

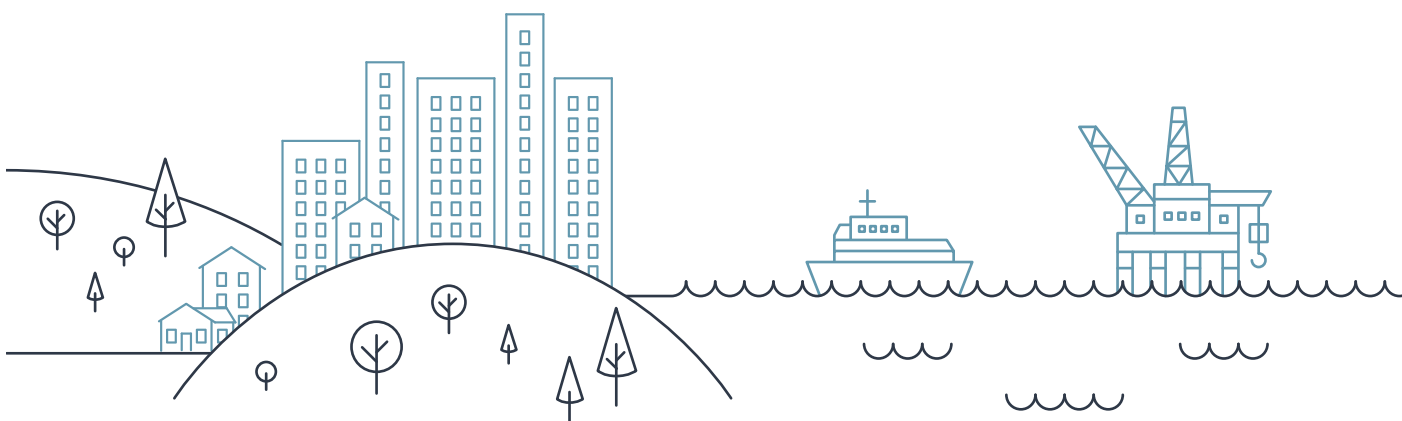
A grayscale photograph of an offshore oil rig and two support vessels on the ocean. The rig is the central focus, with two tall derrick structures. Two support vessels are positioned on either side of the rig. The water in the foreground is slightly blurred, creating a sense of depth. The sky is a uniform light gray.

Working responsibly to create value

Cairn Energy PLC 2018 Corporate Responsibility Report

Introduction

Cairn Energy PLC is an independent, UK-based oil and gas exploration, development and production company. Cairn has explored, discovered, developed and produced oil and gas in a variety of locations throughout the world and has extensive experience as operator and partner in all stages of the oil and gas lifecycle.



Our operations

We are headquartered in Edinburgh, Scotland, and have offices in London, Norway, Senegal and Mexico. We have been listed on the London Stock Exchange for 30 years and we are currently a member of the FTSE 250 index of the UK's 250 largest public companies.

We have successfully discovered and developed reserves in a variety of international locations, in partnership with our host governments, for more than 20 years. We currently have assets in eight countries.

Our exploration and development activities occur mainly in frontier and emerging basins where the greatest potential value exists. Our increasingly diverse portfolio has a geographical focus in northwest Europe, West Africa and the North Atlantic and, more recently, Central and South America.

Our production assets, located in mature basins such as the North Sea, provide the cash flow to sustain that exploration and development activity.

We are committed to working responsibly as part of our strategy to deliver value for all stakeholders. This means working in a safe, secure, and environmentally and socially responsible manner.

See our [Annual Report and Accounts](#) and our [website](#) for more information about our operations.

This report

This document comprises Cairn's full Corporate Responsibility report 2018.

It covers our approach and performance from 1 January to 31 December 2018, across all assets and activities over which we have operational control. We exclude data where we do not control operations, but we do consider the risks associated with our partners' control of such activities.

Based on our material issues, the content in this report is grouped under four main themes: [Governance](#), [People](#), [Society](#) and [Environment](#). See Prioritising Issues on [page 13](#) for more detail about our materiality assessment, and how it shapes the structure of our reporting.

We have commissioned ITPnergised to provide third-party assurance of the integrity of our greenhouse gas emissions data. See About This Report on [page 64](#) for more information about the scope and boundaries of the report. Read the full [assurance statement](#) from ITPnergised.

Cover image: ENSCO 101 drilling rig

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Our Approach

Working responsibly is what we do at Cairn. We aim to deliver value from our assets, activities and people, to bring lasting, positive social, environmental and economic benefit to all our stakeholders.

Entering Aberdeen port

CEO's Review

Building a balanced business for the long term

Cairn today embodies the vision we set out for the company five years ago. In 2013 we stated that we would "re-gear the capital base to exploration success, access future cash flow to fund exploration programmes and hold appropriate equity interests in operated, frontier exploration." Today, this is what we have achieved.

We enter 2019 with a balanced portfolio of exploration, development and production assets, both operated and non-operated, at appropriate levels of equity exposure. Our frontier exploration position in Senegal, acquired in 2013, has yielded material exploration success and our production assets in the North Sea, acquired in 2012, are now providing cashflow to support future exploration, appraisal and development. We continue to feed our pipeline of exploration assets, acquiring exploration acreage in a number of new countries during 2018.

Creating value

Our strategy continues to be to deliver value for stakeholders by exploring, developing and producing hydrocarbons, helping countries to develop their own resources for economic benefit and energy security.

In Senegal, we believe transformational potential can be achieved through the development of our significant hydrocarbon discoveries. With more than US\$1 billion invested to date through the joint venture's activities, we believe that the development and production of hydrocarbons will continue to deliver significant social and economic benefits for the country and people of Senegal. The SNE project will deliver oil production and subsequently domestic gas supply, ultimately creating significant local employment opportunities, both direct and indirect.

Looking to the future

We recognise that the world is facing challenges associated with climate change and we acknowledge that the associated two-degree climate target scenario will require significant growth in renewable energy sources. However, oil and gas will continue to be society's primary energy source and meet a growing demand for many years to come and we believe we have a role to play in helping to meet that demand. We will continue to work to better understand and respond to the climate change associated challenges facing the industry. We will continue to work to global standards and reaffirm our commitment to the United Nations Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles in support of UN goals.

Board changes

Jackie Sheppard retired as a non-executive director of the Company at the year-end having served on the Board since 2010. Alexander Berger, non-executive director, has served on the Board for nine years and has advised the Company that he will not be seeking re-election at the Annual General Meeting in May 2019. He will therefore retire from the Company on that day.

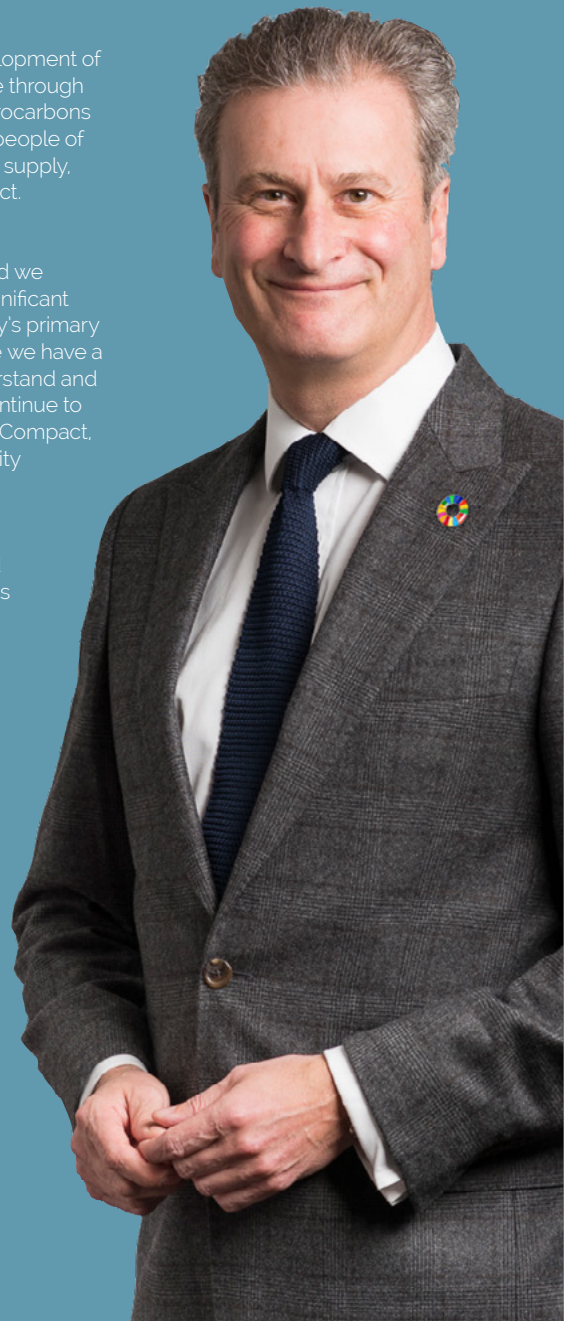
Cairn would like to thank both Jackie and Alexander for their excellent contributions to the Board during their years of service to Cairn. The Company is currently engaged in a recruitment process to appoint two non-executive directors, at least one of whom will be female.

Outlook

Cairn looks forward to a number of potentially material near-term exploration drilling opportunities, supported by established cashflows from producing assets and sustained by assets entering the development phase. The Company is fully funded for all committed expenditure, and continues its focus on delivering value for its stakeholders within the constant of a responsible and safety focused strategic offering.



Simon Thomson, Chief Executive



2018 Snapshot

During 2018, we made progress with our Nova development in Norway and the exploitation plan for the SNE area development in Senegal. Our active exploration programme involved operating the Ekland well in the UK North Sea and participating in five further wells in both the UK and Norwegian sectors. An oil discovery was made in the non-operated Agar-Plantain prospect in the UK North Sea.

We also added significant potential to our portfolio with further operated licences in Mexico and Suriname, and joint venture participation in licences in Mauritania and Côte d'Ivoire.

Governance

Policies: Rolled out training on our integrated Group Code of Ethics to all personnel.

Compliance for UK drilling: Revised and resubmitted the Corporate Major Accident Prevention Policy (CMAPP) in preparing to drill an exploration well in the Ekland block.

Corporate Responsibility Management System (CRMS): Environmental component of our CRMS audited against the requirements of OSPAR¹ recommendation 2003/5, and a gap analysis performed against ISO 45001, the health and safety management systems standard.

Climate change: Completed a climate change resilience review focusing on our most material assets.

People

Health and safety: Zero Lost Time Injuries or Recordable Incidents across the Group.

Contractors: Working with Invest in Africa, a non-governmental organisation (NGO), to establish an online portal for sourcing pre-approved suppliers in Senegal.

Employee well-being: Launched a new health and well-being programme to colleagues in the UK and Norway.

Training: Phase two of our Management Bootcamp programme commenced in May.

Equality and diversity: Raised awareness of unconscious bias in recruitment and other people practices through 'lunch and learn' sessions.

Major accident and hazard prevention: Five Crisis and Emergency Response Team exercises held and increased training, including self-help training packs and workshops, rolled out. We improved CMAPP for application across the Group, including our Ekland programme.

Society

Management system: Issued new guidance on managing social risks and opportunities.

Managing social impact: Developed and submitted a Social Impact Assessment to the Mexican authorities for Block 9.

Social and economic benefits: Aligned our impact benefit planning process with the UN Sustainable Development Goals (SDGs).

Community development: Supporting fishing communities in Senegal through a pilot programme with The Hunger Project.


Human rights: Modern slavery assessments incorporated into contractor audits and zero tolerance requirements included in all contracts.

Environment

Biodiversity: Maintained our focus on assessing biodiversity risks in new venture and operational projects; this included a review of best practice sound management with reference to the potential impact of a 2D seismic programme on mammals and turtles offshore Suriname.

Spills: No spills of oil or chemicals to the environment.

 Read more: [Governance](#)

 Read more: [People](#)

 Read more: [Society](#)

 Read more: [Environment](#)

¹ Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic.

Increasing Standards

To deliver value for our stakeholders, we need to operate in a safe, secure, and environmentally and socially responsible way. We manage our business activities in line with our core values, known as the '3Rs'.

Our values: the 3Rs

Building respect

We act with respect for people, communities, the environment, human rights and the law.

Nurturing relationships

We act honestly, transparently and with integrity to develop strong and lasting relationships with our stakeholders.

Acting responsibly

We behave fairly and ethically, and are accountable for our actions. We believe in, and act on, our responsibility to care for people, society and the environment.

High Performing Behaviours

Based on the 3Rs, we expect to see High Performing Behaviours exhibited in everything we do, day-to-day. These are promoted throughout the organisation and ensure that everyone can contribute to the success of the business. The behaviours are:

- be safe;
- be entrepreneurial;
- be focused;
- be a leader;
- be collaborative;
- be open; and
- be empowered.

To embed these behaviours in our culture, all employees in the organisation are measured against them. This is done through our annual performance reviews, and when setting objectives for the following year.

Frameworks and standards

Our culture of working responsibly is also built on global frameworks and standards. They inform how we deliver on our strategy and promote responsible corporate behaviour and working practices. The graphic summarises the many standards and frameworks that inform our strategy, and against which we measure our performance.



Governance

EITI GRI AA1000 FRC IPIECA



Society

ISO 26000 UDHR SDGs VPSHR

UNGC

IOGP standards for the oil and gas industry
IFC Performance Standards



People

ISO 45001



Environment

OSPAR ISO 14001

As a signatory to the **United Nations Global Compact (UNGC)**, we have integrated its 10 universally accepted principles on human rights, labour, environment and anti-corruption into our policies and our [Code of Ethics](#). See how we've performed against these principles in our [UNGC index](#).

We are committed to working to the **International Finance Corporation (IFC)**² Performance Standards on Environmental and Social Sustainability and the **International Association of Oil & Gas Producers (IOGP)** standards and good practice guidance.

Governance

As a participating member of the **Extractive Industries Transparency Initiative (EITI)**, we apply the EITI global transparency standard and publish our [payments to governments](#).

We report our CR information in accordance with the **Global Reporting Initiative (GRI)** Standards (Core option) and **AccountAbility's AA1000 Accountability Principles Standard (AA1000 APS)** – see our [GRI Content Index](#).

We use the latest guidance from the **Financial Reporting Council (FRC)** and **IPECA**, the global oil and gas industry association for environmental and social issues, to ensure effective [stakeholder engagement](#) and a focus on [material issues](#).

15 Read more: [Governance](#)

People

Our Corporate Responsibility Management System (CRMS) is aligned with the requirements of **ISO 45001**, the international standard for occupational health and safety management systems.

26 Read more: [People](#)

Society

We support the principles contained within the **Universal Declaration of Human Rights (UDHR)**.

In mitigating security risks, our operations, equipment and training meet the requirements of the **Voluntary Principles on Security and Human Rights (VPSHR)**.

Our CRMS is aligned with the requirements of **ISO 26000** guidance on operating in a socially responsible way.

We map how our activities contribute to the [UN SDGs](#).

46 Read more: [Society](#)

Environment

Our CRMS is aligned with the requirements of **ISO 14001**, the international standard for environmental management systems, and **OSPAR**, a mechanism by which 15 governments and the EU protect the marine environment of the North-East Atlantic. We do not operate in UN World Heritage sites.

55 Read more: [Environment](#)

Every two years, our CRMS undergoes an external verification against both the requirements of the UK Department for Business, Energy and Industrial Strategy guidance and OSPAR recommendation 2003/5, a requirement for operating in the UK Continental Shelf and Ireland. We reverified our CRMS against OSPAR in June 2018 and put an action plan in place to address the one finding and four other suggestions (read more in [Governance](#)).

During August 2018, we also conducted a gap analysis of the CRMS against the new ISO 45001. This identified four observations for enhancement of the CRMS, which were addressed as part of the 2018 CRMS revision; implementation will occur in 2019.

Compliance with local regulations

We will always comply with regulations set by our host countries. Legislation varies according to location and where host country regulations for the oil and gas sector are underdeveloped, we are guided by our CRMS, which is based on IOGP standards and UK and international best practice. This ensures we apply the same procedures and standards consistently, wherever we operate.

² The IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

The UN Sustainable Development Goals

For many years, international bodies have encouraged companies and governments to pursue sustainable, ethical and responsible development in the face of many global economic, social and environmental challenges.

In 2015, world leaders committed to the UN SDGs. The 17 SDGs span a range of prioritised areas including ending poverty and hunger, ensuring access to energy, protecting ecosystems, addressing climate change and improving gender equality. The SDGs offer businesses and governments a comprehensive 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. This development agenda focuses investment and action where they are most needed.

Looking at these issues through the SDGs lens, we believe that Cairn can play a meaningful role in helping to address them. Not all the SDGs are relevant to our business in all circumstances, nor indeed to each of our assets. However, across the value chain, many of our activities add value to society, by contributing positively towards the SDGs. Similarly, we can see where we may need to mitigate for potentially negative impacts on both society and our environment.

The potential for some goals to conflict with one another exists. For example, as an oil and gas company, we acknowledge that producing fossil fuels contributes to global climate change, but also provides affordable energy and promotes economic, social and human development.

Aligning our efforts with the Global Goals helps inform the development of Impact Benefit Plans, which we now draft for every new country we operate in. These plans evolve with each project and evaluate the pros and cons of what we are doing to show the net value our activities bring.

External recognition

Cairn's commitments, actions and progress towards achieving the SDGs have been recognised with two stars awarded by [Support the Goals](https://supportthegoals.org).



SDG Roadshow 2018

In September 2018, the UNGC Network UK SDG Roadshow reached Edinburgh on its nationwide tour. We were delighted to support the event, 'Making Global Goals Local Business', by presenting on our experience of working responsibly and participating on the panel during the discussion session.

The roadshow sought to increase awareness and understanding of the SDGs, and outline how businesses can contribute to, as well as benefit from, achieving the Goals.

A key insight arising from the event was that every local contribution makes a positive step towards global sustainable development, and that businesses everywhere have the potential to have a real impact on the SDGs.



Creating Value

Through compliance with our CRMS and putting CR at the forefront of our activities, we believe we can generate value, not only for our shareholders, but also for the local communities and economies we operate in. We create, add and realise this value through the exploration, development and production of oil and gas within a self-funding business model. Exploration offers stakeholders the potential for material value, whereas production provides the cash flow to sustain our exploration and development activities.

Strategic CR Objectives

Our strategic CR Objectives set our business direction for any given year against the background of our long-term strategy. Developed with the Board, they are grouped under four themes: Governance, People, Society and Environment. These themes span 19 topics and associated issues, which are identified as being the most important for our business and our stakeholders through quarterly risk reviews and an annual materiality assessment. Proposed new CR Objectives are reviewed and approved by the Board.

Our CR Objectives form part of our annual Key Performance Indicators (KPIs), which enable us to measure the delivery of our strategy and progress against our objectives. The 'maintain licence to operate' KPI encompasses the CR Objectives and measures our ability to deliver a range of social, environmental and economic benefits in a safe, secure, and environmentally and socially responsible manner (see Our Business Principles below).

Understanding our key risks

To work responsibly, we need to identify and manage the risks that are most significant to our business. By continuing to review, understand and mitigate these risks, we provide greater protection to our people, society, communities and the environment.

Effective risk management is critical to our CR performance. We regularly review how our most significant risks are being managed and record them in a risk register. The risk register and stakeholder feedback are the two primary sources of information we use when determining our [priority issues](#).

Working together and with others

We train our people to help them understand how to embed CR into our activities. Additional support is provided by a group of CR specialists, who work alongside project teams to ensure that potential CR impacts are considered in project planning and during operations.

We also leverage the experience, expertise and resources of our joint venture partners, NGOs and industry bodies such as the IOGP.

Our Business Principles

We have a long-established set of Business Principles that frame the way we work. We seek to improve by managing risks, and behaving ethically and responsibly to people, to the environment and to wider society.

Our Business Principles are integrated into many of our systems and processes, including our CRMS, Cairn's Operating Standards, the Group Risk Management Procedure and the People Management Manual.

The Board has ultimate responsibility for ensuring our culture of working responsibly exists across the organisation. This is supported by three levels of assurance:

- our project delivery process, as outlined in the Cairn Operating Standards;
- key committees and groups, including our Senior Leadership Team and Management Team, Group Risk Management Committee and Audit Committee, to provide internal oversight; and
- internal and external assurance audits, and stakeholder opinions.

Our Business Principles

Overarching principle
We manage risk and seek to continually improve

Core principle
We behave honestly, fairly and with integrity



Behaving responsibly to people

We develop the potential of our people.
We foster a workplace that respects personal dignity and rights, is non-discriminatory and provides fair rewards.

We provide a healthy, safe and secure work environment.



Behaving responsibly towards the environment

We take a precautionary approach to our effect on the environment.
We strive to prevent and minimise our impact on the environment.



Behaving responsibly to society

We seek to make a positive social impact in every area in which we work.
We respect the rights and acknowledge the aspirations and concerns of the communities in which we work.

Our Business Principles frame the way we work to deliver value

Working with Our Stakeholders

Understanding stakeholder views is very important to Cairn. Engaging with them effectively helps us take their interests into account, and communicate our performance transparently.

By following the principles of materiality, inclusivity and responsiveness³, we gather internal and external stakeholder perspectives, identify our most important CR issues and respond in a structured way.

New and existing projects are subject to bespoke Stakeholder Engagement Plans. These help us to identify stakeholder concerns and issues, understand risks, identify actions to mitigate those risks and foster effective communication during the project (see graphic below). The Plans are reviewed regularly to ensure changes in project scope and stakeholder expectations are taken into account.

Stakeholder Engagement Plans in 2018

We have maintained a Stakeholder Engagement Plan (formerly known as a Public Consultation and Disclosure Plan) for Senegal since we began our exploration and appraisal drilling programmes in 2013. We have also shared it with our joint venture partner to help us engage with stakeholders as part of the potential development of the field. We hold regular meetings to discuss progress and review the outcomes of any engagement activities.

During 2018, we also developed an initial Stakeholder Engagement Plan for Mexico. This has involved initial stakeholder mapping informed by independent studies, media monitoring and local staff, and an internal workshop to develop a plan across the different stakeholder groups. More detailed planning will be conducted ahead of our first operations in Block 9.

Although our UK and Norway operations are in mature markets, similar plans have been developed ahead of drilling in 2019. Initial stakeholder engagement has also started in Suriname, in preparation for our seismic work.

Stakeholder engagement in our projects



³ As defined in AA1000 APS.

Stakeholder Engagement through the Year

We dedicate considerable time and effort engaging with stakeholders. Throughout the year, this activity included:

- presenting to analysts, investors and shareholders at conferences;
- public consultation meetings and regulatory reviews and inspections;
- participating with peers at industry events;
- safety briefings for employees and contractors; and
- drawing up Impact Benefit Plans with community partners.

We also respond directly to concerned individuals and organisations on a wide range of specific issues. In 2018, the topics included our company strategy and financial position, and our responses to human rights issues, modern slavery and climate change.

We had no complaints or grievances in 2018.

Read more about stakeholder engagement on page 14 of our [Annual Report and Accounts](#).



Working with joint venture partners to transfer operatorship in Senegal

In December 2018, we handed operatorship of the SNE field development in Senegal to our joint venture partner, Woodside Energy. Communicating the change in operatorship in advance to all those who could be affected has been paramount. Our priority was to ensure continuity, at a critical part of the project, for our many different stakeholders and beneficiaries.

In practice, this has meant transferring the knowledge, information and contacts Woodside needs to take over and build on Cairn's four years as operator. This required a high level of stakeholder engagement, not just between Cairn and Woodside but also with the Senegalese Government, the regulators and our local contractors.

Maintaining our approach to social investment has been an important aspect of this transfer, so we were delighted that Alioune Dieng, the Health, Safety and Environment Manager with our subsidiary Capricorn Senegal Limited since 2015, transferred to Woodside in a similar capacity. Alioune's considerable experience was gained during our exploration, seismic appraisal and drilling activities, and has been vital in setting up and managing our key social investment programmes.

Working with stakeholders on the Environmental and Social Impact Assessment (ESIA) for phase one of the SNE field development, the consultation process was multi-staged:

- We worked with a National Technical Committee (NTC) for offshore oil and gas activities to agree terms of reference for the ESIA. This NTC was managed by the Ministry of Environment and Sustainable Development (Ministère de l'Environnement et du Développement Durable).
- The terms formed the basis of stakeholder consultation in the regions of Thies and Fatick. Any concerns and recommendations were compiled into a report by the consultant (Earth Systems), assisted by an independent university professor, for all engagement with fishing communities. This report informed the initial scope of the ESIA.
- The draft ESIA was then submitted to the NTC. At a meeting with other interested parties, including NGOs, academics and the media, the draft ESIA report was reviewed and further recommendations made.
- The NTC met again later to confirm these recommendations had been addressed, before providing technical validation of the ESIA.
- For 'social' validation, nearly 200 people attended public meetings in Thies and Fatick, where they could ask questions, offer recommendations and indicate their support for the ESIA. All but two people supported the project fully.
- A final ESIA document, addressing all the issues raised at these public meetings, was submitted to the authorities, and validated in January 2019.

Saraou Kombo and Alioune Dieng

Prioritising Issues

Reviewing our materiality process

Reporting on environmental, social and governance issues has evolved substantially over the last decade, in line with increasing stakeholder expectations. Understanding and prioritising the issues that matter to our business and our stakeholders enables us to address the most relevant topics.

Following concern from the Board about the increasing 'drift' of these material issues towards the high importance category and about over-reporting in our Annual Report and Accounts, we engaged an external consultant to conduct an independent review of our materiality process in May 2018. This involved:

- revisiting the latest non-financial reporting requirements and guidance from the [FRC](#) and the London Stock Exchange;
- considering industry-specific guidance from the GRI, Sustainability Accounting Standards Board and IPECA; and
- comparing our approach with that of 10 peer companies.

The review identified areas in our assessment process that were potentially leading to the reporting of issues that were not necessarily of high materiality, alongside those which were. An adapted methodology was developed and tested. Following a preliminary assessment of issues by the consultant, staff around the organisation were asked to feed in their perceptions of key issues from different stakeholder perspectives at a workshop. This was used to inform and validate the updated materiality assessment process.

Methodology and analysis

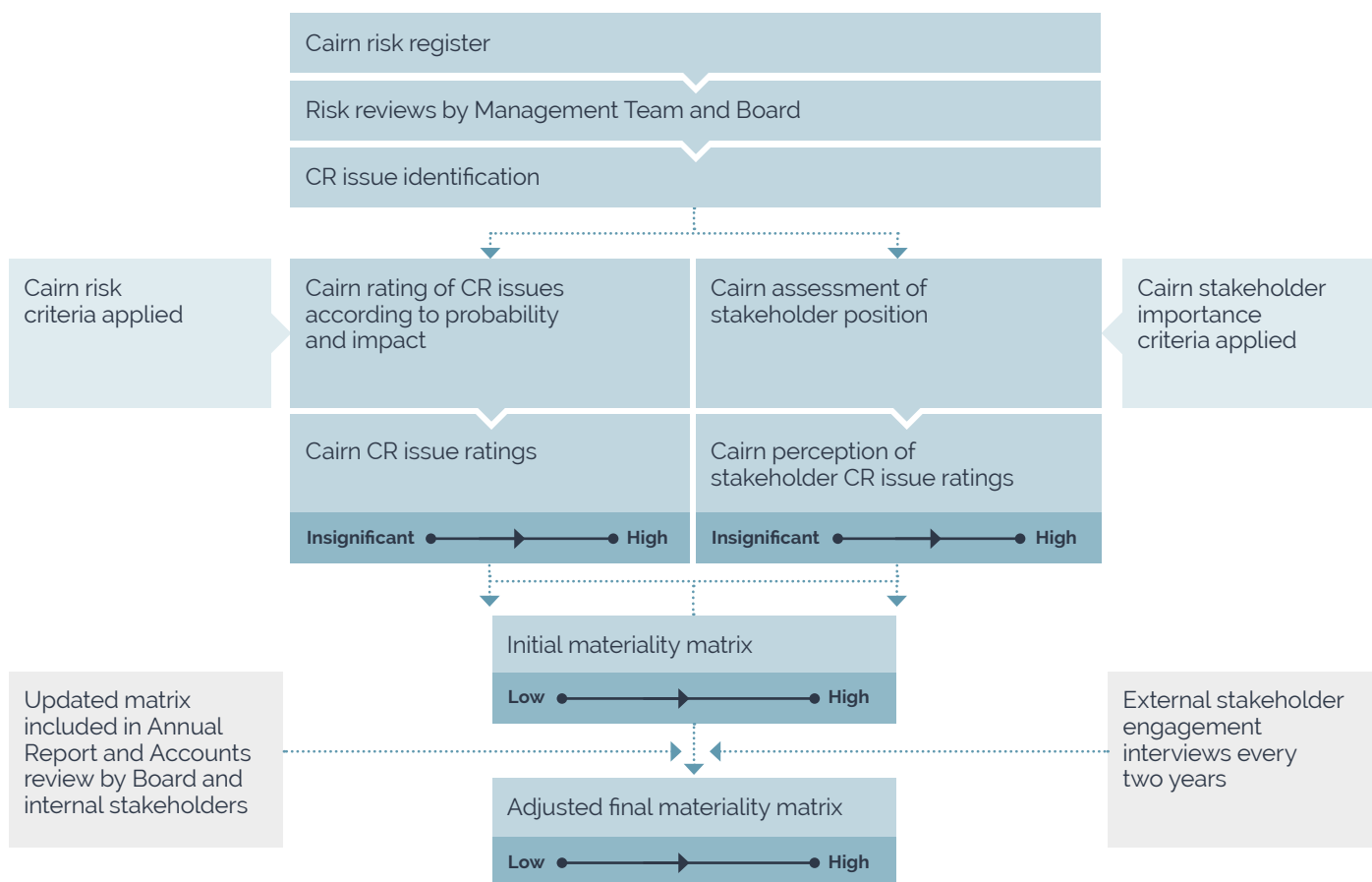
The FRC's guidance states: "Information is material if its omission or misrepresentation could reasonably be expected to influence the economic decisions shareholders take on the basis of the annual report as a whole." This was the basis for examining our existing approach.

In previous years, we looked at materiality using four themes: Business Relationships, Society and Communities, People, and Environment. Under these themes, we reported on 15 topics in total, covering a wide range of individual issues. These were plotted on a materiality matrix showing both 'importance to stakeholders' and 'importance to Cairn'.

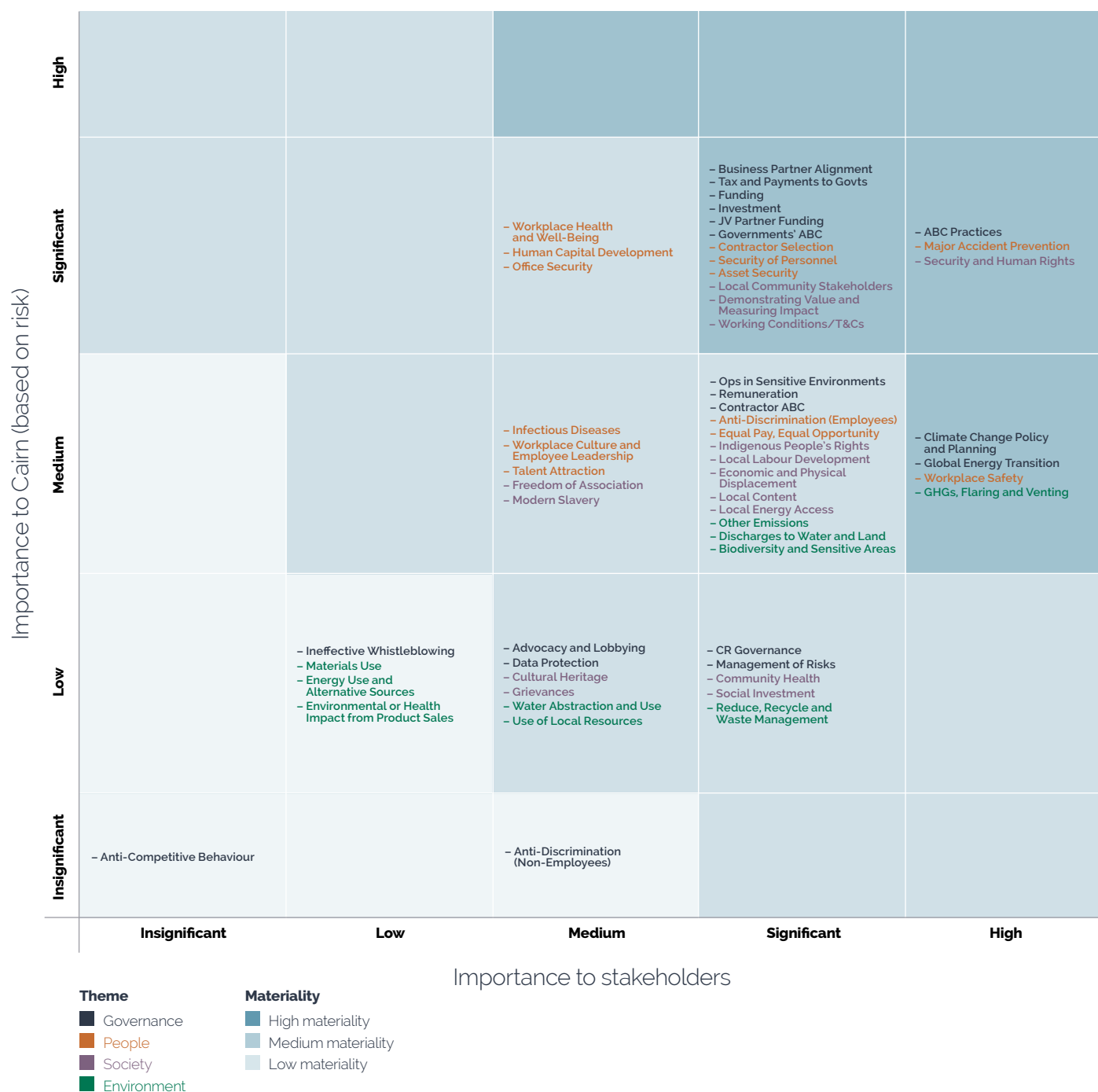
In 2018, we rationalised our themes – now titled Governance, People, Society and Environment – and identified 19 topics covering a similarly wide number of issues. Unlike our assessment in 2017, our revised assessment does not aggregate issues by topic, and now scores 'importance to stakeholders' across five different stakeholder groups (investors, governments, employees, local community/interest groups and business partners/peers).

An overview of all material issues still appears in this CR report.

Materiality analysis and methodology



Our 2018 material issues

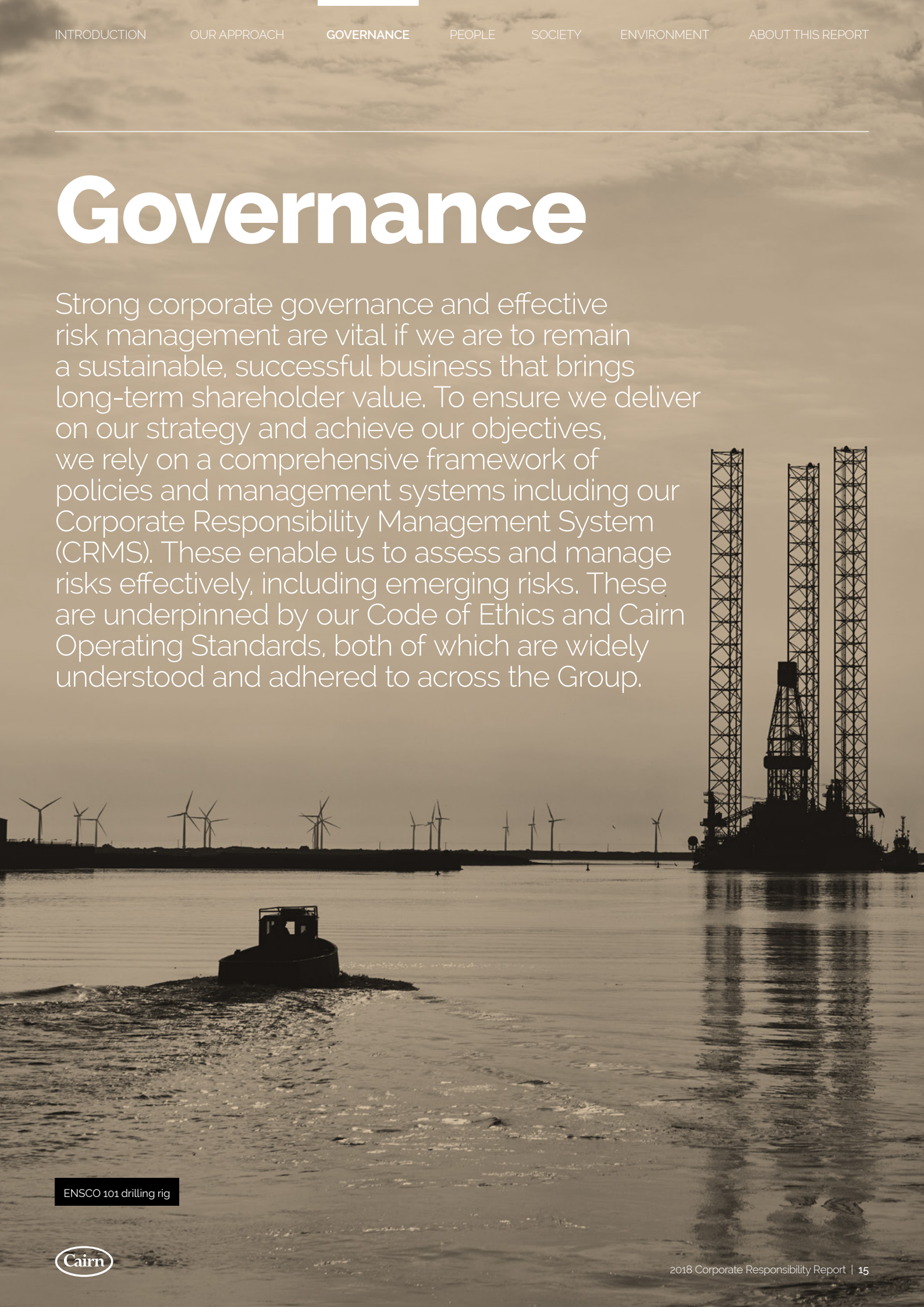


To work responsibly, we need to manage the issues that are most significant to our business and to our stakeholders. We identify them through quarterly risk reviews and annual materiality assessments. By understanding and mitigating these issues, we provide greater protection to our people, communities and the environment.

We are also better able to report on the issues classified as being of 'high materiality', as well as those deemed to be of 'medium materiality'. These material issues are summarised in the graphic above and analysed in detail throughout this report. Issues of high material importance are covered in our [Annual Report and Accounts](#).

Governance

Strong corporate governance and effective risk management are vital if we are to remain a sustainable, successful business that brings long-term shareholder value. To ensure we deliver on our strategy and achieve our objectives, we rely on a comprehensive framework of policies and management systems including our Corporate Responsibility Management System (CRMS). These enable us to assess and manage risks effectively, including emerging risks. These are underpinned by our Code of Ethics and Cairn Operating Standards, both of which are widely understood and adhered to across the Group.

The background image is a sepia-toned photograph of an offshore drilling rig, the ENSCO 101, in the water. In the foreground, a small tugboat is moving towards the rig, leaving a wake. In the background, a line of wind turbines is visible on the horizon. The sky is overcast.

ENSCO 101 drilling rig

Ethics, Anti-Bribery and Corruption, and Transparency

Taking a clear and strong stand on ethical matters is the key to delivering value, building trust and maintaining our licence to operate. Our zero tolerance position on issues such as fraud, bribery and corruption continues to attract scrutiny from a wide range of stakeholders and could affect our reputation, our ability to access funding, and our impacts on people and communities. We also report transparently on remuneration and payments to governments.

Strategic objectives

Maintain licence to operate

Deliver a sustainable business

Principal risks

Health, safety, environment and security

Fraud, bribery and corruption

Political and fiscal uncertainties

Access to debt markets

Inability to secure or repatriate value from Indian investments

2018 performance against CR Objectives

We ensured that the Group Code of Ethics was rolled out to all new and existing personnel.

We conducted an anti-bribery and corruption (ABC) risk assessment for our Mexico operations.

We performed a detailed review of our CRMS and a revision was issued in early 2019.

2019 CR Objectives

Review and update our Code of Ethics.

Undertake a gap analysis of our CRMS against AA1000 AccountAbility Principles.

Undertake an internal audit of our application of the Corporate Major Accident Prevention Policy (CMAPP).

Improve mechanisms for non-operated activity assurance.

Improve the integrated audit plan, including ABC content.

Simon Thomson, CEO and Ian Tyler, Chairman

Operating with Integrity

At Cairn, we operate with integrity at all times, recognising that in doing so we will maintain the trust of our many stakeholders. We are committed to working responsibly as part of our strategy to deliver value for all stakeholders, with a clear focus on working in a safe, secure, and environmentally and socially responsible manner.

- The **Board** recognises its important role in promoting high standards of corporate governance, delivering its strategy in line with shareholders' long-term interests and engaging with other stakeholders to deliver benefits.
- The **Senior Leadership Team** and **Management Team** provide oversight and guidance to the Company on vision, strategy, culture, corporate governance, CR, and health, safety and environment (HSE) matters.

As a company incorporated in the UK and listed on the London Stock Exchange, Cairn is required to report against the UK Corporate Governance Code, which was updated in July 2018 and came into force on 1 January 2019. The Code's key revisions included a greater emphasis on stakeholder engagement, diversity, succession planning and remuneration. We have since reviewed our governance framework against the new Code and, while we believe we are well placed regarding many of these aspects, we will continue to look for greater transparency in these areas.

After completing a gap analysis in August 2018, we noted that the new occupational safety standard ISO 45001 increases emphasis on employee engagement, which we will address in the coming year. We performed a climate change resilience review of our key assets in 2018, and continue to monitor other corporate governance developments, such as any specific requirements arising from the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#).

One of the themes of our Board meeting in September 2018 was the improvements to our CRMS, which details our requirement for working responsibly and includes our policies, procedures and guidance. This was strengthened in accordance with findings from our most recent biennial audit against the terms of Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR) recommendation 2003/5, completed in June. We also focused on our new CMAPP (see [Economics and Funding](#)), our materiality process and strategic CR matters for the coming year.

In 2019, we will perform a gap analysis against the new AccountAbility Principles (AA1000) and our Code of Ethics will be reviewed, with further emphasis on strategic and emerging issues.

Our Culture

We take our responsibility for operating in an ethical, transparent way seriously. It's a key part of our approach and ensures we maintain our licence to operate. At the heart of this lies a culture based on a commitment to working responsibly. This means having the right values, principles and policies in place, embedding them in our systems and processes, and making sure our people uphold them.

Our [Code of Ethics](#) captures our values (the '3Rs'), the nine Cairn Business Principles and the expected behaviours of our people. The Code underpins the way we work, as outlined in our Group CR policies and our business management systems, which detail the procedures and good practices we apply.

Our employees are expected to meet these requirements and their performance is assessed against them. All other parties that work on our behalf, including contractors and suppliers, must also be prepared to demonstrate their conformance with them. We encourage our partners to adopt and apply similarly strong ethical positions.

Code of Ethics

In 2017, we combined our 3Rs, Business Principles and Code of Business Ethics to produce an integrated Code of Ethics. The Code was rolled out to all personnel across the Group in early 2018 and published in full on our website. A new e-learning module, designed to educate and inform employees across all aspects of the revised Code, has been available to all staff since the end of 2017.

Every employee is required to sign up to the terms of the Code as part of their employment conditions, and must abide by it in all their business activities. An internal auditor regularly assesses our compliance with the Code and, in turn, we audit contractors for compliance with it and our CRMS requirements. Integrated audits are also conducted on operational risk management, modern slavery, and anti-bribery and corruption (see next page).

We will review the Code in 2019 and align it with our four CR reporting themes of Governance, People, Society and Environment.



On board drilling rig

Measuring performance

Zero

incidents of non-compliance with the Code

Zero

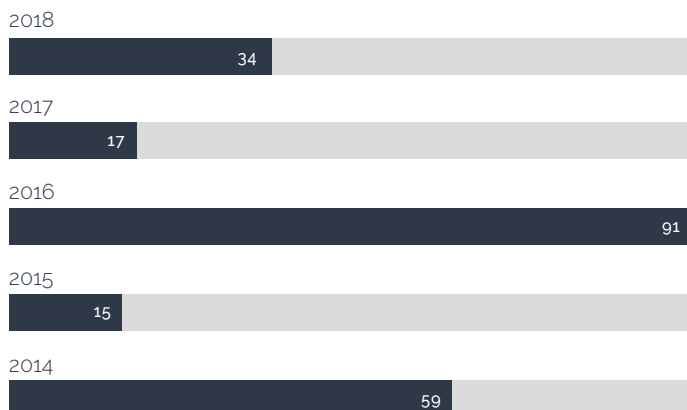
employee dismissals for non-compliance with the Code

Staff training on ABC issues

Our business maintains zero tolerance of bribery and corruption. Having upgraded our gift and hospitality register and revised our due diligence procedures in 2017, we implemented an ABC training module for staff working in high-risk countries in November 2018.

This training module is now complemented by our new e-learning module on the Code of Ethics, which also covers ABC-related issues.

Employees trained in Cairn's anti-corruption policies and procedures (%)



Reporting issues of concern

Employees are encouraged to report any incident they believe may compromise the Code using a confidential phone line or by speaking directly to their regional director. The whistleblowing charity Public Concern at Work also offers an external channel for staff to use, if they prefer. Where appropriate, independent investigations are conducted. The Group Whistleblowing Procedure can also be used when issues relating to modern slavery are suspected.

There were no reported incidents raised through the whistleblowing procedure in 2018.

ABC assessments for new ventures

All entries into new territories require an ABC risk assessment. These assessments are intended to highlight exposure to potential risks and ensure due diligence has been conducted across all aspects of the project. This is particularly critical in high-risk locations, where standards may be less rigorous or inconsistently applied.

Our Investment Proposal (IP) process involves screening for a range of potential risks, including specific ABC risks. If the threat is significant, further assessments will be undertaken, possibly by specialist consultants, and actions for managing the risk will be developed. These steps might include taking mitigating steps to avoid or reduce the risks, or even deciding not to proceed.

In all cases, staff are trained in our Code of Ethics and our ABC management system. Where a heightened threat of ABC risks is identified in a new venture, the staff involved must complete further training.



ENSCO 101 drilling rig

Ethical Issues

Our ability to do business relies on the trust of our stakeholders, including investors, governments, business partners, suppliers and broader society. This means we need to work in an ethical and transparent way. We have maintained our efforts to track emerging ethical issues of importance, to both us and society in general.

We have paid particular attention to tracking the requirements of the Modern Slavery Act and the Equality Act. Our integrated audit plan assessed supply chain risks for all projects, with a focus on key topics including modern slavery, ABC, and health, safety, environment and security.

All contractors receive our policies and our Code of Ethics, to which they must agree to conform.

Some of our assets are located in areas where ethical issues arise. These range from the concerns of local people in occupied territories to the potential for environmental impacts in sensitive habitats.

- Our partner completed a 3D seismic programme offshore **Western Sahara** (a disputed territory regarded by Morocco as a province) in May 2018. Although we no longer have title to the acreage, we still have outstanding commitments, including submitting a final interpretation report to the regulator ONHYM¹. We expect to complete our commitments fully in mid-2019.
- In **Norway**, some of our operated and non-operated assets are located in the Barents Sea. There is some stakeholder debate around exploration in Arctic waters, mainly regarding potential environmental impacts and climate change (see [Climate Change, Energy and Emissions](#)). We believe our non-drilling activities in the Barents Sea meet the Norwegian HSE requirements, among the most stringent in the world, and can be managed to avoid and minimise adverse impacts on this environment. We also have a track record of working responsibly in the Arctic.

Transparency and Reporting

As a listed public company, we report annually in line with UK regulations. We responded to all queries associated with our 2017 Annual Report and Accounts, and also to requests for information from investor analysts, shareholder representatives and other concerned stakeholders.

We also report on our business activities in a transparent and open manner through investor roadshows and market updates, while the [investors section](#) on our website provides relevant, up-to-date information, including details of our Group Tax Strategy.

The publication of this CR report is also intended to provide investors, analysts, interest groups and broader communities with easy access to comprehensive information about our approach and CR performance. We apply global standards to ensure our reporting is of the highest quality, including reporting against the GRI² Sustainability Reporting Standards at Core level (see [About This Report](#)).

Download our full [GRI Content Index](#) for further information.

External recognition

Cairn won the 'Best use of digital by the extraction sector (oil, gas & mining)' category at the Digital Impact Awards in September 2018.

Cairn was nominated for 'Best annual report' for a FTSE 250 company in the CorpComms Awards 2018.

Remuneration and executive pay

Remuneration, and executive pay in particular, remains an issue of keen interest among our shareholders and wider society. Following a Group-wide review of pay arrangements, we rolled out a new remuneration framework for performance and reward in 2017.

During 2018, the Remuneration Committee carefully considered the new provisions incorporated into the revised UK Corporate Governance Code, published in July 2018. Although these requirements only apply to financial years commencing on or after 1 January 2019, the committee considers that several of them are already satisfied by our existing policies and practices. Where this is not the case, the committee has taken steps to ensure the Company will be compliant when the revised code takes effect.

Full details are set out in the Directors' Remuneration Report within our 2018 [Annual Report and Accounts](#).

¹ Office National des Hydrocarbures et des Mine.

² The Global Reporting Initiative is an international independent organisation that helps businesses, governments and other organisations to understand and communicate the impact of business on critical sustainability issues such as climate change, human rights and corruption.

Payments to Governments

Supporting disclosure and financial transparency

We support financial transparency in our sector, from how revenue receipts are used to the tax contributions and other payments made to governments by oil and gas companies. We do this because we believe it will lead to long-term sustainable growth and build greater trust in Cairn.

We report payments to governments in our [Annual Report and Accounts](#), in compliance with EU legislation and as part of our voluntary commitment to the Extractive Industries Transparency Initiative (EITI). The EITI requires companies to publish what they pay to governments, and governments to publish what they receive from companies; both are independently verified. Norway, Senegal and the UK have all joined the EITI, and Mexico has been approved for membership. We actively participate in EITI working groups in Senegal and are looking at the requirements in Mexico as part of our forthcoming increase in activities.

As in previous years, our 2018 disclosures included the payments to governments detailed in our EITI reporting, such as corporate income tax, licence fees and withholding tax suffered. Additional payments including VAT, payroll taxes and social security costs are also reported.

Aligned to the EITI's requirements in the UK, the publication of payments to governments on a country-by-country basis is also required under the EU Accounting Directive. These include production entitlements, taxes levied on income, production or profits (excluding VAT, personal income tax or sales tax); royalties; dividends; and signature, discovery and production bonuses.

Measuring performance

US\$32.6m

Payments to governments

Meeting our taxation obligations

Cairn operates in a number of locations with diverse tax obligations and requirements, and seeks to ensure we comply with local rules and regulations in every territory. [The Cairn Group Tax Strategy](#), published on our website, is not to enter into any artificial tax planning and, in managing our tax affairs, to align any tax planning with genuine commercial activity.

The Group has been in arbitration against the Republic of India under the UK-India Bilateral Investment Treaty since 2014. The main evidentiary hearings were held in The Hague in August 2018 but the outcome was still outstanding at the time of publication. See our [Annual Report and Accounts](#) for more information.

Participation in public policy development and lobbying

Cairn does not engage in party politics or make donations to political parties, candidates or lobbyists. Nonetheless, given the significance of legislation, regulation and the awarding of new licences to our business, the governments of the countries where we operate are key stakeholders. Each of our assets is responsible for engaging with host governments, as part of its local Stakeholder Engagement Plan, and operated in accordance with our [Code of Ethics](#).

Our involvement in public policy development and lobbying is mainly conducted through industry bodies such as the International Association of Oil & Gas Producers (IOGP) or regional industry groups. These include Oil & Gas UK, the Association of British Independent Oil Exploration Companies, the Irish Offshore Operators' Association, the Mexican Association of Hydrocarbon Companies and the Norwegian Oil and Gas Association.



ESIA public meeting in Suriname

Economics and Funding

We aim to make a positive contribution to our people, the communities in which we operate and to society in general. We do this through our activities, and by distributing value through salaries, taxes and other payments to authorities, contractors and suppliers. We also recognise the emerging risks associated with climate change, which have potential financial, regulatory, physical and social implications for our business and our industry. However, whatever the increasing pressure we face to improve cost efficiency, we never compromise our operating standards or undermine our commitment to working safely and responsibly.

Strategic objectives

Deliver exploration and appraisal success

Portfolio management

Deliver operational excellence

Deliver a sustainable business

Principal risks

Volatile oil and gas prices

Securing new venture opportunities

Delay in Senegal development plan

Kraken and Catcher operational and project performance

Political and fiscal uncertainty

Access to debt markets

2018 performance against CR Objectives

We revised our CMAPP, rolled it out for the Ekland well and briefed the Board.

We reviewed the CRMS against the new health and safety standard ISO 45001.

We reverified the CRMS against the requirements of OSPAR recommendation 2003/5.

We conducted a climate change portfolio resilience review.

2019 CR Objectives

Deepen our understanding of future strategic climate change risks, develop an early warning dashboard of significant issues, include climate change resilience testing in IPs where relevant and feed back to the Board regularly.

Wider roll-out of our CMAPP training and compliance programme.

Track developments in TCFD reporting.

Develop and implement an integrated audit programme.

Implement the improvements recommended by our CRMS audit findings.



James Smith, CFO

Our Impact

Our positive contribution

We are committed to making a positive contribution, wherever we operate, by delivering tangible benefit to our stakeholders. These include:

- **governments**, which grant permits and our licence to operate;
- **communities**, which give us our social licence to operate; and
- **employees, contractors and suppliers**, which provide the necessary expertise and resources to carry out our activities and create value.

How we distribute value

We distribute value through payments to:

- government, including taxes and duties;
- promote social and community development in our host countries;
- our contractors and suppliers;
- our employees; and
- those who provide us with capital.

Increasing standards in a challenging business environment

We recognise the increasing pressure on our industry to improve operating standards within a challenging business environment. Our sector faces changing and emerging risks, and an ongoing raising of standards, against a need to focus on cost efficiency. Volatile oil prices continue to be a principal risk, so efficient capital allocation across the portfolio is crucial. It is important that cost reductions do not compromise our commitment to working responsibly.

Similarly, the information about our CR standards and performance requested by analysts, shareholders and funding institutions is increasingly detailed. This includes our reporting and transparency requirements (see [Ethics, Anti-Bribery and Corruption, and Transparency](#)).






By participating in industry associations such as the IOGP, we can keep up with the latest developments in good practice, incorporate them into our CRMS and apply them, both at a corporate level and locally in our projects. For example, our [Code of Ethics](#) is available online.

Improving how we manage corporate responsibility

Increasingly, providers of capital want to ensure that we meet the highest CR standards across all our activities. This includes satisfying International Finance Corporation and OSPAR requirements, as well as compliance with international and national regulations. Our CRMS:

- prescribes the requirements for working responsibly;
- enables us to embed processes and procedures throughout the organisation; and
- helps us to identify, evaluate and address potential health and safety, security, environmental and societal risks, benefits and impacts.

Total value generated and distributed by Cairn business in 2018

Beneficiary	Economic value distribution	Value (Group) US\$
 Governments	> Taxes, fees, etc	> \$32.6m
 Communities	> Social investment	> \$0.086m
 Contractors and suppliers	> Capital expenditure	> \$284.2m
 Employees	> Employee salaries and benefits	> \$56.3m
 Investors	> Interest charges, borrowing costs and bank charges	> \$27.7m

A new policy on preventing accidents

In October 2017, we introduced the CMAPP, strengthening our commitment to avoiding major accidents and mitigating risks as required under the EU Offshore Safety Directive. It is a prerequisite for our licence to operate in the UK Continental Shelf (UKCS) and Ireland. As part of our preparations for drilling an exploration well in the Ekland block, it was revised and resubmitted to the regulators (the Health and Safety Executive and the Department for Business, Energy and Industrial Strategy, BEIS) in July 2018 (see [Accident Prevention and Safety](#)).

Cairn Operating Standards and the existing CR policies within our CRMS have always given us stringent controls, but CMAPP provides a greater emphasis on:

- the controls we have in place to manage Safety and Environmental Critical Elements and prevent a major incident;
- demonstrating and verifying the high levels of competency among our staff and selected contractors, and having appropriate training and succession planning in place to ensure that capability is maintained; and
- transparent assurance processes, including project planning and operational oversight, document control, and data management and storage.

Following approval by the Board in September 2018, an enhanced CMAPP training programme will begin in early 2019, along with a roll-out to all other operated assets in the Group. An internal audit of CMAPP compliance is planned for the end of 2019.

Auditing and updating our CRMS

We subject our CRMS to an annual audit, the most recent of which was conducted in June 2018. This included a verification of the environmental component against OSPAR recommendation 2003/5, a requirement for operating in the UKCS and Ireland.

The audit report had one finding (to increase communication with the Board on improvements to the CRMS) and made four observations. The subsequent action plan to address them was accepted by the auditor and submitted to the UK regulator, BEIS.

We also reviewed the CRMS against the latest occupational health and safety standard, ISO 45001:2018 'Occupational health and safety management systems – requirements'. A gap analysis, produced in August 2018, identified four observations. An appropriate action plan was developed for implementation in 2019.

Our CRMS update was completed by year end, and included outcomes of audit findings, approved items from the Board and the latest IOGP guidance issued during 2018.

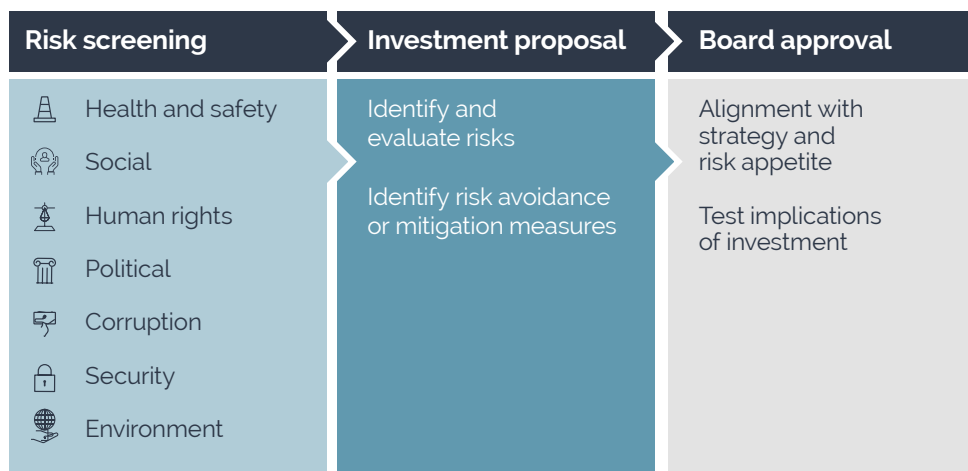
Assessing the CR risks of investing in new opportunities

Investing in new opportunities is a significant part of our activities, as either a potential operator or joint venture partner. To protect our investments, we continue to assess CR risks when evaluating new relationships or locations. Although some opportunities may be financially attractive, it may be deemed that the ethical, safety or environmental risks cannot be viably managed to acceptable levels, as articulated by our risk appetite statement. We also do not operate in UN World Heritage sites.

Evaluating new ventures

All new ventures require us to undertake due diligence. Through our CRMS, we rigorously assess new opportunities, using a phased evaluation to understand all the risks associated with the location and the investment, and to ensure the integrity and CR track record of the partners involved. This process includes evaluating any CR-related concerns using IPs, and determining any necessary action. All significant new venture projects require Board approval.

We plan to incorporate climate change resilience testing in our IPs from 2019.



Climate Change Risk and Reporting

Global energy demand and transition

We consider climate change issues to present a number of emerging risks to our business, from both our own and our stakeholders' perspective. These risks manifest themselves over a longer timescale than many others we address in our [Annual Report and Accounts](#). However, we consider it important to monitor developments closely in this area as risks change and new ones emerge. This is in line with recent changes in Financial Reporting Council (FRC) reporting requirements. It helps us to understand the business implications as responses develop to the challenge of a carbon-constrained future, and to proactively manage and communicate our strategy to our shareholders and other stakeholders.

We believe we have a significant role to play in helping to meet affordable, sustainable energy demand in a carbon-constrained world, as part of the transition to a low-carbon economy. This applies in both developed and developing countries, to maintain supply as well as delivering economic and associated social benefits, while seeking practical mitigation measures.

The International Energy Agency (IEA) [World Energy Outlook](#) 2018 indicates that between 2015 and 2040, world energy consumption is likely to increase by more than 25%. The analysis concludes that apart from coal, the consumption of all fuel sources is projected to increase over that period, even with the significant growth in renewables that will be needed to meet the 2°C climate target scenario committed to under the Paris Agreement³. It concludes that oil and gas will continue to be one of society's main energy sources for many years to come.

Potential climate change risks and opportunities

At Cairn, we recognise transition risks associated with climate change and we take them very seriously, challenging our thinking and presenting potential business implications associated with a low-carbon economy. Changes in climate have the potential to create significant disruption and uncertainty in the oil and gas business, as outlined below:

- **Financial:** Projects or assets become stranded due to an inability to meet criteria for commerciality and therefore failure to release value, or changing expectations of the investment community adversely affect funding.
- **Regulatory:** Implementation of legislative instruments to restrict activities or emissions and implement carbon reduction programmes, or specific Nationally Determined Contributions (NDCs) commitments under the Paris Agreement.
- **Physical:** Facilities and infrastructure are adversely impacted by extreme or changing environmental conditions associated with temperature rise, wave conditions, precipitation or storm events, sea level rise and flooding, increasing costs or operational downtime. In turn, this may increase safety risks and reduce revenue.
- **Social:** If the availability of natural resources such as water is impacted, this has implications for project continuity, increased local disruption from environmental conditions and impacts on communities, and social unrest or changing expectations or needs of local stakeholders.

By contrast, we also recognise the potential for opportunities to arise for the business, for example the development of gas opportunities given its potential role as a transition fuel, or the future role of carbon capture and storage.

Overall, our specific greenhouse gas (GHG) emissions are restricted to exploration activities with non-operated production (see [Greenhouse Gas Emissions](#)) and, given our limited emissions profile, the main risks are considered longer-term strategic corporate issues. In 2018, we increased our emphasis on evaluating these strategic risks and opportunities for the business, and further developing a robust position to reassure ourselves and our stakeholders.



UK Catcher export cargo lift

³ Countries across the globe adopted a historic international climate agreement at the UN Framework Convention on Climate Change Conference of the Parties (COP21) in Paris in December 2015. In anticipation, countries publicly outlined their intended post-2020 climate actions under the new international agreement, known as their Intended Nationally Determined Contributions (INDCs). These became NDCs on signature. The climate actions communicated in these NDCs largely determine whether the world achieves the long-term goals of the Paris Agreement: to hold the increase in global average temperature to well below 2°C, to pursue efforts to limit the increase to 1.5°C and to achieve net zero emissions in the second half of the 21st century.



In Tampico port, Mexico

Financial risks management

We have seen certain financial institutions reduce or remove their commitment to hydrocarbon investment in 2018. However, this does not detract from the viability and significance of our projects, both economically and socially. As part of our 2018 programme, we completed a specialist climate change resilience review of our portfolio against selected climate change scenarios and considered value creation under a variety of conditions.

Our robust methodology considered a range of plausible climate change scenarios derived by an external consultant from supply and demand fundamentals, including taking a significant deterioration of market conditions from a business-as-usual baseline into account. This included the IEA ETP 2°C reduction scenario⁴ among others, and analysed discrete impacts associated with market discipline and transition price shocks. The review covered our producing assets (non-operated) and planned developments.

The results clearly indicated that our existing production (non-operated) and planned unsanctioned assets within the portfolio create value in a carbon-constrained world, with all assets individually remaining NPV positive. Indeed, our stress testing covers wider scenarios with greater impact than experienced in these carbon change scenarios; consequently, our assessment of project viability remains robust.

We aim to refresh our portfolio review annually for changes in circumstances or assets.

Regulatory

As part of our [Project Delivery Process](#), we are obliged to determine the requirements set down in the jurisdictions under which we operate. This ranges from existing legislation to the planned commitments in NDCs during new venture or country entry assessment.

We continued to assess NDCs for locations we entered in 2018, including Suriname, Mauritania and Côte d'Ivoire. In addition, in the UK sector, we updated the Board on the status of Catcher and Kraken assets (non-operated) under the EU Emissions Trading Scheme Regulations. This included partner strategy for meeting allowances to the end of phase three of the scheme, and flagging potential issues arising from Brexit. We also looked at preparedness for submissions under phase two of the UK Energy Saving Opportunity Scheme, which we anticipate will apply to Cairn.

Physical and social risks management

We gained further insight into the latest research associated with potential physical risk by participating in the IOGP/JCOMM/WCRP workshop⁵. This workshop, attended by leading academic institutions from around the world, examined the latest modelled predictions on potential physical changes and impacts arising from climate change.

Precise implications for the industry are difficult to predict but it is clearly important to keep the latest information under review. This will ensure a timely response for input into equipment design criteria, and will assist in mitigation and adaptation in local communities.

Monitoring change and transparency

We consider it important to monitor changes and developments regarding climate change. Therefore, in 2019, we will look to build on the 2018 resilience review by developing a monitoring dashboard to help keep the Board informed of these developments.

When entering territories that are more heavily regulated, such as the UK and Norway, we must ensure we still comply with any new statutory or regulatory reporting requirements. We continue to monitor other corporate governance developments, such as any specific requirements or recommendations from the FRC and the TCFD, formed in response to COP21. This also conforms to our belief in transparent reporting overall.

Our approach to climate change continues to include:

- measuring and reporting our GHG emissions;
- promoting efficient energy use in our activities;
- considering the climate change risks and opportunities associated with our projects;
- building climate change considerations into investment decisions;
- engaging with stakeholders on climate change mitigation and adaptation measures through industry associations; and
- contributing to local programmes that address environmental and social impacts.

⁴ International Energy Agency: *World Energy Outlook Energy Technology Perspectives 2017*.

⁵ International Association of Oil and Gas Producers (IOGP)/WMO-IOC Joint Technical Commission for Oceanography and Marine Meteorology (JCOMM)/World Climate Research Programme (WCRP): *Our Future Climate: Understanding the spread of physical risk for the oil and gas industry*, September 2018.

People

We rely on our team's commitment, competency and knowledge to deliver results safely and to build our shared success. We continue to develop a high-performance culture based on opportunity, equality and diversity, underpinned by our people strategy, our high-performing behaviours and our values.



View of ENSCO 101 drilling rig

Health and Well-Being

Providing a safe working environment and maintaining people's health and well-being are core corporate responsibilities, and of paramount importance to Cairn. This is the basis of everything we do.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We improved our traveller support intranet.

We developed health support programmes in Mexico.

We designed and implemented an employee health and well-being programme.

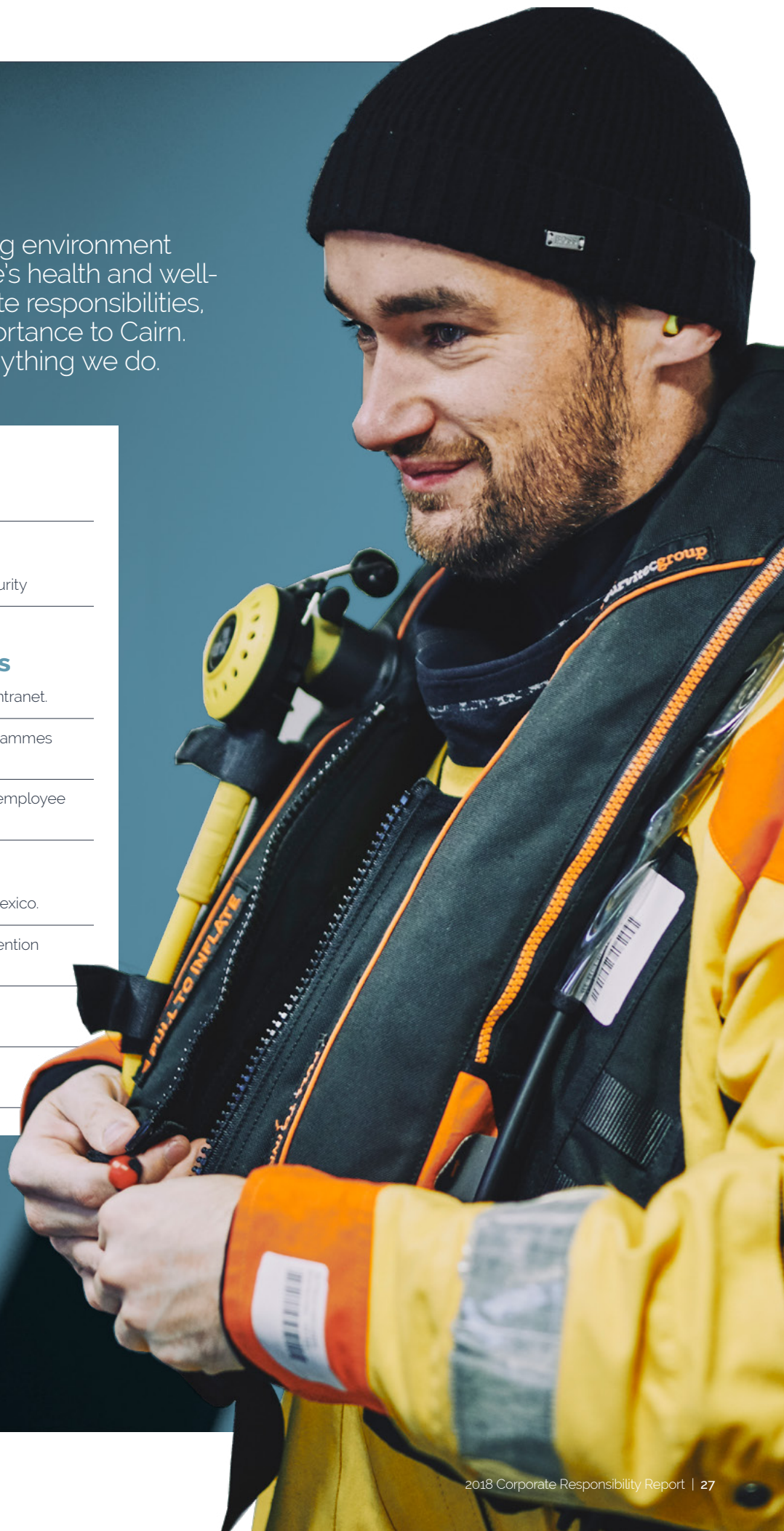
2019 CR Objectives

Implement health programmes in Mexico.

Support our infectious disease prevention programme for travellers.

Issue and implement our new travel policy.

Roll out our well-being programme for 2019.



Helicopter personnel, Aberdeen port

Addressing International Health Challenges

We support all staff who may be exposed to health risks through their work. The main threat remains the risk of exposure to infectious diseases, either where we have assets or during travel to prospective business destinations. In operational locations where endemic diseases are prevalent, such as malaria in Senegal, we have tried-and-tested mechanisms in place to minimise the risk. We remain vigilant to any new or re-emerging epidemics and pandemics.

We perform Travel Risk Assessments for international travellers, in an effort to identify and reduce health risks in advance of travel. This includes inoculation and specific country briefings, as well as general advice on basic travel health, natural disasters, security alerts and female traveller security. We relaunched our improved Traveller Health and Security intranet site at the end of the year, and updated our global risk software in October. In 2019, our ongoing efforts to support our travellers will include a new travel policy.

See [Security](#) for further information about how we keep our people safe.

Limiting exposure to hazardous materials

Although we have limited direct exposure to potentially hazardous chemicals and wastes, we still take rigorous steps to ensure our contractors have the processes and systems needed to protect their people. Consequently, specific requirements for chemical and waste management appear in our Corporate Responsibility Management System (CRMS) to protect the environment and to avoid exposure. These include selecting the least damaging materials wherever possible, providing suitable storage facilities and personal protective equipment as necessary, conducting work risk assessments and having relevant handling procedures in place.

Our contractors are expected to have made compatible arrangements to safeguard their workers' health. These range from having appropriate detection and protection arrangements in place to running emergency drills. We also require our contractors and other facilities to provide suitable water supplies and wastewater disposal facilities to prevent infection and illness from water-borne or other pathogens.

Ensuring Staff Well-Being

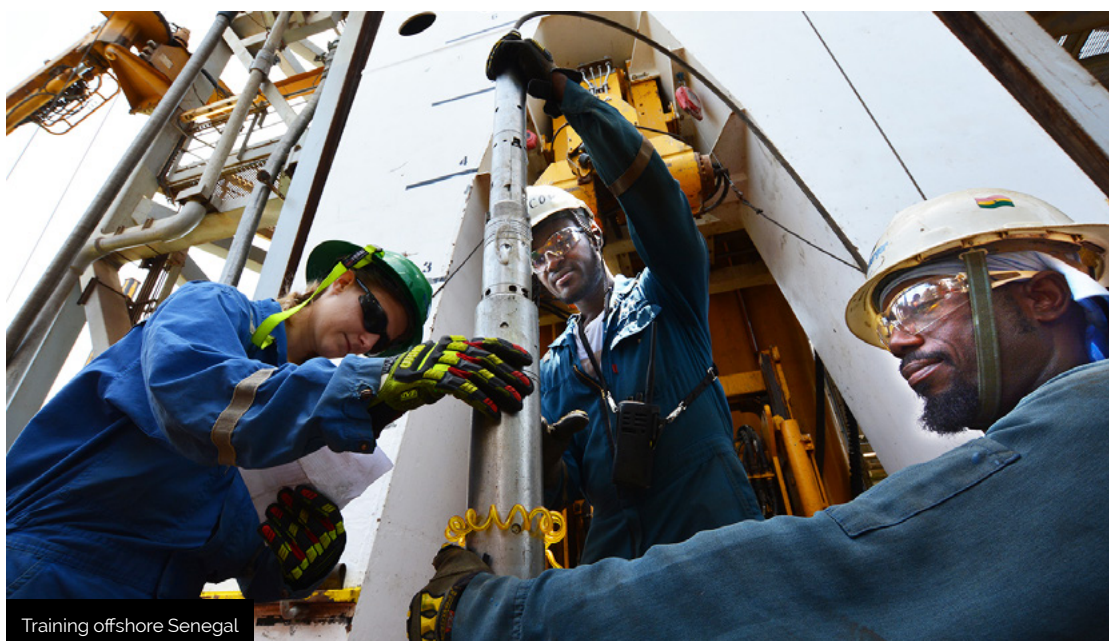
Staff wellness continues to play an important role across our business. In July 2018, we launched a new health and well-being programme. It aims to help our staff understand how their behaviour and lifestyle can affect their health and well-being, explore their values and attitudes and, where appropriate, promote changes in behaviour.

A programme of activities, focusing on the two broad themes of mental health and nutrition, was launched in the UK and Norway, with a global rollout to follow in due course. Activities have included free fruit every day, a weekly breakfast club, guided lunchtime and weekend walks, a running club and on-site massage. Regular 'lunch and learn' sessions have been held on topics such as dementia, mindfulness and depression. We have also delivered well-being programmes such as a pedometer challenge (a virtual walk from Stavanger to Mexico City), stair-step challenge and Kiltwalk. A recent session held in Edinburgh on building resilience in business saw staff from Dakar, London, Mexico City and Stavanger attend via video conference.

To support the launch, we invited a workplace well-being consultancy to run voluntary drop-in sessions and undertake biometric testing. In both Edinburgh and London, employees could have their heart rate, and cholesterol and body fat levels measured, and also their metabolic age determined. This information helped staff make informed choices about their lifestyle.

We also continue to offer optional annual health assessments for all members of staff. This benefit has been popular since it was introduced three years ago.

Recognising the impact of social interaction and strong working relationships on mental health, we have continued to provide staff with opportunities to socialise on a team, functional and company basis. These include team-building events and away-days, an annual family day, a summer dinner in Stavanger, a quiz night and a ceilidh. One of the largest events, held in late August, involved all our geoscientists from across the Group gathering in Edinburgh for a three-day geoscience conference. A similar event was held in May for all finance staff.



Training offshore Senegal

Accident Prevention and Safety

We continuously work to keep risks to people and the environment as low as reasonably practicable. Extensive safety measures and procedures to avoid accidents are in place for every phase of our activities, from planning to operations.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We implemented the requirements of the Corporate Major Accident Prevention Policy (CMAPP) to conform to UK regulatory requirements.

We exceeded our Crisis and Emergency Response Team (CERT) and Incident Management Teams (IMTs) readiness plans by completing five exercises, an in-house Secretary of State's Representative (SOSREP) workshop and other team training. We also attended a regulator-sponsored SOSREP workshop.

We updated all emergency and oil spill plans to meet operational activities.

We revised our crisis and emergency portal to improve access and functionality, and upgraded our Incident Management Centre.

2019 CR Objectives

A full roll-out of our CMAPP and training.

CMAPP assurance programmes in the UK, Norway and Mexico.

Review IOGP¹ process safety Key Performance Indicators (KPIs) and improve our own KPIs to assess major accident prevention and align them with the CRMS requirements.

Develop and implement local emergency response teams and capability for our operations in the UK, Norway and Mexico.

Apply our emergency readiness tool before commencing operations.

Implement the new IOGP Life-Saving Rules, now incorporated into our revised CRMS.

Operational support personnel

¹ International Association of Oil & Gas Producers – www.iogp.org.

Preventing Major Accidents

Well engineering

Our reputation for responsible exploration is underpinned by a rigorous approach to incident prevention. All our wells adhere to the highest industry standards, which require us to use appropriate materials, up-to-date installation methods and drilling fluids; these enhance drilling performance while meeting safety demands and minimising our impact on the environment.

To prevent major accidents arising from well engineering and construction, we rely on the effective application of design criteria and safety barriers. These are built into our programmes and management systems, which we verify through a series of internal and external assurance processes, including independent inspections of proposed well designs. We also apply management-of-change procedures for modifications, which may impact the design or operation of a well to ensure we maintain its integrity.

Our wells are designed to comply fully with the requirements of both our Well Engineering and Construction Management System (WECMS) and our CRMS. They are also designed (and assured) beyond the requirements for the expected geological conditions.

Our well design, planning and inspection procedures conform to international good practice and existing legislation, and are applied wherever we operate. To ensure our UK well, Ekland, employed the same rigorous approach and obtained UK regulatory approval, we introduced our new Group-wide CMAPP at the end of 2017 (see [Economics and Funding](#) for more information).

This was reviewed in June 2018 and, following consultation with the regulators, we updated it to improve our commitment to key aspects of major accident hazard management. As part of this, we updated the sections on Well Engineering Standards on Risk Management, Well Examination (independent review) and Competency. Our principal mechanisms for well control remain unchanged but were enhanced by the revisions.

These mechanisms are as follows:

- **Primary well control:** Our dual-barrier approach involves control measures designed to maintain drilling and production fluids, and to test blow-out preventer (BOP) systems rigorously and regularly. If a test is unsuccessful, we make the well safe and stop drilling until the problem is found and any required remedial work completed.
- **Secondary well control:** This includes measures to prevent wellbore fluids escaping from the well using a BOP. The BOP is made up of a series of hydraulically operated rams that can be operated in an emergency from the rig or a backup remotely operated vehicle. The BOP is rated for well pressures significantly higher than those expected. It is subjected to a series of regular maintenance and test requirements.
- **Tertiary well control:** This third line of defence covers well control options such as drilling a relief well and using a capping device.



Semi-submersible drilling rig

Well engineering controls

Primary well control

Wellbore full of fluid and managed drill fluid weight keeps the well stable

Activate secondary well control if the primary well control fails

Secondary well control

Well control incident procedure/methods and failsafe mechanical sealing device (blow-out preventer) can manage an incident and shut down a well

Activate tertiary control if the primary and secondary well controls fail

Tertiary well control

Toolbox of methods to address a well releasing hydrocarbons: relief well, sub-sea 'cap and secure' and oil spill contingency arrangements

Preventing major incidents in operated assets

In 2018, as part of the application of the CMAPP, we looked closely at how our contractors manage and maintain Safety and Environmental Critical Elements (SECEs) of their equipment. This is required to comply with the revised CMAPP under the UK Offshore Installations (Offshore Safety Directive) (Safety Case) Regulations 2015 (see [Economics and Funding](#)). Although this work has been undertaken for our previous drilling programmes, we strengthened our approach to demonstrate compliance with our CMAPP.

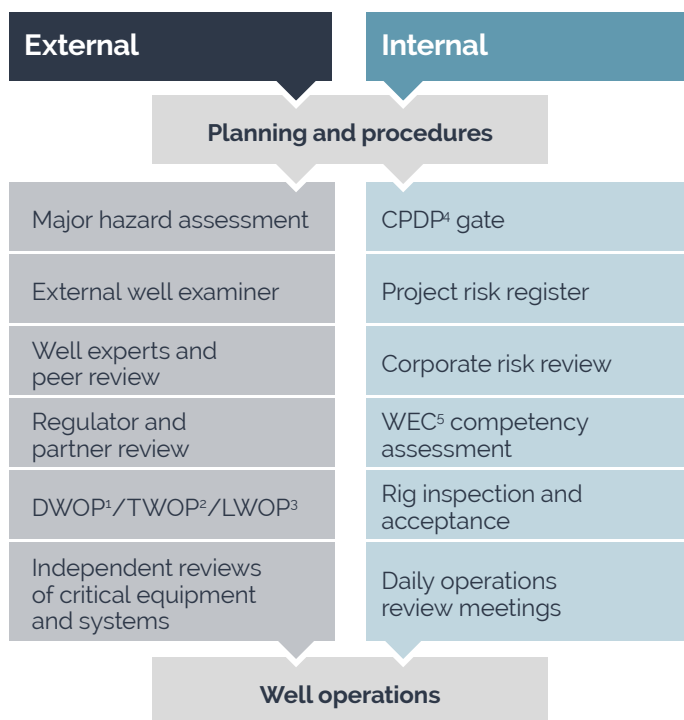
This process started during contractor selection (see [Contractor selection](#) on page 37), subsequently ensuring that our management systems work together via bridging procedures, and continued throughout our operations until the project completed and contractors were released.

For the Ekland well, as well as our strengthened rig pre-drilling assurance processes, we focused on SECEs. This ensured that equipment maintenance back-logs were acceptable, specifications were being met and personnel were competent to fulfil their roles. For example, during operational drilling, we implemented weekly permit-to-work audits and a programme of verification activities. These were used to check that contractors were following their own safety and environmental management systems, critical preventative maintenance and repairs were undertaken, and existing and replacement personnel were suitably qualified for their roles.

As part of our continuous improvement process, we have also updated how we hand over to drilling contractors, in line with other leading well operators. We added more clarity to roles and 'duty of care' responsibilities (providing safe systems of work, and ensuring our people follow them) when a rig operator's management-of-change processes (or our own) are used. Our approach initially focused on best practice in the UK on our Ekland operated well, but it will be rolled out in 2019 for operated wells in Norway and Mexico, and a further well in the UK. This forms a wider initiative to demonstrate CMAPP compliance across the Group.

We experienced no major incidents in our operated and non-operated activities in 2018.

Well assurance controls








- 1 Drill Well on Paper
- 2 Test Well on Paper
- 3 Logging Well on Paper
- 4 Cairn Project Delivery Process
- 5 Well Engineering and Construction

Project Delivery Process

Our Project Delivery Process (PDP) ensures we understand and control risks at key stages in all our projects. During the oil and gas lifecycle, the PDP helps us focus on important CR issues and apply local and international standards for all operated projects under our control.

Specific projects (seismic, drilling, etc) must meet defined criteria at designated stages. Each stage has defined actions and deliverables, which must be signed off by an internal, independent 'gatekeeper'. This allows project integrity and performance to be reviewed throughout the process, and enables us to identify and implement corrective actions where necessary.

Why	How	Ready	Finished	Learn
 Identify	 Assess	 Define	 Execute	 Evaluate
Why are we doing this project?	How could we do this project?	Are we Ready to sanction the work?	Have we Finished all we needed to do?	What do we Learn and achieve?

Managing Occupational Safety

Our Management Team is responsible for embedding our CR approach and procedures across the Group. Overall accountability for working safely and responsibly remains with the Board but applying these procedures in our operations falls to the Management Team.

Regional directors are responsible for ensuring that operations adhere to our health, safety and environment (HSE) standards and procedures, that all risks are managed to As Low As Reasonably Practicable² levels and that plans are in place to manage these risks. Our robust incident management process ensures incidents are recorded and investigated, and lessons learnt. Performance updates are reported to the Board.

Managing day-to-day safety hazards involves several mechanisms to promote safe working procedures. These include management visits, audits, a permit-to-work system, toolbox talks, safety drills and training, all of which are monitored through our leading safety indicators. Employees and contractors are personally responsible for following our Safe System of Work.

In 2018, we reviewed and revised our CRMS in relation to the requirements of ISO 45001, the international standard for occupational health and safety management systems (see [Operating with Integrity](#)). We will be implementing our findings during 2019, and improving our Life-Saving Rules in line with updates in the IOGP guidance in this area.

Our performance in 2018

In preparing for drilling operations at our UK Ekland well, we employed our rigorous contractor selection and assurance procedures in relation to their safety management systems. We particularly focused on competence, auditing them in line with the requirements of our [CMAPP](#).

Like the rest of the Group, Ekland well experienced no Lost Time Injuries or Recordable Incidents, nor any oil spills. However, we experienced a high-potential incident in August during drilling operations, when a section of drill pipe slipped 1.5 metres due to unsuitable suspension arrangements. The thorough investigation that followed confirmed that the way the incident was managed prevented it from becoming a personal safety issue; however, improvements to equipment selection and control mechanisms were also identified and implemented.

Other incidents have been limited to a first-aid case, in which a worker was struck above the eye by an air hose when it disconnected from a

pump, and a brief muster on a rig due to smoke caused by equipment failure. All relevant incidents were reported to the UK regulator as required.

We had no Senegal field operations in 2018 and subleased our shore base to our Senegal joint venture partner company FAR Limited, to assist in their operations. Our experienced base personnel also transferred to FAR, providing a degree of continuity and applying our best practice experience of working in Senegal.

Supporting safety and environmental management on non-operated assets

In 2018, we continued to support our partners in the prevention of major accidents, and safety and environmental issues, on our non-operated assets in the North Sea. With increased production from both Kraken (operated by EnQuest) and Catcher (operated by Premier), we continue to support improvements to both safety and environmental performance.

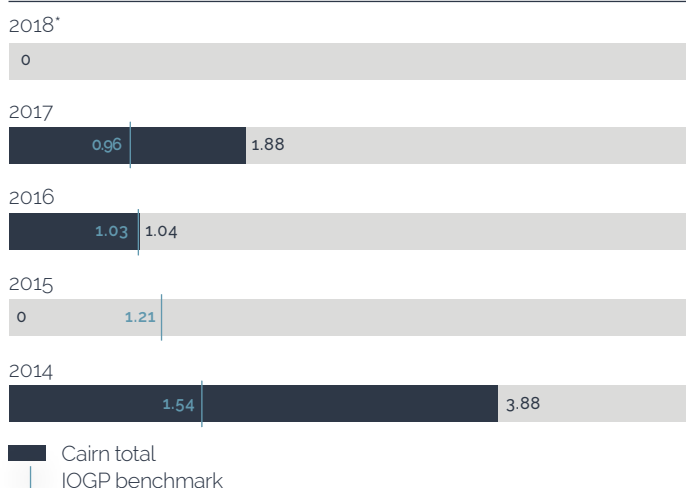
The relative influence of joint venture partners depends on the controlling party. If we are the operator, our joint venture partner may seek to influence us through Operating Committee Meetings and Technical Committee Meetings. The opposite is true when our partner is the operator.

The slight exception to this is in Norway, where we continued performing our 'see to it' duty during 2018. This is a requirement to facilitate and monitor our partners' regulatory requirements in a more formal way. We also monitored the planned Norwegian development of our non-operated interest in Nova, which was approved by the regulator in October.

New venture non-operated onshore blocks in Côte d'Ivoire were assessed in terms of planned activities and proposals of our partners. Given the location of these blocks along the country's coastline, the assessments were focused on safety, environmental impact and community issues. We are also tracking developments in our non-operated activities in Mauritania.

In 2019, we plan to review our approach to overseeing non-operated assets, to assist in addressing key risks and focusing our resources.

Total Recordable Injury Rate (TRIR)

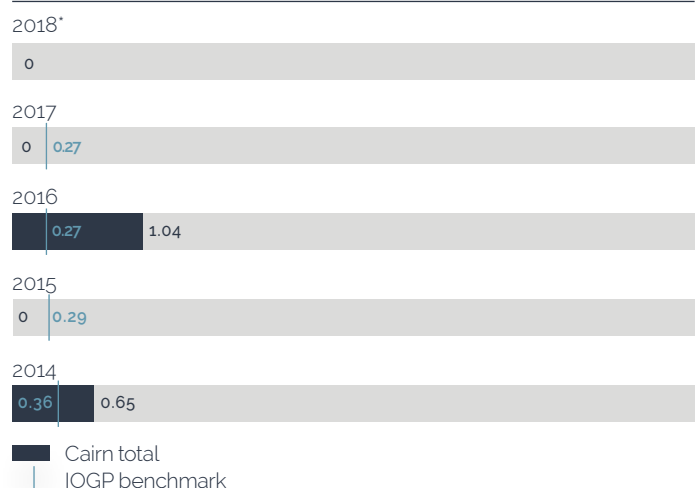


We have included overall IOGP benchmark figures (average of onshore and offshore for employees and contractors).

*IOGP benchmark figures are not yet available for 2018.

² The point at which the cost of reducing the risk further is considered to be disproportionate compared with the potential benefit.

Lost Time Injury Frequency (LTIF)



Crisis Management and Emergency Response

Improving our emergency response capability

To ensure we respond quickly and effectively in the event of a major accident or incident, we have IMTs in place for tactical emergency responses. These IMTs support local Incident Response Teams in all our operational locations.

Our CERT in Edinburgh provides both strategic and tactical support, depending on local capability. The CERT Leader can muster on-call specialists to:

- advise HSE, Legal, Operations/Assets, Logistics, Human Resources, Finance and Corporate Affairs personnel;
- assist in crisis and emergency management; and
- help prevent escalation in accordance with the priority issues of People, Environment, Assets and Reputation – the so-called PEAR principle.

In preparation for drilling our UK Ekland well, we engaged a specialist emergency response provider, Restrata, to support our IMT, given Restrata's knowledge and expertise within the UK sector. We will use a similar approach in 2019 for wells in both the UK and Norway. Meanwhile, in Mexico, we will be implementing an IMT to conform with local regulatory requirements using specialist personnel.

Restrata provided a dedicated on-call IMT in its Incident Management Centre in Aberdeen, approved by the UK SOSREP. Restrata can liaise with the drilling contractor's onshore and offshore emergency response teams, and also with our CERT, depending on the nature of any incident.

Ongoing training

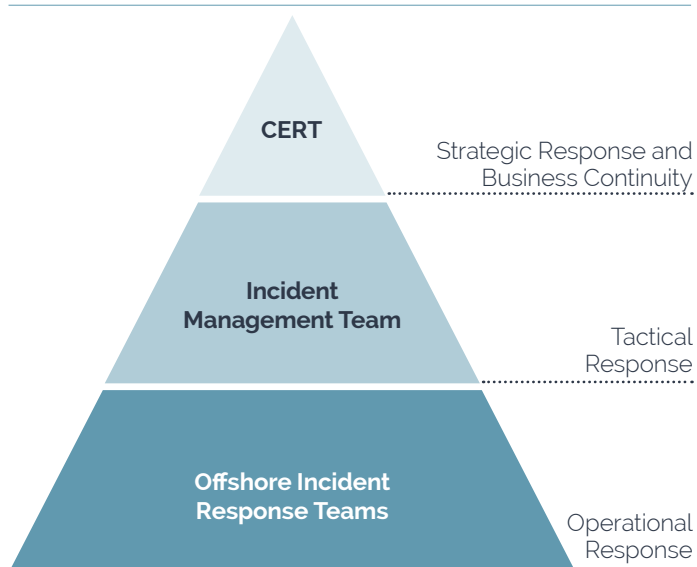
In 2018, our CERT undertook a programme of five crisis management and emergency response exercises. These included three specifically in preparation for our Ekland operations in the North Sea, with escalating involvement from key parties including CERT and IMT personnel, drilling and other contractors, and Police Scotland.

The exercises were designed to build knowledge of Ekland operations emergency scenarios, test the understanding of our primary control mechanism, and enhance organisational resilience by testing communication routes, facilities and equipment, contingency plans and assumptions.

In addition, an in-house SOSREP workshop was held in October, and we also attended a regulator-sponsored SOSREP, coastguard and local authority workshop that took place the following month. We have also conducted 'Breaking Bad News' training with senior managers, and family liaison training in January 2019. Other sessions included exercises on security and non-operated activities.

Each role within the CERT has an online self-training module; further refresher sessions are held weekly, covering a range of scenarios, including earthquakes, pandemics and business continuity.

UK Emergency Response Framework



“Our programme of crisis management and emergency response exercises ensures that we remain ready, competent and confident in our ability to respond to any incident, wherever it may occur. By understanding how key partners and stakeholders work, everyone can think and act as one cohesive team, ensuring that we meet Cairn’s high-performing safety behaviours and values.”

Matt Smith, Health, Safety and Emergency Advisor, Cairn Energy



Handling high-impact, low-probability events

We always prepare our operations for the low probability of a high-impact event and have robust plans in place to manage such incidents. Oil spill risk is of high concern to stakeholders (see [Prioritising Issues](#)), and we remain committed to applying the IPIECA–IOGP industry practice³. We continue to improve our preparedness in relation to understanding local country spill management capabilities, developing oil spill plans, equipment logistical arrangements and deployment planning, and identifying the capabilities of contractors.

We remain an associate member of Oil Spill Response Limited (OSRL), a specialist organisation working to help operators respond effectively to oil spills. We also invest heavily in other supplementary OSRL memberships to gain access to specialist response equipment and techniques for containment, dispersal and surveillance. These include the Subsea Well Intervention System, which consists of:

- the Subsea Incident Response Toolkit, to assist with well debris clearance, surveying and support equipment;
- the Global Dispersant Stockpile, which consists of substantial amounts of commonly used dispersants that can be drawn on should local supplies run out; and
- the Capping Stack System, which gives us access to well-capping stacks at four strategic locations worldwide. These can be deployed to close off a well during a well control incident.

In addition, for our Ekland operations, and as required under legislation, we maintained membership of OSRL's UK Continental Shelf (UKCS) oil spill aerial surveillance service and the Offshore Pollution Liability Association compensation scheme.

In 2018, we worked with OSRL to develop both an Oil Pollution Emergency Plan (OPEP) for our UKCS exploration activities and a Temporary Offshore Oil Pollution Emergency Plan (TOOPEP). These plans were approved by the regulator, the Department for Business, Energy and Industrial Strategy, in July. The OPEP, subject to administrative revision, remains valid for five years. This represents a significant step towards acting as a 'well operator' on the UKCS for some time to come.

The TOOPEP was the offshore spill pollution response plan for our specific Ekland drilling activity. We will need a further TOOPEP for new wells in the UKCS, including Chimera in 2019. Preparations began on similar plans for operated wells in Norway and Mexico as part of our 2019 programme.

We continue to plan for drilling relief wells as an option to address a major event, depending on a range of factors relating to logistics and effectiveness.

Planning for the future

Our plans for 2019 well operations in the UK, Norway and Mexico are progressing, with reviews of local capabilities, oil spill modelling, and the preparation of emergency and oil spill plans. Using our preparedness tool, all operations will be assessed before approval to proceed. This includes local regulatory approval, competency assessment and ensuring enough training has been conducted. We will continue to build our in-house capacity in terms of personnel and equipment.

Measuring performance

Zero

oil spills in 2018



Helicopter crew transfer, Aberdeen

³ The IPIECA–IOGP Oil Spill Response Joint Industry Project (OSR-JIP) was set up to implement learning opportunities in respect of oil spill preparedness and response following the April 2010 well control incident in the Gulf of Mexico. As part of this effort, the OSR-JIP has produced more than 20 good practice guides. IPIECA is the global oil and gas industry association for environmental and social issues.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We assured that our contractors were competent and followed their systems to protect people and manage major accident hazards.

We developed and implemented an integrated contractor audit plan to cover anti-bribery and corruption, modern slavery, HSE management and cost-effective delivery.

2019 CR Objectives

Review and improve our Contractor Management and Selection Procedures.

Implement a revised integrated audit plan for contractors.

Ensure contractors selected for well operations in the UK, Norway and Mexico meet CMAPP requirements.

Contractors

Representing a significant proportion of our workforce, high-quality contractors play a critical role in our business activities. We focus on building strong working relationships with contractors who share and deliver on the principles and standards we support.



Using Contractors

Contractors are fundamental to the success of our business. We continue to rely on them to provide the expertise, equipment and services that make up much of our operational capability. Our main use of local contractors in 2018 has focused on our UK Ekland well, and the selection of key contractors for 2019 drilling projects in the UK, Norway and Mexico.

In 2018, our organisational workforce totalled 262 (77% were direct employees and 23% were consultants on fixed-term contracts). We also had contracts with 19 organisations, representing 173 contractor personnel. Contractors, who undertook 26% of the hours worked, accounted for approximately 40% of our workforce.

Our operations in Senegal moved on from exploration and appraisal drilling to development planning in 2018. The selection and management of key development and support contractors were delegated to our joint venture partner Woodside; this was part of the transition process and final transfer of operatorship to them, which we completed in December 2018. We continue to support them in development planning and delivery, including the appointment of contractors. We also continue in an assurance role as a non-operating joint venture partner.

Finding suitable contractors

Effective selection by Cairn, and good performance by our suppliers and contractors, can have a significant impact on our ability to operate, and also on our overall HSE performance.

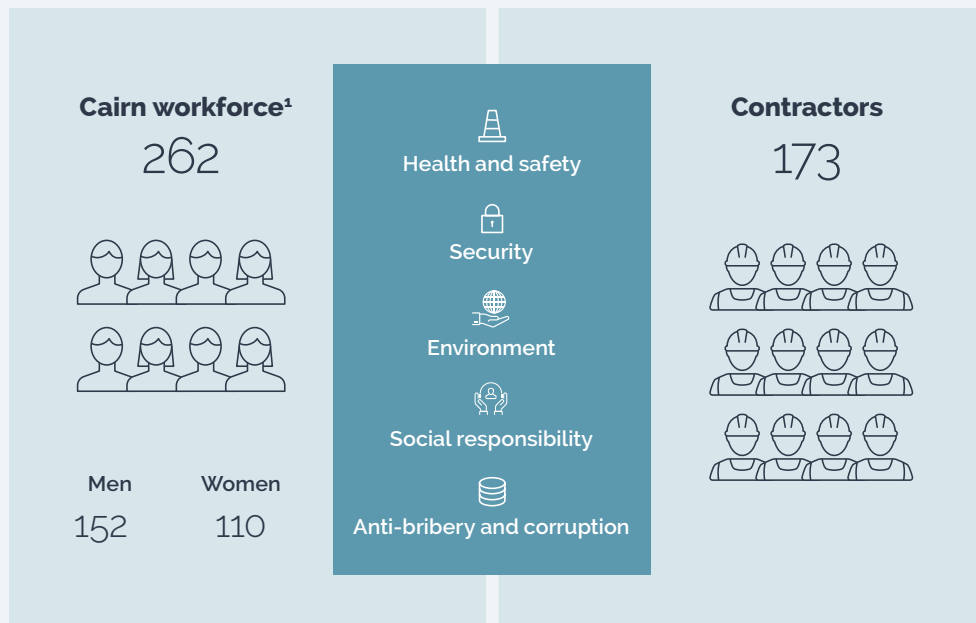
We need our contractors to share our beliefs and meet our standards, so that we maintain our licence to operate. Using a rigorous process, we select all our contractors on the basis of competitiveness, experience, service capability, competence and good performance. These selection criteria are embedded in our Contractor Management and Selection Procedures, which include assessing contractors' competency in HSE and related management systems.

Although contractors are usually international companies, we continue to use local services wherever we can, as long as they can meet our high CR standards. Large, multinational organisations are often contracted through a Master Service Agreement, which specifies the performance objectives and responsibilities of both parties. These agreements typically run for around five years before being retendered. We also encourage our principal contractors to engage local personnel, if appropriate skills and services exist. This approach boosts the positive impact we can have on the local economy (see [Society](#)).

Employees and contractors

People who work for Cairn, whether employees or contractors, are united by our shared ambitions and priorities.

¹ This includes Cairn employees and other time-writing personnel who have been contracted for more than three months to an organisational position.



Contractor selection

The effective selection of high-performing contractors is key to Cairn's success. We need our suppliers to share our beliefs and meet our standards, so that we maintain our licence to operate.

For many projects, we use Achilles' [First Point Assessment Limited \(FPAL\)](#) database to source registered vendors. As a member and subscriber, we use FPAL as a pre-selection tool when looking for potential contractors across the European oil and gas market.

Given FPAL's widespread appeal, we are working to establish a similar system for our operations in Senegal: the African Partner Pool. Suppliers can register their interest in tenders, training and finance opportunities through this new portal, developed by the NGO Invest in Africa (IIA). IIA was set up four years ago to help small suppliers, initially in Ghana, to build skills and capacity, attract investment and provide credible services to the emerging oil and gas industry.

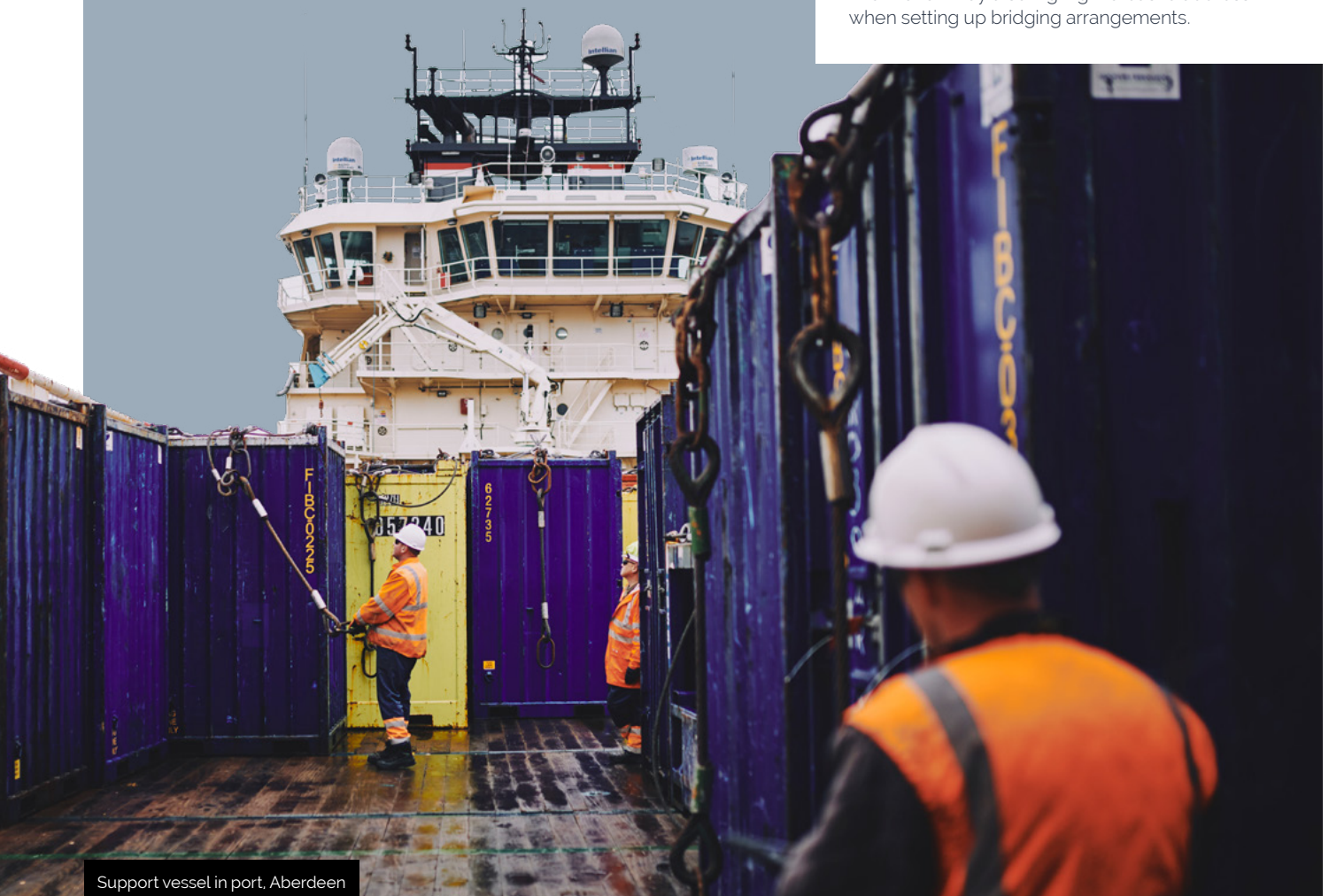
Capricorn Senegal Limited, our subsidiary in Senegal, is a founding member of IIA in Senegal, alongside joint venture partner Woodside, BP and KOSMOS Energy. Together, we provide cross-industry cooperation in promoting local business development and economic growth in Senegal.

The tender process

For our operated activities, when we initiate a tender, we engage with contractors we believe will have the appropriate HSE and CR credentials. However, this must be demonstrated as part of the tender process. As well as preparing invitation to tender documents, we include our [Code of Ethics](#), to which contractors are expected to conform. We also issue the prospective contractor with an HSE CR questionnaire, based on [IOGP recommendations](#) for working together in a contract environment. This is tailored to the project and the services required, and provided along with our terms and conditions, a scope of work and all relevant policies.

If a contractor scores zero in any section of the questionnaire, and continues to do so even after follow-up requests, they are eliminated from the process. A benchmark score is used for passing this initial selection hurdle, ensuring that all selected contractors can demonstrate the minimum acceptable level of competence in all aspects of HSE management. Those not meeting these requirements are also eliminated, regardless of any separate commercial evaluation.

The scores, along with any supporting documentation, inform the scope of any follow-up activities required, including acceptance audits of vendors deemed to be project-critical. This information may also highlight areas to address when setting up bridging arrangements.



Support vessel in port, Aberdeen

CR issues for our contractors

Ethics, anti-bribery and corruption

Our robust ABC policies are of increasing importance as we move into new areas around the world. Our contractors are assessed to ensure they apply compatible standards and control, and have clear reporting mechanisms. We have a zero tolerance approach to bribery, corruption and modern slavery (see [Ethics, Anti-Bribery and Corruption, and Transparency](#)), and conduct risk-based due diligence when selecting contractors.

Human rights and forced labour

Under the provision of the UK Modern Slavery Act, we have installed measures to scrutinise our supply chain to avoid modern slavery, in line with our zero tolerance policy. We have incorporated a clause on modern slavery into all vendor contracts, to ensure contractors understand their legal obligations and our requirements. Along with integrated auditing, we have built this into our global Master Service Agreements with direct (Tier 1) service companies (see [Human Rights](#)).

Data protection

The EU General Data Protection Regulation (GDPR), in force since 25 May 2018, has transformed the data privacy landscape. It harmonises data privacy laws across Europe, and ensures businesses have the systems in place to protect data. We have ensured our policies and standards regarding the processing of personal data comply with these new requirements. EY completed a compliance audit in late 2018 and found no high-risk exposure to the business. To support ongoing alignment with GDPR, we now have a Data Privacy Coordinator.

Integrated contractor audit plan

To ensure all our activities conform to our CRMS, human rights and anti-bribery and corruption (ABC) management systems, we apply the Cairn Operating Standards. In 2018, we developed an integrated contractor and supply chain audit plan, which focused on those contractors and locations considered to represent the greatest risk. The plan identified corporate and operational risks, and developed an audit and assurance programme to demonstrate effective controls are in place. In 2018, it included audits of our rig, marine and aviation contractors for wells.

Each project is required to have an audit and assurance plan identifying requirements to be implemented before and during operations. Assurance audits and assessments check management systems, equipment controls, and also personnel competency and their understanding of roles and responsibilities. We also understand what mechanisms are in place to promote good HSE behaviours. These may need to be supplemented and integrated with our own to ensure clear processes are in place.

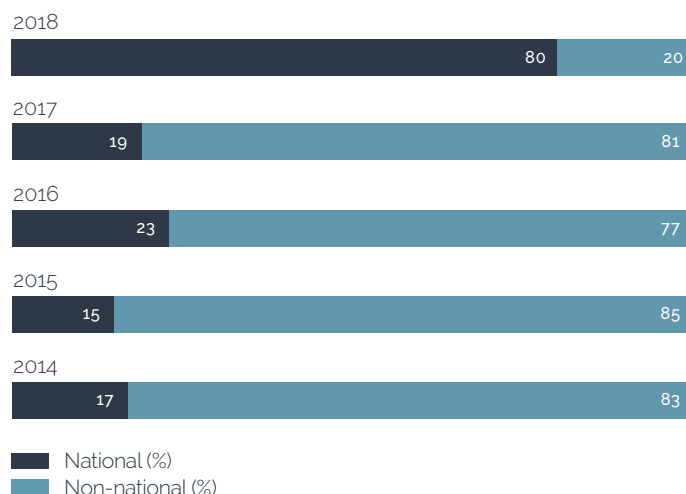
Local, national and international contractors

The categorisation of local, national and international vendors depends on where in the world we are working. For example, local content requirements are a key consideration for Mexico. Under the Production Sharing Contract (PSC)⁴, we must achieve a certain threshold of local content through each phase of the licence.

In Senegal, we categorise spend with a national registered company as fully qualifying for national spend, whereas the requirements underpinning what qualifies as national content in Mexico are much more complex, and stipulated by legislation. Beyond having a contract in place with a Mexican company, we need to understand the nationality of its personnel, and whether the equipment used is of Mexican origin.

Given the need to track spend against specific categories and criteria, we are building an electronic platform to manage this information. We are also required to obtain an annual certification from each supplier confirming the level of national content achieved.

Total national and non-national contractors (%)



⁴ A PSC is an agreement between contractor and government through which the contractor bears the exploration, production and development risks and costs in return for a stipulated share of the profit resulting from this effort.

Operational highlights: contractors



Kraken FPSO

Mexico

We have started engaging with Tier 1 drilling contractors.

More opportunities for in-country contracts to supply logistics, waste management and vessel support services will follow.

We also engaged site survey contractors for environmental and social baseline work.

Contracting for key support contractors for the 2019 Mexico drilling programme was initiated and advanced by year end.

Norway

The tendering process for Nova, our first operated project offshore Norway, is under way.

We are using the Achilles FPAL platform to find and validate potential contractors for this 2019 drilling project.

Site survey contractors were engaged for environmental baseline work.



Suriname

Contracts for 2D seismic work offshore Suriname were completed as a fast-track project, with mobilisation occurring by year end.

We supported our partners in Senegal in the transfer of operatorship for the SNE development project, to ensure knowledge was shared and standards maintained.

UK

We successfully planned and completed our Ekland well without major accident or incident.

Tendering of long-lead contracts for our 2019 UK well programme commenced and good progress was made by year end.

We conducted site surveys to establish environmental baselines and check for unexploded ordnance.



Catcher FPSO

Employees

Our people, with their skills and experience, represent our most important resource. Through them, we develop and nurture the right relationships required to deliver our strategy. Given the level of their importance to our success, they are considered one of our key CR concerns.

With a clear focus on business results, our efforts are underpinned by our core values of building respect, nurturing relationships and acting responsibly (the 3Rs) and our High Performing Behaviours. Read more about our culture in [Governance](#).

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We designed and implemented a management development programme.

We progressed work on our future talent management and succession planning strategy and programme.

We worked with educational groups to encourage more women into science, technology, engineering and mathematics (STEM) subjects.

We implemented an employee engagement strategy.

We launched a new health and well-being programme.

2019 CR Objectives

Develop and implement a fit-for-purpose solution that gives visibility across the Cairn group to all planned learning and development events.

While we remain below the 250-employee threshold required to formally report, we acknowledge the aims of the Gender Pay Gap regulations. In 2019, we plan to undertake a gender pay gap analysis and identify any actions arising.

Articulate our approach to diversity and inclusion, addressing the UK Corporate Governance Code of Ethics requirements.

Training and Development

Management development programme

We believe managing people well is vital to being a high-performing organisation. We have high expectations of our people managers' abilities to support and motivate their teams to deliver optimum results.

Our Management Bootcamp is a bespoke development programme for people managers, designed to support individual, team and Company success. We completed phase one of the programme in early 2018 and evaluated its impact on participants.

Given the success of the programme and the amount of positive post-attendance feedback, we progressed to a second phase of management development during 2018. Four new modules were designed and delivered between September and November; relevant managers will have two years to undertake all four modules. By the end of 2018, 77% of our people managers had either participated in phase two of the programme or were scheduled to do so.

Other learning and development

As in prior years, learning and development has continued to be actively undertaken across the Group, both to support the delivery of our objectives and to further develop our people to enable them to realise their career aspirations. The learning and development activity was delivered in a variety of forms – including traditional classroom training, overseas secondments, workshops, conferences, field trips and e-learning – to ensure that all learning styles could be accommodated. In total, close to 1,200 days were dedicated to training and development activity across the Group over the year (equating to approximately six days per employee).

At the beginning of the year, to tie in with the start of our 2018 performance management cycle, all staff across the Group participated in internal workshops on writing SMART⁵ performance and behavioural objectives. The sessions supported the development of individual 2018 personal objectives, integrated with the team and Group KPIs, and helped position everyone for success, as well as ensuring there was full alignment of our 2018 deliverables.

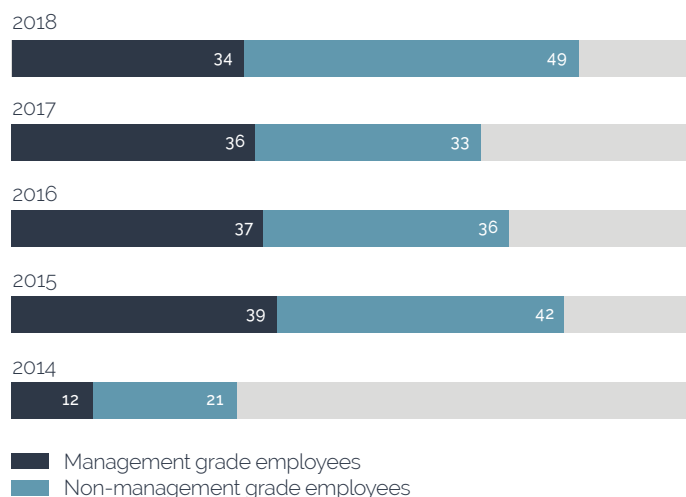
Other training courses focused on how we could achieve greater efficiencies in the way we work, including priority management, project management, internal consultancy and various software application skills sessions.

In addition to attending their annual conference, each of our geoscientists continued to develop their technical knowledge by attending one of a series of field trips to Salt Lake City in the USA, the Karoo in South Africa or the Pyrenees in Spain.

We also continued to facilitate the development of our staff through secondments to other parts of the Group. In 2018, these included several overseas secondments for members of our Wells, Geoscience and Finance teams. The benefits of such assignments are far-reaching, helping to broaden exposure to different projects, interfaces, regulations and practices and, importantly for geoscientists, different geological basins. The business also benefits from the opportunity to gain different perspectives.

To ensure awareness, understanding and compliance on important governance, regulatory and security topics, we also implemented mandatory e-learning across the Group. This included comprehensive modules on business ethics, ABC, GDPR and cyber security.

Total management and non-management training (average hours per employee)



Geoscience conference

⁵ Specific, Measurable, Achievable, Realistic and Time-bound.

Talent Management



Video call with Dakar, Senegal office

To match the aspirations of our business strategy, it is vital that we attract, retain and develop the best talent, enhance our breadth of diversity, and ensure that our people are deployed in roles and activities where they will add the most value. One of our key priorities, therefore, is to continue our work on our robust talent management strategy and continue to enhance our high-performance culture.

Assessing our effectiveness

An internal audit, Managing Talent, was conducted in 2017. This assessed the effectiveness of our processes for identifying current and future talent needs, and for recruiting or developing the people we will need. The review also considered processes to maximise talent retention.

The review highlighted several positive observations, ranging from identifying talent requirements and aligning incentives with performance, through to developing leaders and engaging with staff. There were also some recommended areas for improvement regarding talent management. We have therefore adopted a new three-tiered approach:

- As part of our talent management strategy, we identified key roles in our business that require focused investment through an accelerated programme.
- Our new young leadership programme will be used to accelerate the development of our pipeline of future leaders.
- For most of our people, our robust management performance system includes annual objectives and development plans agreed with line managers. As a natural output from this process, high-performers will be diverted into either (or both) of the above tiers.

Diversity and Inclusion

Our approach to diversity and inclusion across our Group aligns with the Corporate Code of Ethics, in that we recognise its relevance to the markets in which we operate, all our stakeholders and the communities we serve.

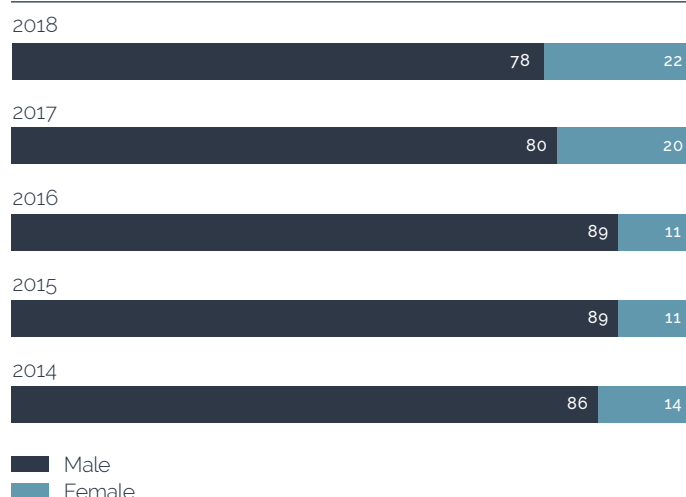
We are firm in our view that diversity and inclusion are not simply about meeting quotas: we aim to make the diversity of our organisation work for the benefit of our people and shareholders. We recognise diversity in all its dimensions: national origin, age, race and ethnicity, religion/belief, gender, sexual orientation and marital status. We also focus on other inherent traits such as socioeconomic background, education, training, sector experience, organisational tenure and personality types/cognitive diversity.

Our People Management Policy guides how equality and diversity are built into all aspects of recruitment and selection, training and development, and remuneration and benefits. We also have policies on disability, religion and belief, and the treatment of part-time employees.

We continue to develop our diversity metrics to keep pace with, or be ahead of, emerging expectations from the industry's governance bodies as well as our broader stakeholder communities. Some of our current diversity metrics are detailed below:

- 47% of Cairn staff were women;
- 11.5% of Cairn staff worked part-time;
- 100% of women returned to work following maternity/adoption leave and 100% of men returned following paternity/adoption leave;
- 19 different nationalities were employed at Cairn;
- 3% of the workforce had a disability;
- the average age at Cairn was 46;
- 25% of management roles were held by women; and
- two members of the Board were women (22%).

Board member gender (%)



Supporting a future pipeline of talent within oil and gas

In 2018, we continued our sponsorship of, and attendance at, the Geological Society Career Fair in Edinburgh. As in prior years, this well-attended event included academic, professional and industry presentations and an exhibition promoting MSc and PhD programmes. One of our graduate geoscientists presented at the event, highlighting her own educational and career journey, and providing insight into the role of a geoscientist in the oil and gas industry.

We also supported the 2018 Midlothian Science Festival, a series of STEM-focused events dedicated to engaging, educating and inspiring people of all ages and backgrounds. As well as Cairn supporting the festival with a financial donation, two of our geoscientists volunteered at the 'Dino & Rocks Day', which showcased the various subdisciplines of geoscience. Over the two weeks, the festival attracted around 10,000 visitors, with more than 300 attending the Dino & Rocks Day.

In addition, we ran a summer intern programme for nine university students (see right), and also provided work experience opportunities to eight schoolchildren.

Employee Engagement

Our people are the foundation on which our success is built, and we are committed to providing the best possible employee experience. Within a positive, collaborative work environment, we aim to create the conditions in which all our people can develop and fulfil their potential.

Pulse surveys

It is widely recognised that the way employees feel about their place of work materially affects the performance of that organisation. We want our people to be the best they can be at work. Employees need to feel respected, involved, heard, well led and valued by their colleagues and managers alike. We need to create the conditions in which they can offer more of their capability and potential.

In 2017, the Managing Talent internal audit (see [Assessing our effectiveness](#) on previous page) identified a gap in how we assess employee satisfaction and gather feedback from staff. It consequently recommended that we reinstate employee satisfaction surveys, the last of which was conducted almost five years ago.

One of our KPIs in 2018 was therefore to develop and implement an employee engagement strategy. As part of this strategy, following a successful initial pilot, monthly employee engagement 'pulse' surveys were implemented across the Group in Q4 2018. Moving away from the traditional annual survey, this more dynamic approach uses short, regular 'temperature checks' to provide real-time insights and allow us to track progress over time.

The participation rate for Q4 2018 was 90% and while it is too soon to measure the output from the surveys, initial indications are strongly positive. We anticipate that in time, the outputs will enable us to assess engagement levels and gather feedback from colleagues on a wide range of topics.

Summer intern programme

Every year, we run a summer internship programme, offering placements across various functional disciplines to support our operational capacity and develop our talent pipeline. In September 2018, our latest intake of interns finished their time with us. Some were still in the third year of university, while others were taking their first steps into corporate life.

Unlike previous years, all nine students started at the same time, spending up to four months in our Edinburgh office. They were encouraged to bring fresh thinking and a new perspective to our work, and were set an initial challenge around how to best work as a cohort before they embarked on their internships across a variety of separate departments. They were also tasked with a team project to identify efficiency savings across the business.

The group presented their ideas to members of both the Senior Leadership and Management Teams, challenging perceived wisdom and questioning the status quo. As well as impressing the senior team with their confidence and communication skills, they also identified £132,000 of potential savings that could be achieved through new processes and greater efficiency.

"My time spent as an intern at Cairn was an extremely enriching and exciting experience! Whilst there, I had the rare opportunity to work across three separate departments, giving me a real feel for each department's involvement in the projects at Cairn and a greater insight into the energy industry as a whole. The opportunity was unparalleled. Whilst in the different departments, I had the chance to work with a variety of people on real projects impacting the Company. The employees at Cairn were extremely welcoming, often looking out for me, and the HR team really took into consideration my development.

In addition to this, I was lucky enough to be involved in the Summer Intern Project. This gave me the rare opportunity to present business improvement ideas to the Senior Leadership Team at Cairn, an opportunity not many interns get! All in all the experience was not only invaluable but allowed me to get hands-on insight into the energy sector, all whilst developing many skills that will help me progress in my career."

Peter, 2018 Cairn summer intern

Security

We have a duty of care to our people, assets, investments, reputation and data across our operational areas. This means we need to stay vigilant to emerging threats, and offer support, advice and training as necessary.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We developed security plans for our Mexico operations, and are working on business continuity arrangements.

We made improvements to our online traveller intranet site and migrated to an improved global risk monitoring platform.

We reviewed our security guidance documentation but did not complete our planned guidance update.

We undertook a review of our current cyber security systems and follow industry good practice to mitigate risks.

2019 CR Objectives

Roll out our security arrangements in advance of offshore operations, including remote operational bases in Mexico.

Complete the roll-out of security apps to travelling staff.

Finalise the security guidance documentation and review application of the UN Voluntary Principles.



ENSCO 101 drilling rig

Keeping Our People Safe

Against the backdrop of a volatile worldwide security landscape, we maintain a precautionary approach to protecting the safety of our people and our assets. We continued to monitor and respond to emerging threats, acting on intelligence from embassies, civil authorities and contractors, and promptly notify all those who may be affected. We also continued to attend the annual IOGP Security Committee meeting, which was held in November 2018 in Houston, Texas.

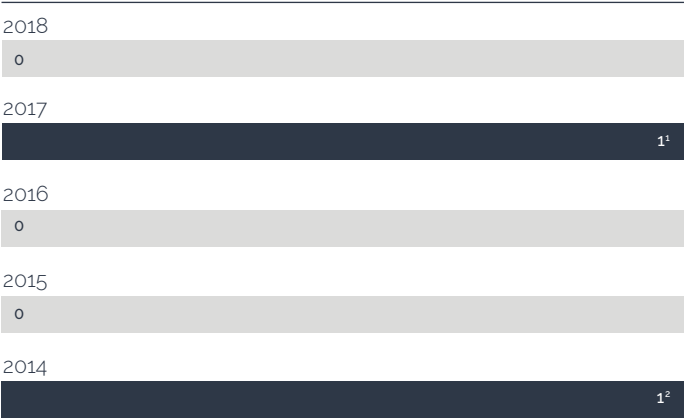
Our support and advice includes online training packages designed for personnel travelling on business. We also conduct bespoke risk assessments for individual non-routine travel to medium- and high-risk countries.

Entry into new countries

As well as monitoring the security situation in operational locations such as Mexico and Senegal, we also look at threats in potential countries of interest. This forms part of our due diligence process and new country entry requirements as we explore opportunities in Latin America, West Africa and northwest Europe.

With a large number of staff travelling on any given day, we have established several mechanisms to assess and address the risks they may face, both before and during travel. Such information is made available to all employees via our intranet (see [Health and Well-Being](#)). We migrated to a new Global Risk Manager system, which provides us with daily safety alerts. It allows us to track travellers, and provides them with an SOS button should they get into distress.

Total security incidents (number)



1 Break-in at staff apartment.
2 Break-in at London office.

Location threats in 2018

We ran a Threat Assessment workshop for our Mexico operations, with local personnel joined by members of our Edinburgh-based HSE team.

In addition to having specialist support personnel in our head office, operations in Senegal continue to be supported by a local security consultancy. This provides additional assistance in the event of an emergency or serious threat.

Our active New Ventures team is visiting several locations for the first time. This requires us to assess the risks associated with travel, and to make the necessary security arrangements. For example, recent trips to Côte d'Ivoire have required us to arrange dedicated security teams, drivers and interpreters.

Security breaches and cyber security

Although we experienced no cyber security breaches from deliberately malicious software during 2018, we regularly review our arrangements to ensure we continue to protect our IT infrastructure from such malware incidents.

We are seeing increasing convergence between physical and cyber security management, so we continue to communicate threats, strategies and improvement plans to maintain a holistic and collaborative approach to security management throughout the Group.

To keep up with potential threats in this fast-moving area and take the necessary measures to prevent security breaches and data loss, we actively participate in several industry bodies, including the IOGP Security Committee, and take guidance from the Information Commissioner's Office and the National Cyber Security Centre, run by GCHQ.

We have also gained Cyber Essentials accreditation (part of the UK Government's 10 Steps to Cyber Security) and plan to complete Cyber Essentials Plus by March 2019.

Society

We understand our role in generating value to society through our activities but also recognise that they can affect the social and economic environment in which we operate. We seek to make a positive impact by managing and mitigating risks, delivering social and economic benefits, and respecting people's rights, aspirations and concerns.



The Hunger Project, Senegal

Social and Economic Benefits

We assess and manage the potential social and economic risks and opportunities for all new projects. This helps us to mitigate any negative impacts and enhance the positive benefits that arise from our activities. Since their introduction in 2015, we have used the United Nations Sustainable Development Goals (SDGs) to provide an additional framework for our approach.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We replaced our social investment criteria and guidelines and integrated them into new guidance on managing social risks and opportunities.

We reviewed developments to integrate the SDGs into company strategy.

We commenced impact benefit planning for our operations in Mexico.

2019 CR Objectives

Revise our guidance on stakeholder engagement.

Apply new guidance on managing social risk in new projects.

Implement the Impact Benefit Plan for Mexico with metrics for success.

The Hunger Project, Senegal

Managing Social Risks

Delivering social and economic benefit

Where challenging social issues such as land acquisition and resettlement, water use, human rights or security arise in our projects, we consult extensively with a diverse range of stakeholders. This [stakeholder engagement](#) helps us to identify and assess any potential impacts associated with our activities. It also provides us with local knowledge with which to inform any action plans. This process enables us to minimise risk, maximise shared economic and social benefits, and foster long-lasting relationships with communities, governments, partners, investors and employees.

In 2018, as part of a rationalisation and simplification of our Corporate Responsibility Management System (CRMS), we looked at the procedures we have in place on social management, and how they fit into our [Project Delivery Process](#). The various elements of our CRMS documentation – covering human rights, stakeholder engagement and resource use – were developed and added at different times, making the CRMS guidance difficult to navigate. To make the information easier to access, some of these processes and procedures have now been integrated into one document, *Guidance on Managing Social Risks and Opportunities*.

The SDGs

Enhancing our existing approach for managing social risks and opportunities, we now use the SDGs as an additional framework in our guidance. The SDGs set out targets across 17 prioritised areas, including addressing hunger and poverty, improving access to energy, protecting ecosystems and addressing climate change.

Not all the SDGs are relevant to our business, nor indeed to every asset. However, looking across the value chain, we can identify where our activities can contribute positively towards the SDGs or where we can mitigate potentially negative impacts. This enables us to develop Impact Benefit Plans in every new country we operate in (see the case study on [page 50](#)).

Our guidance is also informed by IPIECA's [Mapping the oil and gas industry to the Sustainable Development Goals: An atlas](#), which gives the oil and gas sector a framework for making a positive contribution to the SDGs.

Using the UN SDGs to help manage risk and opportunities



Assessing social impacts and opportunities in Mexico

In accordance with our own CRMS, we are required to evaluate the potential social risks and impacts of any major activity we undertake. The scope and nature of that Social Impact Assessment (SIA) depends on local context and regulations.

Often, the SIA is carried out as part of a combined Environmental and Social Impact Assessment (ESIA). However, in Mexico, local regulations required a separate SIA to be carried out and submitted for approval by the authorities.

In February 2018, Capricorn Energy Mexico (our operating entity) finalised an SIA for our proposed exploration projects in Block 9, situated approximately 43 km offshore. Developed in line with best practice, including the performance standards of the International Financial Corporation and the European Bank for Reconstruction and Development, the assessment involved:

- gathering and analysing data to determine a social baseline of the area to be directly and indirectly affected by the proposed activities;
- evaluating the likely impacts;
- designing impact mitigation measures; and
- developing a social management plan.

The methodology included discussions with key interest groups in the potentially affected areas, including community members, fishermen and fishing cooperatives, local government representatives, port captains and business owners.

The social management plan comprised:

- a communication plan to establish effective engagement between the project and interested parties, and to provide channels for feedback;
- impact mitigation plans; and
- a reporting and monitoring programme.



In Tampico port, Mexico






Managing social impacts and opportunities in Senegal

To deliver value from our operations and make a positive social impact wherever we work, we aim to assist in the development of local community programmes, in consultation with governments, the public and other stakeholders.

Looking beyond our direct community impacts at a local level, we also consider our broader social and economic contributions to the countries that host our activities. To do this, we use the SDGs as a guiding framework for the development of Impact Benefit Plans. These help us to focus our activities on areas where we think we can make the biggest positive difference.

This can be illustrated by our Impact Benefit Plan for Senegal. We drilled the first deep-water wells offshore Senegal in 2014 and made two major discoveries; one of these, the SNE field, was the largest oil find anywhere in the world that year. Since then, our exploration and appraisal drilling programmes have laid the foundation for the development of the SNE field, with first oil expected in 2022.

However, the positive impact we can have on the country extends beyond the development of its oil and gas sector. As outlined below, we are contributing to several SDGs through a range of initiatives that support fishing communities, students, and small- and medium-sized enterprises (SME).

SDG target	SDG commitment	Cairn contribution
1 NO POVERTY 	End poverty in all its forms everywhere.	Provide support to communities, in particular the poor and the vulnerable, to have equal rights to economic and natural resources, and also access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
4 QUALITY EDUCATION 	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Provide support to increase the numbers of young people and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
8 DECENT WORK AND ECONOMIC GROWTH 	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises. Protect labour rights and promote safe and secure working environments for all workers.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Ensure sustainable consumption and production patterns.	Reduce waste generation through prevention, reduction, recycling and reuse.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	Build effective, accountable and inclusive institutions at all levels.	Strengthen relevant national institutions through cooperation for building capacity at all levels.

Supporting and strengthening local communities

Many of our assets are based offshore. Even so, we recognise that our activities can affect the people closest to our operations to some degree. For example, through the short-term exclusion of fishing vessels from the waters close to our drilling rigs, our operations can limit the ability of local fishermen to exploit the waters we share. In such instances, we work with the fishing industry to minimise disruption, share our current and future plans with fishing communities, and invite feedback on the issues that affect them.

“The pilot project with Cairn gives the fishing communities around Yenne the means to understand and address the challenges they face. Women and young people in particular are taking the lead, building capacity through training, awareness-raising and investment.”

Adama Ndiaye, animator (local leader),
Comité Local de Pêche

Community-led development in Yenne, Senegal

Artisanal fishermen along the coast of Senegal face several challenges, including falling incomes, competition from foreign boats, inadequate equipment, a lack of training and food insecurity. We are aware that our ongoing and potential activities in the area could impact their traditional way of life further.

To empower these communities to take the lead in their own development, we have worked with The Hunger Project (THP), a global, non-profit organisation, since 2015. THP's 'epicentre strategy' helps communities develop social infrastructure (elected committees) as well as physical community spaces, so they no longer need to rely on external investment and support.

Through a 30-month pilot programme with THP that began in July 2017, we are supporting about 22,000 people in seven fishing communities around Yenne, south of Dakar. The programme identifies leaders, helps them to understand their communities' needs, and trains them to mobilise all local stakeholders to drive economic and social development. This is coordinated through a local fisheries committee (Comité Local de Pêche, or CLP), comprising fishermen, small wholesalers and women fish processors.

Capacity building through training and cascading information, particularly among women and girls, spans topics including health and nutrition, education and literacy, water and sanitation, female empowerment, improved fishing methods, and opportunities for accessing credit and microfinance. So far, the project has had several positive outcomes:

- the CLP now has more than 2,100 members;
- over 1,000 people have had life skills training;
- 35 female fish processors have been trained in entrepreneurship and financial management;
- 1,080 women have benefited from access to credit;
- 42 facilitators have enrolled in THP's Vision, Commitment and Action workshop;
- 22 leaders have enrolled in technical and resource mobilisation training;
- 91 women are being trained through the Women's Empowerment Programme; and
- new equipment, from octopus pots to life jackets, has been purchased and distributed among the fishermen.

The project is steered by representatives of the Government Department of Maritime Fisheries, THP, Capricorn Senegal Limited, the CLP, communal authorities and the beneficiary villages. This steering group discusses progress in project implementation on the ground and ways to overcome challenges. Particular challenges that have been addressed include the following:

- **Improving the financial returns of fishing activities:** Octopus pots provide refuge for reproduction, leading to improved volume and size of catch. After deploying 1,600 pots at the end of 2017, the weight of the octopus catch increased by 34% over the year. A further 1,700 pots were deployed in October 2018, 700 of which were financed by the community themselves, using the profits made from the improved catch in 2017.
- **Safety at sea:** Fishermen have always cited limited access and poor quality as the reasons for not wearing life jackets. Through the CLP, an initial supply of 415 quality life jackets were made available at subsidised rates; the income earned is used to renew the stock, invest in other equipment or run training. Family members also took part in a campaign to encourage the fishermen to wear life jackets at sea.
- **Accessing finance for income-generating activities:** The project has helped the communities develop a financing system adapted to women. This includes well-targeted financial education activities on the rational use of funds made available to them. A credit line of FCFA 25 million has been provided, with FCFA 14.5 million paid in 2017 and 10.5 million in 2018.

Read more about how we are [managing social impacts and opportunities in Senegal](#)

The Hunger Project, Senegal

Human Rights

We respect every person who works for us or with us, and believe that upholding their rights to safe working conditions, fair treatment and reasonable reward for their efforts is essential. To develop and maintain effective relationships with employees, communities and other stakeholders, we have put mechanisms in place to ensure we continue to support international standards such as the United Nations Universal Declaration of Human Rights.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We included Modern Slavery Act requirements in all contract terms and conditions.

We integrated human rights and modern slavery into our audit programme.

We enhanced due diligence for human rights and modern slavery risks in new venture evaluations.

2019 CR Objectives

Review and refresh our human rights guidance, and ensure modern slavery considerations are included.

Develop and integrate an audit programme for 2019.

Assess human rights issues for our forthcoming activities in Mexico.

Our Approach to Managing Human Rights

We respect and support internationally recognised human rights standards and, over the years, we have followed a 'rights aware' approach. This means that we identify potential human rights issues in our activities, assess whether we have control or influence over them (see graphic below) and define appropriate action. Our approach includes ensuring that we have appropriate mechanisms in place for [addressing the grievances](#) of employees and external stakeholders.

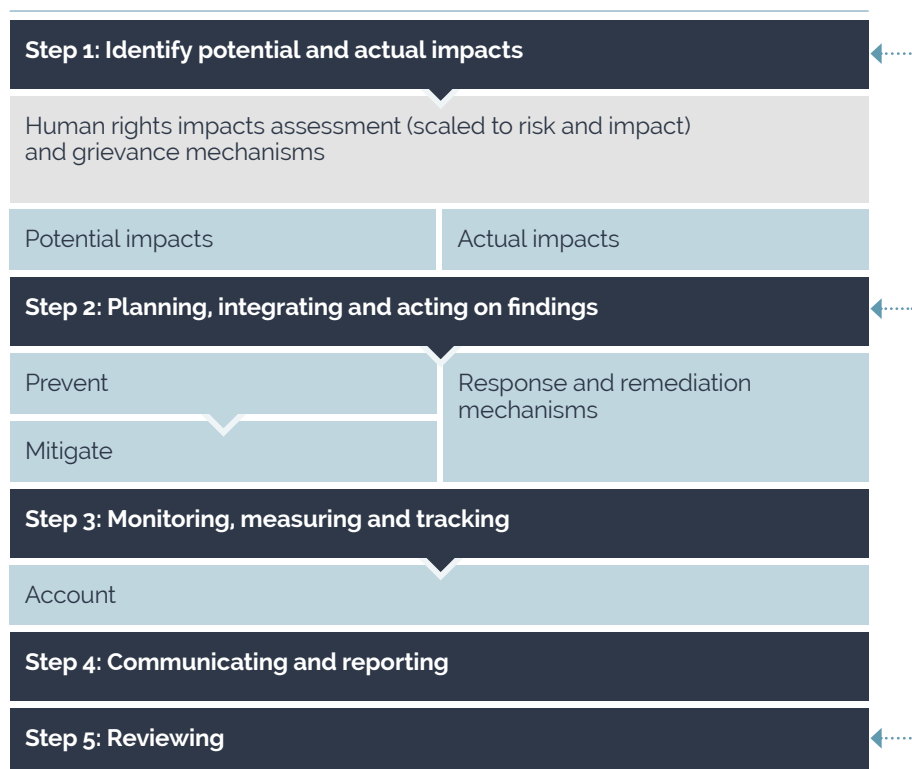
- Our human rights position is integrated in our Corporate Social Responsibility Policy and our Business Principles.
- Our *Human Rights Guidelines* and our *Guiding Principles on Business and Human Rights* handbook define how we identify, assess and manage potential issues at key stages of every project.
- Our [Code of Ethics](#) upholds our longstanding support for the UN's Universal Declaration of Human Rights.

Human rights control and influence



Cairn's reducing ability to control and influence

Identifying and assessing human rights issues in our sphere of influence



As outlined opposite, we have a five-step process for identifying and assessing human rights issues, at a Group, project or asset level. This process has been incorporated into our CRMS documentation.

Operated projects

Before entering a new country as an operator, we apply human rights screening as part of our due diligence process. We assess potential impacts through ESIs or, where necessary, undertake a human rights impact assessment.

If any current or potential issues are identified, we consider the most effective way to manage them by engaging with those who are likely to be affected.

Non-operated projects

When considering a non-operated joint venture, we identify and check any human rights issues and establish any risks requiring management by the operator before proceeding.

Protecting People and Communities

Following the introduction of the UK Modern Slavery Act in 2016, we set CR Objectives to improve our position in 2017. Despite production commencing in both Kraken and Catcher last year, our turnover did not reach the specified threshold; therefore, we did not fall within the scope of the Act. Nonetheless, we published our first Modern Slavery Statement, relating to 2017 activities, in early 2018. We now fall under the provision of the Act, so we have revised this statement in relation to our 2018 activities. Our full [Modern Slavery Statement](#) is published on our website, and a summary of our recent actions on modern slavery appears below.

Our key actions on modern slavery

General human rights and modern slavery training for our employees was completed in early 2018.

Our procedure for selecting service providers incorporates modern slavery assessments.

Our human rights assessment comprises a review of key indicators under international classification indices such as the Global Slavery Index¹ and the US Trafficking in Persons Report².

The standard terms and conditions within our project contracts specify zero tolerance of modern slavery among suppliers and subcontracting parties, and include our right to audit.

An integrated audit plan included modern slavery assessment of our contractors based on risk. The five audits conducted included an assessment of contractor modern slavery controls.

Our whistleblowing procedure includes an ability to report potential failure to comply with legal requirements and company policy, including modern slavery issues. The procedure, which includes the mechanisms for reporting, has been supported by training.

Measuring performance

100%

of operations have been subject to human rights reviews or impact assessments

17%

of employees have been trained on human rights policies and procedures

Our approach follows a similar track to that used in our [anti-bribery and corruption management system](#). We conducted a risk assessment across all countries where we operate to identify potential vulnerabilities to modern slavery within our supply chain. We tend to use specialist local contractors with well-developed employment practices, who understand our requirements and standards, implement zero tolerance of any form of modern slavery and protect the rights of their workforce.

However, we are aware that our suppliers may have a subcontracting chain of their own, using agencies with unclear practices in locations that have less robust human rights regulations. Our influence diminishes down the supply chain but we will continue to press our contractors and suppliers to apply good practice.

We have not identified any significant risk of forced or compulsory labour in our supply chain in 2018.

Protecting our employees

Our People Management Manual contains our Group People Policy and all employee-related policies and procedures. This manual includes our requirements for personnel employment, including recruitment and selection, diversity, health and well-being, work-life balance, training and benefits. We expect our contractors to treat their employees in the same way by having clear mechanisms in place.

We continue to consult our workforce regularly on organisational and performance issues. We respect those contract employees who work with us, as well as their membership of unions. We have identified specific risks and requirements in relation to unions in certain locations, such as Mexico, but respect their right to freedom of association and collective bargaining.

See [Employees](#) for more information.

Protecting communities

Our position on human rights in the communities where we are located continues to be an important element of what we do. With limited shore-based operations, most of our activities are conducted offshore. We therefore focus our efforts on those communities with which we share marine resources, such as our work with THP to support the fishing villages in Yenne (see our [Impact Benefit Plan for Senegal](#) case study).

Addressing grievances

Grievances from employees or external stakeholders are taken very seriously. When they arise, complaints are reported to the Management Team and the Board, and thoroughly investigated before any actions are identified. Our Group Whistleblowing Procedure covers responsibilities within the Company, the safeguards we have in place, the mechanisms for raising concerns and the investigation process.

In some operating locations, separate grievance mechanisms are provided in local languages and published to allow community access. Some locations may also have external mechanisms for reporting concerns, such as the UK's [Public Concern at Work](#) advice service, the [Gangmasters and Labour Abuse Authority](#) and the [Modern Slavery Helpline](#).

¹ www.global-slavery-index.org

² www.state.gov/j/tip/rls/tiprpt

Environment

Environmental protection is a key priority at Cairn. We take a precautionary approach, with rigorous risk assessment and robust working methods at all stages of our projects. In this way, we seek to minimise any adverse impact on the environments in which we work, and the communities that depend on them.



ENSCO 101 drilling rig

Climate Change, Energy and Emissions

The global demand for energy is growing due to population growth, urbanisation and rising consumption. As society starts to transition to a low-carbon economy, we believe that balancing the ongoing need for energy with reduced greenhouse gas (GHG) emissions will continue to require the efficient use of hydrocarbon fuels for some time to come.

Strategic objectives

Maintain licence to operate

Deliver operational excellence

Principal risks

Health, safety, environment and security

Kraken and Catcher operational and project performance

2018 performance against CR Objectives

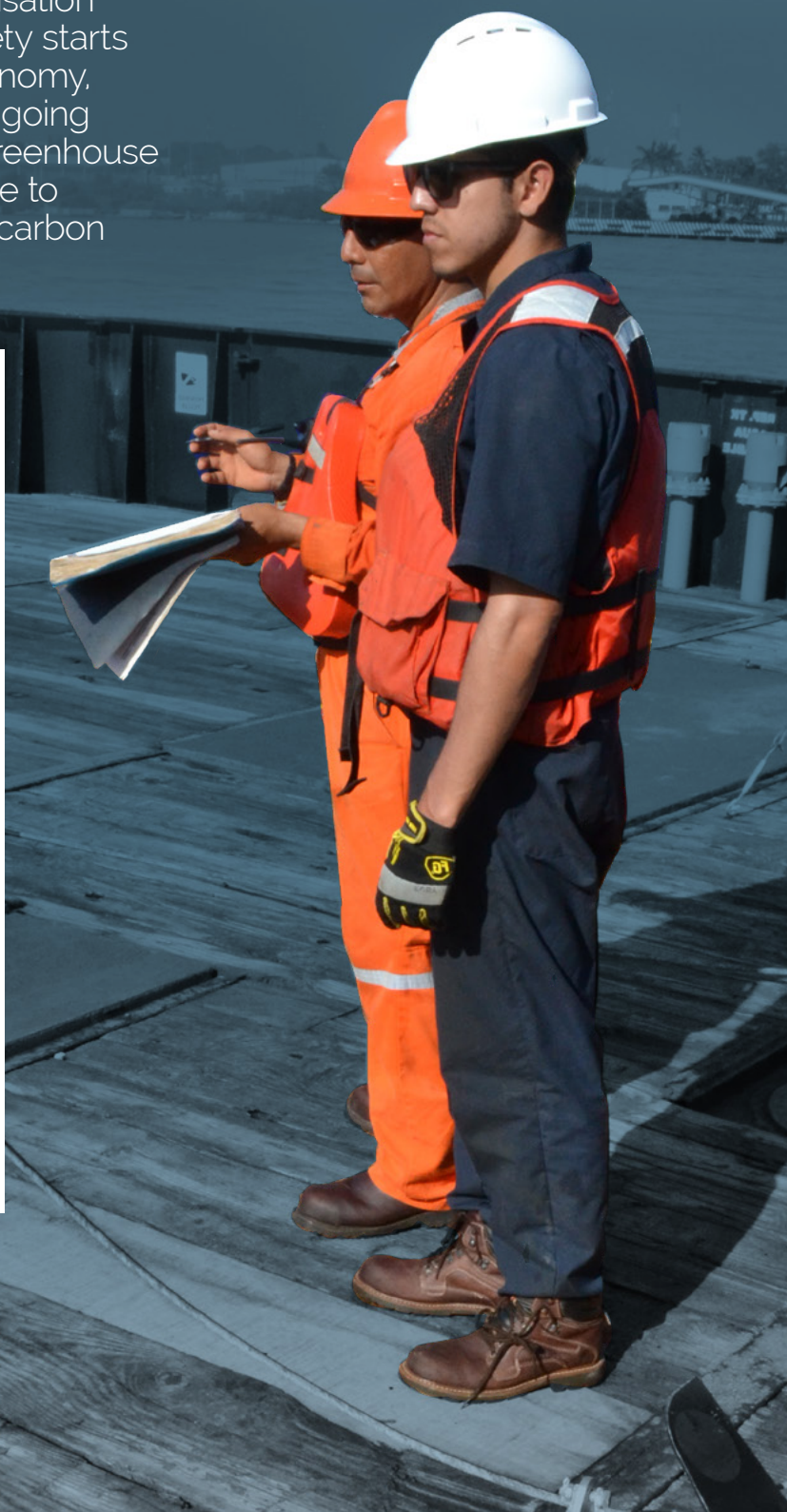
We continued to assess climate change risks for the business, including reporting.

2019 CR Objectives

Compile our submission for the Energy Saving Opportunity Scheme.

Complete the Environmental Impact and Risk submissions for wells planned in 2019.

Ensure biodiversity risks are understood for new venture activities.



In Tampico port, Mexico

Resource Use

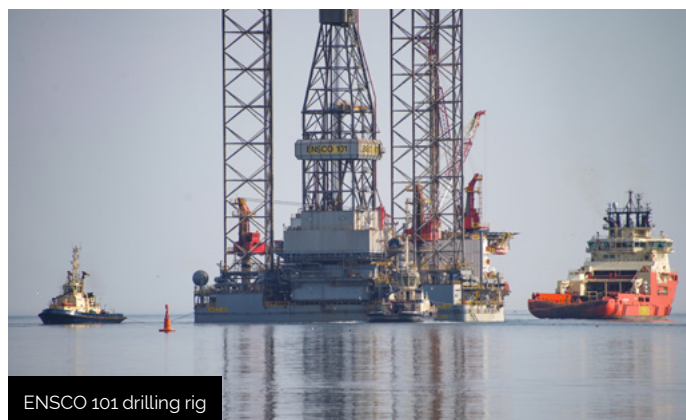
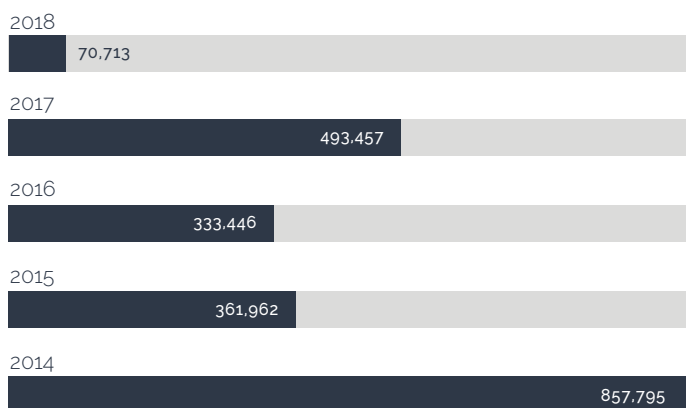
Energy use

As we have no operated production, and our seismic and drilling programmes are not constant, Cairn's energy consumption fluctuates year on year, depending on the level of activity.

Our energy monitoring during 2018 means that we will be able to report under the UK Energy Saving Opportunity Scheme regulations in 2019, if required. Large UK enterprises have a mandatory requirement to report energy consumption-related data from their activities, and to develop energy reduction and efficiency plans. We have been exempt under phase one of this programme, but remain prepared to submit information under the second phase if necessary; this scenario is likely due to our increase in non-operated production and its value.

Energy use elsewhere within the Group mainly comprises diesel fuel combustion in our field operations.

Total direct and indirect energy consumption (GJ)



ENSCO 101 drilling rig

Water management

We appreciate that our business both impacts and depends on water resources close to our operations. We also acknowledge that access to clean, safe water is a fundamental human right, and of importance to local communities and the environment. Therefore, our water resource strategy covers:

- assessing the need for using and abstracting freshwater;
- exploring ways to manage freshwater more efficiently;
- identifying and implementing ways to reduce the impacts of our operations on freshwater; and
- enhancing our reporting of freshwater resources management.

In our 2018 exploration activity for the Ekland well, our use of freshwater was limited to drilling water and domestic use, both offshore and onshore.

Read about our treatment of wastewater in [Discharges, Waste and Sound](#).

Chemical management

The liquid and solid chemicals we use, such as drilling fluids for exploration, are selected to be fit for purpose but also to ensure that we minimise any impact to the environment. They are then submitted for approval by the regulatory authority.

We identify and assess the potential risks and impacts of chemicals as part of our routine approach to planning operations. This includes selecting chemicals based on international good practice and local legislation, as captured in our Corporate Responsibility Management System (CRMS). We also use Environmental and Social Impact Assessments (ESIAs) or similar tools to determine their potential impact, taking into account the local environment and the possible impact of any emissions and discharges from our planned operations.

For our UK Ekland well in 2018, we were governed by the Offshore Chemical Regulations. We made submissions, in line with our own CRMS requirements, in compliance with UK legislation. The chemicals we used were selected with preference given to those that minimise impact on the environment while still fulfilling their primary function.

After this information was submitted and approved, we used a software tool to track use and discharges. Any changes to the chemicals required during drilling were similarly submitted to the UK Regulatory Authority for approval before use.

Senegal is in the process of ratifying the Abidjan Convention¹, which seeks to improve the standards and practices used for selecting and disposing of chemicals in West Africa. We welcome this and the convention's consistency with Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR) requirements as a way to implement good practice in the region, and continue to engage all our partners in minimising their impact on the environment.

¹ Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the Atlantic Coast of the West, Central and Southern Africa Region, adopted by 11 governments.

Greenhouse Gas Emissions



GHG emissions from our operations arise mainly from the combustion of fuels. We monitor and manage the GHGs emitted during our activities and disclose them in accordance with industry requirements, methodologies and standards. We strive to reduce the footprint of our activities by operating efficiently, but not to the detriment of safety.

We report on an 'operational control' basis, which means we include emissions from those assets that are operated by us but not those controlled by our partners. Around 95% of the GHG emissions associated with our sector occur in the supply chain, so the influence we have on them is limited, other than through initial contractor selection and the application of modern, efficient equipment.

Our GHG emissions are heavily influenced by the level of operational activity over any given period. They vary, in absolute terms, with the length of operations and project requirements, which are in turn influenced by the nature of the work, safety considerations, ease of drilling, the distance between operations and support bases, and local environmental and meteorological conditions. Most of our emissions arise from exploration and appraisal activities, but these are not constant year on year. In 2018, our activities focused on exploration and site surveys in Mexico, Norway and the UK, and drilling our UK Ekland well. Owing to the nature of our activities, we had no venting or flaring this year.

In 2019, we have active drilling programmes planned in Mexico, Norway and the UK, and consequently, our emissions will rise compared with 2018.

Our total GHG emissions decreased in 2018, as we drilled two appraisal wells during 2017 in Senegal but just one well in the UK in 2018. Normalised emissions (per 1,000 hours worked) also reduced, primarily as a consequence of using a less energy-intensive jack-up rig in the shallower waters of the UK Continental Shelf (UKCS) (compared with a larger floating rig in the deeper waters offshore Senegal).

ITP Energised provided independent verification of our GHG emissions for 2018. See our GHG [Assurance Statement](#) and our 2018 [Data Appendix](#), which includes data and methodology notes.

Reporting on climate issues and emissions

In August 2018, we made our CDP submissions, for which the reporting requirements were more robust than in previous years. To present our position as transparently as possible, our submission was reviewed by a third party. We improved from C- in our 2017 submission to B- for 2018.

One major challenge we face is that we do not have carbon targets. Our operated exploration activities are hard to set targets for because the number and scope of our activities can change significantly year by year. Our production activities are more consistent over time, but as these are performed by non-operated assets, progress against targets is reported by our partners. We did review our production assets' compliance in relation to GHG emissions and planned compliance with the EU Emissions Trading Scheme until the end of the current phase, and reported our findings to the Board.

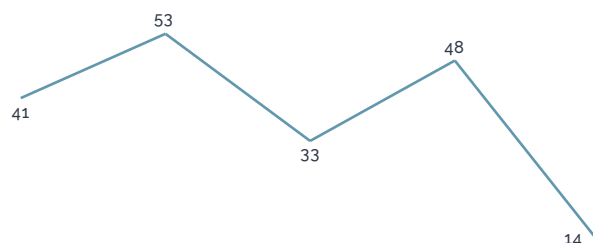
As we enter territories that are more heavily regulated with regard to reporting, such as the UK and Norway, we must continue to comply with any new statutory or regulatory reporting requirements. We continue to monitor other corporate governance developments, such as any specific requirements or recommendations from the Financial Reporting Council and the Task Force on Climate-related Financial Disclosures formed in response to the 2015 United Nations Climate Change Conference.

Other emissions

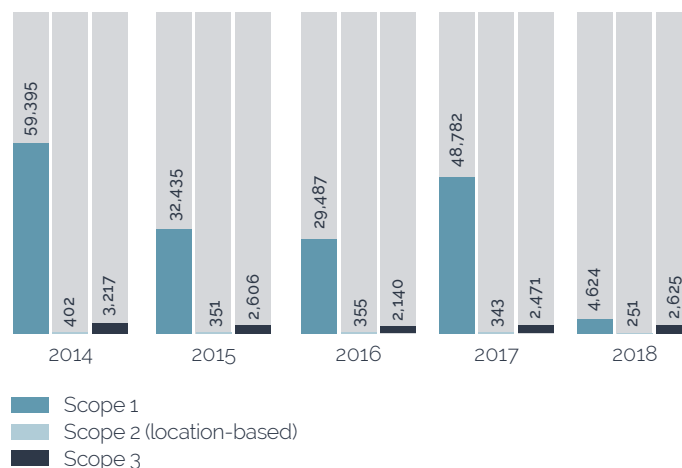
We monitor and report on other air emissions in connection with our activities. These include carbon dioxide, nitrous oxide, sulphur dioxide, methane and volatile organic compounds. These are shown in the [Data Appendix](#).

Total and normalised GHG emissions (Scopes 1, 2 and 3)

GHG emissions (all scopes) normalised, tonnes CO₂e per 1,000 hours worked



Tonnes CO₂e



Discharges, Waste and Sound

For offshore activities, we carefully manage emissions to air and discharges into the sea. As with GHGs, it is difficult for us to set specific annual reduction targets due to variations in activity and equipment. Nonetheless, we are committed to minimising the environmental impact from our operations, and to reporting fully and transparently on our performance.

Waste

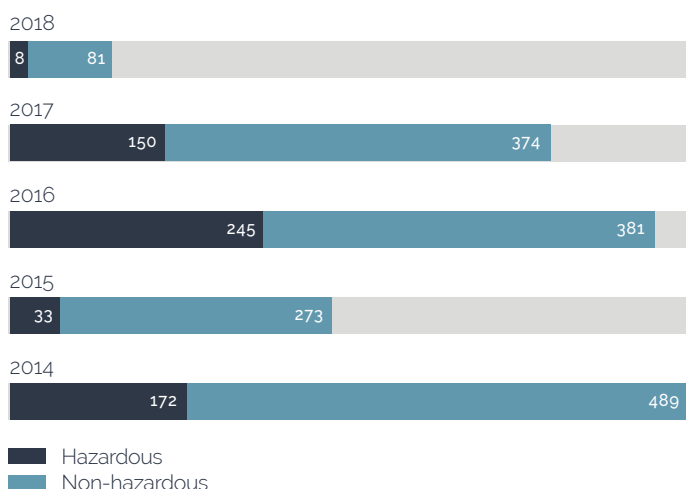
Our exploration activities generate different volumes and types of waste, including oil-contaminated wastes, chemical wastes, non-hazardous wastes from office and domestic operations, and clinical wastes from medical facilities offshore.

Adopting the precautionary principle, our waste management approach is in line with internationally accepted best practices, legal requirements and duty of care standards. We are committed to maximising the reuse and recycling of waste, and minimising the amount sent to landfill. For example:

- waste drilling fluids can only be discharged to sea if permitted under local regulations and our CRMS. This year, waste drilling fluids were discharged to sea having met the UK Offshore Chemical Regulation and OSPAR convention;
- domestic and food waste generated during offshore support operations (excluding drilling), such as domestic use on vessels and offshore rigs, is managed in accordance with MARPOL² requirements;
- any waste that cannot be treated and disposed of at sea is segregated and transferred for further treatment and disposal on land; and
- wastewater generated by our offices is treated through municipal sewage and wastewater systems.

In 2018, we generated 8 tonnes of hazardous waste and 81 tonnes of non-hazardous waste.

Total hazardous and non-hazardous waste (tonnes)



For all projects, we ensure that:

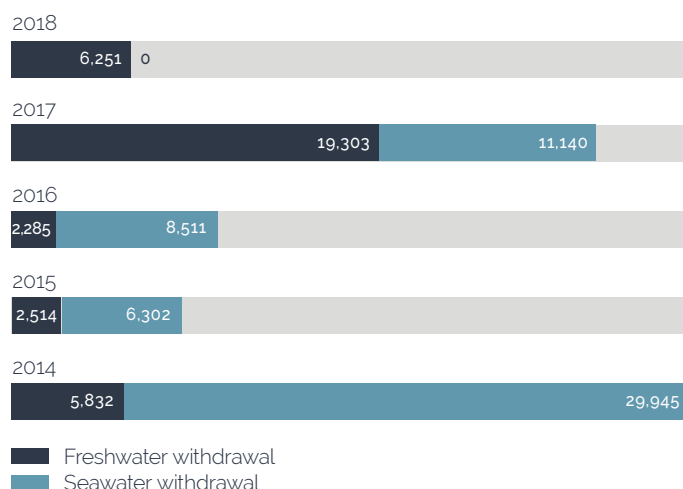
- waste management regulations and facilities in-country are understood before operations;
- local facilities and service providers have been audited, and gaps identified and addressed;
- Waste Management Plans are informed by the findings from in-country reviews and audits;
- waste is transferred to approved waste management facilities, which may require specific licences or permits;
- waste management activities are supervised for the duration of operations for each waste stream;
- hazardous wastes that cannot be treated locally are transferred to suitable treatment and disposal facilities in full compliance with international law, including the Basel Convention³; and
- waste transfer treatment and disposal records are maintained in accordance with legislation and internal requirements.

In 2018, we ensured that our UK Ekland well complied with all aspects of the waste legislation, including the Duty of Care and special (hazardous) waste regulations applicable in Scotland. We used an experienced specialist shore base, which included professional handling of wastes and appropriate record-keeping. This is standard practice on the UKCS, where well-defined disposal routes and contractors exist.

Water and wastewater

We use some freshwater (see [Resource Use](#)) in our offices and for drilling mud and domestic use on our rigs and vessels. In 2018, 100% of our water withdrawal (6,251 m³) was freshwater, of which 65% was attributed to our UK well activity.

Total water withdrawal (m³)



² International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) under the auspices of the International Maritime Organisation, which has 174 nation members worldwide.

³ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, adopted by 53 nations worldwide.

Sound

Through the use of air guns and vessel movement, seismic surveys generate underwater sound, which has the potential to impact marine mammals and reptiles. The environmental impact of sound associated with our drilling activities is assessed in the environmental assessments we undertake ahead of all operations.

We submitted an ESIA in relation to our 2D seismic programme in Suriname to the regulator, which was subject to public consultation. This looked at good practice for reducing the impact of sound on marine mammals and marine turtles (see case study opposite). It was submitted in November 2018, and consultation meetings concluded in early November. We were given approval to commence activities in December 2018 with appropriate mitigation.

Product Stewardship

The handling and stewardship of crude oil increased in importance during 2017 when our UK non-operated assets, Kraken and Catcher, started production. Although the day-to-day stewardship of crude derived from these assets remains the responsibility of the operator, we have a duty to ensure that any product over which we have an influence, share or control is handled properly. Crude oil is exempt from the REACH⁴ regulations that specify registrations and associated restrictions.

Our involvement includes ensuring that:

- the crude is transferred from floating production, storage and offloading (FPSO) units to customers using appropriate, well-managed systems to meet the specifications of the recipient; and
- any trading of the product is carried out transparently.

Reducing the impact of seismic surveys on marine life in Suriname

Through our extensive ESIA process, we identified as many as 30 marine mammal species that may be present off the coast of Suriname. These include three species listed on the International Union for Conservation of Nature (IUCN) 2018 Red List as 'endangered' (blue, fin and sei whales) and two that are classed as 'vulnerable' (sperm whale and West Indian manatee).

In addition, five local species of sea turtle are classified as 'critically endangered', 'endangered' or 'vulnerable'. As the northern coast provides important nesting sites, we have scheduled our seismic survey activities to occur at a time that minimises any impact on these important species.

Through engagement with local stakeholders who have extensive knowledge and experience, including the World Wide Fund for Nature (WWF) and the Green Heritage Fund Suriname (GHFS), we have committed to several location-specific mitigation measures. These supplement the Joint Nature Conservation Committee 2017 guidelines and draw on a report from the regional MaMa CoCo Sea Project Committee, which detailed best practice for minimising the impacts of sound on marine life off the northern coast of South America.

Based on these consultations, our mitigation plan involves:

- having specific species observers on our survey vessel, for both daylight and night-time monitoring;
- setting up a 500-metre Safety Exclusion Zone, to ensure that marine mammals are not exposed to sound levels that could cause temporary or permanent auditory trauma;
- using 'soft-start' procedures to give marine animals up to 40 minutes to move away before the array reaches full power;
- employing species-specific delays for deep-diving whales and sea turtles, and even instigating shutdowns if certain species enter the Safety Exclusion Zone; and
- using passive acoustic monitoring during the night or when conditions prevent visual monitoring, with the same mitigation requirements as for visual monitoring.

We have agreed to share the data we collect during our seismic survey with both the WWF and the GHFS, to help further the understanding of species distribution in the area.



Typical West African fishing boat

⁴ REACH (Registration, Evaluation, Authorisation and restriction of Chemicals) is the system for controlling chemicals in Europe.

Biodiversity

Global awareness of the threat to biodiversity has increased dramatically in recent years. This places a greater responsibility on businesses like ours to recognise our potential impact on the habitats, ecosystems and species that enrich our planet, and to commit to protecting them in the locations where we work.

Strategic objectives

Maintain licence to operate

Principal risks

Health, safety, environment and security

2018 performance against CR Objectives

We continued to promote a high standard of design and performance in our developments.

We submitted an ESIA for the Senegal SNE development, an Environmental Statement exemption in accordance with the UK regulations for our Ekland well, and an ESIA for our 2D survey in Suriname.

We replaced our ageing biodiversity guidance with the latest guidance from IPIECA-IOGP.

2019 CR Objectives

Ensure all our new venture and new country entry activities take biodiversity into account.

Provide Environmental Risk Statements or supporting ESIs for planned operations in the UK, Norway and Mexico.

Include environmental sensitivity assessments in Investment Proposals.

ENSCO 101 drilling rig

Assessing Our Biodiversity Impacts

We acknowledge that oil and gas exploration and development activities have the potential to affect biodiversity, both on land and in the marine environment. Therefore, we adopt a precautionary approach to assessing impact, believing that where threats of serious or irreversible damage may exist, even if not scientifically proven, cost-effective measures to prevent damage should still be taken. For this reason, we do not explore, develop or enter into joint ventures that undertake operations in UNESCO World Heritage sites⁵.

Our Biodiversity Framework

Our Biodiversity Framework sets out a common approach, and covers processes that apply to all our business and operations. Although 'owned' by senior management, it is implemented locally in accordance with our [Project Delivery Process](#).

All our commitments related to preserving biodiversity are covered by our [Business Principles](#) and our [Corporate Environment Policy](#).

We develop programme-specific Environmental and Social Management Plans, usually as part of the ESIA process, and Biodiversity Action Plans where there is either a significant risk to biodiversity or a clear benefit for targeted conservation. We commission external independent consultants to develop our ESIA's or risk assessments and, if required, to advise and assist with managing biodiversity risks and impacts. They draw on available environmental studies and background information to understand any habitats that may be impacted. These assessments include impacts on local livelihoods due to the link between the environment and communities.

Assessing our biodiversity impacts

For all operations that could affect critical habitats, protected areas or the welfare of local communities relying on ecosystem services, we undertake extensive assessments of their potential biodiversity impacts. We also engage with technical specialists, government departments, non-governmental organisations and other local stakeholders to inform any subsequent mitigation activities.

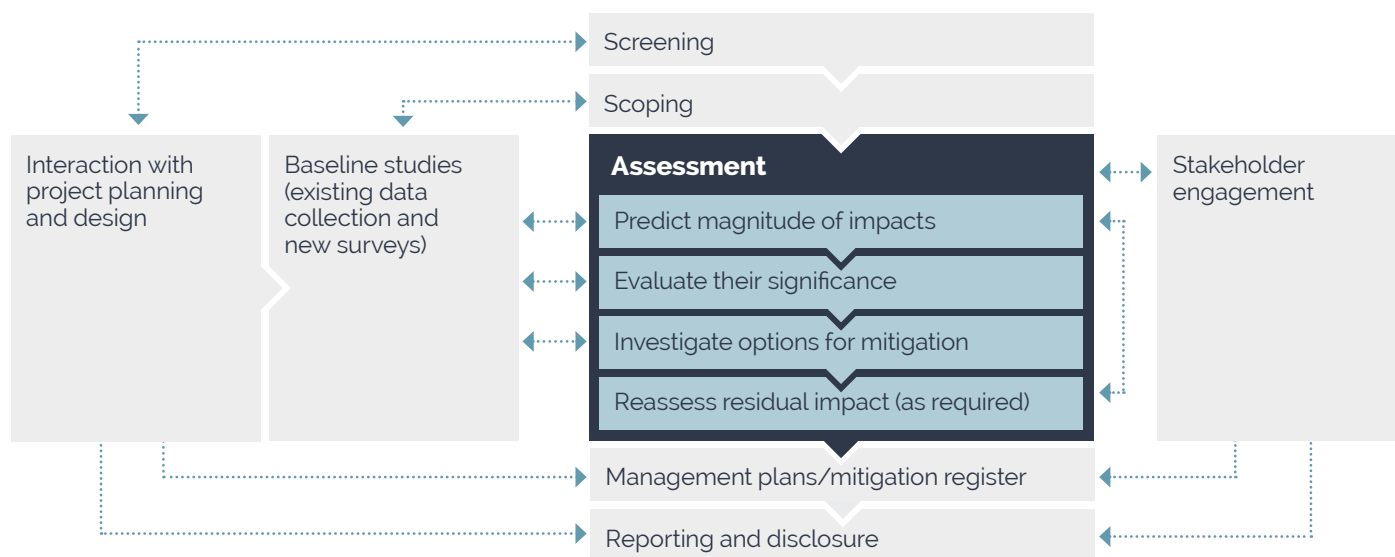
As a minimum, we always undertake environmental risk and impact assessment work before starting any project. Although the extent varies with location, we assess the potential biodiversity impacts for all projects as early as possible, and continue to do so through all stages in the oil and gas lifecycle. We consider the direct, indirect and cumulative impacts that our operations and our supply chain could have on biodiversity.

When identifying, assessing and managing biodiversity risks and impacts, we follow the requirements outlined in the International Finance Corporation (IFC)⁶ Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources), and also the appropriate national legislation and internationally accepted good practice. Any project in which significant potential impacts to biodiversity are identified undergoes additional studies and a formal assessment to demonstrate how these potential impacts will be managed.

Investment Proposals consider key biodiversity issues before approval. This helps us to define potential risks, including the presence of sensitive sites and species, well in advance of entry into a new licence or location; it also helps us avoid any liability that may arise from pre-existing conditions.

As part of an ongoing review of our own guidance on biodiversity, we have adopted the IPIECA–IOGP's⁷ comprehensive guidance. This guidance is widely supported by several organisations including the United Nations Global Compact and the IUCN.

Biodiversity Framework



⁵ United Nations Educational, Scientific and Cultural Organization Convention Concerning the Protection of the World Cultural and Natural Heritage – sites that may be buildings, monuments, sites or natural features of national or international importance.

⁶ The IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries – www.ifc.org.

⁷ Oil and gas industry bodies IPIECA and the International Association of Oil & Gas Producers provide a variety of guides on assessing, protecting and managing biodiversity in oil and gas projects – www.ipieca.org/resources/good-practice/biodiversity-and-ecosystem-services-fundamentals.

Environmental Baseline Surveys

We are currently undertaking a significant amount of environmental baseline survey work, in preparation for drilling campaigns in the UK, Norway and Mexico. Environmental Baselines (EBLs) enable us to define existing biodiversity, environmental and other conditions near our activities, using a range of analytical techniques ranging from seabed sampling to photography.

As well as providing data for the assessment of potential impacts on habitats and helping us develop mitigation plans, the EBLs may also protect the Company from liabilities arising from the prior activities of others.

Senegal

We worked with our partner Woodside to submit an ESIA for the SNE development in August 2018. Following regulatory scrutiny by the Senegal National Technical Committee and at public consultation, all responses and modifications to the ESIA were submitted in November 2018 to complement the exploitation plan. Final approval was granted in January 2019.

UK and Norway

Our site survey for the operated Ekland well, completed in January 2018, was used in the Environmental Statement exemption submission to the regulator, the Department for Business, Energy and Industrial Strategy, and incorporated into our well application in July.

We also undertook site and baseline surveys to identify sensitive habitats in support of environmental impact work for the planned operated wells for 2019: the Chimera well in the UK, and the Lynghaug and Godalen wells in Norway. The Norwegian survey will be submitted to the regulator PSA⁸, along with an Environmental Risk Assessment and Environmental Management Plan, and the Environmental Statement (or exemption) will be sent to the UK regulator in early 2019.

Mexico

The EBL survey for Block 9, one of our two operated licences offshore Mexico, was approved by the Mexican regulator ASEA⁹ in August 2018.

In addition, we completed our baseline assessment for Block B15, which also determined the extent of previous activities and existing infrastructure in the area. We have informed ASEA that we intend to exclude some locations from exploration, including shallow water and areas of coral, on the grounds of environmental sensitivity.

Assessments in other locations

In 2018, we completed a new country entry process for activities in Suriname, where we have undertaken an environmental impact assessment. The offshore biodiversity here is likely to host a variety of cetaceans and turtles. An ESIA was submitted to the regulator NIMOS¹⁰ in November 2018, as part of our proposed 2D seismic programme for early 2019.

We also screened sensitive environmental areas and vulnerable communities for various non-operated Investment Proposals. These included:

- an offshore block in Mauritania, with rich fishing grounds, the potential for deep-water coral and a nearby National Park, which is also a World Heritage site; and
- five onshore coastal blocks in Côte d'Ivoire, with several protected areas (including National Parks).



Mauritania fishing boats

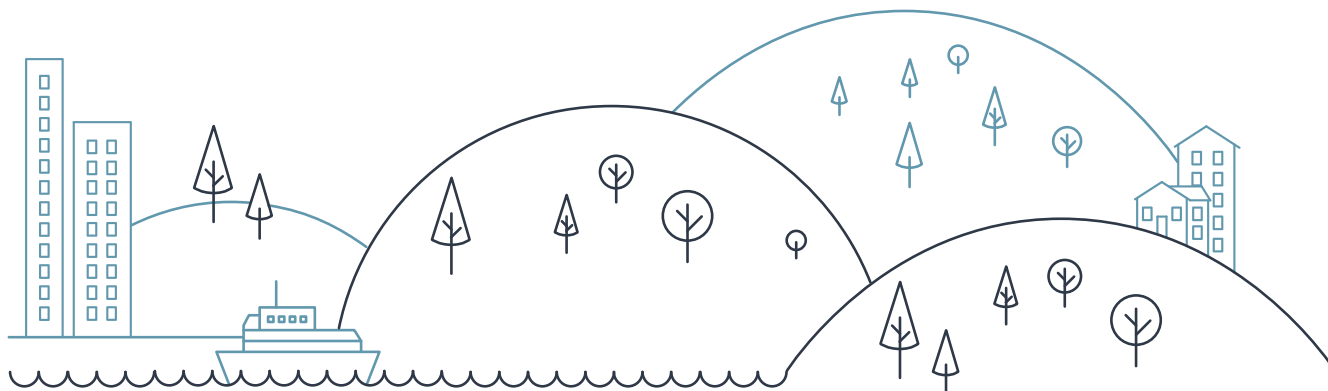
⁸ Petroleum Safety Authority.

⁹ Agencia de Seguridad, Energía y Ambiente.

¹⁰ Nationaal Instituut voor Milieu en Ontwikkeling in Suriname.

About This Report

This report covers Cairn's Corporate Responsibility (CR) approach and performance across our global operations from 1 January to 31 December 2018.



Reporting standards

Cairn reports its 2018 CR information in accordance with AccountAbility's [AA1000 Accountability Principles Standard](#) founding principles of inclusivity, materiality and responsiveness. This ensures that we engage with internal and external stakeholders, identify and assess our most important CR issues, and address and respond to them in a structured way.

We also use the [Global Reporting Initiative \(GRI\) Standards](#) (Core option), following the GRI's content principles of materiality, stakeholder inclusiveness, sustainability context and completeness, and its quality principles of balance, comparability, accuracy, timeliness, clarity and reliability. For more information, download our 2018 [GRI Content Index](#).

Scope and boundaries

We report on an 'operational control' basis. This means that we report on those assets and activities over which we had control in terms of CR policies and practices during 2018, irrespective of the licensed operating party. We exclude data where we do not control operations, but we do consider risks associated with our partners' position and their control of such activities. In line with this, our 2018 CR information covers Cairn's head office in Edinburgh, our regional offices in the UK, Norway, Senegal and Mexico, and field operations in the UK, Mexico and Norway.

Data and performance indicators

We measure our performance against Group-level Key Performance Indicators (KPIs), which are aligned with the strategy and operational programme of the Company. These are reviewed annually. The KPIs in 2018 were based on strategic business objectives in the following categories:

- health, safety, environment and security and CR;
- new ventures;
- exploration;
- development;
- production and cash flow; and
- funding.

Detailed CR Objectives and KPIs are included under the 'Maintain licence to operate' strategic objective. CR KPIs amounted to 15% of the total indicator score of performance across the Group in 2018, 10% of which covered 'leading'¹ indicators. The remaining 5% covered 'lagging'² indicators.

¹ Leading indicators are proactive actions aimed at improving performance or correcting potential weaknesses without awaiting a demonstrated failure.

² Lagging indicators are reactive measures of performance resulting from failures in risk management, e.g. Lost Time Injury Frequency.

A wide variety of data is collected over a range of issues and topics previously grouped under the themes of Business Relationships, Society and Communities, People, and Environment. These have been realigned for reporting purposes following our comprehensive review of the materiality process in late 2018 into Governance, People, Society and Environment. Our CR Objectives for 2019 have also been refined to reflect this change and to be more focused, as directed by the Remuneration Committee and the Board. In turn, our CR Objectives will be used to direct our CR improvement programme for the year. Find out more about the themes and structure of our reporting, and how they are informed by our [materiality assessment](#).

The data we use for monitoring and reporting purposes is maintained in a database. This database records data by geographical region, and defines the KPIs to be measured and the frequency at which data should be recorded. Data entry and approval are tracked within the database.

Our incident and accident data is recorded in a separate incident reporting system. This stores all relevant details and also emails defined individuals across the business, including senior managers, to inform them of progress. It also triggers an investigation into the incidents, depending on their nature.

We use definitions set by the GRI and International Association of Oil & Gas Producers (IOGP) to provide comparable and credible data that can be benchmarked against our peers in the oil and gas sector.

Data is collected from our offices and field operations, including each individual rig, vessel, shore base and aviation contractor. Field operations data is usually provided by the contractors involved. We inform these contractors about our KPI requirements in advance of the work, as part of the contracting process, and provide detailed instructions about the data needed. These instructions include definitions of the KPIs, methodology notes (e.g. waste reporting with volume-to-mass conversion factors) and information on incident reporting. The field operations data is collected monthly and entered directly into our database, via an online connection where possible, or submitted in Excel spreadsheets. Data is queried by Cairn's head office with the providers in their different locations, through the database or via email.

We update our methodologies on a regular basis, for example when new methodologies are identified, best practice is improved or calculation factors are updated. Any factors used are reviewed annually.

Baseline data

We report historical data from all our activities over the last five years. Levels of activity at Cairn vary considerably from year to year, so we do not have a fixed baseline or historical reference point.

Uncertainties and estimates

We make every effort to ensure our data is accurate and transparent, although it is not possible or practical to measure all data exactly (e.g. obtaining electricity consumption data for a small office that is part of a larger building, or recording water effluent from an office or vessel that has no water outflow meter). In such cases, we use accepted estimation methodologies that may involve the use of conversion factors (e.g. calculating office data as a proportion of the figures for the whole building, using volume-to-mass conversion factors for calculating tonnage of waste, calculating greenhouse gas (GHG) emissions). We highlight these methodologies with our data.

Targets

We recognise the importance of both lagging and leading indicators, as well as targets, in driving positive behaviours and improvements in performance. These are linked to mechanisms for assessing both Company and individual performance, including incentives for our personnel. The greatest weight is given to leading indicators, as they provide proactive measures to actively improve performance; if implemented correctly, these also help drive good performance as shown by lagging indicators.

We set lagging targets to exceed the industry norms published annually by the IOGP. Some parameters, such as GHG reduction targets, have proven to be less meaningful in our business because our levels of activity vary substantially year to year and we have no steady-state operated production. We look at normalising GHG emissions against hours worked but this too varies substantially with the type of equipment used in different locations and under differing environmental conditions.

Supporting data

A full set of CR data is available in our [Data Appendix](#). This document includes methodology notes and KPI definitions, with a particular focus on KPIs from subject areas that were assessed in our materiality process to be the most important to our business and our stakeholders.

External assurance

An independent environmental data assurer, ITPEnnergised, has provided assurance of our 2018 GHG emissions, as stated in our [Annual Report and Accounts](#) and this CR report. Within the scope of the limited assurance engagement, the GHG statements made are found to be materially correct, a fair representation of the available GHG data and information, and prepared in accordance with the methodology defined for reporting by Cairn Energy PLC.

A full [assurance statement](#), with details of the assurance scope, independence of ITPEnnergised and recommendations, is available online.