

# RESPONSIBLE PORTFOLIO MANAGEMENT



**Nicoletta Giadrossi**  
Chair

I have taken on the role of Chair at Cairn Energy at a very exciting time. Our industry is in transition, with structural changes that represent challenges but also opportunities. As we look to the future, we do so from a position of strength and with all the building blocks for success in place: we are a resilient, flexible company with a breadth of technical knowledge and a great team. We have shown our capacity to deliver value to our shareholders and to integrate the expectations of our stakeholders in our everyday work.

This is testament to my predecessor Ian Tyler and I would like to thank him for his service to Cairn. It is due to Ian and the strength of the Executive Team that the Company can look to the future with confidence.

### **The External Environment**

I believe that there are two key issues that we have to face: we have to define how we play in the landscape of the energy transition, balancing the expectations of our stakeholders, and we have to continue to deliver value for our shareholders. Against a backdrop of changing risk appetite in capital markets, it will be increasingly important to differentiate ourselves, providing a unique value proposition based on solid financial management, technical know-how and active portfolio management.

### **Partnerships and Responsible Governance**

It is becoming increasingly important to describe how we integrate environmental, social and governance (ESG) considerations into everything we do. ESG considerations have always been an integral element of Cairn's thinking and approach and as a result we have 30 years of experience in stakeholder management on these issues. For Cairn, this means finding the best ways to work closely with key partners, for example in our production sharing contracts and Joint Ventures, furthering our goals through influence and dialogue and continuously engaging with governments, local communities, environmental organisations or regulators. Recognising the importance

of these priorities, ESG considerations are now a standing agenda item for the Board, as well as an important KPI in the determination of Management Variable Remuneration.

I take on this role as the Company further develops as a sustainable hydrocarbon operator that must acknowledge ongoing change and play a responsible part in the energy transition. I look forward to supporting the Company in this area and building on an existing strong track record, for example: the Environmental Impact Assessments carried out prior to beginning new operations; our recent involvement in Carbon Capture, Utilisation and Storage; our endeavours to build sustainable supply chains; as well as our commitment to comply with the Task Force on Climate-related Financial Disclosures (TCFD) framework. It is critical that we explain effectively to our stakeholders what we are doing and what we plan to do to improve in these areas. This is a journey, and my job will be to ensure that the business continues to be positioned for sustainable success.

It is ever more important to make sure that we understand different stakeholder views. I see part of my role as ensuring we integrate these different voices in our thinking. It has helped me to be leading the Employee Voice Forum where I have gained insight into our employees' priorities going forward. I have also been close to our engagement initiatives with local communities, having worked in several of our exploration geographies such as Africa and Latin America. What is critical

to them? How do we respond to that and make sure that we can do it in a way that is successful both for them and for the Company?

Establishing what local communities need is vital if we are to work successfully in partnership. It helps us to demonstrate the value that Cairn can bring and the positive impact that we can have, through sustainable long-term local programmes. For example, in Suriname during 2020 we were delighted to participate in a sector wide initiative to improve technical skills and prospects in the oil industry through our support of educational establishments in the capital Paramaribo, alongside support for a mangrove rehabilitation programme designed to protect low lying regions and communities along the coast.

As a mid-sized company, some people may question how much influence we can truly have, but by playing on our own experience and skills, and effectively focusing our initiatives, we can and do have real impact.

### **Capital**

Cairn's ability to compete for capital will become increasingly important in a more selective investors base. I believe we are differentiated in the way that we have been able to deliver value. We have always ensured that we retain balance sheet strength and flexibility, and that has enabled us to be one of the few of our peers to be able to return capital to shareholders



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in recent times. This comes from making sure that we have got the risk equation right and that we remain an active and responsible steward of our shareholders' funds.

Over time, that risk equation has changed. The energy transition and constrained commodity prices mean our efforts are increasingly focused on what we call 'advantaged barrel' exploration; targeting high value and/or low-cost resources, primarily through optimised development timelines, scale and supportive fiscal environments. Our focus is on basins where we can extract significant value, where we see a path to reduced environmental impact, and on the carbon footprint of potential new discoveries.

[Read more about our flexible exploration portfolio on p40](#)

### People

Whatever challenges or opportunities we face, the key to our success in meeting them will be our people. Our employees are at the heart of Cairn and it is imperative that we continue to recognise this.

Our people are talented and skilled and have choices as to where they work. To retain their skills and expertise, we need to ensure that people see the broader value of the work they do by properly communicating our sense of purpose as a company and how we fit in a changing industry. We also need to continue being a workplace which recognises and promotes diversity in all its forms. We need to ensure our employees can own the mission of Cairn as a responsible hydrocarbon producer.

I joined Cairn as a Non-Executive Director in 2017 having worked in various executive roles within the industry at companies such as Technip, Aker Solutions, Siemens and GE, at different stages of the energy value chain. This has given me a view on how we can create value across this landscape and how it is important to engage with different stakeholders to enhance this.

I think that the role of any leader is to get the best out of people in the pursuit of a common goal. That is my focus at Cairn. I want to build on a great foundation to ensure the Board continues to engage, challenge and support. We bring different views and perspectives that are relevant and important to our operations: we are a diverse group with a variety of skills and expertise, whether those be geographic, strategic or functional.

### The Future

It is an exciting time to be taking the Company to the next stage. We look forward to managing the portfolio with a continued focus on delivering value for all our stakeholders, with an emphasis on advantaged barrels and stable cash flow.

The past year was a difficult one for everyone, but I have been incredibly impressed with how the Company has responded to the COVID-19 crisis. It is a tribute to the management that whilst focusing on the safety of our people and those that we work with, we have kept the momentum on our main initiatives throughout: the sale of our Senegal interests demonstrated effective portfolio management, and the finalisation of the India arbitration resulted in a unanimous award in Cairn's favour. The Board has written to the Government of India regarding adherence to the ruling. These significant achievements have been delivered while our people have been adhering to all the health recommendations with the significant majority working from home since last March. We have not resorted to furlough or other government help and the feedback of our employees on our handling of the crisis has been very positive.

It is this resilience and adaptability that gives me confidence that we will be as successful in the future as we have been in the past.

### Nicoletta Giadrossi, Chair

Nicoletta Giadrossi was appointed Chair from 1 January 2021, having first been appointed to the Cairn Energy Board in January 2017.

Nicoletta has extensive experience in oil, gas and other energy markets in both executive and non-executive roles, including wide engagement on environmental, social and governance issues.

[Read more about Nicoletta in Board of Directors p72](#)

