



Tullow Oil plc

# Notice of General Meeting

Thursday 12 May 2011 at 12 noon (or as soon thereafter as the Annual General Meeting shall have concluded or been adjourned)  
Haberdashers' Hall, 18 West Smithfield  
London EC1A 9HQ

## Important

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should contact an appropriate independent adviser authorised under the Financial Services and Markets Act 2000 immediately. If you have sold or otherwise transferred all of your shares in Tullow Oil plc you should forward this document (but not with the accompanying personalised Form of Proxy) to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



## Tullow Oil plc Notice of General Meeting

Tullow Oil plc  
Registered in England and Wales No. 3919249  
Registered Office:  
9, Chiswick Park,  
566 Chiswick High Road, London W4 5XT

19 April 2011

Dear Shareholder

### **Proposal to amend the Tullow Oil 2005 Performance Share Plan**

This letter sets out information about proposed changes to the Tullow Oil 2005 Performance Share Plan (the 'PSP'). One of the proposed changes needs to be approved by shareholders at a general meeting. Notice of a general meeting convened for Thursday 12 May 2011 at 12 noon (or as soon thereafter as the Annual General Meeting shall have concluded or been adjourned) at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ (the 'General Meeting') at which an ordinary resolution to approve this change will be considered, is set out at the end of this document. Other than the changes set out below, all the other key features of the PSP will remain unchanged.

### **Background**

You will recently have received a copy of our 2010 Annual Report and Accounts and as explained in the Directors' Remuneration Report, on pages 86 to 94, the Remuneration Committee (the 'Committee'), together with its external remuneration advisers, undertook in early 2011 a review of the remuneration policy for the Executive Directors to help ensure the Company's remuneration strategy continues to support the achievement of the Company's challenging goals. The review included benchmarking of Executive Directors' pay levels against those of other companies similar in size and/or sector to Tullow. This indicated that the salaries and total remuneration paid to Tullow's Executive Directors are below lower quartile and at a level which the Committee believes does not reflect the capabilities of our well-regarded management team. Furthermore, the Committee is concerned that the potential long-term incentive opportunity currently delivered through the PSP is insufficient to motivate our Executive Directors to achieve the Board's challenging goals and is uncompetitive relative to the significant share and option awards granted to senior executives at other comparable oil exploration and production companies.

As part of the planned changes in Executive Director remuneration, the Committee is proposing changes to the PSP to ensure our remuneration strategy continues to reinforce the Company's key business goals, helps further align the interests of our Executive Directors and shareholders, and is motivational. The proposed change to the limit on individual participation requires shareholder

approval; the others can be made without shareholder approval. Other than the changes set out below, all other key features of the PSP will remain unchanged.

### **Change to the limit on individual participation**

The Committee proposes to grant PSP awards in 2011, 2012 and 2013 over the same number of Tullow shares in each year to help ensure better alignment of the interests of the Executive Directors with those of shareholders (as the grant-date value of the award will rise/fall directly in line with rises/falls in the Tullow share price). The proposed awards for each of those years are:

- Chief Executive Officer: 300,000 Tullow shares;
- Chief Financial Officer: 175,000 Tullow shares; and
- Other Executive Directors: 175,000 Tullow shares each.

To permit this new policy to be implemented, it is proposed to change the limit on individual participation from a multiple of salary (currently 2 times salary or 3 times salary in exceptional circumstances) to a fixed limit of 300,000 Tullow shares (subject to adjustment only in circumstances where awards can be adjusted under the Rules of the PSP to take account of changes in our share capital and other similar corporate events).

The Committee recognises that the proposed grant-date value, when expressed as a multiple of salary, appears high relative to the current limit on individual participation. However, it considers this level of award to be appropriate given the demanding performance requirement for full vesting (which it is proposed to make more stretching, as explained below), the current relative positioning of Executive Director pay at Tullow, and the need to motivate the senior team who, given the degree of success at Tullow, have become very attractive to our competitors.

In addition, the Committee proposes that the current share ownership guideline be increased from 2 times salary to 4 times salary (which must be achieved through retention of 50% of after-tax awards vesting from the PSP and mandatory bonus deferrals).

### **Changes to the performance condition**

Vesting of PSP awards is currently based on the Company's 3-year total shareholder return ('TSR') which is broadly the increase in the value of an investment in a company's shares, assuming reinvestment of dividends in more of its shares. For vesting of 50% of awards, the Company's TSR is ranked against that of companies in an oil sector group, currently comprising 18 companies; vesting of the other 50% of awards is based on ranking the Company's TSR against that of other companies which are listed on the FTSE100. Awards vest in full

for upper quintile performance with 30% vesting at median performance. Vesting is calculated on a straight line basis for intermediate performance. In addition, no award vests unless the Committee considers that both the Company's underlying financial performance and its performance against other key factors (e.g. health and safety) over the relevant period are satisfactory.

Two changes are proposed to the performance condition for future awards.

- First, the comparator groups will be reweighted. From 2011, the weighting on the oil sector group will be increased from 50% to 70%, and the weighting on the FTSE100 group will be reduced to 30%. The Committee believes this will help improve the relevance of the TSR comparison, and therefore the motivational effectiveness of the PSP.
- Secondly, the TSR vesting condition will be based on Tullow's TSR outperformance of an 'Index TSR' for each of the comparator groups. Full vesting of awards will require 20% per annum outperformance of 'Index TSR', with threshold vesting (15% of awards) for matching the 'Index TSR'. For intermediate performance, vesting will be calculated on a straight line basis. The Committee believes this will provide a more robust calibration as it reduces the sensitivity to small changes in TSR where there are large numbers of companies having very similar TSRs and lessen the impact of volatile TSRs of much smaller companies. Analysis suggests that the proposed performance required for full vesting will be extremely challenging, broadly equivalent to top decile ranking under the current approach. This level of performance is significantly more challenging than that at all other similarly-structured plans at other FTSE100 companies.

For the oil sector element (70% of an award), 'Index TSR' will be based on the weighted mean TSR (i.e. weighted by market capitalisation at the start of the performance period, subject to maximum and minimum weighting of 10% and 2% respectively). Weighting the oil sector group by market capitalisation will help ensure the overall TSR comparison better reflects Tullow's performance against those companies which are most relevant to Tullow. For the FTSE100 element (30% of an award), 'Index TSR' will be based on the median TSR for the individual constituent companies of the index.

These changes to the performance condition do not require approval by shareholders. However, if any materially different performance condition is proposed in the future, major shareholders will be consulted.

#### Documents available for inspection

A copy of the Rules of the PSP incorporating the proposed changes will be available for inspection from the date of this Notice until the conclusion of the General Meeting during normal business hours on any weekday at the registered office of the Company and at the offices of Dickson Minto W.S. at Broadgate Tower, 20 Primrose Street, London EC2A 2EW. The amended Rules of the PSP will also be available for inspection at the venue of the General Meeting from 15 minutes prior to and until the conclusion of the General Meeting.

#### Recommendation

Your Directors believe that the resolution to be proposed at the General Meeting is in the best interests of the Company and its shareholders as a whole and unanimously recommend that you vote in favour of it, as they propose to do so in respect of their own shareholdings (which amount to approximately 1% of the Company's current issued share capital).

Yours faithfully



**Pat Plunkett**  
Chairman

### Notice of General Meeting

Notice is hereby given that a General Meeting of Tullow Oil plc (the 'Company') will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Thursday 12 May 2011 at 12 noon (or as soon thereafter as the Annual General Meeting convened for the same place and day shall have concluded or been adjourned) to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution.

### Resolution

THAT the proposed changes to the Rules of the Tullow Oil 2005 Performance Share Plan (the 'Plan') to increase the limit on individual participation, as referred to in the Chairman's letter to shareholders dated 19 April 2011, and incorporated in the Rules of the Plan produced at the meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to make those changes.

By Order of the Board



**Graham Martin**  
Secretary

19 April 2011

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

### Notes

#### 1. Attending the General Meeting in person

If you wish to attend the General Meeting in person, you should arrive at the venue for the General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Computershare Investor Services PLC (the 'Registrar') prior to being admitted to the General Meeting.

#### 2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the General Meeting. A proxy need not be a member of the Company but must attend the General Meeting to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying Form of Proxy. If members wish their proxy to speak on their behalf at the General Meeting, members will need

to appoint their own choice of proxy (not the Chairman of the General Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar by telephone on 0870 703 6242 or by logging on to [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus).

A member may instruct their proxy to abstain from voting on the resolution to be considered at the General Meeting by marking the 'Vote Withheld' option when appointing their proxy. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes 'For' or 'Against' the resolution.

The appointment of a proxy will not prevent a member from attending the General Meeting and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 10 below.

#### 3. Appointment of a proxy online

As an alternative to appointing a proxy using the Form of Proxy or CREST, members can appoint a proxy online at: [www.eproxyappointment.com](http://www.eproxyappointment.com). In order to appoint a proxy using this website, members will need their Control Number, Shareholder Reference Number and PIN. This information is printed on the Form of Proxy. If for any reason a member does not have this information, they will require to contact the Registrar by telephone on 0870 703 6242 or by logging on to [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus). Members must appoint a proxy using the website no later than 48 hours before the time of the General Meeting or any adjournment of the General Meeting.

#### 4. Appointment of a proxy using a Form of Proxy

A Form of Proxy for use in connection with the General Meeting is enclosed. To be valid a Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 48 hours before the time of the General Meeting or any adjournment of the General Meeting.

If you do not have a Form of Proxy and believe that you should have one, or you require additional Forms of Proxy, please contact the Registrar.

## **5. Appointment of a proxy through CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Registrar (ID 3RA50) no later than 48 hours before the time of the General Meeting or any adjournment of the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy instructions.

It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

## **6. Appointment of proxy by joint holders**

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority shall be determined by the order in which the names of the joint holders stand in the Company's register of members in respect of the joint holding.

## **7. Corporate representatives**

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

## **8. Entitlement to attend and vote**

To be entitled to attend and vote at the General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 p.m. on 10 May 2011 (or, if the General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the General Meeting.

## **9. Votes to be taken by a poll**

At the General Meeting all votes will be taken by a poll rather than on a show of hands. It is intended that the results of the poll votes will be announced to the London Stock Exchange and published on the Company's website by 6.00 p.m. on 12 May 2011. Poll cards will be issued on registration to those attending the General Meeting.

## **10. Nominated persons**

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the '2006 Act') to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

## **11. Website giving information regarding the General Meeting**

Information regarding the General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of General Meeting is available from [www.tullowoil.com](http://www.tullowoil.com).

## 12. Voting rights

As at 31 March 2011 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 889,135,943 ordinary shares, carrying one vote each. No shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 31 March 2011 were 889,135,943 votes.

## 13. Notification of shareholdings

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the General Meeting as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

## 14. Further questions and communication

Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the General Meeting put by a member attending the General Meeting unless answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

Members who have any queries about the General Meeting should contact the Company Secretary by email on [TullowCompanySecretary@tullowoil.com](mailto:TullowCompanySecretary@tullowoil.com).

Members may not use any electronic address or fax number provided in this notice or in any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

## 15. Documents available for inspection

The following documents will be available for inspection at the registered office of the Company and at the offices of Dickson Minto W.S. at Broadgate Tower, 20 Primrose Street, London EC2A 2EW during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this Notice until the conclusion of the General Meeting and on the date of the General Meeting at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ from 11.45 a.m. until the conclusion of the General Meeting:

- 15.1 a copy of the Rules of the Tullow Oil 2005 Performance Share Plan (the 'PSP'); and
- 15.2 a copy of the Rules of the PSP incorporating the proposed changes.



**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: [information@tullowoil.com](mailto:information@tullowoil.com)

Website: [www.tullowoil.com](http://www.tullowoil.com)

