

Engagement objectives

Social



Human capital management

Governance



Board diversity



Succession planning



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Tullow Oil (Tullow) has made new appointments at board and executive level to address its nationality and ethnic diversity issues, following investor engagement. Hermes EOS continues to urge it to further progress at the executive level, to reap the financial rewards that increased diversity can offer.

Background

Despite its large geographical operational footprint in Africa, neither the company's executive leadership team nor its board fully reflected the demographics of the society in which it operated. One of the independent non-executive directors was a Ghanaian National but was approaching the end of his nine-year tenure. This risked a lack of understanding by the board of the full range of relevant cultural influences on the business. Our engagement with Tullow has therefore focused around achieving an executive leadership team and board composition with a mix of representatives from the company's geographic footprint and broader gender board diversity.

Our engagement

We raised the issue of gender and wider diversity with the company in May 2017, several months before the end of the board chair's term. We were assured that the company was seeking a shortlist that was at least 33% female, as well as considering the skills and experiences of candidates, including the diversity necessary to support the company's strategy, geographical footprint and demographic representation. In April 2018, the company announced the appointment of a new board chair – a woman with substantial relevant industry expertise.

We met with the new chair shortly after the start of her term, together with other investors who were members of the 30% Club – a group of investors committed to achieving greater diversity in the boardroom. We raised our concern that the lack of gender diversity on the board put the company at a competitive disadvantage, given the correlation between board gender diversity and financial performance. We also highlighted data supporting the proposition that at least 30% female representation is necessary to achieve critical mass. In addition to the position of the 30% Club, we raised the potential benefits of achieving greater diversity of nationality in the business. The new chair agreed

with us on both points and confirmed the board was committed to progressing the diversity of the gender and nationality composition of the board, senior management and the company's pipeline of talent.

Early in 2019, we met the chief executive officer and raised the topic of executive level diversity. We pointed out that the lack of African nationals or people of colour on the executive leadership team was inconsistent with the company's stated values, and raised concerns that it was drawing on a small pool for its talent pipeline. We asked that it consider this during the succession planning.

Changes at the company

On 19 February 2019 the company announced the appointment of two new board directors. Both directors are female African nationals with substantial expertise in the resources sector. One appointee is a native of Botswana and has a deep understanding and senior level leadership experience in the mineral, oil and gas industries. The other is a Kenyan national with substantial investment and operational experience in Africa.

Company overview

Tullow is an oil and gas exploration and production company. It is headquartered in the United Kingdom, however the majority of its operations and employees are in sub-Saharan Africa. The majority of Tullow's current production is in Ghana and its development business is focused on Kenya and Uganda. Tullow's exploration business is concentrated exclusively in Africa and South America.

In May 2019, the company announced the appointment of the head of Tullow Ghana to the company's executive leadership team as executive vice president, with oversight and responsibility for Tullow's strategy and operations. He is a Ghanaian national.

Next steps

Whilst we are pleased to see the progress made by the company to date, we will encourage the company to increase its nationality and ethnic diversity at the executive level. We recognise that one appointment is a good first step, but we do not believe that it is sufficient given the location and profile of Tullow's business.

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