

TCFD reporting

Capricorn Energy's climate-related financial disclosures made in the 2023 Annual Report are aligned with the TCFD's recommendations and recommended disclosures, consistent with the Financial Conduct Authority's LR9.8.6 requirement. We have analysed the impact of transition risks of climate change on our portfolio using the IEA's scenario analysis and have also assessed the potential impact of the physical risks of climate change on our assets.

We are continuing to develop good practices and standards for transparency consistent with TCFD recommendations. Our latest reporting includes 11 TCFD-recommended disclosures across four areas. Capricorn has completed the TCFD recommended disclosures consistent to the all sector guidance, as well as the supplemental guidance for non-financial groups, including the energy sector. Capricorn acknowledges the changes currently taking place within the ESG reporting landscape and will refer to IFRS S1 and IFRS S2 reporting requirements for the 2024 reporting period.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Capricorn attaches high importance to climate change considerations at Board level and throughout the organisation, together with our broader environmental, societal and governance responsibilities. These matters are standing agenda items at each Board meeting and also comprise an important KPI in the determination of management and staff variable remuneration. Climate-related risks and opportunities are reviewed and challenged with management each quarter, before they are presented at the Audit Committee.

During 2023, the Board discussions included:

- Reviewing and recommitting to Capricorn's net zero roadmap by 2040, including our interim targets of 15% by 2025, and 30% by 2030.
- Relevant principal climate-related risks and opportunities were presented to the Board, at least four times per year.

a) Describe the Board's oversight of climate-related risks and opportunities

Climate-related risks are recognised as a major concern for the planet, as well as the future of the oil and gas industry. Addressing these risks is one of the highest priorities for Capricorn. The Board takes full responsibility for the governance of climate-related risks and opportunities.

In March 2022, the Board established the Sustainability Committee, highlighting the importance of ESG matters within the Board and wider organisation. The energy transition and Capricorn's role, is of particular importance to the Board and the formation of this new committee has allowed further dedicated time. Overall, responsibility for the system of risk management and internal control and reviewing the effectiveness of such systems rests with the Board. Relevant principal climate-related risks and opportunities are presented to the Board, at least four times per year.

Capricorn uses risk registers, described in the risk management section below, to report climate-related risks and opportunities and associated mitigation measures. Reporting of these risks within the organisation is structured so that risks are escalated through various internal management channels to relevant Board committees and to the Board itself. Climate-related risks and opportunities are discussed, as noted, during risk discussions but also when considering annual work programmes and budgets, acquisitions and divestments, and when considering annual performance objectives.

b) Describe management's role in assessing and managing climate-related risks and opportunities

Capricorn's CEO takes ultimate responsibility and accountability for the company's ESG policy, including climate-related strategy and targets. The Chair of Capricorn's Board is the Director responsible at the Board level.

Capricorn's Board reviews climate and energy transition issues, concerning both Capricorn's own position and risk management, and international policy and stakeholder drivers. The Board and Audit Committee also perform a regular review of the Group principal risk register and associated controls and actions. This offers management and the Directors an opportunity to agree on and challenge the principal climate-related risks and opportunities.

After Capricorn's restructuring in 2023, energy transition and ESG have been consolidated. ESG is responsible for monitoring the fast-changing external environment, including the regulatory and technological spheres, with climate-related risks and opportunities discussed on a regular basis with the company's senior leadership.

With ESG embedded within Capricorn's KPIs, all departments benefit by ensuring the company remains on track to fulfil its net zero target by 2040. This includes overseeing Capricorn's carbon emissions from existing assets and ensuring that new opportunities are in line with the Company's net zero commitments.

ESG and the commercial team are responsible for TCFD reporting, including scenario modelling to assess the impact of transition risks of climate change on Capricorn's portfolio. ESG and production are supporting the development and implementation of decarbonisation initiatives at an asset level. The decarbonisation initiatives implemented within 2023 have been outlined in detail within our environment section.

Climate-related risk mitigation is embedded into Capricorn's culture, as climate impact becomes a key strategic consideration across different business functions. For example, screening of new opportunities is underpinned by resilience testing against transition risks of climate change, including the application of internal carbon pricing across all potential investments.

We also include energy efficiency and carbon emissions as a differentiating factor in selecting contractors for drilling, marine and aviation services. The most polluting products and services are eliminated from the tender process.

In 2022, Capricorn built and piloted a commuting emissions app with the dual benefit of expanding Capricorn's reporting disclosure capability, in addition to helping inform staff of their direct emissions. For 2023, the app has been expanded to include the Egypt office, in addition to improving our business travel reporting disclosures.

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED

TCFD REPORTING CONTINUED

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks

The Group's framework for risk management promotes a bottom-up approach to risk management with top-down support and challenge. Climate-related risks and opportunities and the associated mitigation measures and action plans are maintained in a series of risk registers at Group, asset, function and project level. The Group uses a number of tools to identify climate related risks including, but not limited to, hazard identification, social impact assessments and environmental hazard identification. Risks identification sessions are typically completed with project teams and risks are uploaded to the Group's risk software tools which assigns ownership for the risks.

Climate-related risks are classified in alignment with TCFD's description of physical and transition risks:

Transition risks – risks related to the transition to a lower carbon economy including policy and legal, technology, markets, and reputational risks.

Physical risks – risks related to the physical impacts of climate change including event-driven risks such as changes in the severity and/or frequency of extreme weather events.

The Group has established impact criteria, which assigns a score of one to five for impact and probability of occurrence. This drives the overall assessment of the risk and will determine if the risk is within the appetite limits. Material risks for Capricorn are risks with a score of 12 (out of 25) and above. The Group has identified one principal risk in relation to climate change. The transition and physical risks identified below are child risks to the principal risk and their impact and likelihood are aggregated to calculate the principal risk score.

Further information is included in the risk disclosure page and the Materiality Matrix on page 42 of Capricorn's 2023 Annual Report.

b) Describe the organisation's processes for managing climate-related risks

Climate-related risks and opportunities, and the associated mitigation measures and action plans, are maintained in a series of risk registers at Group, asset, function and project level. Risk registers are maintained on the Group's risk management software. The Group applies one of the 4Ts to each risk: Tolerate, Treat, Transfer or Terminate.

All risks categorised as Treat are required to have actions assigned to them to reduce the impact or likelihood of the risk occurring. Reporting of these risks within the organisation is structured so that risks are escalated through various internal management, Board committees and to the Board itself for challenge and oversight. The transition to a lower carbon economy risk has been identified as a principal risk. Further information on the risk, appetite level, impacts and mitigations can be found on pages 42 to 48 of the 2023 Annual Report.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Climate-related risks are captured at various levels within the Group and in line with the Group process for risk management. All projects, be it a drilling project, an acquisition opportunity or a new country entry, are required to maintain a risk register. Project teams are multi-disciplined, which ensures that all categories of risk, including climate-related risks, are identified, assessed and managed.

There is also a dedicated Commercial and Energy Transition risk register, which identifies the strategic climate-related risks. This risk register is maintained by the Director of Commercial and is reviewed quarterly. This ensures all climate-related risks are integrated into the Group's overall risk management processes and will be presented and challenged at various forums within the Group.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

In developing our strategy, Capricorn's Board and leadership team consider a wide range of opportunities and risks across three discrete time horizons.

Short term (to 2025): The next one to two years are defined by detailed business and financial plans, which are performance managed in delivery of our 2025 targets.

Medium term (to 2030): Looking out to the end of the decade and the duration of the Paris Agreement enables us to consider our progress towards the long-term targets and adjust course of action if required.

Long term (post-2030): We use a scenario planning approach – IEA's Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS) and Net Zero Emissions (NZE) scenarios – to account for a wide range of uncertainties in the post-2030 period. Our aim is to ensure we have a resilient portfolio, which will deliver value to key stakeholders in the most ambitious climate scenario, limiting the global temperature increase to 1.5 degrees compared to pre-industrial levels. Capricorn considers the following risks to be key climate-related risks in the short, medium and long term.

Capricorn considers the following risks to be key climate related risks in the short, medium and long term.

Type	Climate-related risks	Metric	Capricorn's response
Transition risks	Policy and legal (medium to long term)		
	Implementation of carbon pricing mechanisms in both compliance and non-compliance markets.	EU/UK compliance markets – carbon prices \$100/tCO ₂ e and \$110/tCO ₂ e by 2030, respectively.	In line with IEA and other energy companies in the EU and UK compliance markets, we use carbon prices of \$100/tCO ₂ e and \$110/tCO ₂ e by 2030, respectively. For other regions, where carbon price is not currently applicable, we use our internal carbon pricing assumptions starting at \$33/tCO ₂ e in 2024, rising to \$50/tCO ₂ e in 2030.
	Changes in legislation and country policy.	Within the voluntary market we use – \$33/tCO ₂ e in 2024, rising to \$50/tCO ₂ e in 2030 as our base case.	Use of long-term oil price assumptions that consider the demand effects of global carbon taxation. Continued efforts to decarbonise operations.
		Tracking of oil and gas policy decisions for countries of operation.	Ongoing monitoring of policy and legislation development in countries of interest.
	Technology (medium to long term)		
	Increasing costs of transition to lower emissions technology.	Internal and JV budget tracking and monitoring.	Implementation of decarbonisation technologies at the field level in Egypt.
	Substitution of existing products and services with lower emissions options.		Increase in production within the portfolio, with decarbonisation options, including carbon capture, utilisation, and storage (CCUS). Funding of Heriot-Watt research scholarships. Application of inherently lower emission equipment and contractor services.
	Market (medium to long term)		
	Decline in oil demand and oil price.	Monitoring of energy demand indices (e.g IEA).	Low-cost portfolio, generates value in a 1.5 degree scenario.
	Faster than expected shift away from gas, leading to lower gas prices.		Embed low oil and gas prices, as well as carbon prices when screening for new investments. Ensure strong balance sheet, low leverage, strong free cash flow generation.
Changing market sentiment as consumers switch away from fossil fuels.			
Access to capital.			
Reputation (short term)			
Public perception of how the oil and gas industry is changing.		Maintain transparency relating to all ESG issues. Comply with the highest reporting standards.	
Lack of trust in the oil and gas industry's net zero ambitions.		Ensure continued engagement with external stakeholders.	

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED
TCFD REPORTING CONTINUED

Capricorn considers the following risks to be key climate-related risks in the short, medium and long term.

Materiality	Chronic (long term)	Risk exposure	Risk impact	Capricorn's response	
Climate scenarios					
Physical risks	Drought	>2030 +1.5°C	>6 months drought duration for all scenarios from now to 2050.	Likelihood: probable (all climate scenario) Drought may cause increases to the cost of freshwater supply as well as impact to raw materials from suppliers, who may be impacted by freshwater scarcity. However, it is reasonable to assume that Capricorn Energy will adapt to these conditions, in view that the business already operates in highly drought exposed regions.	Short-term response – undertaken A review of our freshwater consumption has been undertaken during 2023. Our water resources and resilience studies were undertaken in Egypt, including improving our freshwater consumption reporting capability. We help our communities adapt to physical risks, for example our corporate social responsibility (CSR) project in Egypt, which delivered 48 100m ³ water tanks, basic livestock veterinarian training, health checks and livestock to communities close to our producing assets.
		2050 2-3°C			
		2050 4°C		Drought stress (prolonged periods of rain and water shortage) has been identified as the most material risk by 2040-50 timeframe.	
	Heat stress	>2030 +1.5°C	80 – 180 days in a heatwave.	Likelihood: probable (all climate scenario) Heatwave can affect labour productivity/work performance as well as talent attraction. Operationally, high temperatures could cause gas and fluid leaks in pipelines, storage tanks and welded joints, resulting in environmental damage. Heat stress can also lead to higher operational costs associated with the additional energy required to cool buildings and equipment.	Short-term response – propose action Capricorn will discuss identified heat stress risk impacts with our partners by reviewing where current personal protective equipment could be modified to reduce the likelihood of heat stress, and discuss the feasibility of solar shading options. In terms of operations, Capricorn will review operating temperature tolerances for drilling and production machinery as part of our discussions with our partners. Capricorn will maintain a good practice fire loss control maintenance and mitigation regime.
		2050 2-3°C			
		2050 4°C			
<p>These identified physical risks apply to Capricorn's current portfolio of 14 physical assets, of which 12 are in Egypt and two offshore Mexico. Currently, our Egyptian assets represent 100% of our production portfolio and therefore considered our core assets and highest priority within the portfolio.</p> <p>Capricorn's portfolio was modelled based on exposure to climate risk, from current scenarios of 1.5°C warming through to 2050, reviewing both 2-3°C and 4°C warming scenarios.</p>		<p>It was identified that portfolio risk exposure was consistently scored as very high for drought and heat stress from current day through to 2050. Our offshore Mexico assets scored as low risk exposure for windstorm, wave action and sea level rise.</p> <p>A key outcome of physical risk modelling of Capricorn's portfolio is that operations already take place in very high drought exposed and heat stress environments, with little impact on production.</p>			

Materiality	Chronic (long term)	Risk exposure	Risk impact	Capricorn's response	
Climate scenarios					
Physical risks	Windstorm, wave action and sea level rise	>2030 +1.5°C	Extratropical or tropical cyclone, with at least 161km/h for extratropical cyclone and at least 252km/h for tropical cyclone wind speeds, with a 100-year return period peak gust.	Likelihood: possible (all-climate scenario)	Short-term response – undertaken
		2050 2-3°C		Increases in storm frequency may require interruptions to production on a more regular basis to evacuate personnel as a precautionary measure.	Capricorn has reviewed platform designs to ensure they meet the necessary standard of protection for current and future windstorm events, i.e. built to a sufficient height above sea level considering expected sea level rise implications.
		2050 4°C		Windstorms and associated wave action may result in physical damage to offshore platforms, resulting in instability and risk of collapse of offshore facilities. Damage to wells may require drilling of new wells if the well head suffers significant damage.	

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED
TCFD REPORTING CONTINUED

Capricorn has recognised and is currently working on scoping and implementing a number of climate-related opportunities.

Type	Climate-related opportunities	Capricorn's response
Energy source/resilience (short to medium term)	Use of lower-emission sources of energy shift toward decentralised energy generation.	In Egypt, we are replacing diesel generators with cleaner-burning gas generators, electrify well sites and downhole pumps using centralised power generation and exploring the use of flare gas to produce hydrogen to reduce our reliance on diesel and gas.
	Use of supportive policy incentives. Use of new technologies.	We have reviewed CCUS opportunities in Egypt and other jurisdictions, and we have invested in the NECCUS project, which supports Scotland's decarbonisation roadmap, of which CCUS plays a significant role.
	Participation in carbon market.	We are actively engaged in voluntary carbon markets. We have acquired a portfolio of high-quality carbon offsets, including nature-based, landfill gas and refrigerant gases sequestration.
Resilience (long term)	Resource substitutes/diversification.	We are evaluating clean energy diversification opportunities, including diesel substitution and the application of methane pyrolysis.

OUR NET ZERO COMMITMENT IN ACTION

Focus on equity Scope 1 and Scope 2 net zero by 2040 with emission reduction targets of 15% by 2025 and 30% by 2030.

Zero routine flaring

First UK independent to commit to World Bank Zero Routine Flaring by 2030.

Portfolio resilience

Current portfolio creates value in stringent transition scenario testing.

Clear principles underpin target
Avoid, reduce and substitute

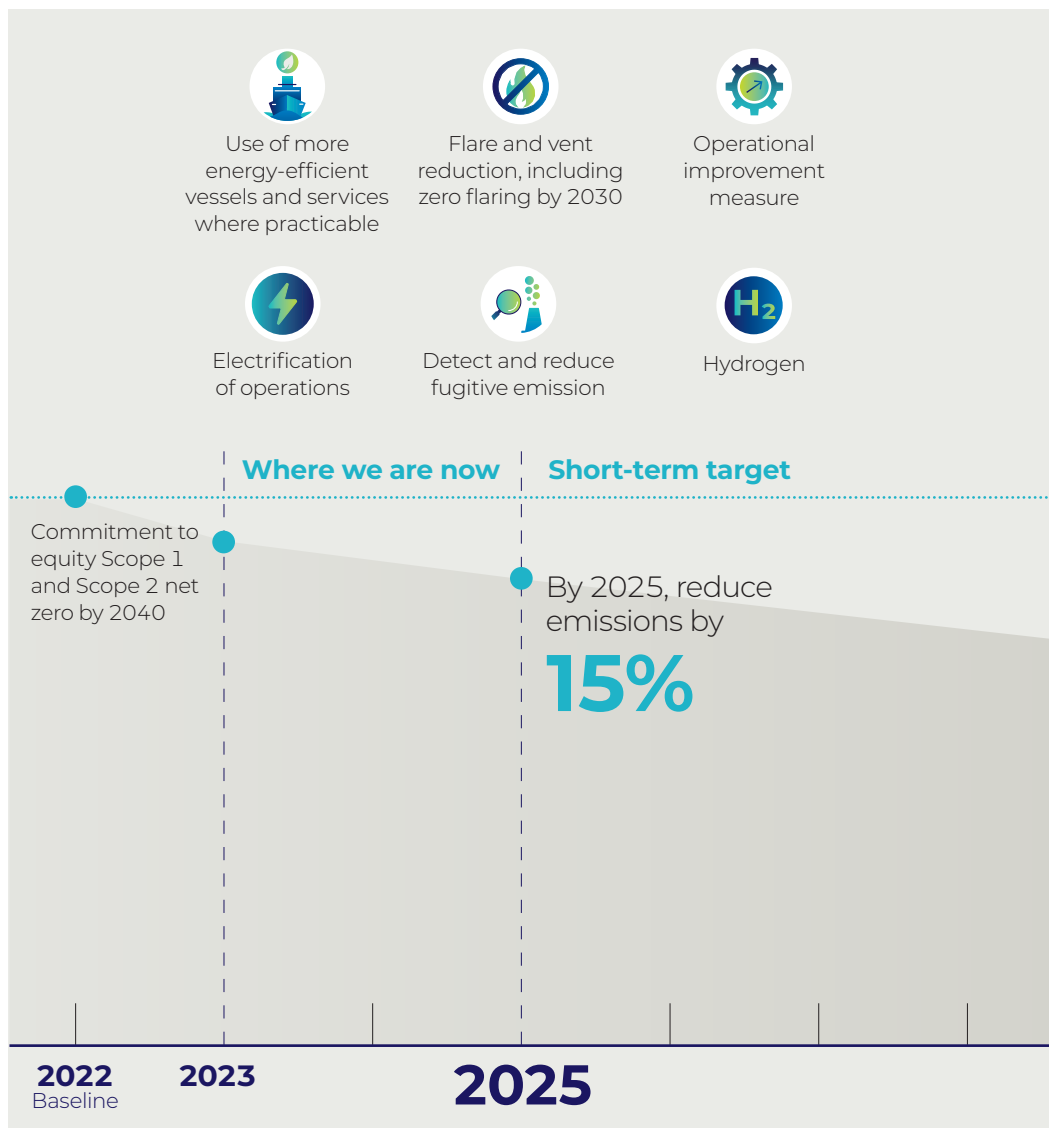
- Power generator rationalisation and fuel substitution of diesel for clean-burning gas progressing.
- Electrification of BED area with completion in 2024.
- Exploring feasibility for installation of waste heat recovery units at Obaiyed Central Processing Platform.
- Flare gas recovery and optimization activities at AESW.
- Assessing methane monitoring solutions. The JV partner have purchased a FLIR GFX320 camera to integrate fugitive screening into regular maintenance.

Sequester

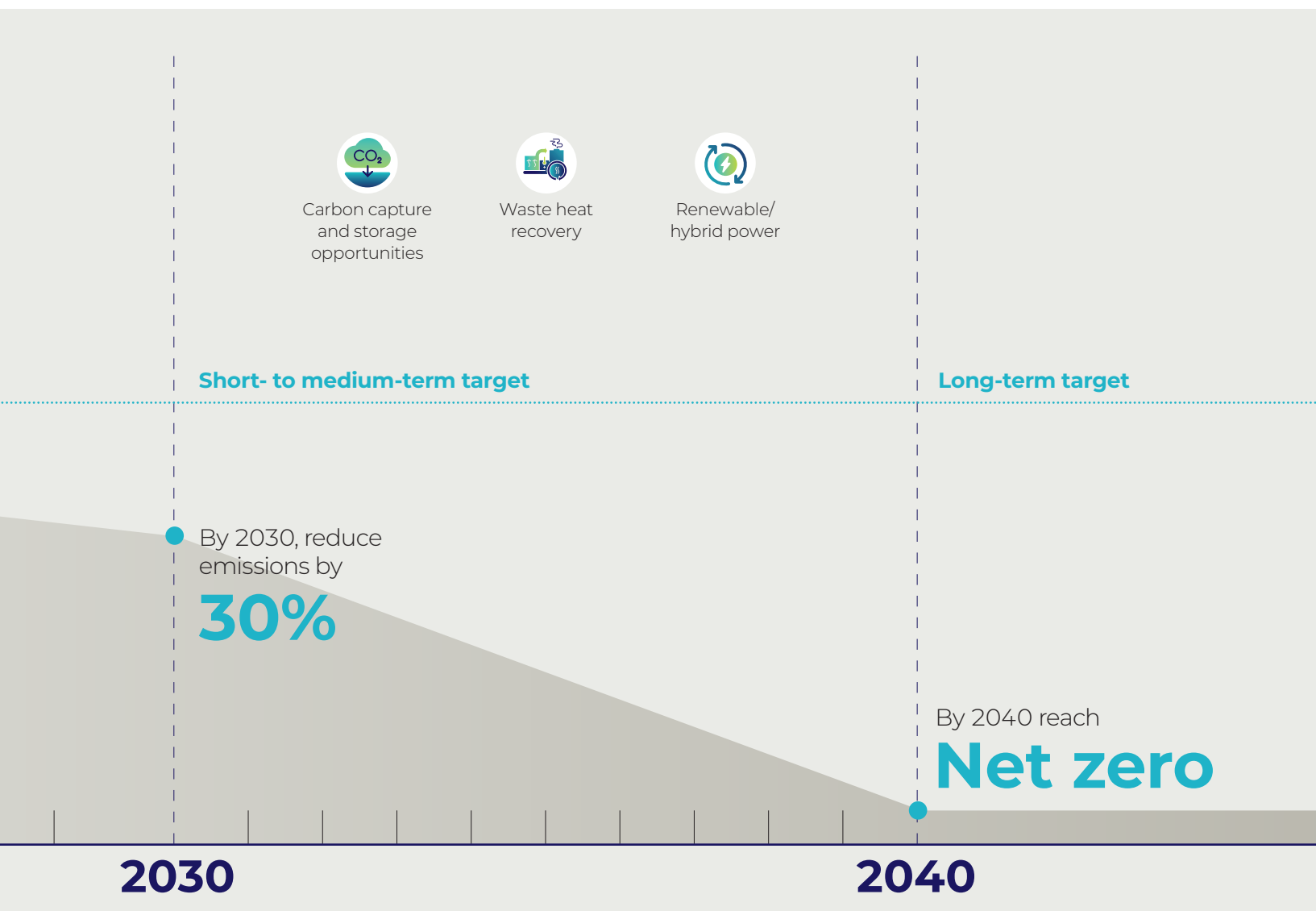
The JV completed a technical feasibility study to identify candidate subsurface storage sites at our BED and Obaiyed concessions.

Offset

Capricorn has a portfolio of high quality carbon offsets.



Type	Climate-related opportunities	Capricorn's response
Products and services (short to medium term)	Development and/or expansion of low emission goods and services (short term).	To minimise energy use in drilling operations and associated activities without compromising safety or cost, we assess the fuel consumption of rigs, vessels and helicopters as part of the tender process. Lower energy consumption – and therefore emissions – could provide a point of differentiation if other technical and commercial considerations are comparable. We have already trialled this approach when tendering vessels for geophysical and geotechnical survey work in the UK and (since exited) Mauritania. We will strive to align our supply chain products and services with our own emission reduction target of net zero by 2040.
Resource efficiency (short to medium term)	Use of more efficient production and distribution processes (short to medium term).	We seek to continuously improve the performance of our operating assets, reducing their carbon intensity, including elimination of flaring from our operations in Egypt.
	Use of recycling (short term).	We work internally to reduce our carbon footprint within our office environment, for example paper consumption and recycling.
	Move to more efficient buildings (short term).	We have relocated to a smaller open-plan office, which is considerably more efficient at distributing heat.



A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED

TCFD REPORTING CONTINUED

Strategy continued

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Capricorn is fully incorporating climate change-related risks into its investment decision-making. Our capital allocation decisions are made using rigorous planning assumptions, informed by climate change and energy transition scenario analysis. We carefully consider the environmental performance of assets and opportunities as part of our screening process, underpinned by our net zero commitment. This commitment also drives our decarbonisation strategy in Egypt, as described in the tables on page 11.

All new oil and gas opportunities are screened at gas price (adjusted for certain regional markets). We also consider a range of other scenarios as part of our opportunity screening process. We apply carbon prices

across all our scenarios. For countries that already have an established carbon pricing mechanism – such as the EU and the UK – we use carbon prices of \$100/tCO₂e and \$110/tCO₂e by 2030, respectively. For other regions, where regulatory carbon pricing mechanisms are not currently applicable, we use our internal carbon pricing assumptions, starting at \$33/tCO₂e in 2024, rising to \$50 tCO₂e in 2030.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The TCFD recommends the use of scenario analysis in disclosure of climate-related risks and opportunities. Scenario analyses aligned with the TCFD framework help companies explore different futures and the implications of climate-related circumstances on business strategy. The findings of the recently conducted scenario analysis exercise, which tested the resilience of Capricorn's Egypt

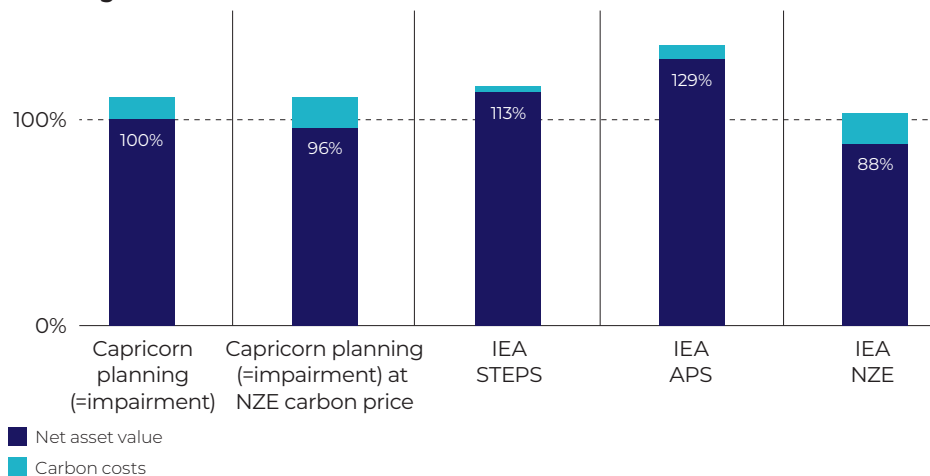
portfolio against IEA's STEPS, APS and NZE scenarios, showed that our assets will generate value in the most ambitious climate scenario, aligned with a 1.5 degree warming. This gives us confidence that our valuation and planning assumptions are robust and that we will continue to create value for all key stakeholders – even in the most aggressive carbon reduction scenario.

Capricorn's assumptions used for our financial planning and balance sheet impairment testing include \$65/bbl. (flat) oil price (long term, inflated at 3% from 2027) and carbon prices of \$33/tCO₂e in 2024, rising to \$50/tCO₂e in 2030. Carbon prices were applied to Scope 1 and 2 emissions from Capricorn's Egypt operations.

The scenario analysis shows that our Egyptian production portfolio, when modelled using IEA's NZE carbon prices, delivers 96% of the value we drive from our financial planning purposes. Capricorn's portfolio outperforms our Planning scenario by 29% in the Announced Pledges Scenario (APS) and 13% in the Stated Policies Scenario (STEPS).

IEA scenarios are modelled using IEA's assumptions associated with each of the scenarios. IEA scenarios: STEPS assumes policies and targets announced by governments are enacted and estimates an average temperature rise of 2.7°C (up to 3.3°C). APS sees an accelerated transition to a low-carbon world and projects a 66% chance to limit temperature rise to 1.8°C and a 50% chance to limit it to 1.65°C. NZE scenario is aligned with the Science-Based Targets Initiative, limiting the global warming to 1.5°C by 2100 compared to pre-industrial levels.

Egypt: Asset Value relative to Capricorn Planning Case Net Asset Value, including Carbon costs



Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Capricorn's principal metrics and targets used to assess and manage climate-related risks and opportunities are presented in the table below.

TCFD recommended disclosures	Risk and opportunity	Targets/metrics
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Transition and physical risks, including policy, market and long-term chronic effect of global warming. Opportunity to invest in clean projects, with carbon pricing risk-adjusted returns fully recognised. Participation in carbon market. Improved resilience of the existing portfolio.	<p>For carbon prices within the voluntary market, we use \$33/tCO₂e in 2024, rising to \$50/tCO₂e in 2030 as our base case.</p> <p>For emissions, we measure progress against our 2022 baseline.</p> <ul style="list-style-type: none"> – Monitoring of energy demand indices (e.g IEA). – Remuneration Policy with embedded climate-related targets, page 80 of the 2023 Annual Report. – Pro-active engagement with our employees to increase awareness and help deliver net zero, page 6. – Key assumptions: commodity prices for opportunity screening and financial planning, pages 30 and 41 of 2023 Annual Report. – Carbon price, page 13. – Internal and JV budget tracking and monitoring for products and services.
	Rising water stress, including conflicting uses and availability.	<p>Aqueduct water-risk atlas – Egypt identified as high-water stress area.</p> <p>Capricorn's environmental impact, pages 1 to 5.</p>
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Measurement and disclosure of GHG emissions from Scope 1, 2 and 3 help emissions management and creation of a clear pathway to net zero. Risks include exposure to carbon price due to changes in policy, as well as significant reputation risks if emissions are not managed.	<p>Equity Scope 1 and 2 net zero by 2040 with interim targets of 15% by 2025 and 30% by 2030, page 5 and Data Tracker on our website.</p> <p>Scope 1 and Scope 2 emissions for 2023 and trends on an operational and equity basis are outlined within our Data Tracker.</p> <p>We have undertaken further definition and reporting of our Scope 3 emissions to include emissions from categories 1, 3, 4, 5, 6 and 7 (operated) and 9, 10 and 11 (equity), for further details please see our Data Tracker.</p> <p>TCFD climate-related risk and management, pages 6 to 14.</p>
		<p>Climate-related KPIs, which are assessed as being strategically important to the Group, are annually set by the Board. Targets are typically linked to emissions reductions and environmental reporting risks and opportunities.</p> <p>Equity Scope 1 and 2 net zero by 2040 with interim targets of 15% by 2025 and 30% by 2030, page 11.</p> <p>Flaring and planned progress, page 4 and Data Tracker on our website.</p>
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Summary of targets aimed at helping achieve our net zero strategic goal. Given the dynamic nature of Capricorn's portfolio, we will use 2022 as a baseline year on the journey to carbon neutrality.	