

CAIRN ENERGY PLC (“Cairn” or “Company” or “Group”)

Half Year Corporate Responsibility Update

Cairn hereby provides an update on its Corporate Responsibility (CR) activities for the six months ended 30 June 2017.

During H1, we continued to work responsibly and in accordance with our Business Principles and Corporate Responsibility (CR) policies (<https://www.cairnenergy.com/working-responsibly/policies-and-principles/>) in delivering our strategic objectives.

In February 2017 we recommenced our exploration and drilling programme in Senegal. Following changes in rig and vessels we extensively planned and re-evaluated impacts to ensure our readiness to perform the 2017 programme in a safe and responsible manner. Our operational support focused on ensuring delivery of the well programme by maintaining occupational health, safety and environmental protection as well as continuing our social investment and impact benefit activities in country.

During H1 we continued to work with our partners in the UK Norway region to share learnings on Floating Production Storage and Offloading (FPSO) Safety Case development and other Health, Safety and Environment (HSE) matters. All consents for Kraken development were completed in H1 with production starting in June. The Catcher project likewise continues to make good progress on consent approvals in line with the schedule following substantial effort from the operator and their contractors. Elsewhere we also continued to support our New Ventures team in evaluating CR risks when assessing potential business opportunities and in new country entry.

We set ourselves challenging Group CR Objectives relating to our material issues identified at the beginning of 2017, and we remain on target in delivering them at the end of H1. Progress on these is summarised below

Business Relationships

- **Economics and Funding:** We completed our annual internal Corporate Responsibility Management System (CRMS) audit in H1 which identified two minor findings and improvements were implemented immediately. A review of our Corporate CR risks was also conducted as part of the Group wide revision of risk processes. We also enhanced the CR content of our Investment Proposals with the addition of specific reviews of modern slavery risk and the latest information on climate change issues.
- **Contractors and Supply Chain:** Our key contractors were assessed for readiness in advance of our 2017 Senegal drilling programme. We also recommenced monthly contractor meetings in country focusing on CR matters incorporating monthly themes such as Life Saving Rules. Sessions on human rights and modern slavery with a contractor follow-up audit are planned for Q3.
- **Ethics, Anti-Bribery & Corruption (ABC) and Transparency:** We commenced a review of our Business Principles and Code of Business Ethics in H1 which will conclude in Q3 and completed a revision of our gifts and hospitality register during Q2. Further ABC training is planned for high risk areas and activities.

Social and Communities

- **Social and Economic Benefit:** Monthly meetings continue regarding impact benefit and social investment programmes in Senegal. In 1H we initiated a significant project to promote community mobilisation in a cluster of fishing villages in partnership with The Hunger Project, a global, non-profit, organisation with whom we have been working in Senegal since 2015. We are also working with our partners to improve and develop local content going forward, linked into existing initiatives and the United Nations Sustainable Development Goals.
- **Human Rights:** Emphasis has been given to improving transparency on mechanisms to prevent modern slavery in our supply chain. This has included integrating requirements into

the tendering process; assessing supplier selection processes; development of training materials; assessing others we work with; and, improving our understanding of risks within the portfolio. We are developing a statement on Modern Slavery for 2017.

People

- **Major Accident Prevention and Safety:** Our focus continued on prevention in H1. But we also ran two significant emergency response exercises in January and April and these will continue into H2. Substantial broadening of emergency scenario training has also been conducted in H1 to improve our capabilities. On-going support to operations includes emphasis on safe behaviours and Life Saving Rules with continued rigour in our drilling activities.
- **Health, Well-being and Security:** Given the current global security situation travel and security risks wherever we operate continues to be a priority. We therefore re-emphasised risk management and security preparedness to all personnel in H1. Pandemic health procedures are being refreshed in H2.
- **Employees:** Our people management policies and procedures were revised in H1 in preparation for roll-out in Q3. Further initiatives including management 'boot camps', managing talent and succession planning are scheduled for delivery later in the year.

Environment

- **Climate Change, Emissions and Discharges:** Our review of issues and risks arising from COP22 was conducted in H1 along with a review of investor positions. This is being used to inform our corporate position and brief the Board. Tracking and reporting of waste, emissions and discharge management continues.
- **Biodiversity:** Baseline environmental survey work for the Senegal Rufisque and Sangomar Deep blocks was conducted in early 2017 in preparation for potential exploration environmental and social impact assessments for these blocks.

Lagging Performance Indicators

Our lagging indicators performance at the end of H1 was as follows:

- Our Dakar shore base in Senegal continued to perform exceptionally well, passing 1 year without a Lost Time Injury (LTI) on 15 April. At the half-year we had experienced no LTIs on any of our contractor assets giving a Lost Time Injury Frequency of 0.
- In terms of recordable injury we experienced a single Medical Treatment Case (MTC) giving a Total Recordable Injury Rate of 1.41 at the end of June below our overall target of 2.00.
- We experienced a loss of 34 litres of mineral oil to sea from a burst hose on our remotely operated vehicle (ROV) while operating at 1097m depth. The environment impact was assessed as minimal.

Managing CR Priorities in H1, 2017

In order to focus our CR approach on areas of most importance to Cairn and our stakeholders, we re-assessed our material issues in accordance with the methodology described in our Annual Report and Accounts 2016.

The 2017 process identified the same seven issues as 2016. A summary of each issue is outlined below.

1. Business Relationships

a. Economics and Funding

The sustained low oil price continues to be one of our principal risks. This means that the business remains focused on delivering opportunities to cut costs across operations. However, in pursuing cost reductions we do not compromise our commitment to working responsibly. To ensure that we are performing against this commitment we have initiated an annual CR audit carried out by our internal auditors. Completed in the first half of 2017 it identified two minor issues and improvements were implemented immediately.

Our commitment to, and strong track record of, working responsibly assists in retaining investment and securing opportunities in new ventures or license applications. As part of our Operating Standards we develop investment proposals which identify and evaluate the risks associated with a new investment. Through the first half of 2017 we have enhanced the reporting of CR risks within these investment proposals particularly in respect to identifying and assessing risks associated with modern slavery and climate change.

b. Contractors and Supply Chain

Our business is highly reliant on the use of specialist contractors and suppliers. Their good management and ensuring that they meet our high standards is critical in achieving our Responsibility objectives.

In keeping with our usual practice, our key contractors were assessed for readiness ahead of our 2017 drilling programme in Senegal. At the start of that programme we recommenced in-country monthly contractor meetings which focus on CR matters and included monthly themes such as Life Saving Rules. As we enhance our procedures on managing risks associated with modern slavery contractor meetings on improving awareness of human rights and modern slavery in the supply chain are planned for Q3. This will be followed up with a contractor audit.

We have continued to encourage our contractors to improve performance and learn lessons in the follow-up to any incidents or issues.

c. Ethics, Anti-bribery and Corruption and Transparency

Our ability to do business relies on developing trust with our stakeholders including investors, governments, businesses, partners, suppliers and broader society. This means working in an ethical and transparent manner and taking a zero tolerance approach to bribery and corruption.

We review our Group Code of Business Ethics and our Business Principles regularly. In the first half of this year we began a process which seeks to update and combine both documents. This will conclude in Q3. We also completed a revision of our gifts and hospitality register, a key tool in the implementation of our anti-bribery and corruption (ABC) procedures. Further ABC training is planned for high risk areas and activities in 2017.

We continue to track emerging ethical issues that are important to our business as well as the industry. The first half of 2017 has seen a focus on developing requirements for enhanced reporting of climate change risks. Cairn has continued to participate in the Climate Disclosure Project in 2017.

We continue our support of the Extractive Industries Transparency Initiative (EITI), with active participation in Senegal.

2. Society and Communities

a. Social & Economic Benefit

Cairn has long believed that realising value for shareholders goes hand-in-hand with social and economic benefits for a wider group of other stakeholders. This provides direct and indirect benefits especially in those communities in which we operate.

In 2016 we reviewed the UN Sustainable Development Goals and how we might integrate these into how we work and thereby improve local social and economic benefits. In Senegal, this resulted in our 3 stranded impact benefit plan. Through 1H 2017 we have continued to develop and implement this plan by:

- Continuing to support the development of good industry governance through institutional capacity building and support for the EITI;
- Continuing to promote local participation in the industry through development of our local staff in Dakar and training and engagement with our local contractors; and
- Through focussed social investment.

In particular, to further promote local participation in the industry we have worked in coordination with our joint venture partners and other industry peers in Senegal to provide an industry perspective to the Senegalese government regarding their educational initiative to prepare for oil and gas developments

in the country.

Cairn has also continued to work with The Hunger Project, with whom we have initiated a new 30 month project to pilot their Epicentre Strategy for mobilising communities amongst a group of coastal villages South of Dakar.

Monthly meetings continue to monitor the performance of our social investment programmes in Senegal and ensure their continued development towards potential oil field development.

b. Human Rights

Cairn is committed to respecting human rights and this commitment is embedded in our business principles for all activities.

In 2016, the Modern Slavery Act came into force in the UK. As a result we assessed our Corporate Social Responsibility Policy & Procedures in light of the requirements of the Act. Although no significant risks were identified we continue to review and update our procedures with a particular focus on our supply chain. This has included integrating the Act's requirements into our tendering process; assessing supplier selection consistent with our approach to anti-bribery and corruption in the supply chain. We are also developing training materials; assessing others we work with and improving our understanding of risk within the portfolio. We are developing a statement on Modern Slavery for 2017.

3. People

a. Major Accident Prevention and Safety

Preventing major accidents and ensuring that our assets are fit to carry out their intended purpose remains a material issue industry wide. As before our focus remains on major accident avoidance and prevention, whilst maintaining a strong crisis and emergency response capability.

Our Project Delivery Process (PDP) remains the method by which we ensure we understand and control risk at key stages of our projects. The PDP covers all stages of the oil and gas life-cycle from new country entry, such as our recent success in securing new licences in Mexico, to our ongoing exploration and appraisal drilling programme in Senegal.

We also ran two significant emergency exercises in January and April and these will continue into H2. Substantial broadening of emergency scenario training has also been conducted in H1 to improve our capabilities.

We experienced a loss of 34 litres of mineral oil to sea from a burst hose on our remotely operated vehicle while operating at 1097m depth. The environment impact was assessed as minimal.

Total spills (number)

	2013	2014	2015	2016	H1 2017
<i>Crude Oil</i>	0	0	1	3	0
<i>Fuel</i>	0	0	0	1	0
<i>Chemical</i>	0	0	1	0	1
<i>Waste</i>	0	0	0	0	0
<i>Other</i>	0	0	0	0	0

Total spills (barrels)

	2013	2014	2015	2016	H1 2017
<i>Crude Oil</i>	0	0	0.002	1.050	0
<i>Fuel</i>	0	0	0	0.001	0

<i>Chemical</i>	0	0	0.006	0	0.21
<i>Waste</i>	0	0	0	0	0
<i>Other</i>	0	0	0	0	0

On-going support to operations includes emphasis on safe behaviours and Life Saving Rules with continued rigour in our drilling activities.

Our Dakar shore base in Senegal continued to perform exceptionally well, again passing 1 year without a Lost Time Injury (LTI) on 15 April. At the half-year we had experienced no LTIs in any of our contractor assets giving a Lost Time Injury Frequency of 0.

In terms of recordable injury we experienced a single Medical Treatment Case (MTC) giving a Total Recordable Injury Rate of 1.41 at the end of June which is below our overall target of 2.00.

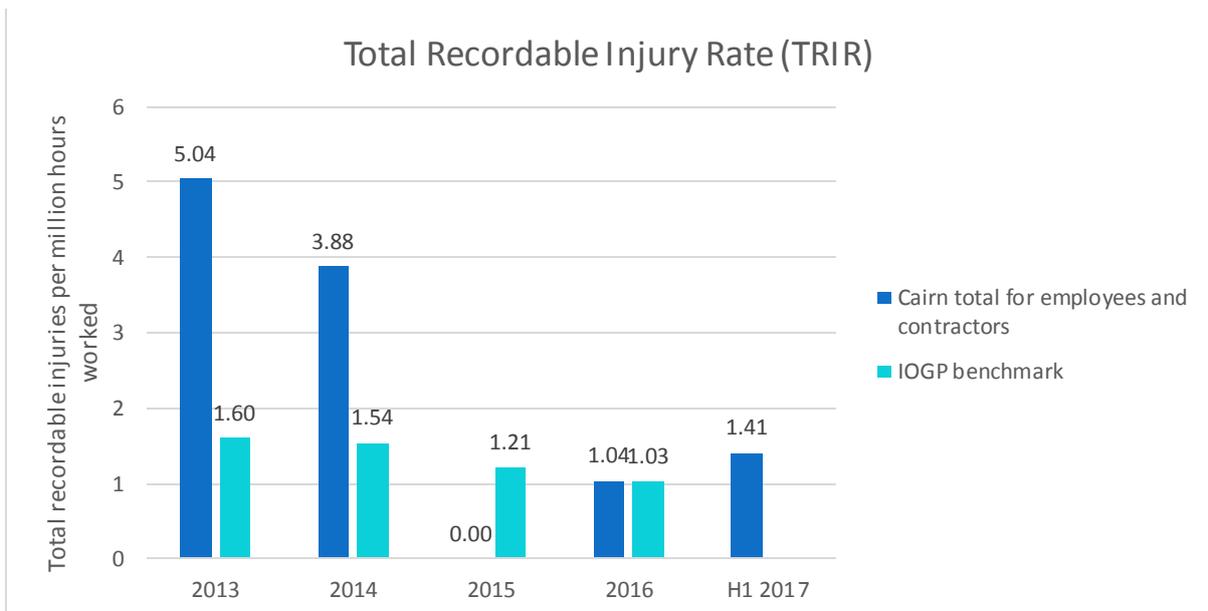
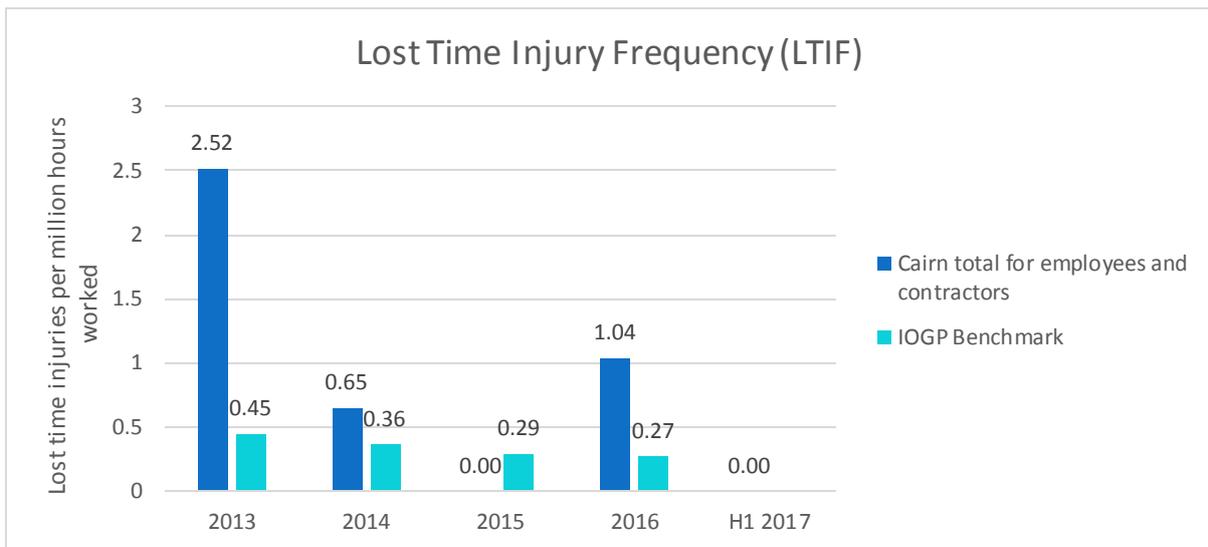


Chart Notes:

IOGP is the International Association of Oil and Gas Producers. We have included overall IOGP benchmark figures (average of onshore and offshore for employees and contractors, covering all oil and gas industry activities and not restricted to drilling activities alone). IOGP benchmark figures are not yet available for 2017.

Cairn TRIR and LTIF statistics can be higher than the IOGP benchmark after only one incident, or a small number of incidents, because our exploration activities often last for only a short time period, so there are relatively few hours worked compared with on-going production and other long term operations.

4. Environment

a. Climate Change, Emissions and Discharges

The Paris Agreement on climate change was supported by 194 countries in December 2015 and came into force in October 2016 following ratification by the required threshold of signatories.

The Agreement aims to 'strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius'.

Climate change remains a material issue for Cairn Energy. We set a 2017 Corporate Responsibility (CR) objective to "Continue to track risks arising from Climate Change treaties and legislation including COP21 and COP22".

In H1 we have reviewed developments on the global climate agreements and the Convention of the Parties in 2016 and the wider policy environment and implications in relation to climate change.

Key findings from this review include:

- Business leadership and commitment to the Paris Agreement continues to grow.
- Rising stakeholder interest in companies' approaches to climate change.
- Increasing expectations from investors with potential implications on access to finance.
- Growing interest in reporting and transparency of scenarios.

The review is being used to brief the Board and inform our corporate position.

Cairn currently has no production and our emissions and energy use is heavily dependent on the amount of time undertaken in active exploration and appraisal activities in each period, consequently reduction targets are difficult to define and implement. We focus on efficient operations, avoiding delays and application of good practice to minimise our energy use and emissions. The majority of our emissions continue to arise from Scope 1 GHG sources which are shown in the chart below, highlighting those emissions attributable to flaring against the past five years emissions. Our GHG emissions intensity is also provided.

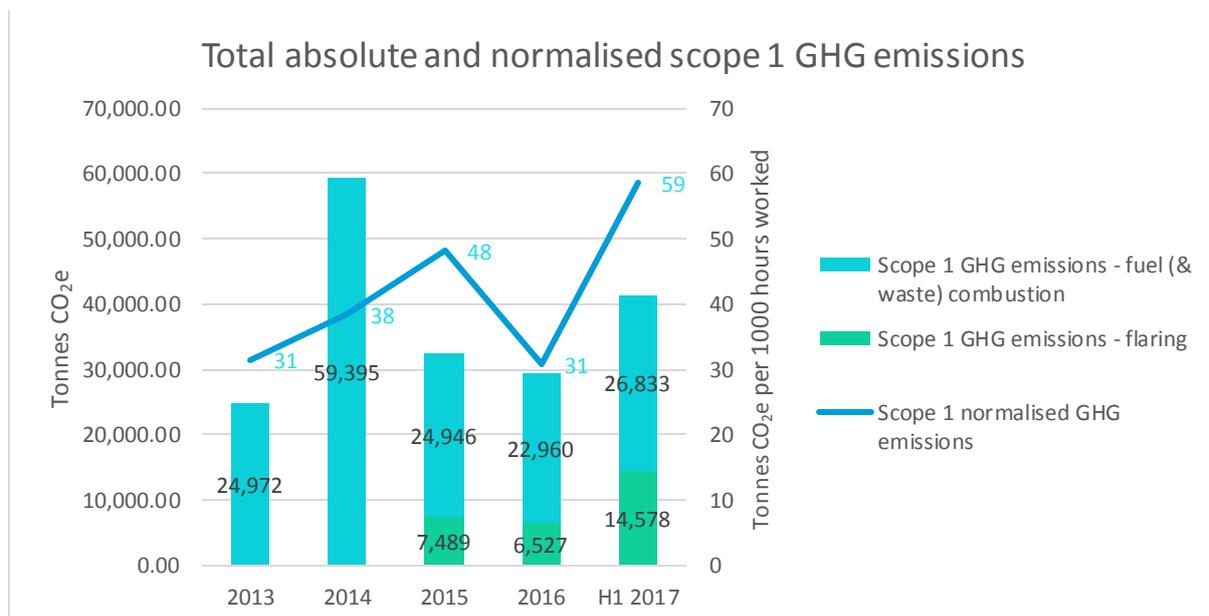


Chart Notes:

We report our GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. For calculating Scope 1 (direct) GHG emissions we use emission factors as follows:

- For fuel combustion we use emission factors from the API Compendium 2009*
- For flaring we use emission factors from EEMS Atmospheric Emissions Calculations 2008*
- For waste incineration we use emission factors from the GHG Protocol 2014.*

To meet UK reporting requirements, GHG emissions need to be reported normalised to an appropriate performance measure representative of the business. As Cairn did not have revenue or operated production facilities in H1 2017, or the previous four years, and activities were of an exploration/appraisal nature only (i.e. seismic surveys and exploration/appraisal drilling), its GHG emissions have been normalised to total employee and contractor hours.

Discharge and waste management is a particular challenge where the infrastructure is limited or legislation is developing. However, in H1 2017 we continued to manage our operational discharges and wastes in accordance with European 'duty of care' principles. We continue to seek to avoid, reduce, reuse and recycle where practicable before disposal.