expertise and the capital that we put at risk in the search for oil will create shared prosperity for our shareholders and for our host countries and local communities.

We do not under-estimate the scale of the challenge we face. Oil exploration is a high-risk but potentially high-return activity and there is a danger of creating unrealistic expectations. During the development phase, the industry is very capital intensive but the number of direct jobs created is relatively small, particularly for unskilled workers. When production is finally achieved, the use of and benefits accruing from the revenues generated may appear inequitable or opaque to many stakeholders.

At Tullow we seek to address these challenges in three ways: we try to identify and engage with all the parties affected by our activities from the outset, keeping them informed and listening to their views in an open, honest and transparent manner; we try to create linkages between our activities and the rest of the economy, facilitating opportunities for local suppliers, entrepreneurs and community enterprise development; and we seek to be as transparent as possible, within the constraints imposed upon us by our host governments, about the source and application of oil revenues.

More information	Page
Special feature: Responsible business	23
Measuring our performance	50

Tullow has a variety of production sharing and tax royalty contracts across its portfolio of exploration and production assets. Typically some 60%-80% of net oil revenues after cost accrue to our host governments. The decisions taken on how this revenue is invested largely determine whether oil is a blessing or a curse. As a foreign company, with no democratic mandate, Tullow cannot and should not be involved in these decisions. But we can work in partnership with others to build capacity and try to ensure that the decisions taken by the politicians and citizens of our host countries are well-informed.

We invest heavily in the recruitment, training and development of our local employees. In part, this is enlightened self-interest. We know that a well-trained and motivated local workforce creates a safer and more productive operating environment, and that the best ambassadors for Tullow in-country are our own employees. But we also believe that by providing on-the-job and classroom training, and scholarships for tertiary education, we are helping to create the next generation of leaders who will drive the economic development of our host countries.

The cornerstone of our contribution to shared prosperity is that we remain a successful and profitable business, able to invest in new projects, meet our obligations to employees and suppliers, generate returns for our shareholders and pay taxes to our host governments. We are committed to maintaining the highest EHS standards, and underpinning all our activities is a dedication to good governance: managing our business in an ethical manner and treating all stakeholders with respect and integrity.

We are under no illusion that the connection between oil and sustainable development is straightforward. The discovery of oil can lead to wrenching changes in local communities and national economies and inevitably gives rise to vigorous debate, with disparate and often conflicting views on how best to utilise the wealth created in the national interest. As we approach this complex issue we seek to apply the same innovative and creative thinking that we bring to the rest of our business. And we know that we will only earn the trust of the local, national and international community if we act in partnership with other stakeholders, with honesty and transparency.

This report charts our progress so far along the journey towards achieving our aspiration of creating shared prosperity from oil, particularly in Africa.



Simon R Thompson
Chairman

CREATING SHARED PROSPERITY

The creating shared prosperity element of our business model brings together eight areas of focus to ensure we have a positive and enduring legacy where we operate. It also helps to establish clear links between the need to both manage our impacts and achieve our strategic priorities.



Financial performance

Delivering returns for shareholders and providers of capital is the Group's core strategic priority and enables us to continue to create and share wealth.



Governance

Managing our business ethically and with integrity ensures we maintain our good reputation and manage bribery and corruption risk effectively.



Stakeholder engagement

Engaging with and responding to all our stakeholders shapes our operating environment and plays a vital role in our continued commercial success.



Environment, Health & Safety

Keeping our people safe and minimising our environmental footprint will help us to consistently achieve top quartile EHS industry performance.



Our people

Being a rewarding, challenging and great place to work builds the pool of talent we need to deliver our major development projects and manage our growing portfolio of assets.



Sustainable supply chain

Building long-term sustainable supplier relationships adds value and protects the business through strong contracting strategies and competitive markets.



Local content

Creating real opportunities for local people and local enterprise development encourages local participation in the oil industry.



Social enterprise

Working with and supporting our local communities, and managing our social footprint with a growing strategic emphasis on education and enterprise development projects.

STRONG PERFORMANCE

The Group had an excellent year in 2011. Record financial results, strong operational performance and industry leading exploration success were underpinned by good progress in key creating shared prosperity initiatives and a strong performance against our corporate responsibility targets and objectives.

\$2.3 BILLION SALES REVENUE

Tullow delivered record financial results in 2011. Sales revenue grew 111% to \$2.3 billion as a result of a 41% increase in sales volumes and significantly higher average oil and gas prices. Profit after tax increased 670% to \$689 million. The Group's financial performance was complemented by a 74% Exploration and Appraisal (E&A) success ratio.

\$1.8 BILLION OPERATING CASH FLOW

Higher production and increased commodity prices drove operating cash flow 132% higher to \$1.8 billion. In 2011 this cash flow, together with increased debt facilities, was used to fund \$1.7 billion in capital investment in exploration and development activities, \$502 million in acquisition expenditure, \$114 million in dividend payments and the servicing of the Group's debt.

795% INCREASE BASIC EARNINGS PER SHARE

Basic earnings per share grew 795% to 72.5 cents per share, and the total dividend payout doubled in respect of 2011 to 12.0 pence per share. Over five years to the end of 2011, Tullow delivered total shareholder returns of 266%.

\$2.9 BILLION UGANDA FARM-DOWN

Tullow's commitment to reaching an agreement that will benefit all parties, and to building durable relationships, was rewarded in early 2012 with the completion of the farm-down of two thirds of our Ugandan licences to CNOOC and Total. This partnership is now ready to commence development of the country's oil industry, which creates the opportunity to transform the economy of Uganda.



More information	Page
Code of Business Conduct	58
Talkback Survey	69

NEW

CODE OF BUSINESS CONDUCT

To date 35% of staff have received Code of Business Conduct compliance training, including those in key or high risk posts. 17 companies in Bangladesh and 72 companies in Kenya have attended industry partner workshops.

NEW

ONLINE SUPPLIER CENTRE

This was created to provide all suppliers, but particularly local companies, with an understanding of how to do business with Tullow. To date over 900 companies have registered with us.

81%

ENGAGEMENT

Our 2011 global employee and contractor survey, Talkback, shows that we are achieving significantly higher levels of engagement than the energy sector benchmark.

TWO

MULTI-STAKEHOLDER FORUMS

We have held two forums since the beginning of 2011. These brought together Tullow senior management and operational teams with leading experts from Civil Society Organisations (CSOs), Non-Governmental Organisations (NGOs), policy organisations and wider business.

\$147 MILLION

LOCAL CONTENT EXPENDITURE

We spent \$147 million with local suppliers in 2011. Expenditure was lower in Ghana due to a natural decrease in activity after achieving First Oil in 2010. Expenditure in Uganda grew 173% to \$73 million as our project there progressed during the year. Expenditure in Kenya was \$24 million.

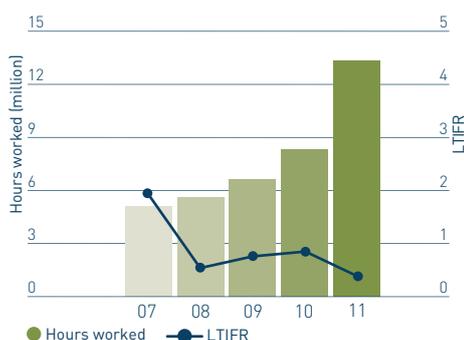
79%

LOCAL WORKFORCE

At the end of 2011, 85% of our workforce in Ghana and 84% in Uganda were local. Localisation is a key strategic pillar for us, as it aligns our business objectives with those of our stakeholders. In the long term it also provides us with a skilled and motivated group of people for development and succession planning.

0.38

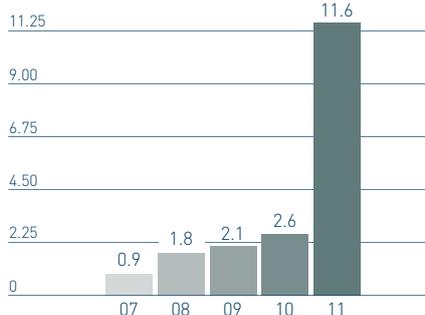
LOST TIME INJURY FREQUENCY RATE (LTIFR)



In 2011, we achieved our lowest LTIFR. While we had no major environmental incidents during the year, there are trends in our emissions, water usage and spills that we are addressing with new standards and enhanced reporting. We are saddened to report one contractor fatality in 2011 from malaria. Year to date in 2012, we have had two third-party vehicle fatalities.

\$11.6 MILLION

SOCIAL ENTERPRISE EXPENDITURE



We spent \$11.6 million on social enterprise projects in 2011. The single largest project funded was the pilot phase of the Tullow Group Scholarship Scheme. Over 80% of our total social enterprise investment was in education, health and enterprise development. 93% of our total social enterprise investment was in Africa.

3.2%

STAFF TURNOVER



Staff turnover in 2011 was 3.2%. Our goal is to be the employer of choice in the industry so that we attract and retain the best people. Talent management and succession planning are very important for our future growth plans and delivery of our major projects.

FOCUSED PORTFOLIO OF WORLD-CLASS ASSETS

In recent years we have discovered two new oil basins in Africa, one in the Tano Basin offshore Ghana, and the other in the Lake Albert Rift Basin, onshore Uganda. Our success in West Africa led us across the Atlantic in 2011 to a related geological play in South America, where we discovered a substantial new oil basin offshore French Guiana. In March 2012, we discovered oil in the Kenya Rift Basin.



LICENCE TO OPERATE

EXPLORATION SURVEYS

EXPLORATION DRILLING

OUR INDUSTRY

In order to explore we must first be granted a licence by the government of the country we wish to invest in. We identify those countries through careful geological evaluation and we focus on finding oil in commercial quantities in the regions and geological plays where we have proven expertise.

We collect seismic data to capture 2D and 3D pictures of what lies beneath the surface. The interpretation of seismic data allows us to gather information without drilling. After extensive analysis we plan exploration campaigns to try and discover oil and gas fields or, more strategically, open up new basins.

In the first instance, we drill an initial well to establish the presence of oil or gas. If there is none, or if it will not be producible, the well is abandoned. When we make a significant discovery, we drill a series of appraisal wells to determine the size and quality of the discovery. Further exploration wells may then be drilled to determine the extent of the geological play over a much larger area.

OUR ACTIVITIES

106 LICENCES

22 countries, three Regional Businesses

SEVEN

New operated licences in Kenya and Ethiopia acquired in 2011

Tullow has 106 licences in 22 countries, spanning 275,895 sq km. The Group is organised into three Regional Businesses: West & North Africa, South & East Africa, and Europe, South America & Asia, and employs a workforce of over 1,500 people.

\$2 BILLION

Planned capital expenditure in 2012

50:50

Split between exploration and development activities

In 2011, Tullow conducted the world's largest high-resolution gravity survey of Kenya and Ethiopia. The data quality is excellent and has strong similarities with the successful survey acquired in Uganda in 2009. The Group conducted seismic surveys in 11 countries in 2011.

74% SUCCESS RATIO

In E&A in 2011

1,743 MMBOE

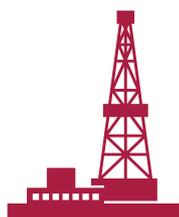
Total reserves and resources

A substantial new oil basin was discovered offshore French Guiana in 2011. Thirty-five exploration and appraisal wells were drilled during the year, of which 26 were successful in finding hydrocarbons. This represents an industry-leading 74% success ratio. A 40-well programme is planned in 2012.

COMMERCIAL QUANTITIES OF OIL AND GAS

Finding new oil and gas is a high-risk and capital intensive task. Making a discovery does not mean that oil and gas will be extracted.

We must first confirm that a discovery is commercially and financially viable to exploit. This is a critical point on the journey towards creating shared prosperity.



DEVELOPMENT OF DISCOVERIES

PRODUCTION OF OIL AND GAS

DECOMMISSIONING

We begin work on a Plan of Development (PoD) once we have confirmed that the oil discovery we have made is commercial. The PoD involves extensive stakeholder engagement and must consider environmental, social, economic and operational issues. These plans are approved by governments and regulatory authorities and their implementation is carefully monitored.

The ultimate goal of any successful development is to achieve production in a safe, environmentally conscientious and cost effective way. On an ongoing basis it is important to maintain the highest levels of safety as an operator, with a strong regard for the environment and with attention to the local communities who may be affected by our work.

Oil and gas production can last many decades and new technologies are helping to extend the life of mature fields. When production ceases, facilities are decommissioned and the location is remediated and reinstated.

THREE

Major development projects in Africa

2015 ONWARDS

Ramp-up in new production from successful completion of developments

Tullow has three major development projects under way. Phase 1A of the Jubilee field in Ghana was approved in January 2012. The PoD for the Tweneboa-Enyenra-Ntomme discoveries (TEN) in Ghana and options for development of the Lake Albert Rift Basin in Uganda are expected to be submitted later in 2012.

35% GROWTH

In production in 2011

78,200 BOEPD

Working interest production

The Group has key producing assets in six countries in Africa, including the Jubilee field in Ghana, where Tullow is operator, and which achieved First Oil in November 2010. Other producing assets are in the UK, the Netherlands, Pakistan and Bangladesh.

Tullow's portfolio of producing assets is a mix of mature and new fields. We are investing to maintain production and maximise extraction in mature fields. New fields are at the start of their lifecycle and decommissioning is likely to be 30+ years into the future.

CREATING SHARED PROSPERITY

Creating shared prosperity is a critical element of our business model and underpins the philosophy of how we aim to run our business. It is part of our commitment to make a meaningful contribution to economic and social development in our host countries.

“Our goal is to achieve the strongest possible external operating environment for our activities and to align this with our ambition to benefit the lives of local people where we operate and improve perceptions of the oil and gas industry. We recognise the scale of this task and that Tullow cannot do it alone.”



Aidan Heavey
Chief Executive Officer

Creating shared prosperity shapes our approach to our corporate responsibilities. It ensures that our business objectives are aligned with our determination to play our role in redressing the underdevelopment of Africa and other emerging regions in our portfolio. We are asking ourselves some big questions about how we want to do business and what our impact is on our local communities and host countries. These questions include those that are raised by our wide and disparate range of stakeholders.

In trying to find the right answers we are investing in the people, tools, projects and relationships that will enable us to realise our vision for creating shared prosperity. We are also building partnerships outside the Group to help us bring some of our plans and ideas to life. The key issues we face on our journey are addressed in this review and throughout this report. More in-depth information is provided on these topics and our performance online at www.tulloil.com/cr

We had an excellent year in 2011. Record results were achieved and industry leading exploration success continued with the opening of a major new basin, offshore French Guiana, together with further discoveries in Africa. Sales revenue grew 111% to \$2.3 billion. Profit after tax grew 670% to \$689 million as a result of a 35% increase in production and significantly higher oil and gas prices. Operating cash flow increased 132% to \$1.8 billion. Basic earnings per share grew 795% to 72.5 cents and the Board doubled the dividend payout to 12.0 pence per share. Capital expenditure exceeded \$1.4 billion during the year, 83% of which was invested in Africa. Our vision, strategy and business model are set out in detail on page 12 of this review. Further information on our performance and strategy is available online at www.tulloil.com/ara2011

Many companies talk about making a contribution and there are lots of good examples of responsible businesses. Tullow's proposition of creating shared prosperity and its underlying activities may not be unique, but our approach is. Increasingly, we appreciate that creating shared prosperity is a complex and multi-faceted challenge. And, while real change in economies



For more information
www.tulloil.com/crr2011/ceointerview

More information	Page
Governance	56
Local content	74

and society can only be seen in hindsight, and takes many years, we can demonstrate the tangible benefits we are delivering and the progress we are making each year through our corporate responsibility initiatives.

How can Tullow's presence benefit the lives of local people?

We have to respect the traditions, culture and way of life of host countries. It is not within our remit to change things that are often based on centuries of belief. We must also abide by the mandate of elected local and national governments. What Tullow can do, however, is help build capacity to support economic growth and through this influence social progress. We can undertake projects and initiatives to change people's circumstances and outcomes by facilitating education, creating employment, building infrastructure, developing local businesses and fostering water and food security. We have plenty of opportunities across our business to make a difference in host countries, particularly for future generations.

How can we change perceptions of the oil industry?

The oil industry does not have a good image. As our Chairman has outlined it is perceived as negative for the environment and historically has distorted local economies in developing regions. Tullow has a unique opportunity to address these perceptions. We are a young company and are in the process of developing two new oil basins in Africa. This means that while we have some significant strategic and operational challenges, we don't suffer from any major legacy issues. This gives us a good starting point. We believe that to change perceptions we must take a long-term view and plan for success. This affects everything from stakeholder management to how we drill our first well or when we commence supplier development. The net result is that we invest up front to ensure that our activities are undertaken with due care and attention. We are also a learning organisation and continue to grow our knowledge and understanding of our impacts and how to optimise local content opportunities and skills transfer.

How do we manage bribery and corruption risk?

We manage bribery and corruption risk in a number of ways. We launched a new Code of Business Conduct in response to both a tightening of the regulatory environment and an increase in the ethical risks we are facing across the Group. We have developed detailed guidance on our expectations of the behaviour, in any circumstances, of our employees, contractors and suppliers and have supported this with policies, systems and training. A Compliance Committee has been formed to guide and challenge the Group Compliance function, and regular compliance presentations are made to the Executive and the Board. In addition, we have become members of Transparency International's Corporate Supporters Forum and we are a supporter of the Extractive Industries Transparency Initiative (EITI). Compliance adds value by ensuring that we meet the requirements of applicable laws, consistently live up to our ethical responsibilities and protect our good reputation.

How did we defend our good name in the face of serious but false allegations of bribery?

We faced serious allegations in Uganda in 2010/2011 that Tullow employees had bribed senior government ministers. These were based on forged documents and we aggressively defended our good name. We worked closely with the UK Serious Fraud Office, the Metropolitan Police, the Ugandan Police and other related authorities. We also published detailed information presented to a Ugandan Parliamentary Ad Hoc Committee to demonstrate our unqualified commitment to being transparent and to upholding high ethical standards. To mitigate any potential damage to Tullow's and the wider industry's reputation, we have undertaken a reputation management programme in Uganda across all our stakeholder groups. During the year, we continued to negotiate with the Government to progress the completion of the farm-down, which occurred in February 2012. We are committed to the success of Uganda and we have already contributed to social enterprise development, local employment, local supplier and institutional development and building capacity for its nascent oil industry. We have been awarded an East African CSR award for our local content approach in Uganda.

ENSURING WE'RE A RESPONSIBLE BUSINESS

In 2011, we have strengthened our operational organisation through a new regional business structure. In this year's special feature we have created individual regional profiles that give an overview of the region and its corporate responsibility performance and initiatives.

West & North Africa

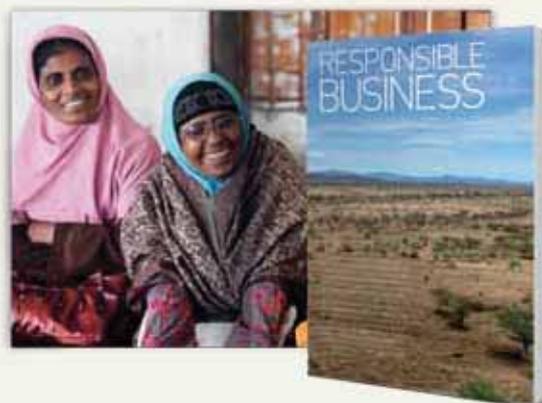
Page 24

South & East Africa

Page 32

Europe, South America & Asia

Page 42



Why do we explore in areas of environmental sensitivity?

From a commercial perspective, most of the easy oil has been found in the world today. Therefore finding big oil, which is core to our exploration-led growth strategy, requires us to look in frontier areas. We are doing this at a time when the industry has a wealth of technical know-how and experience and when the world is demanding very high standards of environmental stewardship and performance. At Tullow, we are committed to combining both. We want to conserve biodiversity, leave a small footprint and undertake our activities in a way that ensures the sustainability of eco-systems. In 2012, the Tullow Oil Environmental Standards (toes) have been significantly revised. We are addressing the issues that arise when working in sensitive areas through our new Biodiversity Standard. We have also developed an Operating in Sensitive Areas strategy which provides guidance on best practice when working in any location classified as sensitive. We have a mandated risk mapping process prior to entering a new area, which can identify all important sites, to help us focus on the key issues and risks of entering such areas. Executive approval is also required before undertaking any activity in a sensitive area.

How can we consistently achieve top quartile EHS performance?

Our biggest priority is to keep people safe and minimise our impact on the environment. To do this, we need to consistently achieve top quartile industry performance in EHS over the long term. We are approaching this objective from a number of perspectives. We have enhanced our EHS capability with a new leadership structure, additional EHS resources in our Regional Businesses, and through the introduction of new toes. We have revised how we manage EHS with new 2012 key performance indicators that focus on encouraging the right behaviours and leadership. We have developed an innovative programme that we are rolling out to employees and contractors to 'Think Forward' for the health and safety of our people and local communities and the wellbeing of the environment.

OUR VISION

To be the leading global independent exploration and production company

OUR STRATEGY

Our exploration-led growth strategy is based on building a balanced resource portfolio that includes a diversified mix of high-impact exploration, near-term development projects and material production growth, underpinned by a strong balance sheet that includes a broad range of funding from cash flow, portfolio management and the capital markets.

Our strategy is focused on building sustainable long-term value growth and our objectives are to deliver substantial returns to shareholders as well as fulfil our commitment to make a positive and lasting contribution where we operate.



OUR VALUES

Focus on results

Strong sense of focus on results, driving tasks and projects through to completion, with the flexibility to adapt to changing situations.

Integrity and respect

Work with integrity and with respect for people and for the environments in which we operate.

Entrepreneurial spirit and initiative

Maintain our entrepreneurial and creative spirit as we challenge ourselves to develop the business and ourselves.

Commitment to Tullow and each other

Work in a collaborative manner, empowering ourselves and others, whilst taking responsibility for our actions.

Learn more about how we are establishing an unrivalled competitive position that differentiates us from our peers. Visit: www.tulloil.com/ara2011SF

OUR BUSINESS MODEL

We create value in two ways. We find oil through successful exploration and strategic acquisitions. We sell oil, by developing to produce or farming down to enhance our portfolio of assets and skills, both of which generate cash flow for reinvestment in the business and support a well funded balance sheet. How we run our business is equally important in enabling us to successfully deliver our business plans and continue our growth strategy. Protecting our business, sustaining our good reputation, maintaining our entrepreneurial culture and contributing to social and economic development are the cornerstones on which we are building our business.

How do we change misconceptions of investing in Africa?

Africa is, in my view, the world's best investment secret. Since 2000, GDP growth has consistently outperformed OECD countries and, in 2012, seven out of the 10 fastest growing economies in the world are forecast to be in Africa. This puts Africa second only to Asia in terms of economic growth. In 2012, Tullow became the founding partner of 'Invest in Africa' (IIA) whose mission is to challenge misconceptions of doing business on the continent. IIA will do this by inspiring new investors to confidently enter new markets in partnership with local businesses in Africa. The plan is to build a coalition of founding partners, whose African expertise, knowledge and networks will foster business opportunities on the continent and act as a bridge for new investment. A sponsorship deal has already been signed with Premiership football club Sunderland AFC to take awareness of the IIA brand and the investment opportunities in Africa to a global audience. More effort has to be geared towards the development of entrepreneurship in Africa as well as building robust regional markets and a strong business environment. This is the vision for Invest in Africa.

“By using the oil industry as a springboard, a much greater opportunity exists for all stakeholders to work together in the interests of achieving more private sector investment and sustained economic growth.”



OUR STRATEGIC PRIORITIES

- 1 Execute selective high-impact exploration and appraisal programmes.
- 2 Safely manage and deliver all major projects and production operations, increasing cash flow and commercial reserves.
- 3 Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.
- 4 Ensure safe people, procedures and operations and minimise environmental impacts.
- 5 Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.
- 6 Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.
- 7 Contribute to ensuring that the success of our industry brings transparent and tangible benefits to local people and national economies where we operate.

How would we rate our progress on creating shared prosperity?

The big challenge is to achieve shared prosperity in a way that is self-sustaining in the longer term. This makes the task complex. We have made good progress in 2011, particularly with some longer-term projects such as developing a model for enterprise centres and technical training, and launching the Tullow Group Scholarship Scheme. While there are a number of well established African owned and managed companies, many small and medium-sized businesses lack the management skills, resources and access to finance to respond to the opportunities presented by the oil industry. For example, the scale of investment in developing the oil industry over the next five to seven years in Uganda makes it one of the largest capital investment programmes in the region. Our goal is to enable local businesses to embrace this commercial opportunity. We have a Group local content strategy which includes contract incentives to promote local content throughout our supply chain. We are now expanding supplier development to include an independent Enterprise Development Centre in Hoima, in the Lake Albert Basin, to strengthen Ugandan business capability in core areas such as accounting, tax, technology and marketing.

We have completed a study to assess opportunities for Ugandan nationals to be employed in the construction workforce required to develop the Lake Albert Basin. As local standards often fall short of those demanded on an oil and gas construction site, training will be required to bring successful applicants up to minimum, internationally recognised, certification and qualification. Our intention is to develop an oil and gas training programme with our joint venture partners, national and local government and education institutions as well as private and public vocational colleges. Part of this project will be to develop Ugandan colleges, through additional facilities and trainer training, to meet minimum standards and to help them build partnerships with established overseas training institutions. Once the construction phase is completed there will be demand for operator and maintenance training and the skilled and experienced construction workforce can be deployed elsewhere in support of diversified economic development.

GOVERNANCE, RISK AND CORPORATE RESPONSIBILITY FRAMEWORK

Tullow has a strong governance and risk framework that gives direct ownership of risk and corporate responsibility to the Board and Executive Directors.



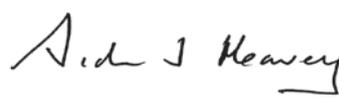
More information	Page
Ghana baseline study	29
Tullow Group Scholarship Scheme	77

In 2011, we moved our social enterprise strategy to the next level, to focus on projects that support capacity building for the oil and gas industry and improve education and training. In 2011, we launched the pilot phase of the Tullow Group Scholarship Scheme with bursaries to 24 Ghanaians from the public sector to study industry related Masters Degrees in the UK. This year up to 110 scholarships will be awarded to local nationals, mainly in Africa.

In 2012, we are undertaking a macro socio-economic study in Ghana to document the impact of Tullow's activities to date and to highlight areas for future development. In Uganda and Kenya we are undertaking socio-economic baseline studies to identify ways that we can mitigate our impacts and create a wide range of social and economic development opportunities. We have also decided to review our social investment strategy in Uganda and Kenya to evolve these into a long-term, measurable set of strategic objectives.

None of this would be possible without the commitment and enthusiasm of Tullow people. Our 2011 global employee and contractor survey demonstrated high levels of engagement as well as some inevitable growing pains. Maintaining and enhancing our culture and building our organisational capacity remain key priorities for the Board.

We are evolving into the leading global independent exploration and production company, giving us a higher profile that attracts more attention and scrutiny. Tullow operates in a diverse political, social and environmental arena and we are dealing with an increasingly complex group of stakeholders. We are making good progress with creating shared prosperity and I look forward to reporting on another year of achievement against our objectives in my next review.



Aidan Heavey
Chief Executive Officer

Tullow's 2012 principal risks and uncertainties in relation to the Group's financial and operational performance are set out in detail in the 2011 Annual Report. These include completion of the Uganda farm-down and timely approvals from Ugandan authorities for basin-wide development, delivery of production targets, exploration and appraisal risks with 40 wells planned in 2012, management of shareholder expectations and strong financial and portfolio management.

Tullow also has a number of specific corporate responsibility risks, in particular government relations and stakeholder engagement, in reference to the 2012 Board objective to significantly improve political and economic risk information and country risk profiling. In addition, the Group has a range of long-term risks, including corporate responsibility risks, which could potentially adversely impact our employees, operations, performance and assets. For more information visit www.tulloil.com/risk

Executive Directors	Aidan Heavey Chief Executive Officer	Graham Martin General Counsel & Company Secretary	Paul McDade Chief Operating Officer	Angus McCoss Exploration Director	Ian Springett Chief Financial Officer
Risk management	External risk	Governance risk	Operational risk	Exploration risk	Financial risk
Risk assurance	Executive team	Compliance Committee	Development & Operations Leadership Team	Global Exploration Leadership Team	Finance Risk Committee
CR Responsibilities	External affairs, Stakeholder engagement, Social performance	People, Localisation, Governance, Ethics, Compliance	Environment, Health & Safety, Crisis management	Information systems management and security	Sustainable supply chain, Local content, Shareholder relations



Environmental team members reviewing GIS data, London office, UK.



STAKEHOLDER PRIORITIES

18

Stakeholder engagement

Building a strong foundation of understanding among our different stakeholder groups can help to secure local buy-in to our operations and ease the path to development.

19

About this report

We prioritise the topics of current and long-term strategic importance to Tullow, along with the topics identified by our stakeholders as being of most significance to them.

20

Why we engage

Our aim is to identify non-technical and reputational risks and to leverage opportunities to support the growth of our business.

23

Special feature: Responsible business

In 2011 we strengthened our organisational structure by creating three Regional Businesses. We take a regional view of our progress on making a lasting and positive contribution wherever we operate.



WORKING WITH INTEGRITY & RESPECT

We work with integrity and respect for people, and for the environments in which we operate.

2

ENGAGING TO SUPPORT TULLOW'S SUCCESS

We engage with a large and diverse set of stakeholders to help us identify and manage non-technical and reputational risks and leverage opportunities to support the growth of our business.

Stakeholder engagement

Tullow's stakeholders include anyone who is impacted by or who can influence the direction or outcome of a Tullow project or of our operations. They are the individuals and groups that we need to engage with on a regular basis to effectively manage our non-technical and reputational risks and leverage opportunities to support business growth.

Among our stakeholder groups are employees, shareholders and other providers of capital, governments (national, regional and local), regulators, policymakers, communities, NGOs and CSOs, the Diaspora, international and local businesses, academics and the media. Every day, and at every level of the business, Tullow people are having conversations with these groups to move our business forward.

Building a strong foundation of understanding among our different stakeholder groups can help to secure local support for our operations. Failure to engage effectively can lead to delays in executing our business plans. It can have serious implications for Tullow's ability to secure a social licence to operate, lead to erosion of shareholder value and make it much more difficult to attract and retain the talent we need.

We are working to improve the way we engage our full range of stakeholders, and over the last 12 months we have begun to develop a more strategic approach to external stakeholder management. This will ensure we are effective in:

- Communicating factual information about our operations and ambitions, so that our stakeholders understand our business and can ask questions and make decisions in an informed way.
- Monitoring social and political risk, enabling us to identify and assess threats to the business, and to address problems early on when they arise.
- Soliciting input and ideas, incorporating these into our business plans, practices and processes.
- Creating a direct link between our social enterprise initiatives and business priorities.

Prioritising our stakeholders

Each Tullow business unit identifies, prioritises and engages the stakeholders that are most relevant to its operations. It does this with central support from the Group External Affairs team, which is responsible for engaging with, and advising on, matters relating to stakeholders with a global reach. The creation of senior external affairs roles for each of our Regional Businesses has meant that Group External Affairs is shifting its focus to delivering corporate policy, standards, guidelines and tools in support of more effective stakeholder management across the organisation.

In 2012/13 we expect this work to enhance our ability to refine and report on our key stakeholder issues. This should help us to move towards the development of the type of performance indicators that we would need to be able to align with the AccountAbility AA1000 Stakeholder Engagement Standard. We may also conduct a gap analysis to understand properly how to move towards implementing this standard effectively.

Understanding our stakeholder issues

We commissioned a global reputation survey in 2011 to gain strategic insights on the company's key external reputation drivers and to benchmark our reputation against other oil and gas companies working in the same areas. The survey canvassed views in Uganda, Ghana, UK, Gabon, French Guiana, Mauritania, Brussels (EU) and USA. Eight stakeholder groups were included in the research sample: business community, regulators, national government, policy makers, NGOs, think tanks, local community leaders and the media.

The results of the survey were cross-referenced with relevant and material issues identified through a range of sources, including other forms of direct engagement with our stakeholders. This gave us an understanding of some required areas of focus for our tactical programme, message content and platforms for each area of operation moving forward. Tullow's strongest reputational asset is being a well-run business. Stakeholders recognised the company has a clear long-term vision, is run by an effective management team and is financially strong.

More information	Page
Stakeholder engagement performance	51
Local content	74

Area for improvement

Tullow's contribution to development, creating shared prosperity, and our ability to listen to and respond to community concerns.

Actions to date

Community engagements have continued to highlight the importance of managing Tullow's social risks as an inclusive part of operational project design and delivery. Topics raised, among others, include land access and acquisition, compensation, resettlement, impact on traditional livelihoods and cultural heritage issues. To manage these risks more effectively as the business grows, we are developing new systems, standards and processes for social impact management, including an improved approach to ESAs, more extensive grassroots stakeholder engagement programmes and more targeted social investment.

In some countries where our level of local content activity is actually high, we received a low rating on local content contribution. Since then we have focused on improving the effectiveness of our communication and engagement through the launch of an online supplier centre. In Ghana our local content team now produces a newsletter for suppliers and has increased its participation in external industry events sponsored by Tullow. Our Ugandan team has run a public information programme about Tullow's supply chain and local supplier development programme, and continues to run workshops for suppliers.

Area for improvement

Provision of accurate information on our activities and listening and responding to stakeholder requests.

Actions to date

In Uganda we have begun to address this in several ways, including work to develop a centralised social information system for stakeholder engagement, baseline data management and land issues. This is complemented by a programme of activities aimed at more effective communication with parliamentarians, two new community information centres and additional 'introduction to oil and gas' courses. Dedicated stakeholder sessions have also been held to provide updates on the company's activities in the Albertine basin.

Area for improvement

Tullow's approach to transparency, particularly in relation to payments to host governments.

Actions to date

The survey was taken before we had announced our decision to become a corporate supporter of EITI and before we had published our Ghana Petroleum Agreements online. Feedback on both initiatives has been positive. We were also asked to be more transparent about our hiring and contracting practices. In addition to specific outreach from the local content teams outlined above, our new Group Localisation Manager engages actively with different groups in-country and abroad to identify prospective skilled employees who are nationals of countries in which we operate.

About this report

This report covers Tullow's corporate responsibility performance for 2011, plus significant events and developments occurring in the first half of 2012. Our goal in this report is to provide an overview of our operations and how corporate responsibility issues are tied to our core business, while discussing in more detail related developments and major events that occurred during the reporting period. We also prioritise the topics of current and long-term strategic importance to Tullow, along with the topics identified by our stakeholders as being of most significance to them. A full basis of reporting is available online at www.tulloil.com/crr2011/bor

Who this report is for

Every year, report contributors from across the business identify the primary audiences they wish to reach through the Corporate Responsibility (CR) report. The output of this year's exercise has identified our key audiences as governments and regulators, shareholders (particularly Socially Responsible Investors), NGOs and Tullow's supply chain. Local communities form a very significant part of our engagement effort, and while their feedback will feature in this report, core outreach to this stakeholder group is through channels such as Community Liaison Officers, town hall meetings and radio programmes.

Sources reviewed in determining the structure and content of this report included:

- Direct feedback and input from our key internal and external stakeholder engagement initiatives
- Input from our operations highlighting pivotal issues
- Tullow policies, guidelines and risk framework
- Peer group reporting
- Internal and external feedback on previous reporting
- External requests for information from CR benchmarking and accreditation organisations
- GRI G3.1 guidelines and the Oil & Gas Sector Supplement

Key topics included in this year's report are: (see page 20 for details)

- Bribery and corruption and transparency of payments (page 58)
- Opportunities for local people and local businesses to enter the supply chain, including employment opportunities with Tullow (pages 68-77)
- Providing transparent, accurate information about our operations (page 60)
- New country entry, operating in sensitive areas and emissions reduction targets (pages 62-67)
- Plans to develop a strong social performance system and processes across Tullow (pages 19 and 36)

WHY WE ENGAGE

MAKING SURE WE ARE THE PARTNER OF CHOICE

Our relationship with national, local and regional governments and industry regulators spans the full lifecycle of our projects, from country entry at the licensing stage to rehabilitation after our work ceases. We engage to provide updates on our operations, solicit input and feedback on our plans, to build institutional capacity for the oil and gas industry and to ensure compliance with regulations governing our industry in each country. We engage through formal meetings, visits to our operations, information programmes for parliamentarians and through initiatives such as our Introduction to Oil and Gas course programme. Being the partner of choice also depends on our ability to listen and respond to community issues and feedback on our projects.

OBTAINING OUR SOCIAL LICENCE TO OPERATE

Oil and gas exploration and development projects can have significant impacts on the lives of the communities where we operate. Regular, face to face engagement helps us to identify and mitigate the key social impacts of our operations, and to understand the concerns and needs of our stakeholders. Our Community Liaison Officers are dedicated to providing information about our projects. They also listen to and discuss grievances and ensure that the people living or working near our operations are kept safe at all times. We also continue our dialogue with CSOs and NGOs at both local and national level, and with the relevant international NGOs. We aim to understand their priorities and challenges, help them to understand our project plans and form partnerships to deliver social enterprise projects.

GROWING SKILLS AND BUILDING CAPACITY FOR OUR INDUSTRY

Tullow has a local supplier development programme designed to provide support to suppliers, not only to enable them to respond to tenders, but also to help them improve their business processes, allowing them to compete with international suppliers. Our Local Content team works to build sustainable and viable supplier networks in host countries and to develop training initiatives. In 2011 Tullow also launched an online supplier centre to provide all suppliers, but particularly local companies, with the opportunity to register their interest to become a supplier. The Centre provides easy access to key information, current opportunities and dates for supplier events such as compliance workshops and seminars.

MAINTAINING OUR ORGANISATION AND CULTURE

An engaged and motivated workforce is essential to Tullow's continued growth and success. Our Internal Communications programme plays a key role in ensuring that Tullow employees worldwide are involved and engaged around the Group's initiatives and activities. This includes supporting visibility of the Board, providing project updates and other news from across the organisation on health and safety, social enterprise projects and initiatives. Employee communication and consultation forms part of our change management approach. It also plays a central role in preserving a values-based entrepreneurial culture as we grow. Our Talkback survey provides a voice to employees and contractors globally to feed back and contribute to the future direction of Tullow in areas such as communications, training, work environment and fair treatment.

KEY ISSUES RAISED

- Providing accurate information on Tullow's activities
- Transparency on employment and contracting policy for local staff and companies
- Commitment to government as a long-term partner
- Improving institutional capacity for the oil and gas industry

- Impact of oil and gas developments on environment and traditional livelihoods
- Employment and supply chain opportunities for members of the local community
- Land rights and access to adequate compensation for damage to or access to land
- Ensuring that local communities receive a fair share of oil revenues
- Accessibility of Tullow scholarships and training at the local level

- Opportunities for local companies to enter our supply chain
- Transparency on Tullow's contracting policy and process
- How local companies can meet industry standards to qualify as a potential supplier
- The need for businesses to receive updates on progress of Tullow's projects/tender opportunities

- Effective change management as our workforce grows at a rate of 20-40% each year
- Ensuring high levels of efficiency as the organisation grows
- Increasing challenges of managing a diverse international pool of talent
- Further embedding our values

ACCESS AND INFLUENCE IN THE CAPITAL MARKETS

Our strategic objective is to deliver substantial returns to shareholders. This ensures that we can continue to pursue our business plans and invest in creating shared prosperity. Tullow has a very active investor relations programme through which the CEO, the CFO, the other Executive Directors and Senior Management regularly meet major shareholders. In 2011, 370 investor meetings were held, presentations were made at 15 international conferences and 18 broker sales team briefings were conducted. We also engage with Socially Responsible Investors through investor meetings, roadshows, invitations to our multi-stakeholder meetings and by answering direct enquiries and SRI benchmarking questionnaires.

INDUSTRY AND PEER GROUP ISSUES AND BENCHMARKING

We maintain a number of industry memberships and affiliations that enable us to participate in, learn from and contribute to industry issues and benchmark our practices, particularly in operational areas. These affiliations cover areas such as transparency, human rights, oil spill response and industry reporting standards and we seek independent critiques of our reporting and communications from a variety of stakeholders. All of these help to ensure we adopt relevant good practices from our industry, contributing to our competitive edge, and maintain an appropriate level of dialogue and transparency around our operations.

BUILDING AND MAINTAINING OUR REPUTATION

Beyond targeted engagement with specific stakeholder groups, we work hard to tell the Tullow story to a wide audience. We participate in national government sponsored public dialogue on the oil and gas industry and look for opportunities to explain our approach to creating shared prosperity to the Diaspora and diplomatic representatives of each of our countries of operation and locally. We also sponsor events focused on promoting Africa as an investment destination and engage with international universities on identifying potential sources of African talent for our business. We engage with the media to inform and engage on industry and Tullow related issues, we commission stakeholder perception surveys and respond to corporate responsibility benchmarking and accreditation surveys.

2012 BOARD RISK MANAGEMENT OBJECTIVES

Continue to ensure that the Group's financial and operating risks are identified and that adequate systems are in place to monitor and mitigate them, with a particular focus on:

- 1 External Stakeholder Relationships
- 2 Portfolio management
- 3 Improving the quality of Board reporting on evolving risks
- 4 Building organisational capacity
- 5 EHS and asset integrity; and
- 6 Maintaining and enhancing the Tullow culture

- Setting meaningful emissions reduction targets
- Transparency on payments to governments
- Bribery and corruption risks faced and implementation of the UK Bribery and Corruption legislation
- Providing transparent, accurate updates on key areas of corporate responsibility progress
- The need for clarity on Tullow's approach to operating in sensitive areas

- Bribery and corruption risks faced and implementation of the UK Bribery and Corruption legislation
- Transparency on payments to governments
- Operating in sensitive areas, particularly World Heritage Sites
- Industry solutions to oil spill response issues
- Human Rights and Security and implementation of the Ruggie Principles

- Opportunities to enter the Tullow supply chain in Africa
- How to avoid the 'Oil Curse' in new oil producing countries – lack of economic diversification
- Employment opportunities with Tullow in Africa
- Providing information on Tullow's activities
- Responding to allegations of bribery and corruption in Uganda

External sustainability initiatives and standards

We maintain a number of industry memberships and affiliations which enable us to engage with our industry peers in discussions around industry issues and to benchmark our practices:

- We have become a member of Transparency International's Corporate Supporters Forum.
- We are corporate supporters of EITI. We are also actively involved in the EITI implementation process in the countries in which we operate that are implementing the EITI standard. Our payments under the Deepwater Tano and Westcape Three Points Petroleum Agreements are published on page 83 of this report, and online.
- We report our greenhouse gas (GHG) emissions through the Carbon Disclosure Project and participate in independent environmental, social and governance performance research such as the EIRIS and Vigeo surveys.
- We are a full participant member of Oil Spill Response Limited (OSRL) and through our membership of Oil & Gas UK we have participated in the Oil Spill Prevention and Response Advisory Group (OSPRAG).
- We have requested admission to the Voluntary Principles on Security and Human Rights. We have also conducted a gap analysis to understand implications for operationalising the Guiding Principles for the UN 'Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights' (the Ruggie Principles). These will be used by Tullow as a guide to developing our Human Rights policy.
- During 2011 we conducted a gap analysis to understand our FTSE4Good rating. While Tullow scores reasonably well against most of the FTSE4Good criteria, our current lack of quantitative climate change targets means that improving our score in this area remains a challenge.
- We have reviewed the services and opportunities for knowledge sharing and engagement available through membership of the International Petroleum Industry Environmental Conservation Association (IPIECA). This review has led us to conclude that we would benefit from wider interaction on social responsibility issues such as human rights, social impact assessments and indigenous peoples in countries where we operate, and we are currently talking to IPIECA about becoming a member.

Applying the GRI G3.1 Guidelines

This report applies the Global Initiative G3.1 Guidelines and Oil and Gas Sector Supplement, which are designed to help organisations to measure and report on their economic, environmental and social performance over time.

A full GRI content index for this report, and covering elements of our 2011 Annual Report and website, can be found online at www.tulloil.com/crr2011/gri

GRI has not assured this report, and the GRI Application Level Check is not a form of assurance. Deloitte provide limited assurance on this report – more information is found on page 80.

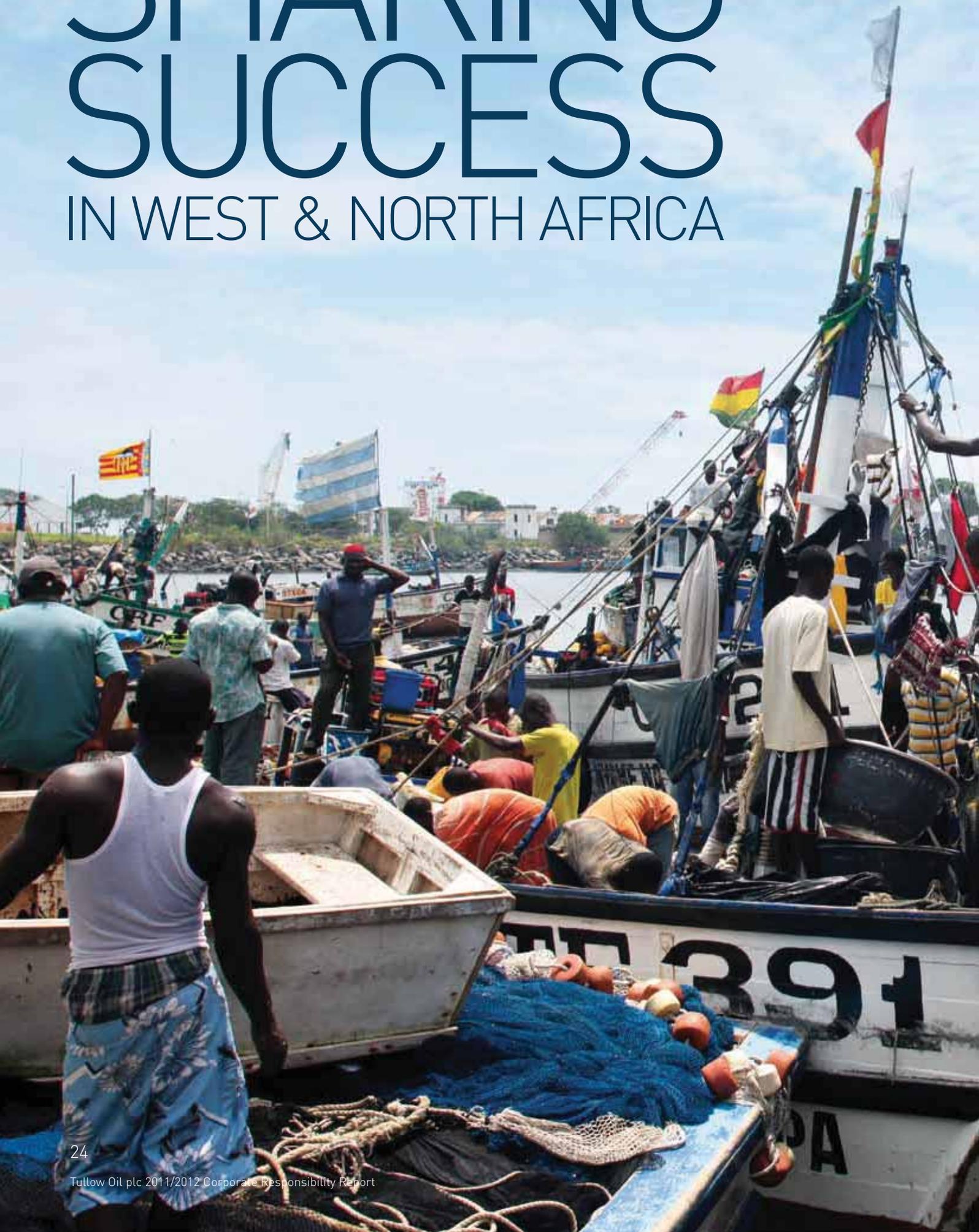


RESPONSIBLE BUSINESS

Creating shared prosperity shapes our approach to our corporate responsibilities. It ensures that our strategic priorities and business objectives are aligned with our commitment to play our role in contributing to the development of new oil countries in our portfolio of assets. We know we will only earn the trust of the local, national and international community, and change perceptions of the oil industry, if we act as a responsible business with honesty and transparency. Our special feature provides a Regional Business overview of our progress with creating shared prosperity and highlights some of the key initiatives in each country.

SHARING SUCCESS

IN WEST & NORTH AFRICA





SHARING SUCCESS

West & North Africa is the largest Regional Business in the Group. In 2011, it represented 73% of our working interest production, 84% of our sales revenue and 38% of our reserves and resources.

Nine
Countries

374
Employees

42
Licences

66,425 sq km
Licence acreage

657.8 MMBOE
Reserves & resources

57,400 BOEPD
Working interest production

\$1,944 MILLION
Sales revenue

\$768 MILLION
2012 forecast
capital expenditure

Key

-  Key producing asset
-  Compliance training and forums
-  Community Liaison team in-country
-  EHS data reported
-  Tullow employees (2011)
-  Local content expenditure reported
-  Tullow Group Scholarship Scheme

2011 drilling activity

 Offshore	 Onshore
--	---

E Exploration	P Production
D Development	★ Key office

Currently all our African production comes from this region, including the world-class Jubilee field, offshore Ghana. West & North Africa also has high-impact exploration acreage in seven countries.

In this section you will find fast facts about West & North Africa including financial, environmental and corporate responsibility data. There is also a summary overview of our operations together with the key corporate responsibility initiatives in each country. These are a reflection of operatorship or licence ownership as well as the current level of activity being undertaken.

In addition, we have included a special section on Ghana which is the main operating and development focus for this region in 2012.

MAURITANIA    

Non-operated production.

The Group is looking to replicate the success of its West African exploration in Mauritania. Tullow has significant acreage of 29,488 sq km extending along 750 km of coastline and is planning a number of exploration activities across its various exploration licences in the Mauritania-Senegal basin during 2012. In 2012, five postgraduate scholarships will be awarded in Mauritania under the Tullow Group Scholarship Scheme.

SENEGAL 

In 1986, Tullow signed its first ever licence agreement in Senegal. Tullow now operates the 2,807 sq km St Louis exploration licence. Our 2011 social enterprise projects in Senegal mainly focused on local fish processing enterprises to contribute to improving living conditions.

CONGO (BRAZZAVILLE) 

Non-operated production.

CÔTE D'IVOIRE   

Non-operated production. In June 2012 we announced that the Paon-1X exploration well had discovered oil, in the CI-103 licence.

In 2011, we provided emergency funding to help a local women's association back into business so they could support their families. The funds also renovated a damaged hospital on the outskirts of Abidjan, and repaired roofing and power supplies in 21 primary schools. This year five postgraduate scholarships will be awarded by the Tullow Group Scholarship Scheme.

EQUATORIAL GUINEA 

Non-operated production.

GABON   

Non-operated production.

During 2011, our social enterprise investment was focused on education projects. This included equipping the country's first HIV/AIDS training and drop-in centres for Gabon's youth in Libreville and the neighbouring town of Owendo, and the renovation of a primary school and kindergarten. A multimedia training centre was also set up in Ntoun, 38 km east of Libreville. This is to build local capacity in line with Gabon's national initiatives to build a better qualified national workforce. In 2012, 10 postgraduate scholarships will be awarded by the Tullow Group Scholarship Scheme.

IN FOCUS GHANA



\$930.3 MILLION

Sales revenue

\$496.6 MILLION

2012 forecast capital expenditure



239

Employees

85%

Local employees



\$46.9 MILLION

Spent with local suppliers

1,223

Contracts awarded to local suppliers



\$4.1 MILLION

Social investment

24

Scholarships awarded in the Tullow Group Scholarship Scheme pilot phase, 2011

50

Additional scholarships to be awarded in 2012



Employing Ghanaians

Our operations in Ghana, incorporating offices in Accra and Takoradi, account for most of our regional headcount. We have a commitment to developing an industry run by Ghanaians and at the end of 2011 85% of our employees in Ghana were local. We continue to invest in training and development to increase the skills of local employees and to build a succession plan for managerial and technical roles.



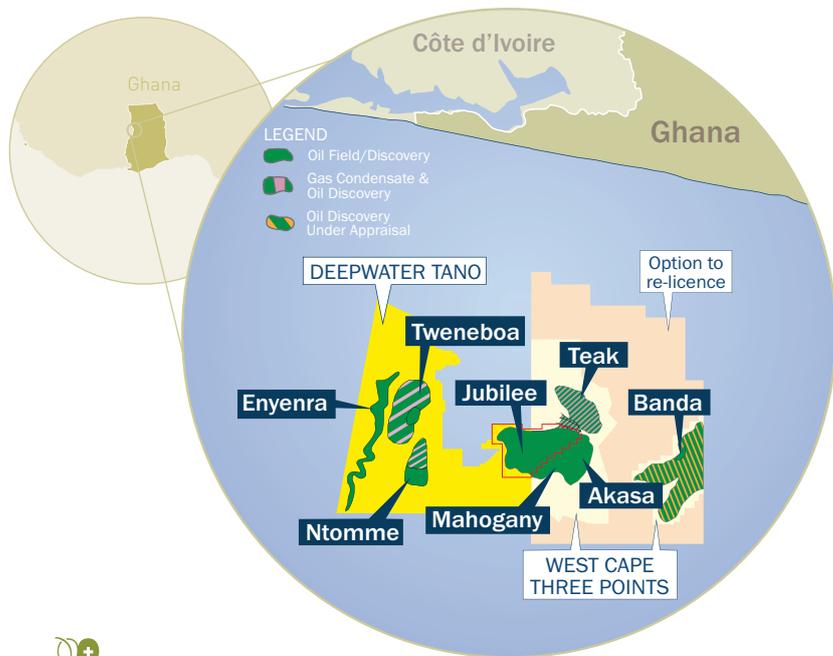
Developing local suppliers

In 2011, we spent almost \$47 million with local suppliers. This was substantially down compared with 2010, mainly due to the changing nature of our activities during the year, post First Oil in 2010. We continued to host workshops and seminars for potential suppliers as part of our 'Closing the Gap' programme, which focuses on helping local suppliers to achieve the standards required in key areas such as environment, health and safety. Phase 1A of the Jubilee field and the TEN development will provide significant further opportunities for local suppliers to participate in activities associated with our industry.



Investing in building capacity

Along with our initiatives to help develop local businesses, we are investing in building capacity in our host countries through the Tullow Group Scholarship Scheme. 70 postgraduate scholarships have been allocated to West & North Africa for 2012, 50 of these to Ghana. These scholarships, which are administered by the British Council, will allow applicants to study oil and gas related Masters Degrees, and other non-related courses, before they return to work in host country institutions. Increased capacity will assist our host countries in developing their oil and gas industries and enhance our relationships with stakeholders, which strengthens Tullow's operating environment.



The Jubilee field was discovered in 2007 and production began in late 2010. Another major discovery was made further along the coast in 2009 and since then a successful exploration and appraisal campaign has resulted in the Tweneboa-Enyenra-Ntomme commercial discoveries, now collectively known as the TEN Project. Technical work on TEN is progressing to plan and the schedule to submit the PoD to the Minister of Energy is on track for submission during the third quarter of 2012. Phase 1A development of the Jubilee field was approved in January 2012.



Enhancing our EHS processes

Tullow Ghana's environmental management system was ISO 14001 certified in late 2011. In April 2012, we undertook the annual independent external verification of implementation and monitoring of the Environmental and Social Action Plan for the Jubilee Phase 1 development project as part of Tullow's commitments to the International Finance Corporation (IFC). This review involved field visits to the FPSO and support locations such as the Takoradi Shore Base and meetings with Tullow personnel and local stakeholders including fishing communities. No instances of non-compliance were found.

The FPSO has achieved a best-in-class safety performance from its arrival in Ghanaian waters in June 2010 to the early months of 2012. Since then there has been a diesel discharge from the FPSO and a High Potential Incident on one of our rigs. In addition, there has also been a third party driving fatality in Ghana. A 2012 deliverable for the Tullow Ghana team is a gap analysis and self-assessment against the Tullow Oil Environmental Standards (toes) and the Tullow Safety Rules.



Engaging our stakeholders

To date, much of our community engagement activity in Ghana has centred on Western Region fishing communities, focusing on health, education, environmental, and enterprise development activities. Our engagement programme is driven by community concerns and requests for assistance from key stakeholder groups. The work is executed by members of the Tullow Ghana Corporate Affairs team in Takoradi and Accra and supported by six Community Liaison Officers. Our programme includes project design and delivery, stakeholder engagement, community support activities and grievance management. CLOs provide an essential reference point in each community for managing grievances, receiving project proposals/donations requests, maintaining day-to-day relationships with key stakeholders, and supporting ongoing project activity.

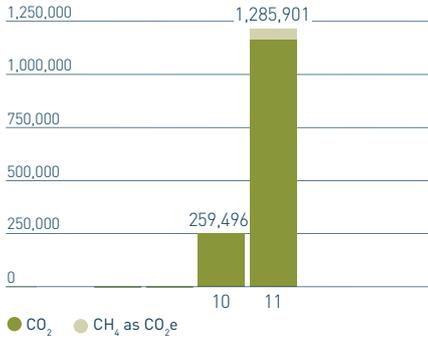
Tullow's social enterprise projects reflect an effort to address stakeholder concerns in a way that attends to community needs and, at the same time, provide a valuable return to Tullow. We are currently supporting a multi-year intervention in the health sector in partnership with the Ghana Health Service and implemented through Jhpiego, an international not-for-profit health organisation affiliated with Johns Hopkins University. Significant infrastructure development projects support both educational and health facilities in partnership with Ghanaian institutions. These include hospital rehabilitation, science laboratory modifications, and classroom/school facilities construction. Our investment in training and skills development at the community level is helping to develop community health workers, entrepreneurs, students, unemployed youth and fisher folks.

Five years after discovery of the Jubilee field, and 18 months into production, Tullow is taking the opportunity to review the socio-economic footprint of its activities in Ghana. This is to consider how the key identified areas of progress might be best harnessed for the future development of the country, and learn lessons for the future. We have commissioned an independent report aimed at providing an account of the past, current and likely future impact of Tullow's activities on Ghana's economy, society and environment. Impacts to be measured include taxes and revenues (economic), local content (including local suppliers, employment and training), social impacts, social enterprise projects, business standards (ethics and transparency) and EHS standards. The report, which will be published in early 2013, will make recommendations in pursuit of a positive sustainable legacy for the development of Ghana's oil and gas industry.

HOW WE PERFORMED IN 2011

Greenhouse gas emissions

1,285,901 TONNES



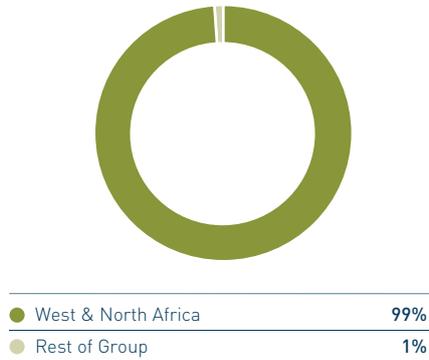
Greenhouse gas (GHG) emissions for 2011 accounted for around 93% of Group total emissions. GHG emissions from the FPSO were the most significant contributor to the overall increase in GHG emissions for Tullow during the year.

Tonnes CH₄ as CO₂ equivalent is calculated as tonnes CH₄ x 21, where 21 is the conversion factor used to give methane in terms of CO₂e.

CO₂e figures have not been assured by Deloitte, however figures for CO₂ and CH₄ emissions have been assured.

Water usage

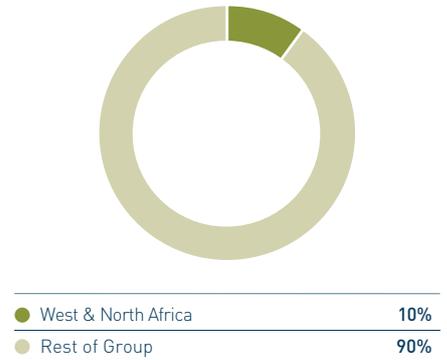
10,275,448 m³



The Group's water usage during 2011 saw a large increase compared with 2010, primarily due to water injection from the FPSO into the Jubilee field reservoir. The Jubilee field is offshore Ghana and Group water usage was therefore 99% seawater and 1% fresh water for 2011.

Waste produced

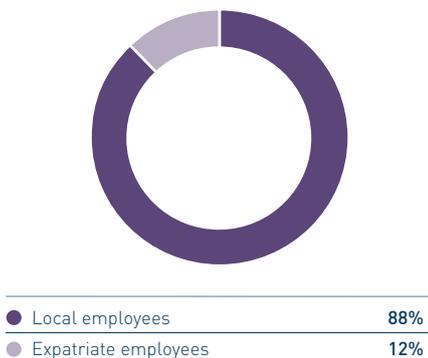
3,199 tonnes



Tullow has started recording waste data in 2011. West & North Africa accounted for 10% of waste produced during 2011, with operations in Ghana contributing almost all of this figure.

Local employees

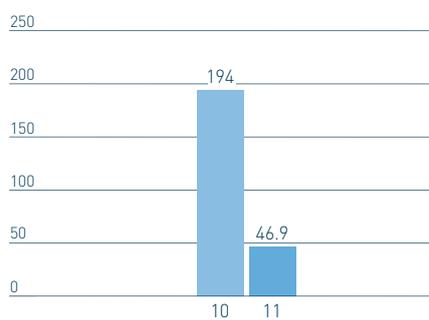
88%



At the end of 2011, local employees and contractors in Accra and Takoradi numbered 210 in total.

Local supplier expenditure, Ghana

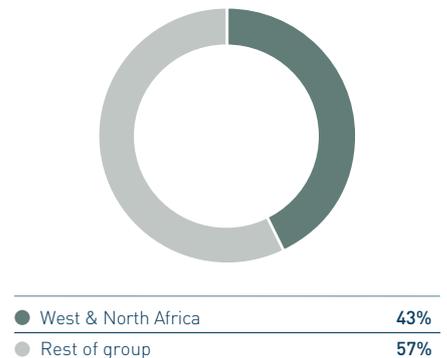
\$46.9 MILLION



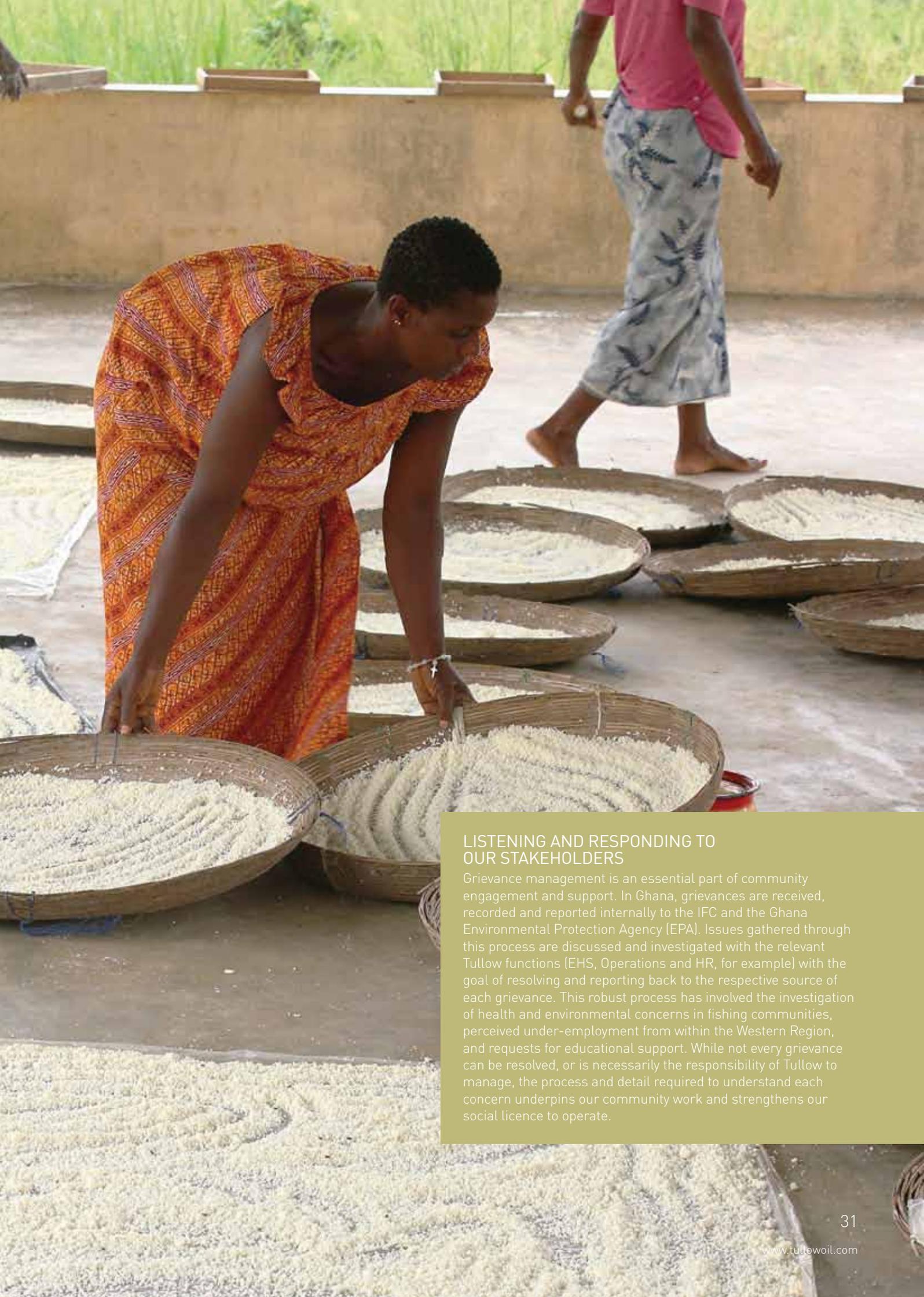
\$46.9m was spent with local suppliers in Ghana during 2011. The decrease relates to the level and nature of our activities during a given year. During 2010 we built towards First Oil from the Jubilee field, requiring intense activity. We expect spend on local suppliers to increase again with forthcoming activities in Ghana.

Social enterprise expenditure

\$5 MILLION



The single largest project in our social enterprise programme in 2011 was the Tullow Group Scholarship Scheme pilot phase, which was delivered in Ghana and represented \$1.5 million of the total Group social enterprise spend. In 2012 the Scheme is being rolled-out in several other countries in the region.

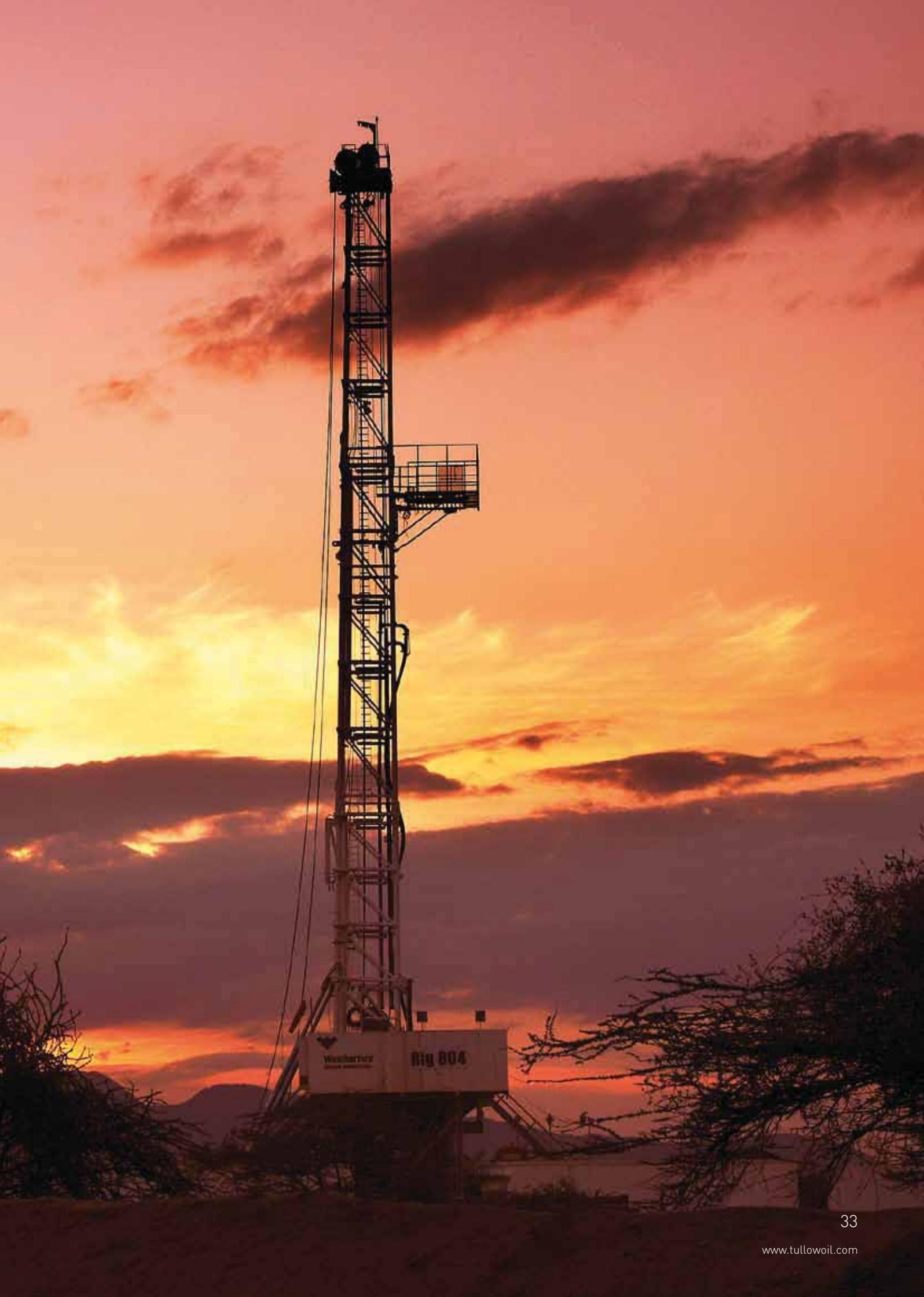


LISTENING AND RESPONDING TO OUR STAKEHOLDERS

Grievance management is an essential part of community engagement and support. In Ghana, grievances are received, recorded and reported internally to the IFC and the Ghana Environmental Protection Agency (EPA). Issues gathered through this process are discussed and investigated with the relevant Tullow functions (EHS, Operations and HR, for example) with the goal of resolving and reporting back to the respective source of each grievance. This robust process has involved the investigation of health and environmental concerns in fishing communities, perceived under-employment from within the Western Region, and requests for educational support. While not every grievance can be resolved, or is necessarily the responsibility of Tullow to manage, the process and detail required to understand each concern underpins our community work and strengthens our social licence to operate.

BUILDING TRUST

IN SOUTH & EAST AFRICA



Weatherford

Rig 804

BUILDING TRUST

We have licences in six countries in South & East Africa. Our activities in the region centre on a major development project in Uganda and high-impact exploration in Kenya and Ethiopia. In March 2012, oil was discovered in the Kenya Rift Basin.

SIX
Countries

297
Employees

18
Licences

151,677 sq km
Licence acreage

964 MMBOE
Reserves & resources

\$426 MILLION
2012 forecast capital expenditure

Key

-  Key producing asset
-  Compliance training and forums
-  Community Liaison team in-country
-  EHS data reported
-  Tullow employees (2011)
-  Local content expenditure reported
-  Tullow Group Scholarship Scheme

2011 drilling activity

-  Offshore
-  Onshore
- E** Exploration
- D** Development
-  Key office

For more detailed operations and major projects information
www.tulloil.com/ourbusiness

The latest operations news is available @
www.tulloil.com/news

South & East Africa is an exciting region for Tullow. The successful farm-down of two-thirds of our acreage in Uganda positions us well to commence development and construction of one of the largest capital investment programmes in the region in the next five to seven years.

The discovery of oil in the Kenya Rift Basin has opened up the opportunity for a multi-well campaign in Kenya and Ethiopia, across vast acreage.

Our corporate responsibility activities in this region are developing quickly, particularly as we try to manage our social impacts in remote onshore areas with large and diverse communities.

In focus countries in this section are Ethiopia, Kenya and Uganda.

ETHIOPIA 

Tullow has a 50% operated interest in the South Omo Block in Ethiopia. A 1,000 km 2D seismic programme in this block was completed in 2012, and we plan to drill a well in the South Omo Block in the fourth quarter of 2012.

KENYA 

Tullow has a 50% operated interest in seven onshore licences in the Kenya & Ethiopia Rift Basins covering in excess of 100,000 sq km. In 2012, the Group announced that oil had been discovered in the Kenya Rift Basin. The Ngamia structure is the first prospect to be drilled as part of a multi-well drilling campaign in Kenya, with three wells planned in 2012. The basin where the discovery has been made is one of seven basins mapped in Tullow's acreage and is similar in size to the Lake Albert Rift Basin in Uganda.

MADAGASCAR 

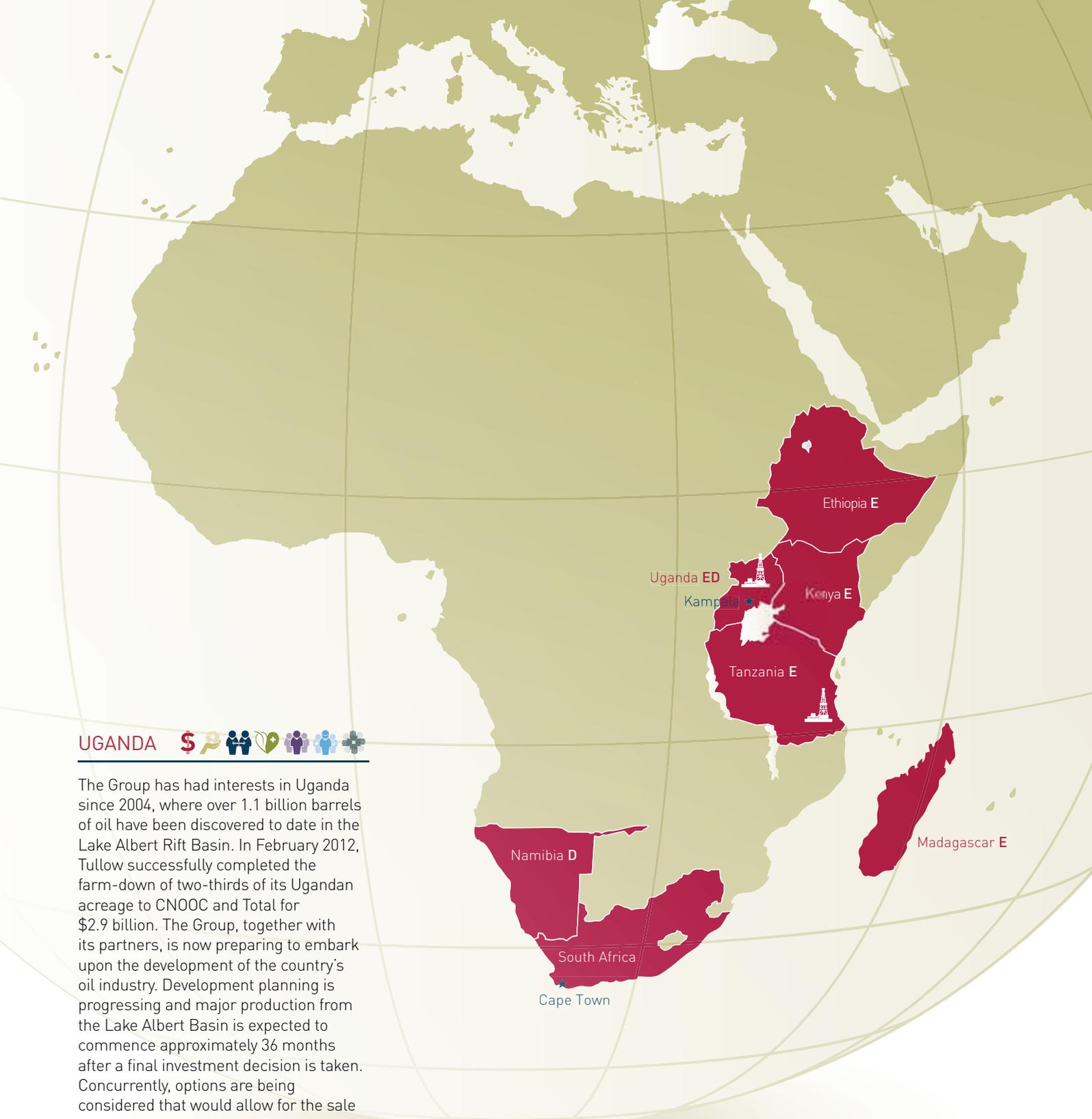
In Madagascar, Tullow has had an exploration interest in the onshore Mandabe licence since 2005. Since then, Tullow has added the Berenty licence and together these two exploration licences cover 20,100 sq km. In 2011, the Group undertook over 450 km of 2D seismic data acquisition, which is in the final stages of processing. Based on encouraging data, further seismic is planned and the intention is to use this data to select exploration drilling locations. A farm-out process is also planned to reduce Tullow's equity participation to 50%.

NAMIBIA 

In Namibia, Tullow is working towards the development of the Kudu gas field located 170 km offshore the south-west coast. Following the award of a new 25 year Production Licence in November 2011, design concepts for both offshore development and the Power Station have been agreed and Front End Engineering Design (FEED) tenders are ready to be issued upon finalisation of the commercial agreements. An investment decision is targeted for late 2012, which could mean the delivery of gas and power generation in 2016.

TANZANIA

In November 2011, Tullow farmed down half its 50% interest in the Lindi and Mtwara Blocks in Tanzania to its partners. Subsequently, Tullow has withdrawn from this licence.



UGANDA

The Group has had interests in Uganda since 2004, where over 1.1 billion barrels of oil have been discovered to date in the Lake Albert Rift Basin. In February 2012, Tullow successfully completed the farm-down of two-thirds of its Ugandan acreage to CNOOC and Total for \$2.9 billion. The Group, together with its partners, is now preparing to embark upon the development of the country's oil industry. Development planning is progressing and major production from the Lake Albert Basin is expected to commence approximately 36 months after a final investment decision is taken. Concurrently, options are being considered that would allow for the sale of small volumes of crude from well testing as well as some potential small scale power projects. The partnership expects to submit options for development of the Lake Albert Basin to the Government later this year. These options are primarily premised on the development of a crude export pipeline. Capital investment in 2012 is expected to be \$262 million.

IN FOCUS UGANDA

\$
\$2.9 BILLION
Farm-down of Uganda acreage completed in February 2012

\$262 MILLION
2012 forecast capital investment


175
Employees

84%
Local employees


\$73.1 MILLION
Spent with local suppliers, up 173%

1,049
Contracts awarded to local suppliers


\$5.1 MILLION
Social enterprise expenditure, 2011

20
Tullow Group Scholarships being awarded in 2012


NINE
Community Liaison Officers

OVER 200
Participants in oil and gas courses

“We aim to conduct all our business across the region with due care for the environment and for the communities we work in. We want Tullow to be the partner of choice in South & East Africa and this means we are taking a long-term perspective in managing our activities ethically and responsibly.”

Martyn Morris
Regional Business Manager, South & East Africa



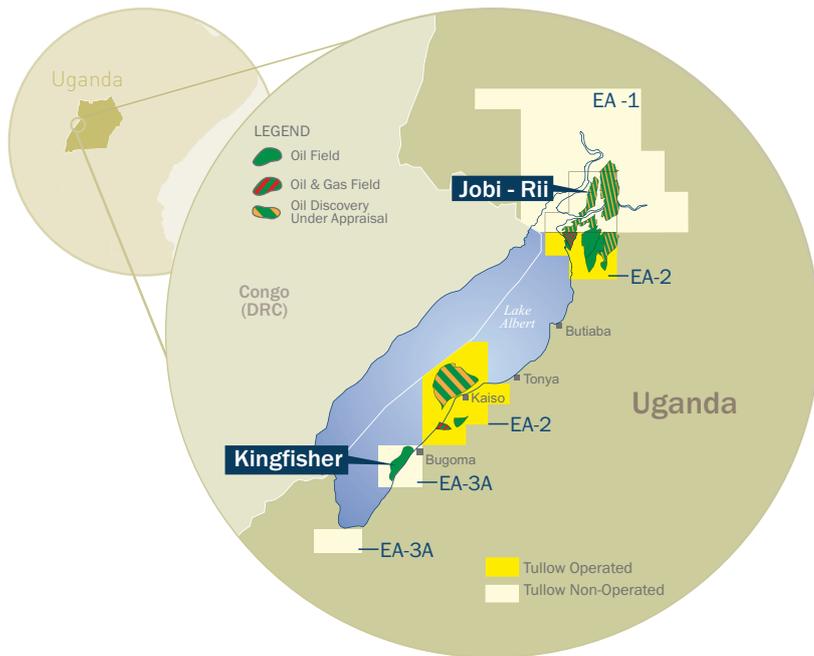
Responsibly managing our social performance

As we progress towards the development phase, we recognise the importance of responsibly managing our social and environmental impacts. Earlier this year we created a dedicated department which will be responsible for the identification, assessment and management of social and socio-economic impacts throughout the development and construction phase into production. This department will also manage a multitude of stakeholder engagements with impacted communities, NGOs, civil society organisations and religious and traditional leaders.



Keeping communities informed

We have a team of Community Liaison Officers (CLOs) in the Lake Albert area working alongside our operations teams. Their activities to date have focused on keeping local communities informed about our progress and addressing stakeholder concerns. In recent months there has been considerable engagement to support the introduction of our partners. CLOs from across the partner organisations have worked together to consult with local communities and other stakeholders on ongoing operational activities and associated timeframes. We continued to run introductory oil and gas courses for external stakeholders in Uganda. During 2011 more than 200 participants from a wide cross-section of stakeholders, including national, district and local governments, NGOs, media and traditional leaders, benefited from these programmes.



In accordance with the Government of Uganda farm-down consents, completed February 2012, operatorship responsibilities within the basin will be divided between the Partners. Total will operate Exploration Area-1 (EA-1) and Tullow will operate Exploration Area-2 (EA-2). CNOOC Limited will operate the new Kanywataba licence and the Kingfisher production licence in the former Exploration Area-3A.

The Partners have recommenced drilling activities in the area as part of a wide-ranging exploration and appraisal programme in 2012. Immediate exploration priorities include drilling the Kanywataba prospect, a series of prospects west of the Nile, starting with the Omuka well in EA-1 and further appraisal work in both EA-1 and EA-2.



Developing the capability of local staff

Tullow employs 175 people in Uganda, 84% of whom are local employees. The primary localisation challenge for Tullow remains the availability of suitably qualified Ugandans in the core petroleum technical disciplines such as geoscience, reservoir, petroleum and well engineering. Initiatives such as mentoring and competency development are being deployed with the intention of bridging this gap and developing the long-term capability of local staff.

In 2011, funding was provided for five Uganda Masters students to pursue seismic related research in Uganda. In November, a further five Ugandan Field Operations Supervisors began six-month training programmes at TTE, a technical training college in the UK. We currently have three Ugandan Graduate Geoscientists on secondments in London, following Tullow-sponsored Masters Degrees at UK universities, and anticipate taking on more graduates from Uganda in the near future. An active employee engagement programme is also under way to keep Tullow Uganda staff fully informed of progress associated with development planning and ongoing exploration and appraisal activities, including regular meetings with Tullow Group management.



Evolving our social investment strategy

In 2011, we invested \$5.1 million in social projects in Uganda. This represents almost 45% of total Group social investment and 90% of social investment in the region. The majority of this investment was in local communities with a particular focus on health, education and enterprise development. In 2012, we are undertaking a socio-economic baseline survey and a comprehensive review of our existing social investment activities in Uganda. The baseline, together with the social investment review, will inform our evolving Ugandan social investment strategy and ensure we support the needs of our local communities and align more closely with our business activities.



Fostering local business

Through our supply chain we are working with local suppliers and helping them to develop skills to deliver goods and services to international standards. Local content expenditure increased 173% to \$73.1 million in Uganda in 2011, 54% of the total value of contracts awarded during the year. 1,049 contracts were awarded to Ugandan suppliers which represents 81% of the total number of contracts awarded. As we progress towards the development phase greater opportunities will become available throughout the industry's supply chain and within the wider economy. We are undertaking a public information programme about Tullow's supply chain and local supplier development programme to ensure that as many potential suppliers and interested parties as possible can participate in our activities and upcoming opportunities and events.

In 2011, we partnered with Traidlinks, an Irish not-for-profit organisation, which aims to strengthen Irish-Ugandan partnerships in business and trade development, to support the development of small and medium-size enterprises. In May 2012 the pilot phase of an Enterprise Centre in Hoima commenced. This centre will provide a range of services which aim to foster local businesses and help them grow and ideally become part of the industry's supply chain. We are hoping that this will become a blueprint for the development of Enterprise Centres throughout our areas of operation.

IN FOCUS KENYA & ETHIOPIA

\$
\$115 MILLION
Forecast capital expenditure


37 EMPLOYEES
89% of whom are local


\$24 MILLION
Spent with local suppliers


OVER \$275,000
Social enterprise expenditure, 2011

15
Tullow Group Scholarships
being awarded in 2012



Building community relationships

During 2011, four CLOs were employed in Kenya and three in Ethiopia in preparation for exploration activities. The logistics of local stakeholder engagement in this region is hugely challenging given the size of the combined acreage. In addition, many of the local communities are nomadic and there are a number of inter-community conflicts. During the year we conducted an introductory course to the oil and gas industry in Kenya and we are currently planning to co-host a second course with a local provider, with a view to building local capacity in the delivery of such training. We have also run a short introductory course for government and other stakeholders in Ethiopia.



Understanding the socio-economic context

As in Uganda, we are establishing a dedicated social performance department in Kenya given the social and socio-economic challenges of operating in this particular region. We have recently completed the first phase of a social baseline survey and will tender for a comprehensive socio-economic baseline survey in the coming months. This will help us to gain a thorough understanding of the existing social and economic context such that we are able to measure our impacts, both positive and negative, in future. The baseline will also inform the development of our long-term social investment strategy.



Increasing our social investment

Our social investment in any country accounts for the level of exploration activity, the likely impacts of those operations and the needs and wishes of local communities. In Kenya, together with our partners, we have invested in the provision of education, healthcare and access to water within our areas of operation. Our work programme has increased in scope following the oil discovery in Kenya and our social investment strategy is evolving into one with a longer-term outlook.

In Ethiopia, road accidents are commonplace and the medical service is not well equipped to deal with such incidents. As a result we are investing in trauma-related nurse training. We have also made investments in the provision of clean water and funded school furniture and other materials.

In 2012, Kenya will receive 10 scholarships and Ethiopia will receive five scholarships under the Tullow Group Scholarship Scheme, designed in part to build capacity in national institutions in new oil countries.



Building local capacity

We are also committed to building local content as early as possible in our activities and have already engaged with and contracted several local suppliers in Kenya. In 2011, we spent \$24 million with local suppliers in Kenya. In addition, we hosted a logistics supplier forum in Ethiopia in May this year to enable us to identify and support local companies who can bring in the requisite goods and services we need in preparation for the first exploration well there in the fourth quarter of 2012.



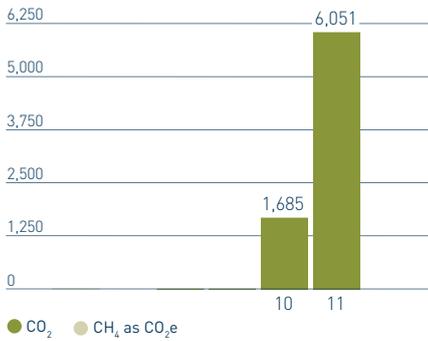
THE ENVIRONMENT

Our activities in South & East Africa are in the Great Rift Valley, which encompasses Kenya, Uganda, Ethiopia and Tanzania. It is a varied terrain and environment with mountains and deep valleys, freshwater lakes, national parks and internationally protected areas such as World Heritage sites. It is a region of major human evolution discoveries and considered to be the cradle of mankind. These sensitive and highly valued areas present unique challenges in minimising the impact that our operations have on wildlife, tourism, fisheries and land use. We are committed to applying the highest standards of environmental protection and to using our global experience to ensure we minimise our impacts. In 2011, we developed a strategy for operating in sensitive areas which provides the framework for all our operational activities in protected areas across our portfolio.

HOW WE PERFORMED IN 2011

Greenhouse gas emissions

6,051 TONNES

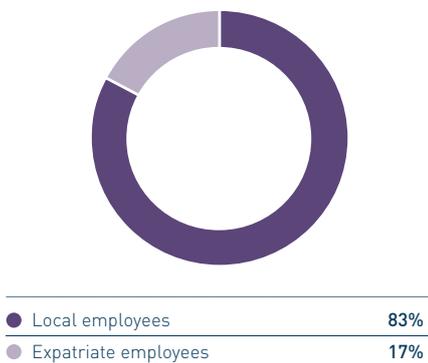


South & East Africa currently has no production. GHG emissions for the region relates to E&A drilling and seismic data acquisition. As a result GHG emissions by South & East Africa accounted for a small portion of the Group's overall emissions profile in 2011.

Tonnes CH₄ as CO₂ equivalent is calculated as tonnes CH₄ x 21, where 21 is the conversion factor used to give methane in terms of CO₂e. CO₂e figures have not been assured by Deloitte, however figures for CO₂ and CH₄ emissions have been assured.

Local employees

83%



Our local employee figures for Uganda have remained at 84% from 2010 through 2011. We will continue to invest in building the capability of local staff in core oil and gas industry skills as we move towards the development phase in Uganda.

Water usage

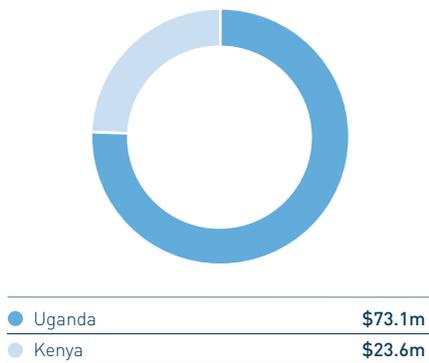
96,601 m³



As with GHG emissions, water usage in South & East Africa accounted for a small portion of total Group water usage. However, we are conscious that water usage in this region, particularly Uganda and Kenya, has increased, and this is under review.

Local supplier expenditure

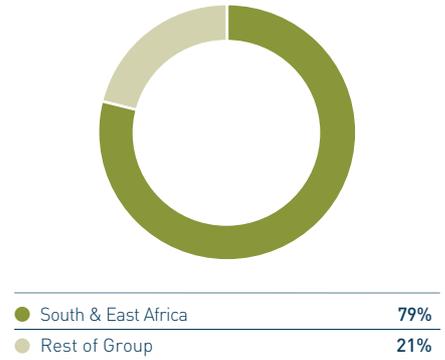
\$96.7 MILLION



Expenditure with local suppliers in Uganda increased 173% from 2010 to 2011. While our operations in Kenya are at an early stage we are focused on creating opportunities for local businesses, and spent almost \$24 million in preparation of our first well there in early 2012.

Waste

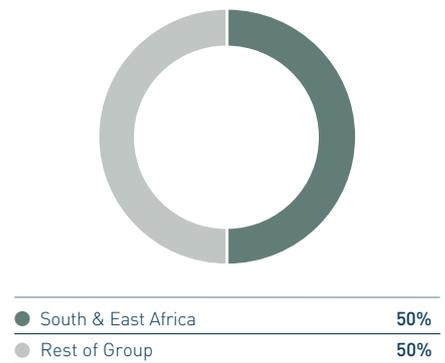
25,846 tonnes



Uganda accounted for 25,764 tonnes of the region's waste for 2011. Of Tullow's total waste produced during 2011, over 84% was reused, recycled or treated. We had been storing drill cuttings onsite until we could identify an approved contractor to handle our waste. One of our objectives this year is to develop a robust waste management position.

Social enterprise expenditure

\$5.8 MILLION



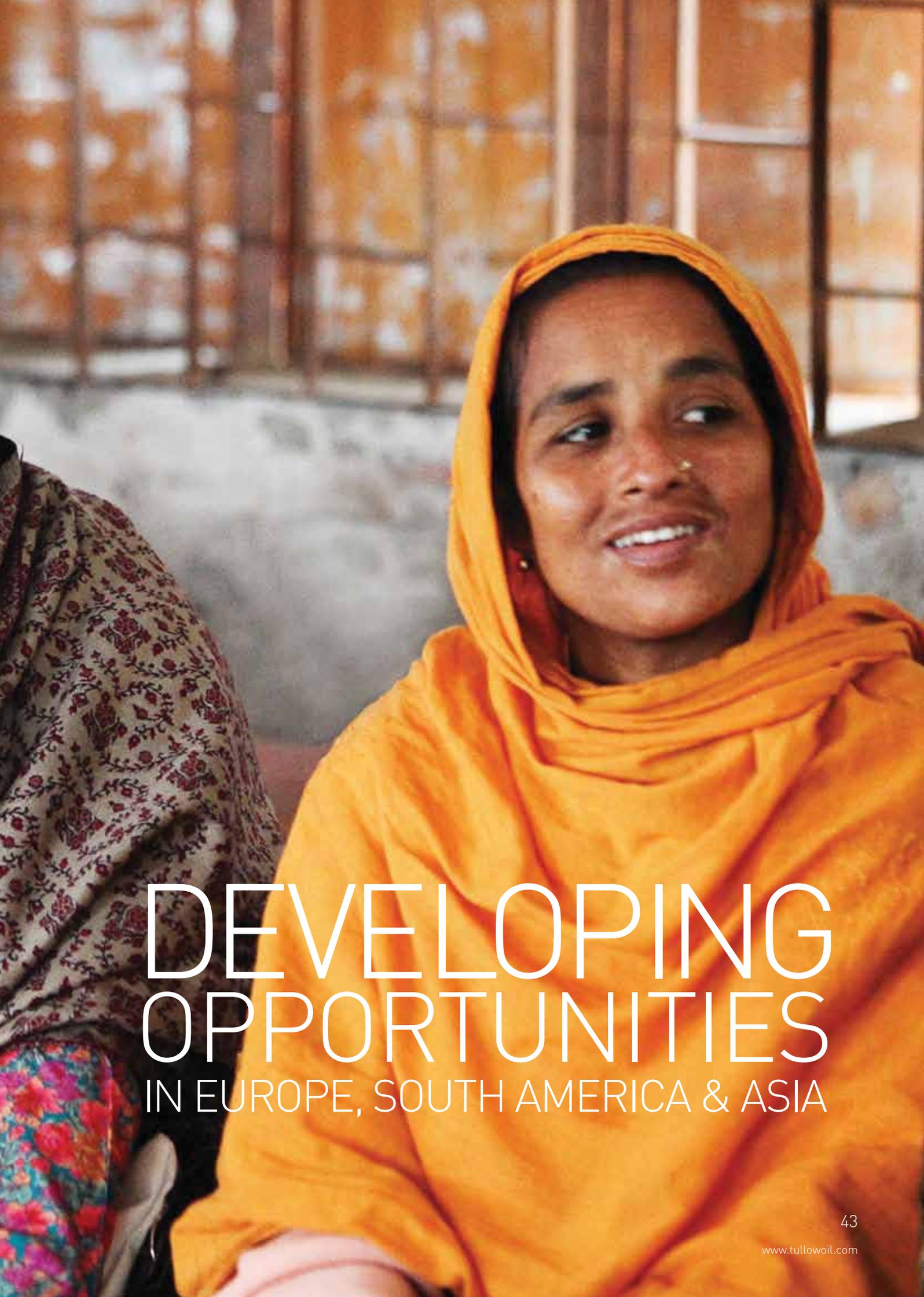
Uganda accounts for the majority of our 2011 social enterprise expenditure in South & East Africa, with several health and education infrastructure projects nearing completion during the year.



“As part of Tullow’s social enterprise team I play a role in advancing our projects and get to see people benefiting from our investments around Lake Albert. Improving our understanding of our impacts will help us to refine the work we do, and focus our efforts to have the greatest positive effect.”

Fridah Kunihira
Social Enterprise Monitoring Officer, Uganda





DEVELOPING OPPORTUNITIES

IN EUROPE, SOUTH AMERICA & ASIA

DEVELOPING OPPORTUNITIES

This portfolio contains key producing assets and a number of exciting exploration opportunities. We have gas production assets in Asia, the UK and the Netherlands, significant exploration acreage in South America and discovered oil offshore French Guiana in September 2011.

Seven
Countries

154
Employees

47
Licences

57,793 sq KM
Licence acreage

120.8 MMBOE
Reserves & resources

20,800 BOEPD
Working interest production

\$360 MILLION
2011 sales revenue, 16% of Group total

\$390 MILLION
2012 forecast capital expenditure

Key

-  Key producing asset
-  Compliance training and forums
-  Community Liaison team in-country
-  EHS data reported
-  Tullow employees (2011)
-  Local content expenditure reported

2011 drilling activity

-  Offshore
-  Onshore

- E** Exploration
- D** Development
- P** Production
- ★** Key office

This map gives an overview of our activities in the Europe, South America & Asia (ESA&A) region. In addition, Tullow has qualified as an operator on the Norwegian Continental Shelf and we are actively looking at investment opportunities as a first step in the Group's strategy in the North Atlantic. In April 2012, Tullow was awarded Block 15 in the offshore Uruguay licensing round. The block is 8,030 sq km and Tullow has committed to shoot a 300 sq km 3D seismic survey.

In March 2012, we announced our intention to divest our assets in Asia in order to focus on our core African and Atlantic Margin strategy. Across the ESA&A portfolio, the mix of operated and non-operated, mature and more recent assets creates a wide variety in the scope of our corporate responsibility activities.

NETHERLANDS  

In 2011, we expanded our Dutch portfolio with a \$432 million acquisition of a non-operated portfolio of gas producing fields, a range of exploration opportunities and an equity interest in infrastructure. We think offshore the Netherlands is an area of great exploration potential and our experience in the North Sea provides a strong platform for expansion. In 2012, we will drill our first operated exploration well in the Netherlands and we have begun to identify potential partners for social investment and environmental initiatives.

UNITED KINGDOM    

In 2000, Tullow entered the UK offshore, with the acquisition of a significant number of Southern North Sea gas assets. The Group's strategy for the UK is to offset natural decline and prolong the life of these mature fields. The non-operated Katy development (block 44/19b) is on track for first gas in December 2012.

The Europe Business Unit operates in Organisation for Economic Co-Operation and Development (OECD) countries. Social investment may seem less relevant here than in the developing countries where Tullow Oil has interests, however, a strong NGO sector is spearheading socio-economic and environmental initiatives in these countries, supported by public and private sources of capital. Funding for these can be limited, especially in times of recession, and Tullow is looking at meaningful ways to invest and build partnerships. Our aim is to demonstrate our commitment to societies, build capability and develop our relationships with host country stakeholders. Other benefits to Tullow include developing our understanding of each country, supporting our commercial objectives and strengthening the Tullow brand.

FRENCH GUIANA  

In September 2011, the first exploration well offshore French Guiana encountered oil, establishing a new basin and proving that the Jubilee play is mirrored across the Atlantic from West Africa to South America. At the time of the discovery Tullow was operator of the Guyane Maritime licence – since then operatorship has transferred to a joint venture partner.



GUYANA

In February 2012, our joint venture partners commenced drilling a strategic basin-testing well, the Jaguar-1 prospect, offshore Guyana. We have undertaken a multi-stage risk assessment to identify all major hazards and implement detailed contingency plans for all well design and drilling elements. Guyana is a non-operated licence.

SURINAME

In 2010, we signed a Production Sharing Contract for Block 47, a 2,369 sq km deepwater exploration licence offshore Suriname. We commenced a 3D seismic survey in Block 47 in May 2012 and in preparation for this a Preliminary Environmental and Social Impact Assessment (PESIA) was undertaken (published online at www.tulloil.com/surinamePESIA). Engagement with environmental NGOs has been central to the management of our activities in the area. In addition, Tullow has a non-operated interest in the Coronie block, onshore Suriname, where a five-well campaign began in late 2011.

BANGLADESH \$

We entered Bangladesh in 1997 and began producing gas from the Bangora Gas field in 2006. The Bangora field contributes a significant volume of gas to Bangladesh's national grid, and as operator we have maintained our focus on safe and efficient operations and contribute to grassroots socio-economic development in the villages around our operations. We have made, and continue to make, investments in education and income generation schemes as proactive measures aimed at reducing poverty in the area. These have included providing bursaries for high-achieving underprivileged students, and a wide programme of skills training focused on capacity building and sustainable development.

We are working with local partner NGOs to provide access to safe drinking water through installation of arsenic removal plants, and are introducing a sanitation programme at 15 local schools. We also run a successful tree planting programme, which in 2011 distributed 20,000 saplings through students in the local area.

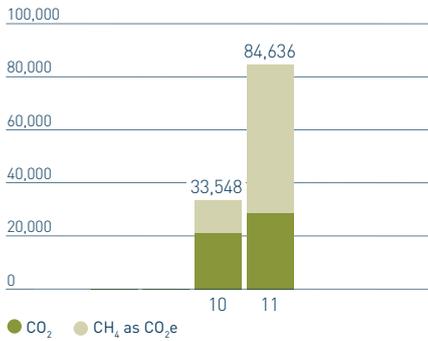
PAKISTAN \$

Tullow has been active in Pakistan since 1991, where we hold an exploration portfolio. Exploration drilling has been ongoing and production from the extended well test at Shekhan in the Kohat licence was maintained during 2011 at low levels, providing reservoir data which will be used to plan additional appraisal or development drilling.

HOW WE PERFORMED IN 2011

Greenhouse gas emissions

84,636 TONNES



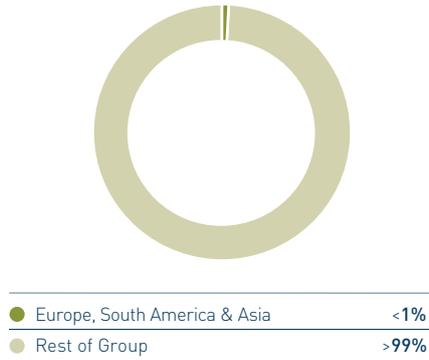
Factors such as a drilling campaign in the UK and improved reporting of cold venting in Bangladesh for 2011 contributed to the increase in GHG emissions for the region in 2011.

Tonnes CH₄ as CO₂e is calculated as tonnes CH₄ x 21, where 21 is the conversion factor used to give methane in terms of CO₂e.

CO₂e figures have not been assured by Deloitte, however figures for CO₂ and CH₄ emissions have been assured.

Water usage

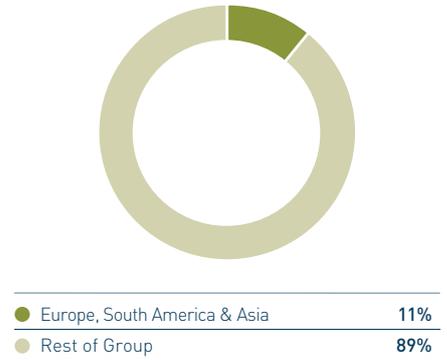
36,191 m³



Our drilling campaign in French Guiana accounted for 18,916m³ of water usage for the region in 2011.

Waste

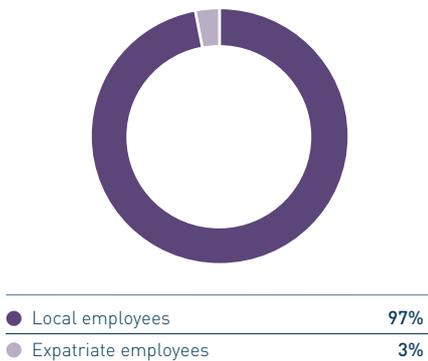
3,663 TONNES



Waste produced in the ESA&A region during 2011 accounts for a relatively small percentage of Group total waste.

Local employees

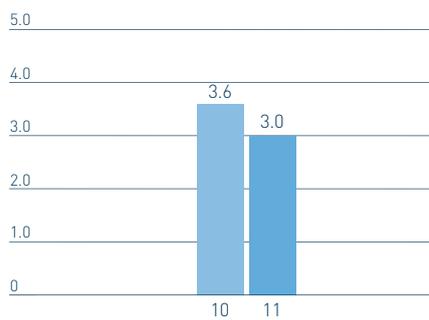
97%



Our offices in Bangladesh and Pakistan account for a significant portion of the ESA&A workforce. Employees and contractors at these offices are 88% and 100% local, respectively.

Local supplier expenditure, Bangladesh

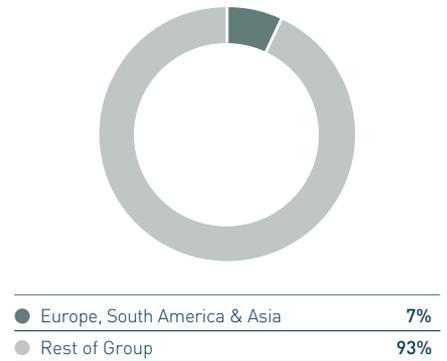
\$3.0 MILLION



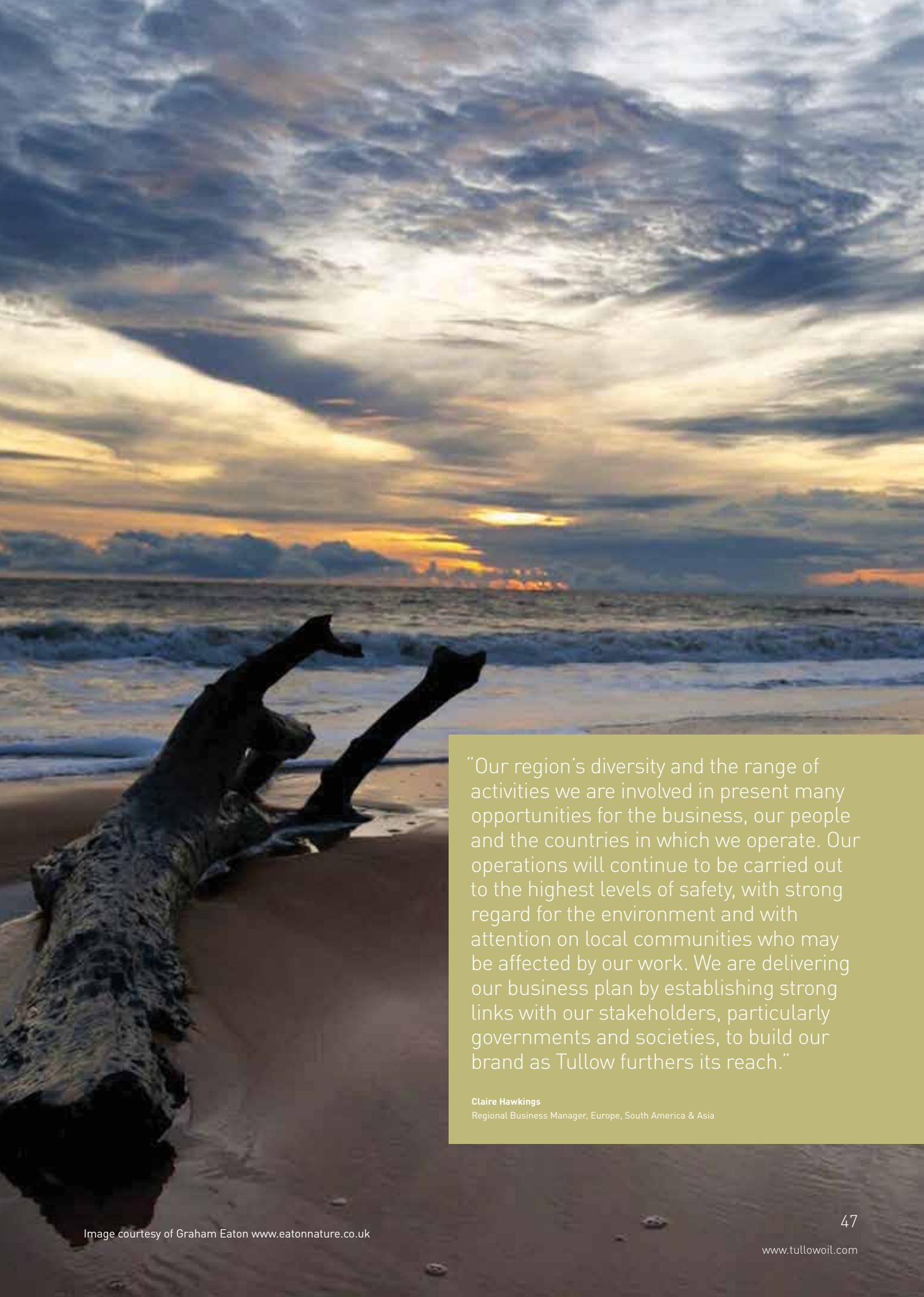
17 companies in Bangladesh attended a recent industry partner forum on compliance and ethics.

Social enterprise expenditure

\$774,815



In South America and in Europe we are conducting scoping studies and research to identify and select partners for our social enterprise programme. In parallel, we are working with state partners and stakeholders to align our strategy. In Asia we have continued to invest in education, health, enterprise development and environmental projects local to our operations.



“Our region’s diversity and the range of activities we are involved in present many opportunities for the business, our people and the countries in which we operate. Our operations will continue to be carried out to the highest levels of safety, with strong regard for the environment and with attention on local communities who may be affected by our work. We are delivering our business plan by establishing strong links with our stakeholders, particularly governments and societies, to build our brand as Tullow furthers its reach.”

Claire Hawkings
Regional Business Manager, Europe, South America & Asia



Tullow local supplier, Homebound, Dhaka, Bangladesh



MEASURING OUR PERFORMANCE

50

Performance data

We measure our corporate responsibility performance for 2011/2012 against a range of agreed objectives. We have made good progress and our objectives for 2012/1013 are designed to move us closer to our goal of creating shared prosperity.

56

Governance

The highlight of 2011 activity in governance and compliance was the launch of the new Tullow Code of Business Conduct.

60

Stakeholder engagement

Our growing business sits within an increasingly complex stakeholder landscape, and our stakeholder management initiatives must keep pace.

62

Environment, Health & Safety

EHS is a priority in all that we do. We want to build an EHS culture where people proactively think about the risks they are responsible for.

68

Our people

At Tullow we're committed to providing our people with a diverse and open working environment that encourages everyone to make a difference.

72

Sustainable supply chain

Our supply chain strategy looks to add value and protect the business. Building a sustainable supply chain is integral to achieving this.

74

Local content

Our strong commitment to local content in our supply chain can contribute significantly to the capacity of local businesses to enter our supply chain.

76

Social enterprise

Making a positive contribution means investing in strategic social enterprise projects to contribute towards host country and community development.



ENTREPRENEURIAL SPIRIT & INITIATIVE

We maintain our entrepreneurial and creative spirit as we challenge ourselves to develop the business and ourselves.



MEASURING OUR PERFORMANCE

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

HIGHLIGHTS FOR THE YEAR



Stakeholder engagement

Stakeholder engagement highlights include building more robust capacity and internal processes and putting in place more effective methods for identifying, assessing and managing social and political risk.



Environment, Health & Safety

Tullow achieved a good EHS performance in 2011. A detailed review of KPIs undertaken by the new EHS Strategy Forum has refocused 2012 leading and lagging indicators to improve the overall quality and effectiveness of EHS at Tullow.



Our people

Staff turnover remained low and our global employee and contractor survey achieved good participation levels and a strong engagement score.



Social enterprise

A working group has been established to link Tullow's social enterprise strategy more closely with the Group's business activities and objectives.

MORE INFORMATION

Section 3 contains more detailed information on our performance and activities during the year. Supplementary data is provided at the back of this report and you will find the basis of reporting and the GRI Content Index for this report online.

We have reintroduced a detailed performance overview into our 2011 Corporate Responsibility Report. We received feedback from socially responsible investors and corporate responsibility analysts, in particular, that they had a strong preference for a clear and informative summary of our performance against objectives, including an overview of our targets and plans for the following year.

In this section, we have incorporated an overview of each of the key elements of creating shared prosperity. We have indicated through a traffic light system the status of each objective. A green light indicates that we achieved the objective. An amber light indicates that we are within 10% of achieving our target or on track for delivery. A red light means that we have failed to achieve our objective during this reporting period. In total we had over 30 corporate responsibility objectives for the year. These included a range of both quantitative and qualitative targets. We achieved 22 of our targets.

In addition, the Board had a number of corporate responsibility objectives relating to corporate risk, which formed part of their 2011 Board objectives. These included:

- External stakeholder relationships;
- Health & safety, with particular emphasis on malaria awareness and performance;
- UK Bribery Act and Tullow's Code of Business Conduct;
- Organisational capacity; and
- Maintenance of Tullow culture.

The Board is satisfied that appropriate discussion and action took place, with particular emphasis during the year on health and safety, bribery and organisational capacity.

More information	Page
Stakeholder priorities	18
Governance	56
Stakeholder engagement	60

GOVERNANCE

2011/2012 key objectives	2011/2012 performance	Status
Deliver a new Code of Business Conduct, taking into account the UK Bribery Act.	New Code of Business Conduct launched in August 2011.	
Group-wide roll-out of a new compliance programme, complemented by a range of new training initiatives, tools and processes.	As of June 2012 over 500 members of our workforce have received training in our Code of Business Conduct and policy awareness.	
Form a new Compliance Committee to monitor and advise on the compliance programme and report to the Board.	Compliance Committee was formed and two meetings held to date in 2012. Regular Board reporting planned.	
Develop and publish a separate Human Rights policy.	Our Human Rights Statement of Policy has been published separately from the new Code of Business Conduct but no detailed review or restatement was undertaken.	
2012/2013 objectives		Status
Develop and enhance the capability of the compliance team and network of compliance champions.		NEW
Continue to roll out the Code of Business Conduct awareness programme across Tullow.		Same as 2011
Enhance bribery and corruption risk assessment and due diligence procedures.		NEW
Ensure early involvement in major projects or areas of risk to embed compliance.		NEW

STAKEHOLDER ENGAGEMENT

2011/2012 key objectives	2011/2012 performance	Status
Complete stakeholder mapping and roll out Tullow's enhanced approach to stakeholder engagement.	Stakeholder Engagement Guidelines were drafted in 2011 and will be finalised and rolled out in 2012-2013. Stakeholder mapping is ongoing.	
Develop and implement a planned and proactive annual external stakeholder engagement programme.	Achieved for 2011. Our programme of engagement is ongoing for 2012-2013.	
Develop a robust material issues matrix and refine our understanding of the big issues that concern our stakeholders.	A central material issues matrix has not been developed, however work has been carried out at regional business level to improve understanding of stakeholder issues at the centre.	
Deliver the Board's external stakeholder engagement objective.	The Board is satisfied that appropriate discussion took place in 2011, although external stakeholder engagement remains a focus for the Board in 2012.	
2012/2013 objectives		Status
Develop a three-year External Affairs strategy.		NEW
Define, develop and roll out best-in-class corporate policy, standards, guidelines and tools for stakeholder relationship management.		NEW
Update stakeholder engagement competency framework to ensure that the right capabilities exist at Corporate, Regional and business unit level.		NEW

-  Meeting target
-  Within 10% of target or on track for delivery
-  Failing to meet target

ENVIRONMENT, HEALTH & SAFETY (EHS)

2011 key objectives	2011 performance	Status
Achieve all lagging and leading performance indicators and targets.	Achieved 60% of indicators.	
Draft standards for biodiversity, resource management and climate change within Tullow Oil Environmental Standards.	Rolled out in the first quarter of 2012.	
Deliver the Board's health and safety objectives, in particular malaria awareness and prevention.	The Board is satisfied that appropriate discussion took place in 2011 around the principal identified risks, with particular emphasis on health and safety issues including malaria prevention.	

2011 lagging indicator	2011 baseline target	2011 stretch target	2011 performance	Status
Lost time injury frequency rate (LTIFR) per million hours worked	<0.76	<0.5	0.38	
Total recordable injury frequency rate (TRIFR) per million hours worked	<3.0	<2.5	2.71	
High potential incident frequency rate (HiPoFR) per million hours worked	<1.2	<1.0	0.90	
Vehicle accident frequency rate (VAFR) per million kilometres driven	<1.0	<0.8	1.46	
Uncontrolled releases defined as number of loss of containment incidents >50 litres	≤3	≤2	15	

2011 leading indicator	2011 performance	Status
Implement corporate EHS audit programme and achieve a minimum of six audits during the year.	Approved audit plan in place. Six audits completed.	
Implement Tullow Safety Rules for all operations.	Tullow Safety Rules launched on 1 August 2011. Roll-out across the Group complete.	
Develop contractor management process for EHS, incorporating EHS input into contracts, identification of high-risk contracts and auditing of EHS performance.	Recruitment planned for EHS resources to support contract strategies in Supply Chain Management.	
Complete independent audit of malaria management policy, procedures and implementation. Agree system improvements and implement by the end of the third quarter 2011.	Audit completed in the Group's corporate offices, Ghana and Uganda. Action plan in place and implementation being monitored.	
Undertake an independent EHS audit to identify further opportunities to strengthen EHS systems and culture.	This indicator was superseded by the work undertaken by the EHS Strategy Forum, which was formed during the year. As a result an independent EHS audit was not undertaken.	

-  Meeting target
-  Within 10% of target or on track for delivery
-  Failing to meet target

ENVIRONMENT, HEALTH & SAFETY 2012 OBJECTIVES

In 2012, the EHS Strategy Forum reviewed EHS corporate Key Performance Indicators (KPIs) and decided to refocus lagging indicators on ensuring that the organisation learns the 'free lessons' from incidents that could have had a major impact on the business, including the most serious category of high potential incidents, significant spills and exposure to malaria.

2012 lagging indicator	Rationale	2012 performance target	Status
Uncontrolled releases defined as number of loss of containment incidents.	To measure the loss of containment of all liquid releases to the environment. All releases contained within bunds will be classified as a near miss.	Number of loss of containment incidents (water, diesel, oil, chemicals) >50 litres with ≤3 incidents.	Same as 2011
Malaria case frequency rate (MAFR) per 1,000 exposures.	To monitor the effectiveness of Tullow's malaria management programme, this KPI is aimed at reducing malaria case incidents in non-immune staff year-on-year by 10%.	Reduce case incidents 10% year-on-year per 1,000 exposures. The base line is 2011 which had an MAFR of 0.34. The 2012 target is 0.30.	NEW
Level 4 and 5 incidents (the most serious categories).	To ensure maximum learning from all Level 4 and 5 incidents across the business. Industry standard safety measures (LTIFR, TRIFR, HiPoFR, VAFR) will continue to be recorded and reported.	100% closeout of investigation actions for every incident.	NEW

The 2012 leading KPIs are intended to improve the overall quality and effectiveness of Tullow's EHS controls and processes.

2012 leading indicator	Rationale	2012 performance target	Status
Action tracking Develop, implement and roll out an action tracking system.	To ensure visibility and control, a more effective global action tracking system is required in order to capture, monitor and report on all EHS actions.	Action tracking system defined, in place and fully operational by year end.	NEW
Safety case	To enable visibility of the case for safety for each operated production facility and ensure that safety-critical elements are clearly identified and tested at an appropriate frequency. For operations with mature management systems, ensure that safety-critical elements test regimes are being achieved.	Establish safety cases for all operated production facilities, including defining safety-critical elements and associated testing regimes. Where already established, set target for achievement of test regime. Operated production facilities will set milestones for achieving the KPI. These milestones will be verified through periodic audit.	NEW
Contractor management	To ensure that all medium and high risk contracts have defined and implemented an effective EHS process.	Define and establish an EHS management contracts register with compliance becoming part of the Contract Review Board process within the supply chain by year end.	NEW
Tullow Oil Environmental Standards (toes)	To monitor performance of and compliance with the new toes standards rolled out in early 2012.	Self-assessment must be completed by each business unit and/or project by year-end.	NEW
Environmental and Social Management Plans	To ensure that all Environmental and Social Impact Assessments (ESIAs) have implemented an Environmental and Social Management Plan (ESMP).	An ESMP compliance closure report is to be submitted to Group EHS for all projects that are completed in 2012, within two months of completion.	NEW
EHS leadership	To drive more visible EHS leadership.	To be able to demonstrate actions taken, audits will be carried out at mid-and year-end to verify EHS leadership activity agreed in EHS actions plans.	NEW

OUR PEOPLE

2011/2012 key objectives	2011/2012 performance	Status
Maintain staff turnover below 5% per annum, with a stretch target of 2%.	Staff turnover was 3.2% in 2011, a good outcome in light of a 29% increase in employees.	
Launch global employee and contractor survey in the third quarter of 2011.	Talkback was successfully completed with an 84% participation rate and demonstrated an 81% engagement level.	
Deliver Board Human Resources (HR) objectives in organisational capacity and maintaining our culture.	The Board is satisfied that appropriate discussion and activity took place in 2011. Building organisational capacity remains a focus in 2012.	
Develop our relationships with host governments and regulators and define localisation plans for Ghana and Uganda.	Localisation plans and the relevant host-country relationships continue to be developed and enhanced.	
2012/2013 objectives		Status
Maintain staff turnover at below 5% per annum.		Same as 2011
Deliver actions from the 2011 Talkback survey.		NEW
Deliver Board HR objectives in organisational capacity and further embedding our values.		Same as 2011
Complete global succession plans and review with all functions.		NEW

SUSTAINABLE SUPPLY CHAIN

2011/2012 key objectives	2011/2012 performance	Status
Review master contract agreements to embed EHS standards and mandate local content requirements.	Updated master contracts in place.	
Develop a supply chain strategy that reduces risk, waste and unsustainable practices.	Supplier evaluation criteria addresses the 10 principles of the UN Global Compact to develop more sustainable supply chain practices.	
Improve reporting to provide greater transparency in contracting processes and supplier contracts.	Tullow's online Supplier Centre was launched in 2011 and provides current and potential suppliers with details of our contracting processes, opportunities and more.	
2012/2013 objectives		Status
Embed contractual commitment to fabrication in local communities or regions.		NEW
Continue with industry partner forums on compliance and ethics.		NEW
Improve land/vehicle safety with the roll-out of mandated supplier driver training and standards.		NEW
Innovate in logistics management to improve our environmental footprint.		NEW

-  Meeting target
-  Within 10% of target or on track for delivery
-  Failing to meet target

More information	Page
Our people	68
Sustainable supply chain	72
Local content	74
Social enterprise	76

LOCAL CONTENT

2011/2012 key objectives	2011/2012 performance	Status
Continue our 'Closing the Gap' programme, which is aimed at helping local people and businesses to enter the oil and gas industry supply chain.	Over 100 Ghanaian businesses took part in our 'Closing the Gap' workshops during 2011. We are continuing to run this programme.	
Track, record and report local content.	Further work is required to assure local content data, and to track, record and report it in an appropriate way.	
Develop a business incubation centre pilot in Uganda, in conjunction with local communities and organisations.	A centre for small and medium enterprises (SMEs) has been developed in Hoima in partnership with Traidlinks. More information can be found on p37 of this report.	
2012/2013 objectives		Status
Track, record and report local content. Achieve assured data for 2012.		Same as 2011
Open enterprise centres in Uganda and Ghana.		NEW
Launch pilot of vocational skills training.		NEW

SOCIAL ENTERPRISE

2011/2012 key objectives	2011/2012 performance	Status
Roll out the new social enterprise (SE) guidelines and support effective implementation.	SE guidelines were published and we have run workshops on implementation at various locations. We are supporting this roll-out with more user-friendly guidance material and further workshops.	
Ensure that effective systems and processes are in place so that SE data is assured in 2011.	Completed, will continue to assure data going forwards.	
Develop a process and working group so that Local Content, HR and country offices input into the development of our strategic SE investment strategy and projects.	SE working group established in 2011.	
2012/2013 objectives		Status
Commit \$20 million to SE projects for 2012.		NEW
Award up to 110 scholarships to students from selected countries during 2012 under the Tullow Group Scholarship Scheme.		NEW
Develop and publish a three-year SE strategy to better embed our long-term approach to doing business in our discretionary investments.		NEW



MAINTAINING HIGH STANDARDS

Maintaining high standards of corporate governance is about managing the business in order to create long-term sustainable value for the benefit of all our stakeholders.

STRATEGIC IMPORTANCE

Good governance and regulatory compliance make good business sense. They guide correct actions, protect value and maintain our good reputation. It is also vital to demonstrate that our decisions and actions have integrity and are based on sound process.

HIGHLIGHTS FOR THE YEAR

NEW

Tullow Code of Business Conduct launched in 2011 together with an ongoing compliance and awareness programme.

89

Companies have participated in our first two industry partner forums on compliance and ethics, which were held in Bangladesh and Kenya in 2012.

35%

Of employees, approximately 500 people, have received dedicated compliance training to date, including those in key or higher risk posts.

NEW

Member of Transparency International's Corporate Supporters Forum and became a supporter of the Extractive Industries Transparency Initiative.



DETAILED PERFORMANCE INFORMATION

Go to page 51 for further information on 2011/2012 performance and 2012/2013 objectives. For detailed information on our Board and governance go online to www.tulloil.com/aboutus

The value of governance

Good governance and being a responsible company is defined by our values and upheld by the standards we apply in how we deal with people and how we manage our business. The Tullow Board is committed to maintaining high standards of corporate governance and has overall responsibility for the strategic leadership and stewardship of Tullow. As the Group continues to grow in size and complexity, the Board seeks to ensure that we maintain and enhance the culture and values of the entire Group and that we have the right people and processes in place to achieve the correct balance between entrepreneurial risk taking and prudent risk management. Governance and values are embedded in our business model and one of our key strategic priorities is to achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders. Our aim is to be open and transparent and to demonstrate accountability and strong ethics.

Board performance and objectives

As part of Simon Thompson's induction for his role as the new Chairman of Tullow, he undertook the Board evaluation in 2011. In summary, the Board is functioning well and all the Directors feel proud to be part of the Tullow team. In 2011, the Board set objectives in six key areas and the successful launch of the new Tullow Code of Business Conduct was particularly important. The Board evaluation showed that the Board is building from a strong base and there is a high degree of alignment on the principal challenges facing Tullow and the areas of focus for 2012. These include enhanced political and risk analysis, industry benchmarking and information on the competitive landscape. In order to meet the needs of Tullow's growth ambitions, talent management, succession planning, portfolio management and medium-term cash flow forecasting also form part of the Board's 2012 objectives. Some 2011 objectives relating to training of Directors and Board administration have also been carried over into this year.

New UK Corporate Governance Code

During the year, the Board reviewed the new UK Corporate Governance Code. The Chairman's introduction to corporate governance and the detailed corporate governance section in our 2011 Annual Report set out how the specific principles are applied and implemented in practice at Tullow. It is the Board's view that the Group has fully complied with the Code provisions during 2011. Visit: www.tulloil.com/ara2011

More information	Page
Governance performance	51
2011 Board time	59

Governance, risk and corporate responsibility framework

Tullow has a strong framework for governance, risk and corporate responsibility management. It is outlined in the CEO's review on pages 14 and 15 of this report. Each Executive Director has risk management and risk assurance responsibilities. They also have individual operational and corporate responsibilities. Tullow's organisational structure overall is relatively flat with just two levels between the Board and the frontline of business activity. This facilitates integrated and responsive decision-making. In 2011, we strengthened our operational organisation structure through the formation of three regional businesses. We have complemented this with the development of strong exploration, operations and corporate functions at the centre. This is to ensure that our regional businesses are provided with world-class financial, technical and non-technical resources.

Risk management

The oil and gas industry is inherently high risk and dynamic and often operates in a fluid geopolitical and social environment. Risk management is a critical business function and is embedded in our business model. Understanding the risks and opportunities we face shapes our decisions, and our strategic priority in relation to risk management is to ensure safe people, procedures and operations and minimise our environmental impacts. There is a detailed risk management section in our 2011 Annual Report. It explains how risk is integrated in our organisation, how we managed our 2011 risks and the long-term performance risks Tullow faces. As part of our 2012 to 2014 business plans we have identified key risks and uncertainties in relation to our financial and operational performance for the period. These are:

- Delivery of a Lake Albert Rift Basin development plan and timely approvals for this from the Ugandan authorities;
- Exploration associated risks, with approximately 40 high-impact wells planned in our 2012 E&A campaign;
- Achieving plateau production in the Jubilee field, offshore Ghana, and delivery of Group production targets;
- Government relations/stakeholder engagement with particular reference to the 2012 Board objective to significantly improve political and economic risk information and country risk profiling;
- Achieving the appropriate balance between cash flow from operations, equity/debt market opportunities and portfolio management activities; and
- Managing shareholder expectations, specifically with regard to the Group's long-term strategy, production profile and funding.

Key corporate responsibility policies and systems

Tullow has a full set of management systems, policies, procedures, standards and behaviours designed to ensure we deliver value for our shareholders and operate our business responsibly. These provide a consistent approach across all of our business activities and are complemented by our corporate governance processes and oversight by the Tullow Board and Executive. Key corporate policies and systems are outlined on page 84 of this report. For additional information on these and risk management go online to www.tulloil.com



Stephen Rees, Group Compliance Manager

Q&A WITH STEPHEN REES, GROUP COMPLIANCE MANAGER

Why is compliance strategically important to the business?

I think a lot of people believe that compliance is something that is used to exercise control over what people do, but actually, having a consistent set of procedures is good for business. With Tullow's rate of growth, and the number of people joining and moving around the business, it's important that we have consistency across all of our locations, regardless of what stage they are at in their business cycle. Compliance also allows us to demonstrate how we do business to our staff, investors, partners and other stakeholders, which is key to maintaining our reputation.

How does compliance help Tullow manage risk?

Compliance with established policies and procedures ensures that we consistently do the right thing and that we proactively assess and manage decisions or events in advance. For example, if Tullow did not have a Code of Business Conduct or make staff fully aware of Tullow's Code, a member of staff could inadvertently risk breaching the UK Bribery Act. With our Code of Conduct and the awareness sessions we are running to support it, we are better placed to manage these non-technical risks.

How does Tullow ensure a culture of compliance – where people want to do the right thing?

It requires sensible, practical policies and guidance in conjunction with an appropriate awareness programme. Everyone needs to understand the importance of compliance and how it protects both the individual and the company. A key aspect is leadership demonstrating commitment via their personal behaviours and encouraging a compliance culture across the organisation.

Read more of Stephen's Q&A:

www.tulloil.com/crr2011/complianceinterview



Code of Business Conduct and policy awareness

We have an increasing headcount, larger geographical presence and staff with varied experience from a diversity of cultures. This, coupled with enhanced scrutiny, means that it is even more important to be able to demonstrate that our decisions and actions have integrity and are based upon sound processes. We recognise that compliance is not a one-off event but requires an ongoing programme to maintain awareness. We run an induction programme for all new staff and since the introduction of the new Code of Business Conduct (the Code) in 2011, we have been rolling out a half-day Code awareness programme across the Group, starting with those considered as being in higher-risk posts. This programme is ongoing and has now been presented to staff in London, Dublin, Bangladesh, Ghana, Kenya and Uganda, covering around 500 people. The interactive programme explains the scope and impact of bribery and corruption worldwide, the UK Bribery Act, application of the Code and related policies, and how to report concerns. It also uses group exercises to resolve real-life dilemmas. Key methods for maintaining awareness include an anti-bribery and corruption e-learning programme which will be introduced in 2012, management briefs, an online quiz and electronic ethics game, formal quarterly compliance status reports and regular updates to Tullow employees and contractors via our intranet.

Investigations

The Code is clear in that it expects staff to speak up if they know of, or suspect, a breach of the Code or are concerned about any aspect of Tullow’s processes. During 2011, a number of concerns were raised internally by staff. This resulted in 12 investigations which led to a number of process improvements, three staff dismissals and one termination of a supplier contract. 11 people were provided with investigation training in 2011 and we will enhance our investigation capability during 2012. If staff do not feel able to raise a concern internally we have an alternative, confidential reporting line which is operated by Safecall, an independent company. Details of how to contact Safecall have been distributed widely to staff and our industry partners alike.

Enhancing the compliance programme

We are required to implement adequate procedures to prevent bribery as a consequence of the UK Bribery Act which came into force in July 2011. While our adequate procedures are well developed there are still a number of areas where we wish to increase effectiveness and these include:

- Risk management: We have been continuing to formally develop and enhance our understanding of the bribery and corruption risks that we face. We have worked individually with each business unit to identify their specific risks and to identify appropriate mitigation actions. This is an ongoing process.

SUPPLIER COMPLIANCE IN MAJOR PROJECTS

An excellent example of robust compliance is being demonstrated by the Ghana deepwater Tweneboa, Enyenra, Ntomme (TEN) FPSO development. The project team built compliance into the DNA of the project from the start by developing and implementing project specific rules covering physical and information security and strict adherence to the requirements of the Code. Everyone involved in the project office in Singapore was required to confirm in writing that they had received formal training on the compliance requirements. We are carrying out a robust due diligence on the potential bidders. This will be followed up with compliance workshops between Tullow and each individual bidder, with both parties presenting their compliance programme to highlight synergies and any gaps. Each bidder will also be audited to ensure that their commitments to compliance are being met. Finally, a formal evaluation of each bidder’s compliance programme forms part of the overall technical and commercial bid evaluation. The TEN Project plan to take a similar approach to all its major bidding activity during the project phase.



Mariama Issaka, Project Controls Engineer with other members of the TEN Project team, London, UK.

- **Due diligence:** We already carry out due diligence activities based on risk, using industry partner questionnaires coupled with independent enquiries. During 2012 we will be initiating a project to examine how we might further enhance due diligence to carry out independent assessments more rapidly from any of our locations using online sources of information.
- **Anti-corruption:** We are producing an anti-corruption manual to bring together in one place all of the policies, processes and guidance that we have implemented to counteract bribery and corruption. This will provide management and staff with information and links to enable them to fully understand how these activities are coordinated and managed and where further support can be obtained.
- **Certification:** We are developing a certification process during 2012 which will require staff to certify against a set of compliance criteria.
- **Conflicts of interest:** Where actual or potential conflicts of interest exist, staff are required to declare this in writing to their line manager to enable the conflict to be managed. This is currently a manual process, using printed forms, but we intend to produce an online system to make it easier to declare and track the reporting and management of such conflicts.

Industry partner workshops

The compliance team has worked closely with Supply Chain to present Tullow’s anti-bribery programme to our industry partners. To date we have presented to 17 companies in Bangladesh and 72 in Kenya. A key message is that we will not tolerate bribery or corruption in any form and if our suppliers are exposed to it while working for Tullow we expect them to raise it with us.

Resourcing

In April this year, an EHS secondee joined the compliance team to build their expertise in the Code, anti-bribery & corruption and compliance. Two further compliance professionals, one to be based in London and another in Accra, Ghana, are also being recruited. A network of compliance champions has been formed to assist with compliance within the business units and to provide local support to management on emerging issues and dilemmas as well as participate in investigations when required. A compliance committee was formed in early 2012 comprising senior management and a non-executive Director. The role of the committee is to review the annual compliance plan, monitor progress and provide input and challenge. The committee will also evaluate the status of compliance across the Group and determine the regular compliance input and reporting to Board Meetings.

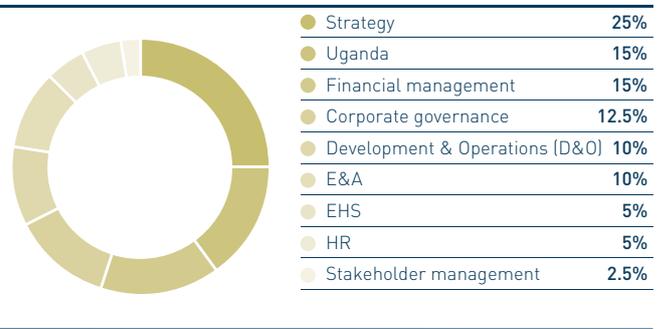
NEW CODE OF BUSINESS CONDUCT

Code of Business Conduct
The Code is published online at www.tulloil.com/code

A booklet has been rolled out to all Tullow employees and contract staff. A network of compliance champions in-country is being developed to help promote and embed the code in all of our locations.



2011 Board time



Uganda took up a considerable amount of the Board’s time again during 2011, as would be expected given the strategic importance of this major project. Corporate responsibility – governance, environment, health and safety, human resources and stakeholder management – took up a third of the Board’s time, which underlines the importance of our wider social and environmental responsibilities. Strategy and risk management are core elements of the Board’s activities and in 2012 the Board has committed to seeking to increase the amount of time spent preparing for the future and discussing the major opportunities and challenges that the Group faces.



ENGAGING WITH AND RESPONDING TO OUR STAKEHOLDERS

Evolving our approach in line with the growth of the organisation to better respond to stakeholder issues.

STRATEGIC IMPORTANCE

Trust, reputation and relationships are vital to Tullow. Our stakeholders can influence the direction or outcome of a Tullow project, positively or negatively. We engage at every level of the organisation with a range of stakeholders to help ensure the smooth continuation of our business.

HIGHLIGHTS FOR THE YEAR

GLOBAL

PERCEPTIONS SURVEY

Completion of a reputation survey across eight countries, canvassing stakeholder perceptions.

FIRST

Socially Responsible Investor roadshow in Europe.

THREE

Regional External Affairs Managers recruited.

OIL & GAS

COURSES

For external stakeholders held in Ghana, Uganda, Kenya, UK, French Guiana and Ethiopia.



DETAILED PERFORMANCE INFORMATION

Page 51 provides detailed information on our performance against key objectives and our aims for 2012/2013.

Key engagements in 2011/2012

Our growing business sits within an increasingly complex stakeholder landscape, and our stakeholder management initiatives must keep pace. We continued to expand our Introduction to Oil and Gas courses and built on the success of our first multi-stakeholder forum to hold an environment focused event for experts from civil society, policymakers, academics and the SRI community and with members of Tullow's EHS and operations teams.

New initiatives included a stakeholder perceptions survey, canvassing the views of key opinion formers in Uganda, Ghana, the UK, Gabon, French Guiana, Mauritania, Brussels (EU) and the USA, to ensure we continue to address the right issues.

SRI Roadshow

In November 2011 Tullow held its first roadshow for Socially Responsible Investors in Europe. We provided a focused update on our approach to corporate responsibility, allowing investors to ask questions and challenge us on our progress and plans for the future.

Issues discussed included transparency around payments to government, implementation of the UK bribery and corruption legislation and the setting of meaningful emissions reductions targets. Feedback from investors was that they appreciated this honest and clear communication and that they would value an annual meeting of this type.

Community engagement

New teams of Community Liaison Officers (CLOs) have been established in Kenya and Ethiopia as our operations begin and expand in these countries. In Ghana our community work in 2011 included targeted engagement activities on the Jubilee Project, TEN Project and oil spill response awareness. CLOs also undertook community visits to deepen engagement with Traditional Authorities, deliver important EHS messages, attend traditional festivals and address emergency response needs in strategic locations. Other initiatives included support to fishing communities, training for community health workers and volunteers, community health screenings and regular information sessions with local NGOs, media briefings and support for community sporting events.

More information	Page
Global Perceptions Survey	18
Uganda community engagement	36

“We are increasingly working in remote onshore areas with large indigenous communities. This has major implications for how we manage the social impacts of our activities and places clear strategic importance on the policies, standards and processes we are putting in place in this area.”

Rosalind Kainyah
Vice President External Affairs & CSR

Tullow Uganda, with its new partners Total and CNOOC, held dedicated sessions for stakeholders in key districts of the Albertine Basin. The aim was to provide accurate updates on the oil and gas sector in the region, to introduce the partners and to share plans on how new operatorship in Blocks 1, 2 and 3A will work. The meetings also generated stakeholder feedback on the oil and gas developments generally.

Developing our approach

In 2011 we focused on building more robust internal processes and capacity for stakeholder engagement. The External Affairs function completed a full skills audit, including key competencies for effective stakeholder engagement, to drive resourcing and training across the global team. Professional training can be hard to come by in many of our countries of operation and we are identifying appropriate courses and placements to build capacity of External Affairs professionals in line with the changing needs of the business. We have established a set of Stakeholder Engagement Guidelines and tools for the Group to both govern and support stakeholder engagement and stakeholder issues management at all levels.

Three regional external affairs managers have been recruited to new roles designed to support each Regional Business Unit team in London and individual Business Units in-country, ensuring that the right resources are in place for the successful execution of external stakeholder engagement programmes and social impact management strategies throughout our regions.

Understanding our impacts and opportunities

We have commissioned socio-economic baseline studies in Uganda and Kenya to identify both our key impacts and opportunities for development, as well as an independent report aimed at providing an account of the past, current and likely future impact of Tullow’s activities on Ghana’s economy, society and environment. We are also putting in place more effective methods for identifying, assessing and managing social and political risk – a potential long-term performance risk for Tullow. This includes recruitment of a country risk analyst who will input to work to improve Board reporting on evolving risks.

INTRODUCTION TO OIL & GAS COURSES

We have continued to run Introduction to Oil and Gas courses for external stakeholders in our countries of operation, taught by Robert Gordon University (RGU). The courses cover the basics of oil and gas exploration and production, some of the key decisions and risks taken by oil companies opening up new basins and challenges faced by national governments in developing a sustainable oil industry. Attendees are also given a presentation by Tullow on our activities in their country followed by a full and frank Q&A session.

This year we repeated the courses in Ghana and Uganda and also ran a course in London for UK stakeholders including national government, international NGOs and overseas diplomats from our African countries of operation. We also ran our first French language course in French Guiana, delivered through the Institut français du pétrole. In 2012 we have run one course in Kenya and will hold a second course to be run by RGU, with a view to a local provider being able to take on future teaching requirements. We have also run an introductory course for government stakeholders in Ethiopia.



Susan Busingye, EHS technical assistant, and Sidney Tindyebwa, Supply Chain planner, attending an Oil & Gas course in Kampala, Uganda.



THINKING FORWARD

We want to build an EHS culture based on confident interventions, where people proactively think about the EHS risks they are responsible for. This will influence EHS behaviours and enable us to manage EHS in a much more responsive and tailored way.

STRATEGIC IMPORTANCE

Our number one priority is to keep people safe. It is the cornerstone of our approach to operating responsibly and is reflected in our goals to minimise our environmental footprint and achieve top quartile industry performance.

HIGHLIGHTS FOR THE YEAR

0.38 LTIFR

We achieved the lowest LTIFR in our history, giving us our best ever safety performance.

0.90 HIPOFR

In 2011, we achieved our stretch target of less than 1.0 high potential incidents per million hours worked.

FIRST

Environment focused multi-stakeholder forum held in April 2012, where we brought together experts from civil society, the policy community and our business.

93%

Of respondents to Talkback believe that Tullow actively seeks to keep people safe and 90% believe that Tullow has a responsible attitude to the environment.



DETAILED PERFORMANCE INFORMATION

We manage our EHS performance through a combination of leading and lagging KPIs. Pages 52 and 53 provide detailed information on 2011 performance and the new 2012 EHS KPIs.



Interview with Group EHS Manager
www.tulloil.com/crr2011/ehsinterview

We delivered a strong EHS performance overall in 2011. We achieved an excellent safety performance. We had zero high potential environmental incidents, despite a significant number of higher risk activities across Tullow during the year. In total over 13 million hours were worked, representing an increase of 57% compared with 2010. This is a new scale of activity driven by exceptional exploration success and an exciting and growing portfolio of development and production assets in both Africa and South America. We have identified clear areas where improvements are required – driving safety, spills and underlying trends in environmental data – and these are being targeted in 2012.

Enhancing our approach to EHS

We strengthened our EHS organisation in 2011 as part of a move to a new regional business structure. We created a new EHS Strategy Forum, comprising of both Executive Directors and senior management, to ensure we have a dynamic and innovative approach to EHS. We appointed regional EHS Managers who act as a strong link between operations and corporate EHS and are a working group for sharing best practice, common issues and experience. We are also focused on consistently delivering high-level performance and have continued to enhance our EHS resources and standards by investing a lot more rigour into all our EHS processes, meetings and reporting. This year we have rolled out a new EHS vision and an updated EHS policy. New Tullow Oil Environmental Standards (toes) have been launched as outlined in the case study opposite. We have also introduced Tullow Safety Rules, which are a set of safety requirements designed to manage high-risk activities.

2012 KPIs

Each year the EHS team sets out a number of leading and lagging KPIs, which are approved by the Executive and Board. We select five leading and five lagging KPIs to prioritise these activities for the year, although across the business 30 or more EHS indicators are monitored. Leading indicators are qualitative and focus on key activities during the year that will deliver improved performance in targeted areas. Lagging indicators show how we have performed based on quantitative data and targets.

More information	Page
EHS performance	52
EHS multi-stakeholder forum	66
Supplementary EHS data	81

“At Tullow, EHS is everyone’s responsibility. It is front of mind for operational people but non-operational people can contribute to our EHS performance too. We want everyone at Tullow to Think Forward for the health and safety of our people and local communities, and the wellbeing of the environment.”

Paul McDade
Chief Operating Officer

In 2012, we took a very structured approach to reviewing our KPIs. We evaluated our 2011 performance and reviewed all reports of accidents and incidents to identify our key exposures. We held EHS forums in each region and spent considerable time collecting data about what needs to be done, where our EHS risks are and how our business is changing. The objective was to define KPIs that would encourage the right EHS leadership and behaviours in each of our areas of activity. In 2012, leading indicators will build on the progress we have made in 2011, with a refined focus on action tracking, safety critical equipment, contractor management, toes and EHS leadership.

A more significant change has been made in lagging indicators because the EHS Strategy Forum concluded that there was too much emphasis on statistical information and not enough on learning and improvement. As a result, this year we have decided to take a different direction to the industry and remove Lost Time Injuries (LTIs) from our headline KPIs. Instead we are choosing to focus on level 4 and level 5 High Potential Incidents (HiPos). We have a matrix of five levels to rate the severity of a HiPo, with the top level indicating a potential fatality. Learning and managing HiPos is more proactive and will help us to stop an accident before it happens rather than simply record an injury after it has occurred. We will still continue to measure and report on LTIs.

In 2011, we did not perform well with regard to Vehicle Accident Frequency Rate (VAFR) and have had two third-party fatalities to date in 2012. We have already commenced a major vehicle and safe driving audit and this will help us to identify and mitigate gaps in our systems. VAFR is retained as a lagging KPI this year. Uncontrolled releases was a new KPI in 2011. Our operations are mainly based in environmentally sensitive areas so it is important to demonstrate good practice and the integrity of our equipment. While we recognise that we set a challenging target for 2011, we did not perform as well as we would have expected. Details of 2011 spills and the steps we are taking to improve our performance are set out on page 65 of this report. Malaria is probably our most significant occupational health issue. We undertook a major audit of malaria management in 2011, including a gap analysis of best practice, as part of a Board mandated objective. Malaria Case Frequency Rate is a KPI for 2012.

TULLOW OIL ENVIRONMENTAL STANDARDS



Tullow Oil Environmental Standards

In 2011, we reviewed toes, which were originally launched in 2009, to assess the evolving environmental challenges our business faces. In March this year we launched standards that revolve around biodiversity, greenhouse gases, resource management and socio-economic impacts. Each of these areas is supported by project tools to reinforce consistent delivery. The standards complement existing Tullow guidelines and policies including our values, Code of Business Conduct and Tullow Safety Rules.

toes is mandatory where Tullow is operator or has ownership control. In addition, we will make every reasonable effort to influence our partners’ commitment to toes or equivalent performance standards. If the requirements of toes are more stringent than local laws, or accepted local practice, then toes must be applied. We are committed to continuous improvement and toes will be updated regularly to meet our growing environmental challenges. Find out more at www.tulloil.com/toes

Four

New environmental standards launched in 2012

Three

Group-wide environmental KPIs in 2012



2011 environmental performance

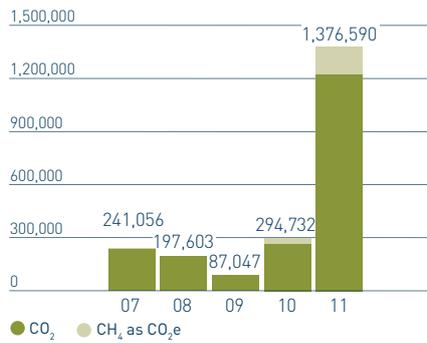
During the year we simplified our environmental data collation methodology and formalised the adoption of industry recognised standards for environmental data reporting. Data is monitored on a quarterly basis at Group level by the corporate EHS team. We assure Group-level performance data through Deloitte.

For 2011, we have reported data for our production and drilling operations in Ghana, the UK, Uganda, Bangladesh, Pakistan and French Guiana. We also began monitoring our seismic programme environmental data this year, which included seismic acquisition campaigns in Kenya, Mauritania and Madagascar. Data has been collected for the following parameters: atmospheric emissions, water usage and spills.

In the 2010 Corporate Responsibility Report we highlighted that waste management is a challenging issue for us, particularly in remote sites in isolated parts of the world. We have therefore incorporated our waste data into our environmental performance data review for 2011. One of our 2012 environmental objectives is to develop a Group position on waste management.

Greenhouse gas (GHG) emissions

1,376,590 TONNES
2010: 294,732 TONNES



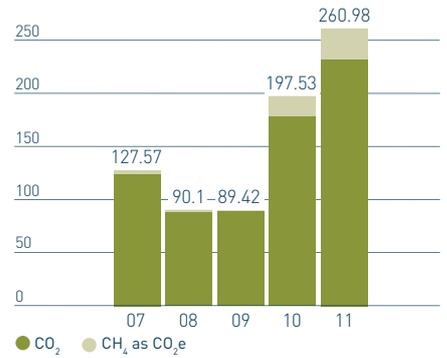
GHG emissions are generated by our production, drilling and well test activities. We have also incorporated seismic acquisition activities in our data this year. These emissions contribute to the total atmospheric GHG emissions, which impact climate change. GHG emissions include Carbon Dioxide (CO₂) and Methane (CH₄). This year in line with industry guidance we are reporting annual emissions as the CO₂ equivalent (CO₂e) of each GHG. CO₂e emissions increased 367% in 2011. CO₂ emissions for the Group have increased by 361% between 2010 and 2011. CH₄ emissions have increased by 420% during 2011. The key reason for this is the first full year of production and resultant flaring during the year in Ghana. In March 2012, we introduced a GHG Standard as part of toes. The objective of this new standard is to promote the efficient and responsible use of energy resources throughout Tullow operations.

The conversion factor used to give methane in terms of CO₂e is 21.

CO₂e figures have not been assured by Deloitte, however figures for CO₂ and CH₄ emissions have been assured.

Greenhouse gas emissions per 1,000 tonnes hydrocarbon produced

260.98 TONNES
2010: 197.53 TONNES



In 2011, GHG emissions (CO₂e) per tonne of hydrocarbon produced increased 32%. The most significant contributor was increased production in Ghana and the need to flare additional gas. During the year, we continued to stabilise FPSO plant and processes in the Jubilee field, offshore Ghana. These hydrocarbons are defined as light sweet crude and have a relatively high gaseous content in the oil. As a result gas injection compression facilities are required to enable this gas to be re-injected into the reservoir, as this is the only available gas disposal route at this time. While the gas reinjection system was commissioned in the first half of 2011, technical issues arose in what is a complex engineering process. We have worked hard to resolve these issues and have made very good progress towards achieving the optimum level of 97.5% gas reinjection, with reinjection rates consistently exceeding 90% since the beginning of 2012. The long-term plan is that there will be no continuous flaring of hydrocarbons during normal operations.

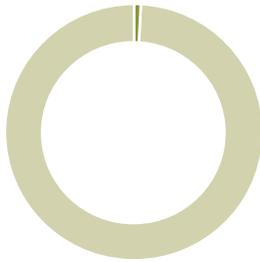
Total CO₂e per thousand tonnes hydrocarbon produced is calculated as: Tonnes CO₂ per thousand tonnes hydrocarbon produced plus 21x tonnes CH₄ per thousand tonnes hydrocarbon produced.

CO₂e figures have not been assured by Deloitte, however figures for CO₂ and CH₄ per thousand tonnes hydrocarbon produced have been assured.

More information	Page
Assurance	80
Supplementary EHS data	81

Water usage

10,408,240 m³
2010: 107,423 m³

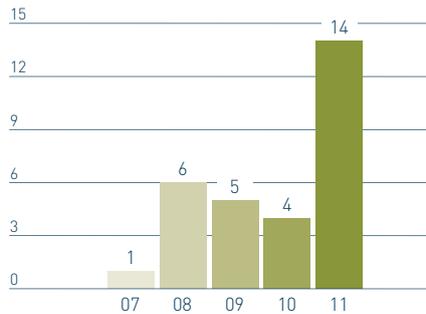


● Fresh water	1%
● Seawater	99%

Water management is important in any area where fresh water, in particular, is constrained due to limited supply or extensive water needs. Water availability can impact the local environment and influence socio-economic activity. In 2011, we have reported the use of both fresh and seawater in our operations. Fresh water accounted for 1% and seawater 99%. We have seen a significant increase in water usage during 2011, attributable to the start-up of production in Ghana. The water reinjection system in these operations uses a significant amount of seawater, and this has accounted for almost 99% of our total water usage. The Uganda and French Guiana drilling programmes used 86,667 m³ and 18,916 m³ respectively. Although relatively small, this represents a significant increase in the use of water in Uganda. During 2011, there were five operational camps and 12 well sites, compared with three operational camps and seven well sites in 2010. We are concerned about the increase in water usage in Uganda and Kenya as our activities expand in these countries, and in 2012 we are developing a position on the issue.

Oil and chemical spills

14
2010: 4



We did not achieve our Uncontrolled Releases KPI, which was introduced in 2011. This indicator measures the number and volume of spills, or unintended releases, of any materials which could impact the environment. The effect of Uncontrolled Releases to the environment depends on two components – the volume released and the receiving environment. In 2011, Tullow had 14 incidents of uncontrolled releases, which was over four times our target. Eight incidents were in Uganda and six in Ghana. While none of the incidents were particularly significant, they do demonstrate that spills need to be a key area of focus for the business, specifically drilling fluid storage and management. The EHS and Well Engineering Teams have developed a Drilling Fluids and Cuttings Disposal Standard and a set of guidelines that our operations must comply with. During 2011, we also significantly improved the reporting of environmental incidents, which will help us to enhance our processes and the integrity of our equipment.

Waste

32,707 TONNES
84.29% RECYCLED



Waste is a new reporting parameter for Tullow in 2011. Effective waste management is an important aspect of operational efficiency to reduce the environmental, social and economic impacts of our activities. Waste management is a challenging issue in remote locations with limited or no infrastructure for waste disposal. Tullow operations produced 32,707 tonnes of waste in 2011, over 84% of which has been reused, recycled or treated. The most significant contributor to our waste tonnage was our Ugandan activities, which accounted for almost 80% of total Group waste. We had been storing drill cuttings onsite until we could identify approved waste contractors in the country who could legally and responsibly deal with our waste. In 2011, we were able to work with local suppliers to dispose of a considerable volume of waste. One of our environmental objectives this year is to develop a Group position on waste management.



EHS Multi-Stakeholder Forum

In 2011, Tullow held its first multi-stakeholder forum covering a broad range of operational topics. The environmental issues and concerns raised at that event led us to host an environment focused forum in April 2012. We brought together experts from civil society, policymakers, academics and the SRI community with Tullow EHS, operational and technical managers. The objective was to review the full spectrum of our EHS activities and identify some of the key issues that would promote or detract from Tullow consistently maintaining the highest EHS standards and performance. We also hoped to gain insight from key stakeholders to help shape developments in our approach to EHS. Subjects included industry best practice, Tullow's approach to environmental standards, new country entry, working in protected areas and oil spill and emergency response plans. A number of key issues emerged. We have set out our preliminary responses to some in this review and have undertaken to respond to all issues raised by the end of the year. One of the issues was the need for Tullow to set emissions targets, to which our initial response is set out in the case study on page 67. Another was our position on operating in environmentally sensitive areas, which we address in the new frontier entry commentary in the next paragraph. Other areas include more frequent updates on environmental issues and progress on these, a long-term view on sustainable energy, a wider perspective on resource benefits and how we intend to close environmental performance gaps.

“I am pleased to see so many operations people at the session and the tremendous openness shown by Tullow. There has been no instance of rejection of any idea out of hand.”

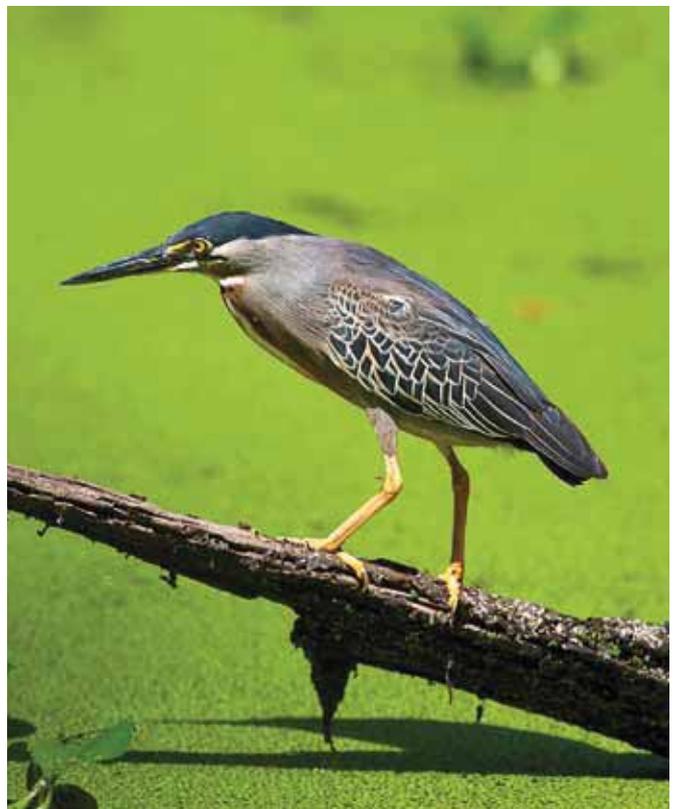
Participant
EHS Multi-Stakeholder Forum

“It is crucial that oil and gas activities are undertaken in a way that ensures sustainability of ecosystems. They need to co-exist with the tourism and conservation activities taking place.”

Participant
EHS Multi-Stakeholder Forum
April 2012

New frontier entry

We have identified the need for earlier integration of EHS and social impact assessment in new frontier entry. As a result the EHS team has set up a Geographic Information System (GIS) covering Africa and the Atlantic margins to provide high-level screening of environmental biodiversity and social risk information for our business development teams. GIS is a system for managing a range of data and associated attribute information, which are spatially referenced to the Earth. This provides a database of information layers as a digital and interactive map. It can be used to identify, manage and monitor change during all phases of exploration, development and remediation, to optimise and effectively manage activities. We are putting multiple layers into these maps. We start with geology, allowing us to focus on the areas in which we think we have a chance of finding big oil. This is core to our exploration-led growth strategy. We then look at security, environmental, health, political and commercial considerations. This brings together an holistic view which also allows us to identify and take account of sensitive areas in the very early stages of any decisions. We have put GIS systematic screening into our workflows and have reinforced our environmental expectations with the launch of toes in March 2012 and an Operating in Sensitive Areas strategy for the Group. If we intend to enter internationally protected sensitive areas it is now mandatory in Tullow that this is reviewed and approved by the Executive.



Green Backed Heron, French Guiana. Image courtesy of Graham Eaton www.eatonnature.co.uk

More information	Page
Corporate risk framework	14
toes	63

EHS risk management and asset protection

In 2011, a new Group Asset Protection Manager was appointed. Crisis management, emergency preparedness and security are critical EHS risk and reputation management issues for Tullow. We consider all forms of EHS risk, from major accidents to simple workplace hazards. We maintain a dynamic EHS risk inventory that sets out our top 10 EHS risks which are also ranked by significance. This enables us to take a strategic approach to EHS risk management. Tullow's Chief Operating Officer gives an EHS update at each Board meeting. EHS risks and statistics are reported monthly and there is a quarterly review process with participation from Tullow operations, regional business management, corporate EHS and Executives. Twice a year the Board receives a detailed update on EHS issues and risks. In 2012, we introduced a Group Security Standard. Tullow has interests in 22 countries, each presenting a different operating and security risk profile. The introduction of this standard reinforces our requirement to safeguard people and property against potential security threats and ensures a common base level of security is maintained wherever we operate. To complement this, Tullow has requested admission to the Voluntary Principles on Security and Human Rights. These are a set of principles to guide companies in maintaining the safety and security of their operations, within a clear operating structure that promotes respect for human rights.

Think Forward in 2012 and beyond

It is a real challenge to consistently deliver top quartile EHS performance, in the context of our increased scale of activities and the rapid growth in our employees, contractors and areas of operation. As Tullow grows there is potential for more incidents but there is also a danger of falling into the position that more procedures are needed to prevent these. In a dynamic operating environment people need to be empowered to think beyond systems and checkboxes. They need to be able to adapt to change, sometimes very rapidly, and be ready to intervene, respond and act. The whole purpose of 'Think Forward', which is our new EHS framework, is to get people to look ahead and be proactive in preventing an incident by actively thinking about the risks that they are managing. With good collaboration, strong leadership and up-to-date competencies our aim is to build a culture of confident interventions. 'Think Forward' will help us create the right behaviours which will enable us to manage EHS in a much more responsive and tailored way. It is about improving our EHS performance but, more importantly, it is about enabling people.

SETTING EMISSIONS TARGETS

Tullow's operational footprint has grown extensively in the last five years. The Group has discovered four new oil basins, three in Africa and one offshore French Guiana in South America. We became operator of a major new production facility offshore Ghana, which is expected to achieve plateau production in 2013. We also have a number of major development projects underway in Ghana and Uganda. In the meantime, we continue to review our portfolio of assets and have disposed of gas production facilities in the UK, with plans to dispose of our Asian portfolio in the near future. In addition, we have sought to significantly improve our environmental data monitoring and reporting and this year we adopted industry standards.

Indicative of the scale and pace of change is the growth in the number of hours worked across Tullow activities. In 2011, over 13 million hours were worked across Tullow, including a 35% increase in production, 35 E&A wells and 60 development wells. This compares with 5.6 million hours worked just five years ago. Our 2011 activities included a significant number of higher risk operations such as deepwater drilling in South America and production ramp-up in Ghana with 33 oil liftings to date.

This level of change across our activities makes it very difficult to set emission reduction targets for the Group. However, we believe our 2011 environmental performance is the penultimate step before a predicted improvement across a range of environmental indicators including greenhouse gas emissions, water use, waste and spills. This improved performance should be achieved both through the launch of toes in March 2012 coupled with the changes made to Group-wide 2012 environmental KPIs.

In 2012, a toes self-assessment tool has been developed and is expected to be completed for operated and ownership controlled assets this year. Environmental and Social Management Plan (ESMP) closure reports are required for each Environmental and Social Impact Assessment (ESIA). These, together with implementation of the Tullow Chemical Management Plan, Drilling Fluids and Cuttings Disposal Standard and Greenhouse Gas Standard, underpin the expected improvement in our environmental performance. These activities will also provide us with clear identification of the gaps we need to work on in 2013 and 2014.



BEING THE BEST WE CAN BE, TOGETHER

At Tullow we're committed to providing our people with a diverse and open working environment that encourages everyone to make a difference.

STRATEGIC IMPORTANCE

Having the freedom to innovate and contribute to finding the best solutions to opportunities and challenges provides a compelling attraction and retention proposition. Harnessing this creative energy and motivation into building high-performing teams drives our vision of 'being the best we can be, together'.

HIGHLIGHTS FOR THE YEAR

26%

Our total workforce increased by 26% in 2011 to 1,548 people by year-end. Employee numbers grew 29% to 1,207 people.

371

371 new people were recruited by Tullow in 2011, 37% of which joined our African operations.

3.2%

Staff turnover in 2011 was 3.2%, which was within our baseline target.

81%

Our overall Talkback engagement score was 81% favourable, significantly above the energy benchmark.



DETAILED PERFORMANCE INFORMATION

On page 54 of this report you will find more detailed information on 2011/2012 performance against objectives as well as 2012/2013 objectives.



Tullow people diaries
www.tulloil.com/peoplediaries

A rewarding, challenging and great place to work

The industry looks on Tullow very differently now to how it did a few years ago, and that's a credit to all of our people. In 2011, our employee numbers grew by a further 29% with our workforce now totalling 1,548 worldwide. As we continue to build our organisational capacity, we remain absolutely committed to maintaining our entrepreneurial character and living our core values. This year we updated our business model which is outlined on pages 12 and 13 of this report to reflect our strategic priorities. Our organisation and culture underpins the delivery of our vision through building strong, effective and integrated teams with excellent commercial, technical and financial skills and entrepreneurial flair. To do this, we continue to attract the best talent, invest in the development of our people and ensure high engagement and collaboration amongst our teams.



Our people strategy

Much of our success has been based on the adaptive and entrepreneurial nature of our culture, which is also reflected in our core values. Our culture is part of our competitive advantage. It strongly influences why people join Tullow and why they choose to remain with Tullow. Our people strategy is fully aligned with achieving our vision by ensuring that all our employees contribute the best they can in all that they do and conduct themselves with respect for each other and for the people and the environments we work within. Our HR strategic objective is very clear. It is to grow value over the long-term for the business as the 'employer of choice' within the industry.



“I am very proud of our high engagement score. It’s what most companies forever strive to achieve – our challenge is to sustain it.”

Gordon Headley
Chief HR Officer

In 2011, we were focused on building the foundations of our people and talent strategy, and our focus in 2012 has expanded to include the introduction of career development planning for all employees and continuing our investment in localisation and succession planning. 2012 will also see us roll out career and competency frameworks across a number of functions to ensure our people can properly plan their careers and have meaningful development conversations. We will also be introducing a range of HR systems to better support and enable our talent, reward, learning and recruitment processes. We remain committed to our ‘T for Talent’ programme which includes in-house training for employees and managers, vocational technical training, professional training and on-the-job learning.

At the end of 2011, we introduced a new Group Recruitment Team to support our increasing skills requirements. This team will support local HR and Business Managers across the Group to deliver an innovative and effective approach to recruitment, advice on talent markets and options for candidate sourcing. The Recruitment Team will work closely with our HR Business Partners in balancing internal career progression routes with external recruitment needs. In 2012, our focus is on getting the right people with the right skills into the right place.

Our reward offerings and recognition programmes are under constant review to ensure we balance the ever changing requirements and keep ourselves attractive to our employee base and new talent streams. We remain committed to ensuring that all our employees globally benefit from our highly competitive Share Options Scheme. Comments from our Talkback 2011 survey indicated that people value the range of benefits available to them. We are a performance driven organisation and our performance ratings process allows us to recognise those who have significantly and consistently contributed to the Group’s continued success.

TALKBACK



What our people really think

In 2011, we launched our second ‘Talkback’ survey, providing a voice to both employees and contractors globally. We invite everyone to feedback and contribute to the future direction of Tullow in different areas of staff engagement. The survey received an 84% response rate compared with 83% in 2009. Our overall engagement score was 81% favourable, significantly above the energy benchmark defined by the survey intelligence provider, Sirota. Our engagement score was consistent at 81% for both our female and male demographic.

Our people feel our strengths are in the areas of safety, responsibility, innovation, empowerment and teamwork. We also scored significantly above benchmark responses in areas such as communicating matters that affect people, learning from our mistakes, cooperating well across the Group and people’s trust in the management teams.

The main areas for improvement are the obstacles we face as a growing company in achieving more efficiency and effective change management, and in the increasing challenges we have in our workforce growing at a rate of 20-40% year after year. We have now begun to involve management teams and employees in workshops to understand and reinforce what we do well and address areas for improvement. We are already communicating progress made.



Leadership at Tullow

Effective succession planning remains a Board level goal. Development of our managers and business leaders to prepare for their next role is critical to people’s engagement and our future success. Our performance is also dependent on our leaders having the right skills and experience to support the career development of others. Facilitating people’s desires to move around business units and functions allows us to make best use of the talent pool we have and encourages individuals to develop their careers within Tullow.

In 2011, the Tullow Leadership Development Programme was launched with Ashridge Business School. 123 managers within Tullow have attended the first module of this training: a four-day session on what leadership is and means at Tullow. The second module, launched in 2012, will build on this with an emphasis on the application of strategic thinking and change leadership.

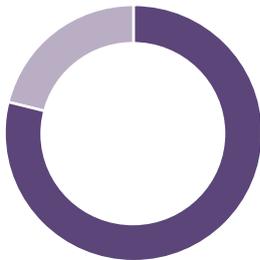
A subset of this group attended the first Leadership Forum in early 2012 to discuss our Vision, Strategy, Leadership and Teamwork and the collective challenges we need to overcome to continue our success and growth as a Group.

The Forum, which was held in the UK, was a highly interactive event with key presentations from members of the leadership team and the Executive. This will become a yearly event.

Our managers and leaders continue to receive support from our Internal Communications team. Staying connected, informed and engaged as a group, in all locations and at all levels is critical to our continued success. Our intranet, ‘TullowNet’ is accessed by over 1,000 people per day and provides employees and contractors with regular updates on our business, people stories and corporate responsibility news.

As our organisation grows, we are introducing new initiatives to ensure the Executive and senior management stay visible for employees. Informal ‘Meet the Exec’ sessions and Executive visits to our locations globally have received very positive feedback. In 2012, we will be introducing new ways to involve and connect employees including market data and media updates to managers, hard copy news to those in remote locations and new technologies to allow people to better share and collaborate.

Localisation



Local employees and contractors	79%
Expatriates	21%

Our localisation vision is to run each of our country-operated assets with a majority of local leaders, managers and staff. In 2011, 85% of our employees in Ghana were local, and 84% of our employees in Uganda were local.

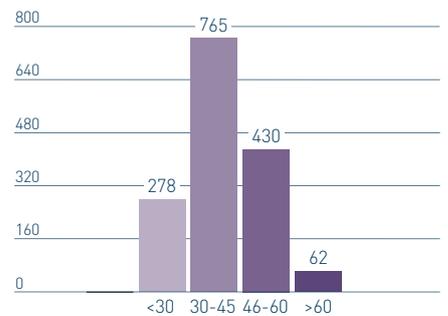
Gender profile



Male	73%
Female	27%

At the end of 2011, 27% of our workforce was female, up 2% on 2010. 17% of our managers are female, including one of the three Regional Business Managers, one of the most senior positions in the Group.

Age profile



In 2011 our objectives continued to be focused on career planning, career development and succession. This reflects the 30-45 year age profile of over 50% of our workforce.

(These figures exclude 13 people for whom we did not have age data for 2011.)

Localisation

We see localisation as a critical part of our ability to deliver on our growth ambitions. Localisation therefore remains a key strategic pillar as it aligns our strategic interests with those of our national partners, and in the long-term provides us with a pool of competent, capable and motivated staff for our succession pipeline. The primary localisation challenge for Tullow remains our ability to find and attract suitably qualified nationals in the core petroleum engineering technical and commercial disciplines both in-country and in the Diaspora. Initiatives such as mentoring, focused talent searches and competency development are being deployed with the intention of bridging this gap and developing the long-term capability of national staff.

In 2011, we further clarified our approach to localisation – setting a platform for the consistent implementation and communication of our localisation aims. We also recruited a Group Localisation Manager to lead the development and implementation of our Group Localisation strategy, working with our Business Unit management teams to ensure that our localisation agenda is executed efficiently.

In order to attract the best prospective graduate staff from our key countries to the industry, we are continually engaged with local institutions including Makerere University in Uganda and Kwame Nkrumah University of Science and Technology in Ghana, through sponsorship of career fairs, offering internship opportunities and direct engagement with students.

The optimal localisation rate varies by country dependent on local and external factors including the pre-existence of an oil and gas industry prior to our arrival and the need to have the right mix of expertise to run our business effectively. We currently have 85% local employees in our Ghana locations and 84% local employees in our Uganda locations.

“Our vision is to run each of our country assets with a majority of local leaders, managers and staff.”

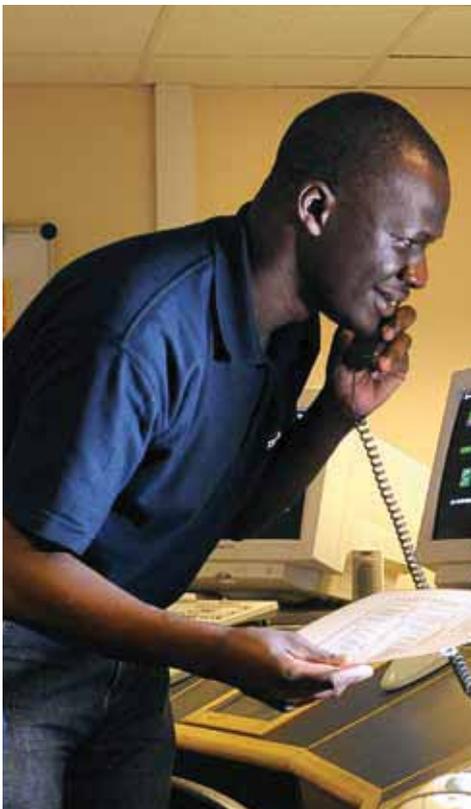
Edward Mungatana

Group Localisation Manager



Interview with Group Localisation Manager

www.tulloil.com/crr2011/localisationinterview



TTE PROGRAMME

Innocent Osuna joined Tullow Uganda operations two years ago with a vision to develop considerable expertise that would add value to Tullow Oil and Uganda as a country. He joined the Technician Training programme in November with a passionate desire to attain practicable competency and accredited qualifications in hydrocarbon process operations and safety management.

Since 2009, nine Ugandans and 10 Ghanaians have attended the Technician Training course at TTE in Middlesbrough, United Kingdom.

“The programme was absolutely bespoke to my career. The modules have imparted the appropriate knowledge and experience I need, covering key topics including process safety, process operations and instrumentation which are highly cherished skills in the industry, especially in Uganda. During the programme we completed a team-building exercise in the Lake District. The outdoor sessions included activities like mountain climbing and bridge building which underpinned our core skills in teamwork, work planning, leadership, accountability and responsibility. My current role is Trainee Production Supervisor. I will focus on delivering my training targets, whilst simultaneously implementing the skills acquired to grow the business through exemplified leadership.”

Innocent Osuna at the TTE training college, Middlesbrough, UK.



ADDING VALUE, PROTECTING THE BUSINESS

The objectives of Tullow's supply chain strategy are to add value and protect the business. Building a sustainable supply chain is integral to this goal and it is also closely aligned with our values and the way we do business in Tullow.

STRATEGIC IMPORTANCE

The activities in our supply chain impact every aspect of our business model, including how we create value as a company and how we run our business in pursuit of prudent risk management, strong governance, entrepreneurial flair and shared prosperity.

HIGHLIGHTS FOR THE YEAR

NEW

A new supplier centre was launched to promote transparency in how to do business with Tullow and what opportunities are available in our areas of operation.

FIVE

Tullow has five key supplier evaluation criteria which address the 10 principles of the UN Global Compact to develop more sustainable supply chain practices.

UPDATED

In 2011, supplier contractual terms were updated to take account of Tullow's new Code of Business Conduct. Supplier workshops have been held in Bangladesh and Kenya and for the TEN Project in Ghana.

REVISED

Master contract agreements were revised in 2011 to embed EHS standards and mandate local content requirements.



DETAILED PERFORMANCE INFORMATION

Sustainable supply chain and related local content performance information against objectives for 2011/2012 and key plans for 2012/2013 are set out on page 54 and 55 of this report.

Building a sustainable supply chain

Our supply chain is embedded in all our activities. It is the starting point for an exploration campaign in-country, underpins the successful delivery of major development projects and helps to run our day-to-day business. Many of our areas of operation, but particularly those in East Africa, present some of our biggest challenges in technical and non-technical risks and sustainable practices. Distance, remoteness, geography, topography and infrastructure are often set within a complex operational context. They are frequently environmentally sensitive areas with multiple and overlapping interest groups and pastoral local communities with low EHS awareness. Delivering logistics in and bringing waste out, building camps in the right way and running trucks to the correct environmental and safety standards, for example, all require a long lead time and strong support to optimise sustainable practices all along the supply chain.

As a consequence, we evaluate our suppliers against five key criteria – EHS standards, technical requirements, local content opportunities, ethics and compliance, and the best technically acceptable commercial offer. These five criteria address the 10 principles of the UN Global Compact to develop more sustainable supply chain practices. They also underpin the three key principles at the heart of building a sustainable supply chain for Tullow. These are to protect the environment as much as possible; support the creation of long-term social benefits in host countries; and achieve the right balance between environmental and social considerations, the commercial needs of our business plans and Tullow's commitment to creating shared prosperity.

Developing robust contract strategies

Alongside the five criteria for supplier evaluation, supply chain works closely with specialist functions and experts in Tullow to identify all the risks in relation to the provision of goods and services. We also work with external stakeholders to aid our discussion on the design of contract strategies. This enables us to identify the custom elements that are needed in a contract to ensure we meet or exceed sustainable supply chain criteria and address all identified risks. We directly monitor supplier behaviour and practices on location and mandated supplier reporting gives us added assurance of high standards of performance.

More information	Page
Compliance	57
Local supplier expenditure	83

“Tullow’s commitment to creating shared prosperity for our host countries, as well as our business, is underpinned by ethical and responsible business practices focused on creating a sustainable supply chain.”

David Mooney
Head of Supply Chain

We recognise that local suppliers need additional support to achieve supplier pre-qualification, in addition to assistance post contract award to make sure they consistently meet the standards required. Most importantly we plan for success in our contract strategies so that we can meet peak supply chain requirements in a sustainable way and move to a fast track once oil is found. Our supplier development programme is set out in the local content section on pages 74 to 75 of this report.

Fostering a wider opportunity

Local content plays an important role in risk assessment and market intelligence for our contract strategies. We are also developing stakeholder engagement skills within the local content team to work with all aspects of local and national government in support of robust legislation and strong government initiatives to build capacity. In 2012/2013, we are extending enterprise development and capacity building to a wider range of services and goods. We are also looking at creating greater linkages across our supply chain through vocational skills training and agri-supply. Agriculture is a significant part of host country development goals as it enhances food security and is a major source of revenue and employment.

While there is a finite opportunity for suppliers within our supply chain, developing capacity to serve the emerging oil industry can be a passport to opportunity and growth in new business for local suppliers. The multiplier effect of higher standards, entrepreneurial networks and business-to-business relationships can evolve into economic and social development beyond the oil sector. Lasting improvements in quality, productivity and governance can serve as a magnet to attract other goods and services and foreign direct investment. Growing a country’s private sector is the only long-term way to build a dynamic economy and benefit the lives of local people. In partnership with a wide range of stakeholders, Tullow can, through its supply chain, assist in building the right environment to facilitate local and international investment, thereby creating jobs and building a more diversified economy.

We can already demonstrate that transferable skills and services can lead to new business opportunities and partnerships with international companies. Visit www.tulloil.com/casestudies

SUPPLIER ETHICS AND COMPLIANCE

Tullow’s Compliance team, along with Supply Chain, hosted the first Industry Partner Compliance Workshop in Bangladesh this year. This was followed by a similar event in Kenya. The forums featured an overview of anti-bribery legislation, including the UK Bribery Act 2010, and outlined Tullow’s compliance expectations of Industry Partners. The forums also covered the importance of due diligence, the effects of non-compliant behaviour and details of Tullow’s confidential reporting line.

In addition, the Industry Partners were given an overview of Tullow’s Code of Business Conduct, introducing key supplier related elements such as our gifts and hospitality policy and facilitation payments guidance. The issue of facilitation payments was an area of particular interest when Tullow and the Industry Partners discussed the challenges of working in developing countries.



Michael Mawuli Ahorlu, Supplier Development Specialist, Tullow Ghana



BUILDING FUTURES

The capacity and capability of local people and businesses to participate in the nascent oil and gas industry can be substantially increased through a strong commitment to local content in Tullow's supply chain.

STRATEGIC IMPORTANCE

We believe that Tullow will achieve a competitive advantage through building a vibrant and secure local supplier base. This is both cost efficient and lowers commercial, operational and project risk in the long run.

HIGHLIGHTS FOR THE YEAR

\$146.6 MILLION

We spent \$146.6 million with local suppliers in 2011. There was a significant increase in Uganda and Kenya local supplier expenditure during the year, reflecting the increased level of operational activity in these countries.

NEW

Enterprise Centre opened in Hoima in Uganda to assist SMEs in business development and to build capacity for the oil industry, with the objective of generating growth and employment. An Enterprise Centre is also planned in Ghana.

TWO

Tullow won two awards in 2011/2012 for its local content activities. The Group received an award for the most responsible investor in Uganda and at the Ghana Summit on oil and gas, Tullow received a local content award.



DETAILED PERFORMANCE INFORMATION

On page 55 of this report you will find more detailed information on 2011/2012 performance against objectives as well as local content 2012/2013 objectives.

A key role in creating shared prosperity

Tullow is committed to creating a strong external operating environment to successfully deliver its business plans and continue with its growth strategy. To do this, we must contribute to social and economic development where we operate. With approximately \$2 billion capital expenditure planned in 2012, our supply chain has a key role to play. Its activities can assist in the industrialisation of an economy and act as a catalyst for improvements in infrastructure, skills and technology transfer, higher quality standards, increased productivity and the development of entrepreneurship. These, in turn, help to stimulate further investment and more diversified economic growth.

In 2011/2012 Tullow has developed a robust local content policy and strategy which is committed to involving local individuals and businesses in our activities. This ensures that they have an opportunity to participate in developing their country's oil and gas industry and the wider economy. The goal of our local content strategy is to build local capacity and to develop successful suppliers who can deliver a wide range of goods, services and skills to international standards. The main motivation behind our local content strategy is business sustainability and long-term project cost considerations. The decision to invest in local content development programmes involves a delicate balance between higher short-term costs and the benefit of a dynamic, cost-competitive host country market environment. The objective is to mitigate commercial, operational and non-technical risks.

Joined-up thinking and activity

Creating real opportunities for local people and local enterprise development is done in three interconnected ways by Tullow; supply chain, localisation and social enterprise investment. We have built linkages across the Group to align our business activities in these areas and to ensure we leverage and/or optimise opportunities for local businesses and individuals. We want to make sure that all areas of our business work together in pursuit of our commitment to fostering local entrepreneurs and local enterprises. We also want to make sure that local content development is integral to our business and is managed as such.

More information	Page
Local content in Ghana	28
Local content in Uganda	37

“Our entrepreneurial culture lends itself well to fostering local businesses and helping them to develop new enterprises which can become part of economic development in their country.”

Jim Walsh
Group Local Content Manager



Visit: www.tulloil.com/supplier_centre

Strong local content operating model

Our local content operating model is focused on identifying opportunities for local content at the earliest possible stage in our activities. Local content is mandated as part of our procurement strategies and is a critical element of our contracts with international suppliers. We also seek to engage with in-country stakeholders to develop country-specific plans for local content development. This helps us to manage expectations of the opportunities that will become available, and to gain support and form collaborative relationships to deliver our plans. Local content country plans include the appraisal, development and registration of local suppliers and the identification of potential partners and enterprise initiatives. In particular, we look for early commencement projects that we can start with, as well as longer term capacity building projects. We also establish in-country local content teams to build our own capacity in this critical area. In line with Tullow’s commitment to localisation and sustainability, we seek overtime to develop a completely national local content team. Where appropriate we gradually shift organisational responsibility for local content projects to national organisations and/or international-national partnerships.

Transparency, governance and ethics in local content

Transparency about the way we award contracts and about how to win business with Tullow is very important to building an open and competitive market. We support this by working with governments, trade bodies and NGOs in the design of contract strategies. We also host supplier forums, seminars and training. In 2011, we launched an online supplier centre to provide open access to supplier registration, expressions of interest and key Tullow policies and standards. All suppliers are subject to Tullow’s five supplier criteria, which also address the 10 principles of the UN Global Compact for sustainable supply chains. Local content initiatives are governed at three levels including Executive, senior management and a working group comprised of External Affairs, HR and Supply Chain. We recognise that our industry can only support economic development and industrialisation for a defined period of time. We are therefore sensitive to the need to work with governments to ensure that local content is maximised and economic diversification is prioritised for the future of a country, so that economic and social development can be sustained.

LOCAL CONTENT INITIATIVES

Through a number of different initiatives, Tullow helps local businesses to grow and develop:

Supplier centre online

Tullow has a dedicated supplier centre to provide all suppliers, but particularly local suppliers, with the opportunity to register their interest in becoming a Tullow supplier. Phase 2 of this initiative is being launched mid-year.
Visit: www.tulloil.com/supplier_centre

Forums and seminars

We organise and host a number of supplier forums that bring together local and international businesses to discuss the challenges and opportunities in their sectors and to encourage partnerships and joint ventures. In 2011/2012 these include forums in Uganda, Ghana, Mauritania and Bangladesh on topics such as logistics, safety and compliance, for example.

Training and skills transfer

Closing the Gap workshops identify local suppliers requiring training and development facilitated by the Local Content team. We are engaging with Ugandan Government ministries and departments and key stakeholders to establish a Train the Trainer Centre to develop apprenticeship schemes and to build capacity in nominated Uganda Vocational Colleges to deliver European competency based qualifications for selected trades.

Enterprise Centres

Economic development is built on a diverse and sustainable supplier network. We are supporting this by opening Enterprise Centres that will enhance business capability, facilitate access to finance and strengthen local standards.



MAKING A POSITIVE CONTRIBUTION

Tullow invests in social enterprise (SE) projects to manage our social footprint and contribute towards host country and community development.

STRATEGIC IMPORTANCE

Social enterprise is an important tool that helps us to manage the socio-economic impacts of our activities and provide tangible benefits for local stakeholders, which in turn helps support delivery of our business plans.

HIGHLIGHTS FOR THE YEAR

\$11.6 MILLION

Discretionary SE investment increased 346% (2010: \$2.6 million).

24

Masters Scholarships awarded in pilot phase of Tullow Group Scholarship Scheme to study oil and gas related degrees at UK universities. Scheme launched in full early 2012.

STRONG PARTNERSHIPS

Further strong partnerships developed with third-party organisations such as the British Council, TTE Technical Training Group and Jhpiego, a US not-for-profit health organisation affiliated to Johns Hopkins University.



DETAILED PERFORMANCE INFORMATION

Page 55 provides detailed information on our performance against key objectives and our aims for 2012/2013. More social enterprise case studies can be found online at www.tulloil.com/casestudies



Interview with SE Projects Manager
www.tulloil.com/crr2011/seinterview

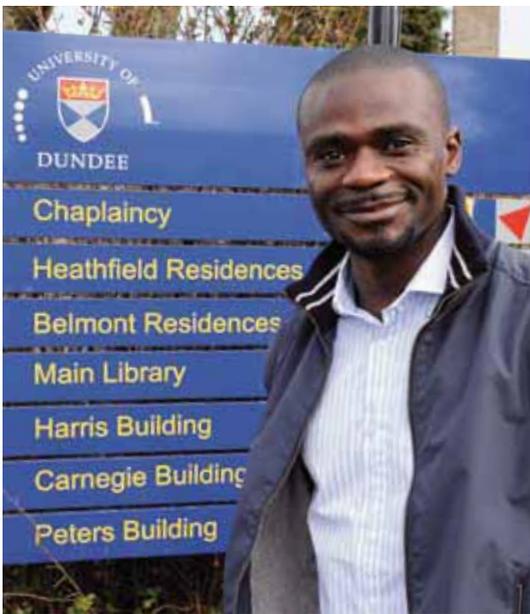
Tullow's community-level initiatives are designed to help address the socio-economic impacts of our operations and to contribute towards meeting community development aspirations, thereby facilitating positive business-community relations. At the national level, we are focusing on programmes that help build capacity for the oil and gas industry and other sectors that promote economic growth and support the development of local businesses to enter the oil and gas industry supply chain.

We have also started to support initiatives that promote inward investment into Africa, and in 2011 held the first Ghana-Ireland Trade and Investment Forum, an event focused on business opportunities in Ghana for Irish companies in agriculture, food processing, construction and engineering. This initiative aimed to stimulate foreign direct investment into Ghana in sectors beyond our own.

Enhanced processes and alignment

In 2011, we established a working group that reviews and approves strategic national-level projects focused on education, supporting local content development and promoting economic diversification in host countries. It includes representatives from Supply Chain, HR, Finance, EHS, External Affairs and Investor Relations functions within Tullow to ensure that the initiatives supported align with the Group's business objectives.

Going forward our SE programme will place considerable emphasis on sustainable, relevant and business-linked community development projects in our areas of operation. We are undertaking a detailed review of our main SE programmes conducted by external experts to document achievements, challenges and lessons learnt to date. We are also improving our Environmental and Social Impact Assessments (ESIAs) so that we have a better understanding of the socio-economic impacts of our operations. Both processes are designed to feed into future SE project planning so that our investments are much more aligned to managing social impacts and leveraging positive benefits associated with our business.



Michael Akonnor, Tullow Group Scholar, Dundee, UK



Agro Enterprise Programme, Masindi District, Uganda.

KEY SOCIAL ENTERPRISE PROJECTS

Tullow Group Scholarship Scheme

The Scheme is funding postgraduate, technical training and vocational studies and is run in partnership with the British Council, an internationally recognised service provider in scholarship management and partnership development in higher education. A pilot phase was launched in 2011 and provided 24 Ghanaians with full scholarships to study oil and gas and business-related Masters Degrees at several UK universities. The Scheme has been expanded to accept applications from Côte d'Ivoire, Ethiopia, Gabon, Ghana, Kenya, Mauritania and Uganda.

For more information

www.tullowgroupscholarscheme.org

Takoradi Polytechnic

Tullow and our joint venture partners for the Jubilee field have invested \$3.5 million to develop a technical training centre at Takoradi Polytechnic in Ghana's Western Region. The centre is being developed in partnership with TTE, a UK-based specialist technical training provider. The objective is to create international-standard training opportunities and develop a pool of graduates to meet the demands of Ghana's oil and gas industry as it grows. Building work commenced in November 2011 and the facility is expected to be up and running in December 2012.

COMMUNITY ENTERPRISE PROJECTS

Economic development and social improvement in Mauritania

In 2011, Tullow began an eight-month project to support a fish processing centre in Nouakchott, the capital city of Mauritania. The goal is to teach hygienic and efficient fish processing techniques and provide training in basic management and finance skills to enable local women, who frequently have sole responsibility for providing for their families, to start their own businesses.

We have partnered with Mauritanie 2000, an NGO with over 15 years' experience of improving living conditions for women working in fish-related activities. This investment is aligned with our objective of developing local businesses so that they can become either part of our supply chain or suppliers to hotels or restaurants. Over 180 women and their families have benefited from the scheme so far.

Helping families to get back into business in Côte d'Ivoire

Tullow provided emergency funding to local communities affected by the internal conflict in Côte d'Ivoire during 2011. Following the lifting of Force Majeure from Tullow's

exploration activities, Tullow has recommenced investment in community projects, focused on helping local enterprises to get back to business. One recipient of funding has been a women's association involved in food production and selling. Tullow purchased two electric mills and provided training for the 400 women who make and sell attiéké, a staple dish of which the main ingredient is ground cassava, after their grinders were destroyed during the internal fighting.

Agro-Enterprise Programme, Uganda

In 2010, Tullow began a three-year Community Agro-Enterprise Development Programme in partnership with TRIAS, an international development organisation. The programme's aim is to empower farmers with improved agricultural techniques and better access to markets, and to provide them with access to loans and savings schemes. It forms a part of our longer-term aim of creating opportunities for local stakeholders to become part of our industry's supply chain. We saw very promising results from the programme during 2011, such as 65 farmer groups reporting profitable enterprises in 2011, from a 2010 baseline of 45.



School children attending the Damas School, Libreville, Gabon.



SUPPLEMENTARY INFORMATION

80

Independent Assurance Report

In 2011, Deloitte LLP performed assurance as defined in ISAE 3000 on Group-level compilation of environment, safety and social performance indicators.

81

Supplementary Data

In addition to this supplementary information, the basis of reporting is published online at www.tulloil.com/crr2011/bor

84

Key Corporate Responsibility Policies and Systems

85

Glossary

86

Index

87

Contacts and feedback

88

Other resources



COMMITMENT TO TULLOW & EACH OTHER

We work in a collaborative manner, empowering ourselves and others whilst taking responsibility for our own actions.

4

Independent assurance report to Tullow Group Services Limited on the Tullow Oil plc 2011/2012 Corporate Responsibility Report (“the Report”).

Scope of assurance work

We have been engaged by the Board of Directors of Tullow Group Services Limited to perform limited assurance¹ procedures on Tullow Oil plc’s (“Tullow Oil”) Group level compilation on the following environmental, safety, social and social enterprise performance indicators on pages 81, 82 and 83 for the financial year ending 31 December 2011:

Environment

- CO₂ and CH₄ emissions (tonnes)
- Tonnes CO₂ and CH₄ /thousand tonnes hydrocarbon produced
- Production emissions: CO₂ and CH₄ (tonnes)
- Drilling emissions: CO₂ and CH₄ (tonnes)
- Well test emissions: CO₂ and CH₄ (tonnes)
- Water usage (m³)
- Oil and chemical spills (number)
- Oil and chemical spills (tonnes)
- Total waste (tonnes)
- Percentage of waste recycled/reused/treated

Safety

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

Social (total and by region)

- Number of employees
- Number of contractors
- Number of expatriates
- Number of locals
- Total workforce
- Number of female employees
- Number of female managers
- Number of managers

Social Enterprise

- Discretionary expenditure (\$ '000)

Basis of our assurance work and our assurance procedures

We carried out limited assurance in accordance with the International Standards on Assurance Engagements 3000 (ISAE 3000). To achieve limited assurance the ISAE 3000 requires that we review the processes and systems used to compile the indicators on which we provide assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance¹ engagement.

The evaluation criteria used for our assurance are Tullow Oil’s definitions and basis of reporting the indicators as described on www.tulloil.com/crr2011/bor

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

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

Our assurance conclusion

Based on the scope of our work and assurance procedures we performed, nothing has come to our attention that causes us to believe that the indicators compiled as described in Tullow Oil’s basis of reporting for environmental, safety, social and social enterprise performance indicators as above and as on pages 81, 82 and 83, are materially misstated.

Responsibilities of Directors and independent assurance provider

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

Our responsibility is to independently express conclusions on reliability of management’s assertions on the selected subject matters as defined within the scope of work above.

We performed the engagement in accordance with Deloitte’s independence policies, which cover all of the requirements of the International Federation of Accountants (IFAC) Code of Ethics and in some areas are more restrictive. We confirm to Tullow Group Services Limited that we have maintained our independence and objectivity throughout the year, including the fact that there were no events or prohibited services provided which could impair that independence and objectivity in the provision of this engagement.

This Report is made solely to Tullow Group Services Limited in accordance with our letter of engagement for the purpose of the directors’ governance and stewardship. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tullow Group Services Limited for our work, for this report, or for the conclusions we have formed.

Deloitte LLP

London, 26 June 2012

¹ The levels of assurance engagement are defined in ISAE 3000. A reasonable level of assurance is similar to the audit of financial statements; a limited level of assurance is similar to the review of a half year financial report.

TULLOW DATA IN DETAIL

These pages provide the reader with the base data found in this report and information on key corporate policies and systems. In addition to this, the basis of reporting and GRI Content Index are published online at www.tulloil.com/crr2011/bor and www.tulloil.com/crr2011/gri respectively.

ENVIRONMENTAL PERFORMANCE

	2011	2010	2009	2008	2007
Atmospherics					
CO ₂ emissions (tonnes)*	1,223,983	265,437	86,543	193,109	234,462
CH ₄ emissions (tonnes)*	7,267	1,395	24 ⁺	214	314
Tonnes CO ₂ /thousand tonnes hydrocarbon produced*	232	178	89	88	124
Tonnes CH ₄ /thousand tonnes hydrocarbon produced*	1.38	0.93	0.02 ⁺	0.10	0.17
Production emissions					
CO ₂ (tonnes)*	1,069,890	125,928 ⁺⁺	7,829	179,143	199,198
CH ₄ (tonnes)*	7,090	1,242	14 ⁺	171	167
Drilling emissions					
CO ₂ (tonnes)*	130,732	115,194 ⁺⁺	78,019	11,334	23,597
CH ₄ (tonnes)*	7.35	0.09	7 ⁺	0.80	1
Well test emissions					
CO ₂ (tonnes)*	23,362	24,315	695	2,632	11,667
CH ₄ (tonnes)*	169	152	3 ⁺	42	150
Water usage					
Water usage (m ³) – all operational sites*	10,408,240	107,423	71,683	62,380	39,496
Waste					
Total waste (tonnes)*	32,707	–	–	–	–
Recycled/Reused/Treated (%)*	84.29	–	–	–	–
Spills					
Oil and chemical spills*	14	4	5	6	1
Oil and chemical spills (tonnes)*	311	4.59 ⁺⁺⁺	0.94	trace	1.4

* Indicates data reviewed by Deloitte as part their assurance work. See page 80 for the independent assurance report.

⁺ This 2009 data has been restated using an updated conversion factor.

⁺⁺ The 2010 figure for production and drilling CO₂ emissions (tonnes) includes an estimated split in total emissions for Ghana. A new system is in place to avoid these assumptions for 2011.

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

SAFETY PERFORMANCE

	2011 stretch target	2011 base target	2011	2010	2009	2008	2007
Hours worked (million)*	-	-	13.3	8.3	6.6	5.6	5.1
Number of employee fatalities*	-	-	0	0	0	0	0
Number of contractor fatalities*	-	-	1*	0	1	0	0
Number of third party fatalities*	-	-	0	0	1	1	0
Lost Time Injuries (LTIs)*	n/a	n/a	5	7	5	3	10
Lost Time Injury Frequency Rate (LTIFR) ^{1*}	<0.5	<0.76	0.38	0.85	0.76	0.54	1.95
OGP LTIFR	n/a	n/a	0.43**	0.42	0.46	0.55	0.67
Total Recordable Injuries (TRI)*			36	28	20	28	65
Total Recordable Injury Frequency Rate (TRIFR) ^{2*}	<2.5	<3	2.71	3.38	3.04	5.01	12.73
OGP TRIFR ²	n/a	n/a	1.76**	1.68	1.79	2.11	2.71
High Potential Incidents (HiPos)*	-	-	12	11	10	24	29
High Potential Incident Frequency Rate (HiPoFR) ³	<1.0	<1.2	0.9	1.33	1.52	0.9	n/a
Kilometres driven ('000,000)	-	-	8.2	5	4.2	3.26	-
Vehicle Accident Frequency Rate (VAFR) ⁴	<0.8	<1.0	1.46	0.59	1.76	4.91	-

* Indicates data reviewed by Deloitte as part of their assurance work. See page 80 for the independent assurance report.

+ This was a work related fatality as a result of contracting malaria. Malaria cases are defined as illness incidents.

++ Draft OGP numbers, final numbers not yet published.

1 The number of LTIs per million hours worked.

2 The number of TRIs per million hours worked.

3 The number of HiPos per million hours worked.

4 The number of vehicle accidents per million kilometres driven.

SOCIAL DATA

	2011	2010	2009	2011			
				Africa*	Europe*	Asia*	Other*
Number of employees*	1,207	935	669	601	504	101	1
Number of contractors*	341	297	211	194	119	15	13
Number of expatriate employees ^{1*}	329	247	172	260	41	18	10
Number of locals ^{1*}	1,219	985	708	535	582	98	4
Total workforce*	1,548	1,232	880	795	623	116	14
Number of female employees*	412	307	213	206	202	4	0
Number of female managers*	46	24	22	14	32	0	0
Number of managers*	273	-	-	104	148	21	0

+ This data is broken down by the location of the office or operation in which the employee or contractor works. The employee figures given in Section 2 of this report, for our Regional Business Units, refer only to permanent employees, exclude our Group function employees, but include those employees at Group locations working within the relevant Business Unit.

* Indicates data reviewed by Deloitte as part of their assurance work. See page 80 for the independent assurance report.

1 Includes employees and contractors.

COMMUNITY SOCIAL ENTERPRISE INVESTMENT (\$'000)

	2011	2010	2009	2008	2007
Discretionary expenditure*	11,569	2,578	2,054	1,846	946

* Indicates data reviewed by Deloitte as part of their assurance work. See page 80 for the independent assurance report.

2011 LOCAL CONTENT EXPENDITURE (\$'MILLION)

	Total	Ghana	Uganda	Kenya	Bangladesh
Local supplier expenditure	146.6	46.9	73.1	23.6	3.0

MATERIAL PAYMENTS MADE BY TULLOW TO THE GOVERNMENT OF GHANA, 2011

This table does not include the Ghanaian Government/State Oil Company's share in production derived directly under the Deepwater Tano and West Cape Three Points Petroleum Agreements. This table represents payments or payments in kind made by Tullow to the Government of Ghana and the Ghanaian State Oil Company (GNPC) in 2011. It does not include payments made by Tullow's joint venture partners.

Type of payment	National Government	Local Government	Total
Royalties ¹	428,353 Barrels of Oil	–	428,353 Barrels of Oil
Value of State/State Oil Company Production ²	–	–	–
Profits/Income Tax ³	–	–	–
Licence Payments, Fees or Rental (other than routine, nominal administrative fees) ⁴	55,702	–	55,702
Profits/Dividends Paid to Government	–	–	–
Training Contributions ⁴	168,247	–	168,247
Other fiscal benefits to Government	–	–	–
TOTAL	223,949	–	223,949 USD plus 428,353 Barrels of Oil

Note: Figures are net to Tullow and denominated in US Dollars or Barrels of Oil. (unless otherwise shown).

- Royalties are calculated as 5% of Tullow net production in Barrels of Oil (BBLs) under the Deepwater Tano and West Cape Three Points Petroleum Agreements. For illustrative purposes only, the average price of a Barrel of BRENT CRUDE (as per Platts Oilgram) in 2011 was \$113/barrel, but this does not indicate, and should not be used to calculate, the actual value of Barrels of Oil received by the Government of Ghana for its sale of Royalty Oil.
- In 2011 Tullow did not make any additional payment or delivery of barrels to the State (Ghana) or State Oil Company (GNPC). State production interests are derived directly under the applicable Petroleum Agreements.
- Income tax calculated at 35% of taxable income is zero for 2011. This takes account of Tullow's share of \$4 billion initial investment which must be recovered from profits before payment of tax, thereby resulting in zero taxable income and nil company tax for 2011.
- Represents Tullow net equity share for Deepwater Tano and West Cape Three Points under Petroleum Agreement obligations.

Key corporate responsibility policies and systems

GOVERNANCE

- Code of Business Conduct
 - Gifts & hospitality policy and online register
 - Guidance on avoiding facilitation payments
- Guidance on expenditure on foreign public officials
- Conflicts of interest declaration form
- Awareness training programme
- Compliance online portal
- Compliance Committee
- Independent system for 'speaking up/whistle blowing'

STAKEHOLDER ENGAGEMENT

- Employee stakeholder engagement guidelines (2012)
- Global online stakeholder management tool (2012)

ENVIRONMENT, HEALTH & SAFETY

- EHS Strategy Forum
- EHS policy (revised in 2012)
- Tullow Safety Rules
- Tullow Oil Environmental Standards (toes)
- ISO 14001 accreditation for Environmental Management System
- Crisis management and emergency response facilities and plans
- HIV/AIDS policy
- Participant membership of the Voluntary Principles on Security and Human Rights (2012)

OUR PEOPLE

- Tullow values
- Group HR policies
- Employee handbooks / induction / local legislation requirements
- Equal opportunities policy
- Harassment policy
- Localisation policy

SUSTAINABLE SUPPLY CHAIN

- Supplier centre online
- Group Local Content policy (2012)
- Master contract reflects Code of Business Conduct, UK Bribery Act
- Tullow five contract criteria assessment, which incorporates the United Nations Global Compact Sustainable Supply Chain principles

SOCIAL ENTERPRISE

- SE guidelines
- SE working group responsible for reviewing and approving national-level projects
- Local and community SE projects managed by in-country teams

Glossary

A		L	
AA1000SES	AccountAbility AA1000 Stakeholder Engagement Standard	LTI	Lost Time Injury
B		LTIFR	LTI Frequency Rate measured in LTIs per million hours worked
boepd	Barrels of oil equivalent per day	M	
bopd	Barrels of oil per day	m³	Cubic metres
C		MAFR	Malaria case Frequency Rate
CH₄	Methane	Mmboe	Million barrels of oil equivalent
CLO	Community Liaison Officer	N	
CNOOC	China National Offshore Oil Company	NGO	Non-governmental Organisation
CO₂	Carbon Dioxide	O	
CO₂e	CO ₂ equivalent	OECD	Organisation for Economic Cooperation and Development
CR	Corporate Responsibility	OGP	International Association of Oil and Gas Producers (The)
CSO	Civil Society Organisation	P	
CSR	Corporate Social Responsibility	PESIA	Preliminary Environmental and Social Impact Assessment
E		Q	
E&A	Exploration and Appraisal	Q&A	Questions and Answers
EHS	Environment, Health and Safety	R	
EITI	Extractive Industries Transparency Initiative	RGU	Robert Gordon University
ESIA	Environmental and Social Impact Assessment	S	
ESMP	Environmental and Social Management Plan	Safecall	Independent company operating Tullow's confidential reporting line
F		SE	Social Enterprise
FPSO	Floating Production Storage and Offloading vessel	SME	Small and medium-sized enterprises
G		SRI	Socially Responsible Investment
GDP	Gross Domestic Product	sq km	Square kilometres
GHG	Greenhouse Gases	T	
GIS	Geographic Information System	Talkback	Tullow global employee and contractor survey
GRI	Global Reporting Initiative	TEN	Tweneboa-Enyenra-Ntomme
H		toes	Tullow Oil Environmental Standards
HiPo	High Potential Incident	TRI	Total Recordable Injuries
HiPoFR	HiPo Frequency Rate measured in HiPos per million hours worked	TRIFR	TRI Frequency Rate measure in TRIs per million hours worked
HR	Human Resources	TRIAS	An international development organisation working with Tullow in Uganda
I		TTE	A specialist technical training provider
IFAC	International Federation of Accountants	U	
IFC	International Finance Corporation	UN Global Compact	A platform for business and non-business entities to proactively network and engage in areas of human rights, labour, environment and anti-corruption
IPIECA	International Petroleum Industry Environmental Conservation Association	V	
ISAE 3000	International Standards on Assurance Engagements	VAFR	Vehicle Accident Frequency Rate
ISO	International Organization for Standardization	VPSHR	Voluntary Principles on Security and Human Rights
J			
Jhpiego	American not-for-profit health organisation affiliated to Johns Hopkins University		
K			
km	Kilometres		
KPI	Key Performance Indicator		

Index

A			
About this report	1, 19		
About Tullow	6-9		
Assurance	80		
B			
Bangladesh	44, 46, 75		
Bribery & corruption	11, 21, 51, 57		
Business model	12, 13		
C			
Chairman's statement	4		
CEO's review	10		
Code of Business Conduct	7, 11, 51, 58		
Compliance	57-59		
Congo (Brazzaville)	26		
Contact details	86		
Corporate governance	14, 56-59		
Côte d'Ivoire	26, 77		
Creating shared prosperity	5, 14		
D			
Development and production	9		
E			
Environment, Health & Safety	12, 62-67, 81-82		
Environmental performance	52-53		
Equatorial Guinea	26		
Ethiopia	34, 38, 60		
Europe	8, 44		
Exploration and appraisal	8-9		
F			
Financial performance	6, 10		
French Guiana	44, 46, 79		
G			
Gabon	26, 60		
Ghana	26, 30-31, 58		
Global Perceptions Survey	18, 60		
Glossary	85		
Governance	14, 56		
Greenhouse Gas Emissions	63, 64, 67		
GRI	20, 81		
Guyana	44		
I			
Invest in Africa	13		
K			
Kenya	34, 38, 60		
L			
Liberia		27	
Localisation		37, 69-71	
Local Content	16, 19, 22, 37-38, 73, 74,-75		
M			
Materiality		18-21	
Mauritania		27, 75, 77	
Madagascar		34, 66	
N			
Namibia		34	
Netherlands		44	
P			
Pakistan		45-46	
Payments to government		83	
People		68-71	
Performance		6, 50-55, 81-83	
R			
Risk management		14-15, 21, 57, 67	
S			
Safety performance		29, 64, 82	
Scholarships		7, 15, 77	
Senegal		27	
Stakeholder engagement		18-20, 51, 60-61	
Sierra Leone		27	
Social data		82	
Social enterprise		7, 14-15, 55, 74-77, 83	
Suriname		45, 46	
Supplier Centre		7, 19, 20, 75	
Supplementary data		81-83	
Sustainable supply chain		52, 74-75	
Strategic priorities		13	
T			
Talkback		7, 20, 54, 69	
Tanzania		34	
toes		12, 53, 63, 67	
Transparency		11, 19, 20-22, 75	
U			
Uganda		6, 13-14, 19, 35-37, 60, 77	
United Kingdom		45	
UK Bribery Act		57, 58	
V			
Values		12	
Vision		12	
W			
Waste		64-65	
Where we operate		23-47	

Comprehensive Group, key corporate and key regional office contact information is available on our website at www.tulloil.com/contacts

EHS

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

Email: ehs@tulloil.com

Our people

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

Email: hr@tulloil.com

Social Enterprise

Contact our Social Enterprise team at this address.

Email: csr@tulloil.com

Group

Tullow Oil plc
9 Chiswick Park
566 Chiswick High Road
London W4 5XT
Tel: +44 (0)20 3249 9000
Fax: +44 (0)20 3249 8801
Email: info@tulloil.com
Website: www.tulloil.com



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Printed on Heaven 42 which is FSC® certified (the standards for well-managed forests, considering environmental, social and economic issues). Heaven 42 is manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards.

Designed and produced by **Black Sun Plc**

Printed by **Pureprint Group**



Tullow Oil plc

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



Tel: +44 (0)20 3249 9000
Fax: +44 (0)20 3249 8801

Email: info@tulloil.com
Website: www.tulloil.com

