

## Chairman's Statement

Ian Tyler, Chairman

# Our culture is based around **working responsibly**

Cairn is an experienced oil and gas operator and has successfully discovered and developed reserves in a variety of international locations in partnership with host governments. The business is supported by strong, long term financial investors ensuring it is funded for strategic delivery and future growth.

 Read more: [Strategy and Key Performance Indicators on P6](#)

We maintain a strong balance sheet and have funding flexibility which allows us to deliver our immediate programmes as well as actively assess new ventures and portfolio additions. Our exploration activity is principally in frontier and emerging basins where the greatest potential value exists, whilst our production assets, located in mature basins, provide the cash flow to sustain exploration and development activity.

Cairn has an established, highly experienced and respected leadership team which is committed to working responsibly in our pursuit of strategy. This means working in a safe, secure, environmentally and socially responsible manner. We ensure that we measure our ability to work responsibly through our Key Performance Indicators (KPI).

The Board has ultimate responsibility for ensuring this culture of working responsibly exists within the organisation. We have three levels of assurance within the organisation:

- Our values, policies and principles and our business system procedures and standards with which all employees are required to comply;
- Internal oversight of their application by key committees including our Senior Leadership Team which includes our Chief Executive, Chief Financial Officer and Chief Operating Officer; and
- Internal and external assurance audits and opinions.

**Our core values, known as the 3Rs, set the tone**

## Building Respect

## Nurturing Relationships

## Acting Responsibly

They are underpinned by our Business Principles, our Code of Business Ethics and a number of Corporate Responsibility policies.

The Code of Ethics identifies the standards of business ethics and conduct which we expect and our Business Principles identify the behaviours we expect to achieve these standards. The Code of Ethics must be

applied not only by employees but by all other parties that work on the Company's behalf including contractors, suppliers and partners. They are integrated into our systems and processes of which the key ones include the Corporate Responsibility Management System (CRMS), the Cairn Operating Standards, the Group Risk Management Procedure and the Internal Control and Assurance Framework.

Our CRMS embodies our approach to working responsibly and interprets our policies and principles. It instructs our people in their decisions and the operations they manage and is mandatory throughout the business.

### Working to global standards

Cairn upholds and support the 10 principles of the United Nations Global Compact, an initiative for businesses committed to aligning their strategies with universally accepted principles in human rights, labour, environment and anti-corruption. In 2018 we published our first Modern Slavery Statement in accordance with the 2015 UK Modern Slavery Act.

In 2015 the United Nations published the UN Sustainable Development Goals (SDGs). These goals have provided not only our industry but the wider business community with a definitive framework for more effectively assessing the impact and value of our activities within a bigger picture of local, regional, national and potentially global sustainable development. We now assess our business for contributions we can make to the UN SDGs to help minimise our impacts and maximise the benefits of our activities for countries in which we work.

During the year we were delighted to participate in the UNGC UK Network SDG roadshow in Edinburgh, presenting our experience on working responsibly.

We are committed to working to International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability, which are in line with the UN Global Compact principles.

Since 2012 we have also been a participating company in the Extractive Industries Transparency Initiative (EITI) which is a coalition of governments, companies and civil society that have adopted a joint approach to applying the EITI global standard, promoting transparency of payments in the oil, gas and mining sectors.

### Our people uphold our culture

At the heart of our culture and business are our people. They are our most important asset. It is their skills and experience and collective expertise which enable us to create value. The behaviours that define the way in which we work are based on the 3Rs and are known as our **High Performing Behaviours**.

## Be Safe

## Be Entrepreneurial

## Be Focused

## Be a Leader

## Be Collaborative

## Be Open

## Be Empowered

 Read more: Our People: Driving Value on P62

## Working Responsibly with Our Stakeholders

Our commitment to working responsibly and our ability to execute our strategy depend on understanding who our stakeholders are and engaging effectively with them.

Engaging with our stakeholders is something that forms part of our day-to-day activities. It is a part of how we all do our jobs. We have defined criteria to identify our stakeholders which follow the principles of internationally recognised standards.

We have well structured stakeholder engagement procedures in place at a corporate and project level which enable us to identify and assess issues amongst our stakeholders and then address and respond to them. We do this through tailored engagement with specific stakeholders, disclosure of information and monitoring of stakeholder opinions and actions. We also draw on the knowledge of our local staff, our corporate staff, external agencies, partners and consultants. Stakeholder project

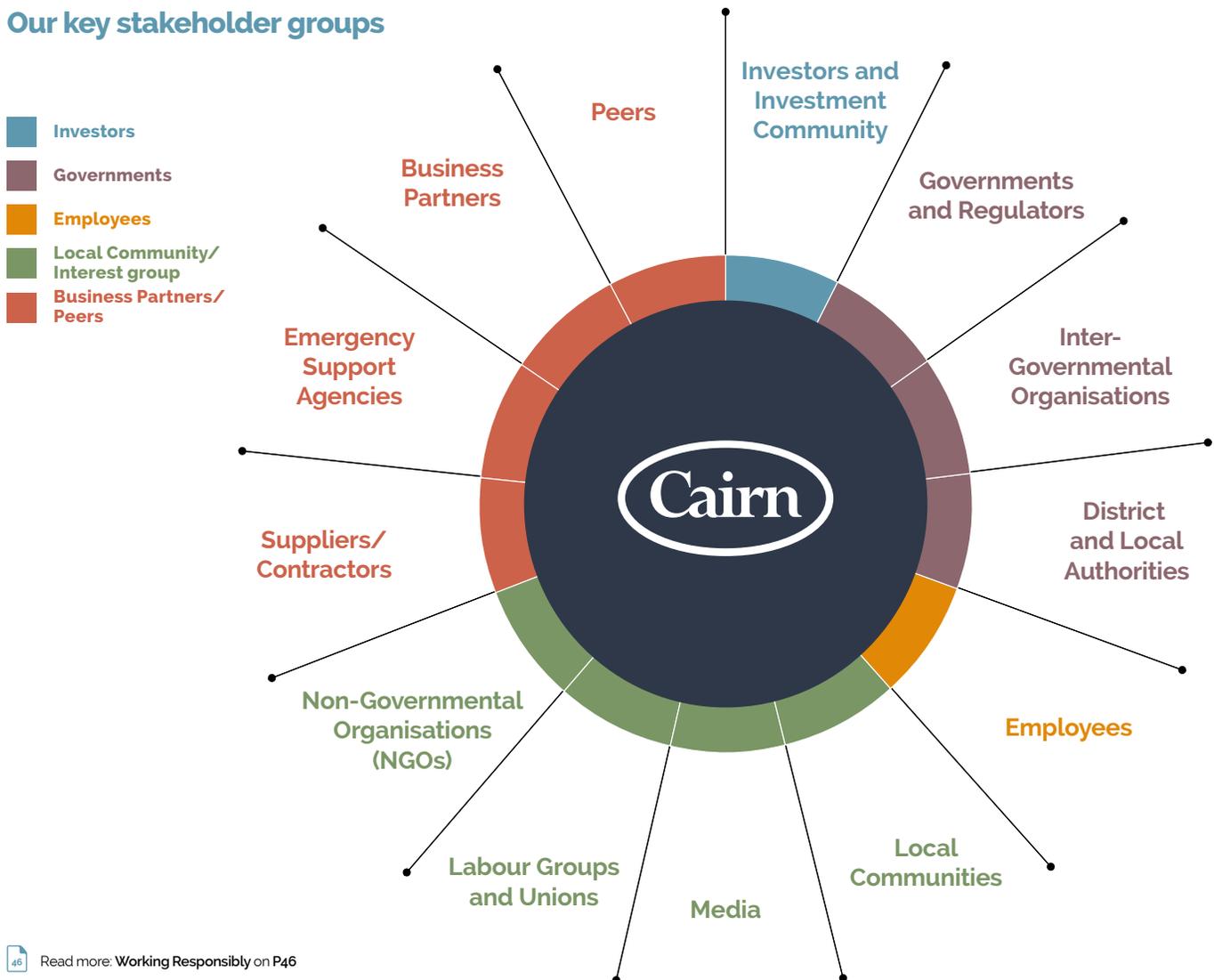
engagement plans are bespoke and regularly updated to reflect changing stakeholders and their concerns as projects evolve.

During the year some of our key stakeholder engagement activities included:

- Presenting to analysts, investors and shareholders at regular investor roadshows, half year and full year analyst briefings, the Annual General Meeting and industry conferences.
- Participating with peers at industry events
- Safety briefings for employees and contractors.
- Public and statutory consultations regarding proposed operational activities.
- Working with community partners to develop local impact benefit plans.

We also respond directly to concerned individuals and organisations on specific issues. In 2018, the wide variety of topics raised included our company strategy and financial position, and our approach to and performance across corporate responsibility issues including climate change. Most of these topics were dealt with during shareholder meetings held regularly throughout the year and individual meetings elsewhere in line with our approach to respond to enquiries in a timely and appropriate manner. For more information please see our Corporate Responsibility Report. [www.cairnenergy.com/working-responsibly](http://www.cairnenergy.com/working-responsibly)

### Our key stakeholder groups



46 Read more: Working Responsibly on P46

<sup>1</sup>AccountAbility's AA1000 Accountability Principles Standard (AA1000 APS).

Case study

## Working with joint venture partners, Transfer of Operatorship in Senegal

Our absolute priority in the transfer of operatorship to our joint venture partner Woodside has been on ensuring continuity of, and for, our many different stakeholders in country who are a critical part and indeed beneficiaries of the Senegal SNE development project.

Cairn and Woodside share the same fundamental commitment to international good practice and as such our approach to ensuring this project continues to be managed in a responsible and respectful manner is shared.

In practice that has meant ensuring that Woodside has all the information it needs to take over as operator and build on the four years of operations that Cairn has delivered to date. This has involved a high level of stakeholder engagement, not only between Cairn and Woodside, but also with the Senegalese Government and regulators, communities and our employees and contractors in country. Communicating the change in operatorship in advance and as clearly as possible to all those who might be affected has been paramount.

In effecting the actual transfer, we assigned one focal person in each organisation responsible for managing the process and five key work streams covering all aspects of our operations

in country from security, to data, to compliance, to finance and corporate responsibility.

The continuity of our approach to social investment to date has also been of great importance to us. We are delighted that as part of this process one of our key employees who has been instrumental in setting up and managing our key social

investment programmes, has transferred to Woodside in a similar capacity. We look forward to continuing to work as collaboratively as we have done to date in our new role on the project as non-operator.

**Charlie Youngs**  
Pre-development Integration  
Manager for Senegal



Cairn and Woodside at launch of Senegal's Institut National du Pétrole et du Gaz.