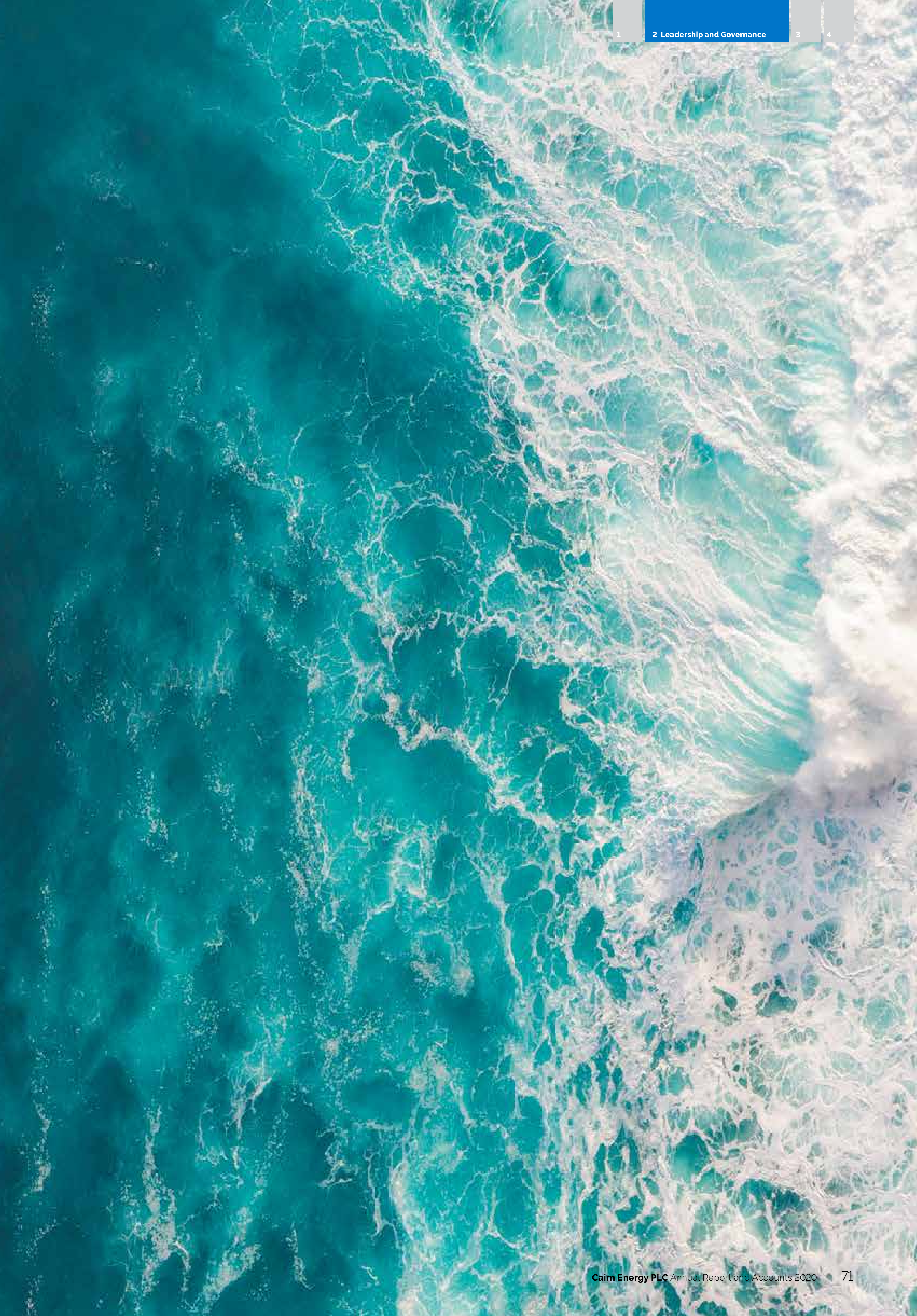
LEADERSHIP AND GOVERNANCE



Board of Directors

Executive Directors

Simon Thomson
Chief Executive
(56)

Committee membership
EC RM N

Term of office
Simon was appointed to the Board in November 2006 as Legal and Commercial Director and became Chief Executive in July 2011.

Independent
Not applicable

Skills and experience
LLB (Hons),
Aberdeen University

Diploma in Legal Practice,
Glasgow University

Simon Thomson was appointed Chief Executive in July 2011 having been Legal and Commercial Director since 2006 and having held various posts across the organisation, including Head of Assets. Simon originally joined Cairn in 1995.

Key external appointments
Public companies:
None

Non-public companies:
Non-Executive Director of Graham's The Family Dairy Limited

Director of Graham's The Family Dairy Group Limited

Non-Executive Director of Edinburgh Art Festival

James Smith
Chief Financial Officer
(44)

Committee membership
EC RM

Term of office
James was appointed to the Board in May 2014 as Chief Financial Officer.

Independent
Not applicable

Skills and experience
MA (Hons), English
University of Oxford

James Smith joined Cairn in March 2014 from Rothschild where he was a director of the Energy and Power Team with 15 years' experience advising exploration and production companies, oil majors and national oil companies on their merger and acquisition transactions and equity and debt market financing.

Key external appointments
No external appointments

Non-Executive Directors

Nicoletta Giadrossi
Non-Executive Chair
(54)

Committee membership
N R

Term of office
Nicoletta was appointed as an independent Non-Executive Director in January 2017 and became Non-Executive Chair in January 2021.

Independent
Yes

Skills and experience
BA in Mathematics and Economics,
Yale University

MBA,
Harvard Business School

Nicoletta Giadrossi has held several global executive roles in energy and capital equipment. She has been: General Manager in GE Oil and Gas, Refinery & Petrochemicals Division until 2008; Vice President and General Manager, EMEA at Dresser-Rand (now Siemens), until 2012; Head of Operations in Aker Solutions Asa, and President (Europe, Africa, Middle East, Russia & India) at Technip, a role she held until 2016. Nicoletta is currently Senior Adviser, Industry and Energy, for Bain Capital Partners, Europe.

Key external appointments
Public companies:
Non-Executive Director of Brembo S.p.A

Non-Executive Director of IHS Markit Ltd (a position that Nicoletta will retire from with effect from early summer 2021 following the Company's announced merger with S&P Global)

Non-Executive Director of Koninklijke Vopak N.V.

Non-Executive Director of Falck Renewables

Non-public companies:
TecHouse AS

Keith Lough
Non-Executive Director
(62)

Committee membership
A N

Term of office
Keith was appointed as an independent Non-Executive Director in May 2015.

Independent
Yes

Skills and experience
MA Economics,
University of Edinburgh

MSc in Finance,
London Business School

Keith Lough is a Fellow Chartered Certified Accountant (FCCA) and has formerly held the position of Finance Director of British Energy PLC and Chief Executive of Composite Energy Ltd. Keith was also a Non-Executive Director of the UK Gas and Electricity Markets Authority from 2012 to July 2019.

Key external appointments
Public companies:
Non-Executive Chairman of Southern Water

Non-Executive Chairman of Rockhopper Exploration PLC

Non-Executive Director (and senior independent director) of Hunting PLC

Non-public companies:
None

Committee membership key

■ Committee Chair
A Audit Committee
R Remuneration Committee
N Nomination Committee

Peter Kallos

Non-Executive Director
(61)

R N EV

Peter was appointed as an independent Non-Executive Director in September 2015.

Yes

BSc (Hons) Applied Physics, Strathclyde University

MEng Petroleum Engineering, Heriot-Watt University

Peter Kallos has held a number of posts at Enterprise Oil including Head of Business Development, CEO Enterprise Italy and General Manager of the UK business before his appointment in 2002 as Executive Vice President International and Offshore at Petro-Canada. In 2010, Peter became Chief Executive of Buried Hill Energy.

Public companies:

Executive Chairman of Buried Hill Energy

Non-public companies:

None

Alison Wood

Non-Executive Director
(57)

R A

Alison was appointed as an independent Non-Executive Director in July 2019.

Yes

BA in Engineering, Economics and Management, Oxford University

MBA, Harvard Business School

Alison Wood's previous executive roles include Group Strategic Development Director at BAE systems and Global Director of Strategy and Corporate Development at National Grid. She has also previously held a number of non-executive positions and board committee memberships, including at BTG plc, THUS plc, e2V plc and Cobham plc. Alison is currently a Non-Executive Director and Remuneration Committee Chair of Costain plc, TT Electronics plc and The British Standards Institution.

Public companies:

Non-Executive Director of Costain plc

Non-Executive Director of TT Electronics plc

Non-Executive Director of Oxford Instruments plc

Non-public companies:

Non-Executive Director of The British Standards Institution

Catherine Krajicek

Non-Executive Director
(59)

A

Catherine was appointed as an independent Non-Executive Director in July 2019.

Yes

BSc and MSc in Petroleum Engineering, Colorado School of Mines

Catherine Krajicek started her career with Conoco as an associate engineer and remained with the company for a total of 22 years, progressing through a variety of oil and gas technical and subsequently asset management roles in both the US and Indonesia. In 2007, Catherine left ConocoPhillips and joined Marathon Oil where she went on to hold a number of senior executive (Vice President) roles before retiring from Marathon in 2018.

Public companies:

None

Non-public companies:

None

Erik B. Daugbjerg

Non-Executive Director
(51)

R

Erik was appointed as an independent Non-Executive Director in May 2020.

Yes

BA in Business Administration, Southern Methodist University, Dallas

Erik B. Daugbjerg has over 20 years' experience in both midstream and upstream oil and gas sectors in the US including founding roles at two oil and gas operators based in the Permian Basin. In 2006, Erik co-founded Pecos Operating Company, and in 2010, co-founded RSP Permian, Inc. Erik has extensive public markets experience, including delivery of acquisitions and disposals, and he played an integral role in the disposal of RSP Permian to Concho Resources, Inc in July 2018 for US$9.5 billion.

Public companies:

Kimbell Royalty Partners

Non-public companies:

Pecos Operating Company, LLC

As at 8 March 2021

EC Executive Committee

RM Group Risk Management Committee

EV Employee Voice Forum

GOVERNANCE

Strong corporate governance and effective risk management are vital in delivering our strategy, achieving our objectives and creating long-term shareholder value. We have a comprehensive framework of policies and management systems in place to assess and manage risks effectively, including emerging risks from climate change. These are underpinned by our core values, Business Principles and Cairn Operating Standards, all of which are understood and adhered to across the Group.

BUSINESS PRINCIPLES

- **We manage risk and seek to continually improve.**
- **We behave honestly, fairly and with integrity.**

This year, the following governance issues were identified as being of high materiality:

3 5 9 10 11 12 14 15 16 17 18 19

Read More: Materiality Matrix on p15

OUR CONTRIBUTION TO THE UN SDGS

8 DECENT WORK AND ECONOMIC GROWTH

Impacts
Continued to implement policies for local procurement and supplier development.

Continued to support the development of a National Institute of Oil and Gas (INPG) in Senegal, through the JV.

10 REDUCED INEQUALITIES

Impacts
Continued to support EITI in promoting transparent payments to governments and fair distribution of benefits in host nations.

Donations to UK charities Polar Academy and Street League to support disadvantaged young people.

17 PARTNERSHIPS FOR THE GOALS

Impacts
Continued to support the UNGC and the EITI.

Ethics

We take seriously our responsibility for operating in an ethical, transparent way, as it is critical in helping us build trust, maintain our licence to operate, access funding and deliver value.

We track emerging ethical issues of importance, ranging from the concerns of local people in areas where we operate to the potential for environmental impacts in sensitive habitats. Our integrated audit plan assesses the supply chain risks for all partners and projects, with a focus on modern slavery, anti-bribery and corruption, and health, safety, security and environment (HSSE).

Code of Ethics

Our Code of Ethics (www.cairnenergy.com/working-responsibly/policies) underpins the way we work, and sets out our core values, behaviours and Business Principles. Every employee is required to sign up and adhere to its terms; their performance is also assessed against the Code. In turn, we require contractors and service providers working on our behalf to comply with the Code and we audit them against it to ensure consistent application.

The Code – available in English, Spanish and now Dutch – details our position and provides guidance on a range of issues that shape our business relationships, including conflicts of interest, bribery and corruption, political contributions, tax principles, insider trading, and anti-competitive behaviour. Internal audits conducted by third parties regularly assess our overall compliance with different elements of the Code.

ABC Training and Assessments for New Ventures

All entries into new territories require an anti-bribery and corruption (ABC) risk assessment, which is intended to highlight exposure to potential risks and ensure due diligence across all aspects of potential projects. It is critical to identify high-risk locations where official corruption could impact our operations and our reputation. Our new ventures activity is often located in such high-risk locations but there have been no ABC risk assessments for new ventures in 2020.

Our Investment Proposal (IP) process involves screening for a range of potential risks, including specific ABC issues. If the threat is significant, further assessments are undertaken, using specialists where necessary, and actions for managing the risks developed or the decision not to proceed is taken.

While we have held country-specific ABC risk assessments in the past, none were required in 2020. However, our first independent assessment of our Group-wide ABC management system was conducted by a third party. No conflicts of interest or political connections within our supply chain were identified. A recommendation was made for additional workshops, and these may be held virtually. We provide staff training on our Code of Ethics and our ABC management system, as well as tax evasion, GDPR, human rights and modern slavery, health and safety, and CMAPP, through the Cairn Academy. All employees were trained in Cairn's anti-corruption policies and procedures in 2020. Where a heightened threat of ABC risks is identified in a new venture, the staff involved must complete further training.

Reporting Issues of Concern

Employees are encouraged to report any incident they believe may not comply with the Code of Ethics or when they have any concerns surrounding ethical issues, by speaking directly to their line manager or using a confidential phone line. The whistleblowing charity Public Concern at Work also offers an external channel for staff to use anonymously if they prefer. Where appropriate, independent investigations are conducted.

Transparency and Reporting

As a listed public company, we report annually in line with UK regulations. In 2020, we responded to all queries associated with our Annual Report and Accounts and to information requests from stakeholders including investor analysts and shareholder representatives.

Our Corporate Responsibility Report is intended to provide investors, analysts, interest groups and broader communities with easy access to comprehensive information about our approach and performance. We apply global standards to ensure our reporting is of the highest quality and, having reviewed the evolving trends and requirements in ESG reporting in 2020, we refreshed our reporting against our shareholders' preferences, as well as a number of established frameworks and standards.

Relevant information and regular announcements are provided via the Investors section of our website and through investor meetings and roadshows, most of which were held remotely during 2020.

Data Protection

In compliance with EU General Data Protection Regulation (GDPR) legislation, we document the processing of personal data, by both Cairn and third parties on our behalf, and publish revised privacy notices for greater transparency. We have also delivered mandatory training and a Data Privacy Coordinator supports the Group in complying with GDPR and internal risk governance. There were no reportable GDPR incidents in 2020.

Payments to Governments

We are committed to transparent compliance in the UK, EU and other jurisdictions where we work, many of which are increasingly complex and uncertain from a legislative perspective. We also comply with a number of voluntary standards. We report payments to governments (see page 11) in compliance with EU legislation and as part of our voluntary commitment as a member of the Extractive Industries Transparency Initiative (EITI).

Public Policy and Lobbying

We do 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 asset teams is responsible for engaging with host governments as part of its local Stakeholder Engagement Plan, which encompasses licence agreements, regulatory requirements and interfaces with a wide range of non-governmental stakeholders.

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 including Oil & Gas UK, the Association of British Independent Oil Exploration Companies (BRINDEX) and the Association of Mexican Hydrocarbon Businesses (AMEXHI).

Economics and Funding

The cash flow from our production assets funds our exploration and development activity. This self-funding business model enables us to deliver our strategic objectives. In a challenging business environment that has seen falling oil prices and the impact of COVID-19 on markets, we have remained flexible to fluctuating market conditions, by actively managing our asset portfolio and working closely with our Joint Venture partners to allocate capital and financial resources efficiently.

Anti-Bribery and Corruption

Maintaining transparent relationships free from bribery and corruption with governments, authorities, contractors and suppliers in the locations where we operate is a high priority for Cairn.

Our zero-tolerance position on bribery, fraud and corruption continues to protect our reputation, our ability to access funding and our impact on people and communities.

We have continued to provide training throughout the company. Bespoke e-learning sessions to staff in higher-risk roles were delivered during the year. Additional specialist ABC training was given to the Management Team and the Board in October and November 2020.

Reserves Valuation and Capital Expenditure

Our Board and Senior Leadership Team examined our business model in the context of the energy transition and the UK's commitment to net zero over the coming years, to ensure that Cairn's business proposition is attractive, sustainable and resilient. Targeting hydrocarbon projects that can be produced responsibly and contribute to multiple UN SDGs will ensure we manage climate-related resilience, and create value for shareholders and stakeholders.

We calculate Group reserves and resources in accordance with the Petroleum Resource Management System (PRMS 2018), while third parties carry out independent assessments of our reserves and resources to provide additional assurance to our reserves estimates.

To illustrate the robustness of the reserves under the ongoing energy transition, sensitivity analyses have been performed using IEA's published assumptions for its 2020 'Stated Policies' and 'Sustainable Development Scenario' cases. These cover a range of alternative scenarios in terms of demand for hydrocarbons and carbon taxes. Under all variations of the model, each of our existing assets are economically robust.

For more information, see our Group Reserves Report and our Corporate Responsibility Report on our website.

A Responsible Approach

At Cairn, working responsibly means striving to deliver value in a safe, secure, environmentally and socially responsible manner for all our stakeholders. Within the business, our comprehensive systems and standards help to reinforce our culture while externally, we support a range of agreements and standards that promote responsible working practices.

Guided by strong leadership and corporate governance, we operate in accordance with these standards and frameworks.

Internal	External
Values Our core values are known as the 3Rs: Building Respect, Nurturing Relationships and Acting Responsibly.	**United Nations Global Compact** We support this initiative for businesses committed to aligning their strategies with universally accepted principles in human rights, labour, the environment and anti-corruption.
Code of Ethics Employees and partners are required to work in accordance with the Code, which sets out our core values, behaviours and Business Principles.	**Extractive Industries Transparency Initiative (EITI)** We participate in the EITI, a coalition of governments, companies and organisations promoting payment transparency in the oil, gas and mining sector.
Key Policies – Health, Safety and Security – Environment – Social Responsibility – Major Accident Prevention – People – Tax	**United Nations Sustainable Development Goals (UN SDGs)** We support the 17 goals, which help to guide us in minimising the impacts and maximising the benefits of our activities in countries where we work.
Corporate Responsibility Management System (CRMS) Our key management system instructs employees how to carry out business activities in accordance with the business strategy, Code of Ethics and CR Policies, and is reviewed annually by the Board.	**International Finance Corporation (IFC)** We align our CRMS with the IFC Performance Standards on Social and Environmental Sustainability.
Human Rights Our Human Rights Guidance defines how we identify, assess and manage potential human rights issues at key project stages.	**Modern Slavery Act (MSA)** We operate in accordance with the UK MSA. Our selection procedure for service providers includes modern slavery assessments, and our MSA Statement is available online.
Anti-Bribery and Corruption (ABC) We have a zero-tolerance position on ABC matters – everyone we work with must sign up to our ABC Policy.	**Task Force on Climate-related Financial Disclosures (TCFD)** We assess our reporting against TCFD and are committed to complying with its requirements. This year we enhance our reporting by developing a TCFD Index, available at www.cairnenergy.com/working-responsibly.
	Sustainability Accounting Standards Board (SASB) We have assessed and aligned our reporting against SASB to improve the quality and transparency of our reporting.

ALWAYS OPERATING WITH INTEGRITY

Dear Shareholder

The Cairn Board recognises that its primary purpose is to promote the long-term sustainable success of the Company, generating value for shareholders and other stakeholders and contributing to wider society. In this context, the Board has clearly articulated the Company's purpose, values and strategy (as set out in the Strategic Report section on pages 2 to 69) and each of our Directors plays a critical role in ensuring that Cairn's culture is aligned with these elements.

Our Board sets the 'tone from the top' by acting with integrity at all times and leading by example to promote our culture of 'working responsibly' across the business. Our culture promotes honesty and openness in everything we do and we pursue a deep understanding at every level of our organisation of the core set of values which underpin how we do business and the behaviours expected of our people (see page 52). During the year, the Board continued to focus on Corporate Responsibility and ESG-related matters as part of the Company's commitment to 'working responsibly'.

In driving the delivery of the Company's strategy, the Board has also placed much focus on ensuring that the necessary resources are in place for Cairn to meet its strategic objectives and measure performance against them. Further information on our strategy and Key Performance Indicators are included on pages 30 to 33. The Board has also established a framework of prudent and effective controls, which enable opportunities and risks to the future success of the business to be considered and addressed. These are further described in the risk management section (which includes the Company's viability statement) and in the internal control statement on pages 84 and 85.

The Board also understands that, in order for the Company to meet its responsibilities to shareholders and other stakeholders, it should ensure effective engagement with, and encourage participation from, these parties. Our approach to stakeholder engagement is set out on pages 16 to 19, which also includes a statement from our Directors in accordance with section 172 of the Companies Act 2006. This includes a description of how the Board has sought to ensure that it has a clear understanding of the views of shareholders and identifies some of the key issues we have engaged on during 2020.

There has also been a continuing focus on succession planning by both the Board and Nomination Committee, with the aim of assessing the executive, non-executive and senior management succession pipelines at Cairn, and identifying the skills that are needed to support our strategy and business for the long term. We provide further information in relation to our succession planning in the separate Nomination Committee Report on pages 92 and 93. This will continue to be a key area of focus for the Board in future years.

Compliance with the UK Corporate Governance Code

As a company incorporated in the United Kingdom with a Premium Listing on the London Stock Exchange, Cairn is required to report against the UK Corporate Governance Code (as published by the Financial Reporting Council and available on its website at www.frc.org.uk) (the 'Code'). This statement reports compliance with the version of the Code published in July 2018. Cairn is fully committed to achieving compliance with the principles and provisions set out in the Code and the Board is responsible for ensuring that an appropriate framework is in place to do so.

The information in this statement (together with the Strategic Report, Audit Committee Report, Nomination Committee Report, Directors' Remuneration Report and Directors' Report) describes the manner in which the Company has applied the main principles of governance set out in the Code and complied with the individual Code provisions. It is the Board's view that the Company has complied with the 2018 version of the Code throughout 2020.

Following publication of the 2018 version of the Code, the Board carefully considered the new provisions included in the Code and related Guidance on Board Effectiveness, as well as new requirements introduced by The Companies (Miscellaneous Reporting) Regulations 2018 (which also apply to financial years beginning on or after 1 January 2019). The Board considers that a number of the new Code and regulatory requirements are already satisfied by Cairn's existing policies and practices, and where any gaps were identified, the Company developed its governance arrangements as necessary in preparation for reporting against the new requirements for the first time last year. The Board recognises that reporting in some areas will continue to evolve in future years and will continue to monitor, review and develop its governance arrangements to ensure these are effective.

An ongoing area of focus during 2020 has been to expand the Company's existing channels of engagement with employees and, in line with the Code, the Company established a formal workforce advisory panel in early 2019. This panel, which we refer to as the Employee Voice Forum (EVF), comprises seven employees who provide a broad representative mix of regions and functions across the business and is chaired by one of our independent Non-Executive Directors. Nicoletta Giadrossi chaired the EVF during 2020 and, following the Board changes summarised below, Peter Kallos has assumed the role of chair with effect from January 2021.

The COVID-19 pandemic placed even more emphasis on the importance of the EVF (alongside our other employee engagement mechanisms) during 2020 given most of our employees have been working from home since March 2020. The EVF met twice during the year with the first of these meetings taking place in May 2020, and a further meeting in September 2020. The employee members also hold a pre-meeting (without the chair present) in advance of scheduled EVF meetings in order to identify agenda items and topics for discussion. Due to the UK and Scottish Government guidance and restrictions in place for much of 2020, all of these meetings were held remotely by video conferencing and all forum members were present. Employee members are also provided with summarised outputs from the Company's employee engagement surveys to assist in stimulating discussion and to help identify any other matters for prioritisation and discussion at EVF meetings. Following each meeting, the chair reports to the Board on the matters discussed by the EVF, thereby allowing for broader Board discussion of any topics or issues identified by the workforce and appropriate consideration of these in the context of the Board's decision-making.

The Board
Cairn's business is international in scope and carries political, commercial and technical risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the industry and regulatory environment in which Cairn operates, and appropriate financial, operational and risk management skills. In each Board appointment, whether executive or non-executive, objectivity and integrity, as well as skills, experience, ability and diversity, are prerequisites for appointment and considered necessary to assist the Board in its key functions. This also applies to senior management appointments below Board level and, accordingly, to our succession planning.

The Company considers ongoing refreshment of the Non-Executive Directors to be positive as it brings new thinking to the Company as well as ensuring there is a healthy level of independent challenge of management. The Board's collective skills and experience equip it to direct the Company's strategy and meet its business needs as they evolve over time. The Board is also mindful, however, that an appropriate balance between directors who can bring a new perspective and those who provide continuity is essential for the business.

Board Changes
Erik B. Daugbjerg was appointed as a Non-Executive Director with effect from 14 May 2020 to replace Todd Hunt, who retired as a Non-Executive Director immediately following the AGM on the same date. The Company also announced in May 2020 that Ian Tyler intended to step down as Non-Executive Chair of the Company within the following 12 months, having served on the Board for seven years including six as Chair.

Following a thorough and comprehensive succession process, which was led by one of the independent Non-Executive Directors, the Company announced in November 2020 that I would be appointed Chair with effect from 1 January 2021. I was an existing Non-Executive Director and was appointed to the Board in January 2017. I have extensive experience in oil and gas and other energy markets, both in executive and non-executive roles, including wide engagement on Environmental, Social and Governance issues.

The Chair succession and handover process during 2020 has enabled an effective and seamless transition of the leadership of the Board. Further information on Board succession planning and the appointment process for Erik B. Daugbjerg and for the position of Chair is included in the Nomination Committee Report on pages 92 and 93.

In line with Code recommendations, from 1 January 2021, I stepped down as chair of the remuneration committee and retired as a member of the audit committee. Alison Wood was appointed chair of the remuneration committee and has extensive experience in this area, having served on the remuneration committees of a number of other listed companies. In addition, Erik B. Daugbjerg was appointed a member of the remuneration committee and Catherine Krajicek was appointed a member of the audit committee. Further details of the changes to the composition of the various Board committees are detailed on pages 82 and 83.

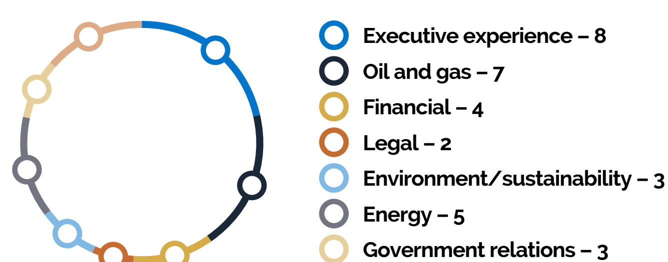
In view of the above changes, the Board currently comprises two Executive Directors and six Non-Executive Directors, including the Chair. The Directors of the Company as at the date of this statement are set out in the table to the right and further biographical information about our Directors is included in the Board of Directors section on pages 72 and 73.

Name	Role	Date of appointment (in current role)	Date of last re-election
Simon Thomson	Chief Executive	July 2011	14 May 2020
James Smith	Chief Financial Officer	May 2014	14 May 2020
Nicoletta Giadrossi	Non-Executive Chair	January 2021	14 May 2020
Keith Lough	Non-Executive Director	May 2015	14 May 2020
Peter Kallos	Non-Executive Director	September 2015	14 May 2020
Alison Wood	Non-Executive Director	July 2019	14 May 2020
Catherine Krajicek	Non-Executive Director	July 2019	14 May 2020
Erik B. Daugbjerg	Non-Executive Director	May 2020	N/A*

* Erik B. Daugbjerg will seek re-election by shareholders at the AGM to be held on 11 May 2021.

Diversity is a key element of the Cairn Board, with emphasis placed not only on gender but also on culture, nationality, experience and cognitive diversity. Following the appointment of Alison Wood and Catherine Krajicek as Non-Executive Directors, the number of women on the Board increased from one to three with effect from 1 July 2019 and the position of Chair is also now occupied by a woman. The Board continues to demonstrate diversity in a wider sense, with Directors from Europe and the USA as well as the UK, bringing a range of domestic and international experience to the Board. The Board's diverse range of experience and expertise covers not only a wealth of experience of operating in the oil and gas industry but also extensive technical, operational, financial, governance, legal and commercial expertise. Further information on diversity within Cairn is included in the Nomination Committee Report on page 93 and in the Strategic Report section of this Annual Report.

Board Competencies



Division of Responsibilities between Chair and Chief Executive

The Company has a clear division of responsibilities between the positions of Chair and the Chief Executive, which is set out in writing and agreed by the Board.

Chair key responsibilities:	Chief Executive key responsibilities:
– Leading the Board in an ethical manner and promoting effective Board relationships. – Ensuring that the Board plays a full and constructive part in the determination and development of the Company's strategy. – Building a well-balanced Board, considering Board composition and Board succession. – Ensuring the effectiveness of the Board and individual Directors. – Overseeing the annual Board evaluation and acting on its results. – Ensuring appropriate induction and development programmes for Directors. – Setting the Board agenda, chairing Board meetings and overseeing implementation of the Board's decisions. – Engagement with shareholders and other stakeholders when appropriate.	– Managing the business and proposing and developing the Company's strategy and overall objectives in consultation with the Board. – Driving the successful and efficient achievement of the Company's Key Performance Indicators (KPIs) and strategic objectives. – Leading the Executive Committee in ensuring the effective implementation of decisions of the Board and its committees. – Providing strong and coherent leadership of the Company and effectively communicating the Company's culture, values and behaviours internally and externally. – Engagement with shareholders and other stakeholders.

Senior Independent Director

Peter Kallos continues to be the Company's Senior Independent Non-Executive Director. The main responsibilities of this role are as follows:

- To provide a sounding board for the Chair and to serve as an intermediary with other Directors when necessary;
- To be available to shareholders and other stakeholders if they have any concerns which contact through the normal channels of Chair, Chief Executive or Chief Financial Officer has failed to resolve or for which such contact is inappropriate;
- To meet with the other Non-Executive Directors without the Chair present, at least annually, in order to appraise the Chair's performance; and
- To act as Chair of the Employee Voice Forum.

Performance Evaluation

The Board continually strives to improve its effectiveness and recognises that the performance evaluation process represents an annual opportunity to enhance overall Board effectiveness. In line with the Code recommendation to conduct an externally facilitated Board evaluation at least every three years, the Board appointed Independent Audit to facilitate its performance evaluation for 2018 (previous externally facilitated evaluations took place in 2012 and 2015, with evaluations conducted internally in the intervening years). In view of the external evaluation carried out in 2018, the Board conducted an internal performance evaluation in 2019.

The main action points arising from the 2019 internal performance evaluation and progress against these are set out in the table below.

Key action points/Implementation (disclosed in last year's Corporate Governance Statement)	Progress made in 2020
Communications between Board meetings The Board considered how best to continue to optimise communications between scheduled Board meetings, with a focus on the provision of additional 'event driven' updates from the Executive Directors.	During the year, the Executive Directors provided regular updates between scheduled Board meetings by way of e-mail or ad hoc remote calls. During the year, regular updates were provided on the progress of the Sangomar sale and Indian arbitration.
Ongoing focus on culture The Board will continue to pursue a deep understanding of the culture of the organisation from the 'bottom up', through ongoing engagement with employees and other stakeholders.	The Board recognises the importance of its role in driving the culture of the business and seeking feedback on culture and strategy within the organisation. Despite most employees working from home during the majority of 2020, engagement between the Board and staff continued through the EVF with employee engagement surveys also being regularly distributed to the workforce.

For 2020, in view of the external evaluation carried out in 2018, it was agreed at the September 2020 Board meeting that an internal Board performance evaluation would be carried out. The Company Secretary prepared a questionnaire for this purpose, which was then reviewed and approved by the Chair. The questionnaire was subsequently completed by all Directors to evaluate the performance of the Board, its committees, and individual Board members. The performance evaluation of the Chair was also carried out by internal questionnaire. This was prepared by the Company Secretary and reviewed and approved by the Senior Independent Non-Executive Director.

Following completion of the internal questionnaires, the Chair held individual meetings with all Board members to discuss the results of the performance evaluation. The Senior Independent Non-Executive Director also held a meeting with Board members (without the Chair present) to discuss the performance evaluation of the Chair. The outcome and findings from the 2020 internal performance evaluation were then discussed at the November 2020 Board meeting. The main action points arising from the 2020 performance evaluation include the following:

Key action points	Implementation
ESG reporting to the Board	The Board considered how best to optimise discussion on ESG matters and it was agreed that the Board should receive updates on a more formal basis in respect of such matters. ESG is now a standing agenda item at each Board meeting.
Board meetings – the management presentation	The Board considered that the format, content and structure of the management presentation had been developed during the year and timely distribution ahead of meetings allowed the Board members sufficient time to understand the detail of the ongoing operations of the organisation. The Board considered that there was an opportunity to streamline the presentation itself to allow greater time for discussion around key areas.

Key action points	Implementation
Communications between Board meetings	In addition to event-driven updates provided by the Executive Directors between scheduled Board meetings, the Board considered how to further optimise communications amongst its members and there will be a focus on regular monthly updates from Executive Directors.
Risk discussion	The Board will continue to discuss risk at each meeting and will increase the time given to the risk discussion in a structured, extensive and formalised manner.

As explained above, some improvements have been identified and have already been implemented or will be addressed during 2021.

Following the Board performance evaluation process conducted in 2020, the Board and Board committees are satisfied that they are operating effectively and that each Director has performed well in respect of that Director's role on the Board and its committees. The Board believes that all of the Directors' performance continues to be effective and that they each demonstrate commitment to their role. The Nomination Committee has also reviewed the outcomes of the 2020 evaluation to consider how these influence or otherwise impact on Board composition.

The Executive Directors also have their performance reviewed by the Remuneration Committee against the Group KPIs which are set annually (further details of the KPIs can be found on pages 30 to 33). The 2020 bonuses payable to the Executive Directors under the Company's discretionary cash bonus scheme (described further in the Directors' Remuneration Report on pages 94 to 121) are linked directly to the Group's performance against these KPIs. As the KPIs set out our strategic objectives, this ensures that executive performance is directly linked to Group strategy.

Independence of Non-Executive Directors

The Board considers the independence of each of the Non-Executive Directors on an ongoing basis, taking into account their integrity, their objectivity and their contribution to the Board and its committees. The Board is of the view that the following behaviours are essential for a Director to be considered independent:

- Provides an objective, robust and consistent challenge to the assumptions, beliefs and views of senior management and the other Directors;
- Questions intelligently, debates constructively and challenges rigorously and dispassionately;
- Acts at all times in the best interests of the Company and its shareholders and other stakeholders;
- Has a detailed and extensive knowledge of the Company's business and of the market as a whole which provides a solid background against which they can consider the Company's strategy objectively and help the Executive Directors develop proposals on strategy; and
- Has no close ties or material relationships with the Company, either directly or indirectly.

Having reviewed the independence of each of the Non-Executive Directors against these criteria, the Board concluded that all Non-Executive Directors demonstrated each of the required competencies to a high level and are, therefore, each considered independent by the Board.

Time Commitment of Non-Executive Directors

The Board recognises its responsibility under the Code to take into account other demands on each Director's time, with a view to ensuring that its Directors (particularly those Non-Executive Directors who sit on other public company boards) have sufficient time to devote to their role on the Cairn Board. Prior to appointment, each individual's other significant commitments are disclosed and there is also a policy in place to ensure that additional external appointments are not undertaken without prior consultation. The other directorships held by each Non-Executive Director (where applicable) are disclosed in the Board of Directors section on pages 72 and 73.

None of our Non-Executive Directors currently sit on more than four public company boards (including Cairn) and those who do sit on other public company boards have taken appropriate steps to ensure that they have sufficient time to devote to their role on the Cairn Board. By way of example, I am actively reducing the number of directorships I hold in order to ensure that I have sufficient time to devote to my new role as Chair of the Company.

Re-Election of Directors

In accordance with the Code, all of the Company's Directors are subject to annual re-election by shareholders. As such, each of the current Directors will seek re-election at the AGM to be held on 11 May 2021.

Induction and Development

New directors receive a full and appropriate induction on joining the Board. This involves a tailored programme of meetings with other Board members, senior management and the Company Secretary.

In addition, new directors receive a comprehensive induction pack which contains a wide range of materials including:

Board	Board papers and minutes of previous meetings; schedule of matters reserved to the Board; list of Board and committee members and dates of appointment; and schedule of dates for Board and committee meetings.
Committees	Terms of reference for all Board committees.
Risk	Terms of reference for Risk Management Committee and minutes of last meeting; current Group Risk Matrix and Risk Appetite Statement; FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.
Key policies	Cairn Operating Standards, Group Corporate Responsibility Guiding Principles; Group Code of Ethics; Anti-Bribery-and-Corruption (ABC) Management System; Dealing Code; Insider Lists Process; Procedures, Systems and Controls for Compliance with the Market Abuse Regulation, the Listing Rules and the Disclosure Guidance and Transparency Rules.
Organisation	Organisational structure, Group structure chart; latest Annual Report and Accounts.
Governance	UK Corporate Governance Code; all supporting FRC Guidance; FRC Feedback Statement on UK Board Succession Planning; FRC Report Corporate Culture and the Role of Boards; ICSA and Investment Association Guidance on the Stakeholder Voice in Board Decision Making.
Legal/regulatory	Memorandum on continuing obligations of directors of premium listed companies; ICSA Guidance on Directors' General Duties; ICSA Guidance on Liability of Non-Executive Directors; GC 100 Guidance on Directors Duties: Section 172 and Stakeholder Considerations; GC 100 and Investor Group Guidance on Directors' Remuneration Reporting.
Insurance	Full details of Directors' and Officers' liability cover.

The Company ensures that new directors also receive additional induction support and training when assuming any additional responsibilities such as membership of Board committees. By way of example, Alison Wood and Erik B. Daugbjerg, upon their appointment to the remuneration committee, had induction meetings with each of the Company's remuneration advisers, and Catherine Krajicek had an induction meeting with the lead audit partner and Cairn staff responsible for audit work. Where appropriate, the Company arranges for new non-executive directors to receive additional briefings on key matters regularly discussed by the Board.

The Company provides, on an ongoing basis, the necessary resources for developing and updating its existing Directors' knowledge and capabilities. In particular, the Company is committed to the provision of continuing professional development training for its Directors. In 2020, the Company continued with its practice of providing a Directors' education programme consisting of a number of seminars for Board members, which are presented by the Company's external advisers/guest speakers/members of senior management, on subjects appropriate to the Company's business, including changes to legislation, regulation and market practice. During 2020, the subjects covered by these seminars included:

Q1	An externally facilitated discussion on succession planning
Q2	A pre-strategy session (on the same day as the Board's annual strategy session) including a presentation delivered by Wood Mackenzie on 'Exploration in the current environment'; and 'ESG and the evolution of expectations from investors and the public
Q3	A workshop provided by PwC on 'Corporate Governance and Reporting'
Q4	– Annual ABC update delivered by Pinsent Masons – Board risk workshop on cyber security, delivered by EY

These seminars are incorporated into the schedule for the relevant Board meeting and are attended by all Directors present at such meetings as well as the Chief Operating Officer and Director of Exploration (the Company keeps a record of attendance). Any Director may request that a particular subject be covered in a seminar.

Information and Support

The Board has full and timely access to all relevant information to enable it to discharge its duties. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its committees and between executive management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary ensures the presentation of high quality information to the Board and its committees and that all papers and information are delivered in a timely fashion. Board and committee papers are delivered securely through an electronic platform.

The Company Secretary is responsible for advising the Board, through the Chairman, on all corporate governance matters, and each Director has access to the advice and services of the Company Secretary.

There is also a procedure agreed by the Board for directors, in furtherance of their duties, to take independent professional advice if necessary, at the Company's expense.

Conflicts of Interest

The Board has in place a procedure for the consideration and authorisation of conflicts or possible conflicts with the Company's interests. All Directors are aware of the requirement to submit details to the Company of any current situations (appointments or otherwise) which may give rise to a conflict, or potential conflict, of interest. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

Whistleblowing

The Group has a robust Whistleblowing Policy in place through which the workforce can raise any matters of concern – further information on the Group's Whistleblowing Policy is included in the Audit Committee Report on page 87.

Matters Reserved to the Board and Delegation of Authority

The Board has a formal schedule of matters specifically reserved to it for decision, which is divided into categories covering different types of decisions, including: corporate; Board/Directors; financial/operational; and legal/regulatory.

By way of example, some of the matters which the Board considered and/or approved during 2020 and Q1 2021 were:

Corporate	Board/Directors
The Company's 2019 and 2020 Annual Report and Accounts and 2020 Half Yearly Report	Appointment of new Chair
The Company's 2020 AGM circular	Appointment of one new Non-Executive Director
The Company's Risk Appetite Statement	Changes to Board committees
Review of the Company's Corporate Responsibility Management System	Detailed review of talent management and of succession contingency planning

Financial/Operational	Legal/Regulatory
The sale of the Company's interest in the Sangomar asset in Senegal and the subsequent return of ~US$250m to shareholders	Oversight of the arbitration process seeking resolution of the Indian tax issue
The appropriateness of the Group going concern sign-off for the 2019 and 2020 full year accounts and 2020 half year Financial Statements	Approval of the Company's Modern Slavery Statement and its publication on the Company's website
The Company's viability statement	Approval of the Group Tax Strategy and its publication on the Company's website
The Company's annual work programme and budget	
Group Reserves and Resources	

In addition to the above, the Board conducts an annual review of the effectiveness of the Company's internal controls (with ongoing monitoring throughout the year), an intensive annual strategy session (normally in June each year), and an annual 'deep dive' risk management workshop (normally in November each year).

The Board also has an approved set of financial delegations of authority to ensure clarity throughout the business concerning the distinction between financial matters which require Board approval and those that can be delegated to senior management.

The senior management structure beneath Board level has changed from that disclosed in last year's corporate governance statement, with the Senior Leadership Team (SLT) having been replaced by a smaller, more focused Executive Committee (ExecCo) with effect from 1 December 2020. Both the ExecCo and Management Team (MT) continue to play a key role in supporting the Board.

Board and Management Committee Structure

Board of Directors

Board Committees (audit, remuneration and nomination*)

Risk Management Committee (RMC) | **Chief Executive**

Executive Committee (ExecCo)

Management Team (MT)

Exploration Leadership Team (ELT)

* Further information on our Board committees is contained later in this statement on pages 82 and 83 and in the separate Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report.

During the year, the SLT comprised the Executive Directors and, prior to completion of the sale of Capricorn Norge A/S, six other members of senior management. Following completion of that sale, the SLT comprised the Executive Directors and five other members of senior management. With effect from 1 December 2020, the SLT was replaced by the ExecCo, which comprises the Executive Directors (the Chief Executive and the Chief Financial Officer), the Chief Operating Officer and the Director of Exploration. The ExecCo (and previously the SLT) is chaired by the Chief Executive and meets at least six times per year with those meetings scheduled in advance of Board meetings.

Key elements of the ExecCo's role include the following:
- Devising and generating the Company's strategy to be proposed to the Board for approval and implementing and communicating this strategy across the business;
- Implementing the business plan, the Key Performance Indicators and annual work programme and budget following their approval by the Board;
- Considering business development and new venture projects prior to recommending these to the Board; and
- Providing leadership and guidance to the Company on vision, strategy, culture, corporate governance, corporate responsibility and HSE matters.

The MT is chaired by the Chief Operating Officer and meets formally six times per year, with four of those meetings focusing on a quarterly performance review of the business.

The key elements of the MT's role include the following:
- Developing and executing the annual work programme and budget, which will deliver the Company's strategic objectives;
- Assessing and determining the mitigation plans for key business risks and ensuring that risks are captured and reviewed regularly;
- Coordinating operations and licence management along with resource allocation and organisational alignment to ensure timely and cost-effective delivery against approved budgets;
- Oversight of the Company's commitment to working responsibly; and
- Reviewing and approving the Company's Operating Standards.

A number of members of the MT are also members of the RMC, which identifies and reviews key business risks – further information on the role of the RMC is contained in the internal control section of this statement on pages 84 and 85.

The Exploration Leadership Team (ELT), which is chaired by the Director of Exploration, meets on a monthly basis to assist the Director of Exploration in delivering a robust exploration portfolio, with a particular focus on the following:
- Providing assurance that opportunities being pursued by new ventures are sufficiently value-added and meet Cairn's strategic objectives;
- Considering whether opportunities being pursued have acceptable subsurface, above ground and fiscal attributes to continue evaluation;
- Developing a timeline for each existing or proposed opportunity which drives to a decision, including drill or drop, as expeditiously as practical;
- Ensuring that the subsurface geoscience aspects of all exploration and appraisal and new venture opportunities align with Cairn's strategic objectives;
- Ensuring consistent, efficient screening and ranking of exploration opportunities, following initial data room assessment but prior to detailed evaluation, utilising the significant knowledge and experience of the team;
- Ensuring that the significant knowledge and experience of the team is utilised appropriately and consistently in the delivery of best practice across all areas of geological and geophysical (G&G) analysis in accordance with Cairn's business plan and core business principles; and
- Considering and/or seeking appropriate data subscriptions, purchases and academic collaborations to ensure rapid opportunity evaluation and capture.

Board Meetings
During 2020, a total of nine scheduled meetings of the Board were held. Due to the COVID-19 pandemic and related UK and Scottish Government guidance and restrictions in place during 2020, only one Board meeting was held in person and all other Board meetings were held virtually. Five of these meetings were conducted over two consecutive days following the usual format for Board meetings described below, with another four shorter meetings held to update the Board and/or to approve specific matters during 2020.

The first day of Board meetings normally includes a CEO meeting with the Non-Executive Directors and (when applicable) a Board education session, followed by a report from the CEO and CFO and a management presentation, both of which form part of the formal business of the Board meeting. The CEO and CFO report and management presentation provide a detailed update from senior management and other employees on key projects, assets or matters to be considered at the Board meeting, allowing opportunity for a technically rigorous discussion. This information allows the Board to understand more fully any risks or challenges to the business plan and strategy and also provides broad exposure to the employee base within the Company.

Board committee meetings are also scheduled for the same dates as Board meetings and are either split over two days or scheduled for one day, depending on the number of committee meetings required. All Board committee meetings take place prior to the main part of the Board meeting so that the chair of each committee can provide a report to the Board. These are followed by the remainder of the formal business of the Board meeting. The Chair also holds a short meeting with the other Non-Executive Directors (without the Executive Directors) at the end of the second day.

Details of attendance at each of the Board meetings during 2020, and at meetings of each of the Board committees, are set out on page 82. As disclosed above, the COVID-19 pandemic and related restrictions have meant that only one Board meeting during 2020 was able to be held in person. The Company has, however, very successfully used its technological communication platforms to ensure that Directors could continue to attend all scheduled Board and committee meetings and were also able to do so 'on camera'.

When it is deemed appropriate by the Board, and in line with the applicable UK and Scottish Government guidance and/or restrictions, the Directors hope to transition back to safely meeting in person during 2021.

The annual timetable for Board and committee meetings is discussed at least 18 months prior to its commencement allowing the Directors to plan their time accordingly. The Board and committees have agreed dates for all scheduled meetings in 2021 and 2022. This process ensures that the Chair can be comfortable that each Director is able to devote sufficient time and resources to their role on the Board and, where relevant, its committees.

The formal agenda for each scheduled Board meeting is set by the Chair in consultation with the Chief Executive and the Company Secretary. The system for establishing agenda items means that the Chairman, the Board and each of the Board committees have the confidence that all required items are included on their agenda at the most appropriate time of the year and that there is sufficient time allocated for discussion, allowing the Directors to discharge their duties effectively.

Formal minutes of all Board and committee meetings are circulated to all Directors prior to the subsequent Board meeting and are considered for approval at that Board meeting. In addition, the members of the Board are in frequent contact between meetings regarding progress of the Group's business plan, one example being an annual Board update call in January ahead of the other scheduled Board meetings for the year. There is also a procedure in place to allow Board meetings to be convened at short notice where required to deal with specific matters which need to be considered between scheduled Board meetings.

As noted above, the Non-Executive Directors have a practice of meeting informally at the end of each Board meeting without Executive Directors being present. At these Non-Executive forums, the Non-Executive Directors are invited by the Chair to bring forward any matter pertaining to the business of the Board that they believe would benefit from discussion in such forum. This practice also applies after Board committee meetings to ensure that Non-Executive Directors can discuss any relevant issues arising from those meetings without management being present.

Directors' Attendance at 2020 Board and Committee Meetings

The table below sets out the attendance record of each Director at scheduled Board and Board committee meetings during 2020.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Meetings held during 2020[1]	9	4	4	2
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Executive Directors				
Simon Thomson (Chief Executive)	9	n/a[2]	n/a[2]	2
James Smith (Chief Financial Officer)	9	n/a[3]	n/a	n/a
Non-Executive Directors				
Nicoletta Giadrossi (Chair[4])	9	4[5]	4	2
Peter Kallos (Senior Independent Director)	9	n/a	4	2
Keith Lough	9	4	n/a	2
Alison Wood	9	4	n/a	n/a
Catherine Krajicek	9	n/a	n/a	n/a
Erik B. Daugbjerg[6]	5	n/a	n/a	n/a
Former Non-Executive Directors				
Todd Hunt[7]	4	n/a	n/a	n/a
Ian Tyler[8] (former Chair)	9	n/a	4	2

Notes:
n/a not applicable (where a Director is not a member of the committee).
1 During 2020, certain Directors who were not committee members attended meetings of the Audit Committee, Remuneration Committee and Nomination Committee by invitation. These details have not been included in the table.
2 Simon Thomson is not a member of the Remuneration Committee but attends its meetings by invitation (other than parts of meetings where he would be conflicted). Mr Thomson also attends Audit Committee meetings by invitation.
3 James Smith is not a member of the Audit Committee but attends its meetings by invitation.
4 Nicoletta Giadrossi was appointed Chair of the Company with effect from 1 January 2021 and attended all Board meetings during 2020.
5 Nicoletta Giadrossi was a member of the Audit Committee until 31 December 2020. The number of meetings she attended is stated up to that date.
6 Erik B. Daugbjerg was appointed as a Non-Executive Director with effect from 14 May 2020. The number of meetings he attended is stated from that date.
7 Todd Hunt retired as a Non-Executive Director on 14 May 2020. The number of meetings he attended is stated up to that date.
8 Ian Tyler retired as Non-Executive Chair of the Company on 31 December 2020. The number of meetings he attended is stated up to that date.

Board Committees

Board Committee Structure During 2020

Board of Directors

Audit Committee | **Remuneration Committee** | **Nomination Committee**

Each of the Board committees is provided with all necessary resources to enable them to undertake their duties in an effective manner and has formal terms of reference approved by the Board. Copies of the terms of reference, which were reviewed and updated in line with the 2018 version of the Code and approved by the Board in March 2019, are available on the Company's website. The Company Secretary acts as secretary to the Remuneration and Nomination Committees and during the year, the Deputy Company Secretary acted as secretary to the Audit Committee. The minutes of all committee meetings are circulated to all Directors.

In line with best practice, more detailed reports from the Audit and Nomination Committees are presented as separate reports (on pages 86 to 93) rather than including these in the Corporate Governance Statement. In addition, full details of the Company's remuneration policy are given in the separate Directors' Remuneration Report on pages 94 to 121. Summary details of the composition of each committee and meetings held during 2020 are set out below.

Audit Committee

The members of the Audit Committee during the year were as follows:
- Keith Lough (Chair);
- Nicoletta Giadrossi (member of the Committee until 31 December 2020); and
- Alison Wood.

The Audit Committee met four times during 2020 and currently comprises three independent Non-Executive Directors. In line with Code requirements and following her appointment as Chair of the Company, Nicoletta Giadrossi retired as a member of the Committee with effect from 31 December 2020 and Catherine Krajicek was appointed a member of the Committee with effect from 1 January 2021. The Chair of the Board is not a member of the Committee but attends its meetings by invitation. Further information on the role, responsibilities and work of the Audit Committee is included in the Audit Committee Report on pages 86 to 91.

Remuneration Committee

The members of the Remuneration Committee during the year were as follows:
- Nicoletta Giadrossi (Chair until 31 December 2020);
- Ian Tyler (retired as Chair of the Company and as a member of the Committee on 31 December 2020); and
- Peter Kallos.

The Remuneration Committee met four times during 2020 and with effect from 1 January 2021 comprises four independent Non-Executive Directors. In line with Code requirements and following her appointment as Chair of the Company, Nicoletta Giadrossi retired as Chair of the Committee but remains a member of the Committee. With effect from 1 January 2021, Alison Wood was appointed Chair of the Committee and Erik B. Daugbjerg was appointed a member of the Committee. The Chief Executive is not a member of the Committee but attends its meetings by invitation. The Committee's remuneration advisers (Alvarez & Marsal) and management's remuneration advisers (Deloitte) are also invited to attend the Committee's meetings as required.

None of the members of the Remuneration Committee, nor the Chief Executive, nor the Chair, participated in any meetings or discussions relating to their own remuneration. The Committee has established a practice of meeting informally without any Executive Directors or advisers present after each Committee meeting to allow the Non-Executive Directors to discuss any matter which has arisen in the meeting (or relating to the duties of the Committee) which they believe would benefit from discussion in such forum.

Further information on the role, responsibilities and work of the Remuneration Committee is included in the Directors' Remuneration Report on pages 94 to 121.

Nomination Committee
The members of the Nomination Committee during the year were as follows:

- Ian Tyler (Chair and member of the Committee until 31 December 2020);
- Simon Thomson;
- Keith Lough;
- Peter Kallos; and
- Nicoletta Giadrossi.

The Nomination Committee met two times in 2020. Following her appointment as Chair of the Company, Nicoletta Giadrossi was appointed Chair of the Committee with effect from 1 January 2021. As such, the current members of the Committee include the new Chair and two of the Company's independent Non-Executive Directors. In addition, to ensure continuing executive input on nomination matters, the Chief Executive is also a member of the Committee.

Further information on the role, responsibilities and work of the nomination committee is included in the separate Nomination Committee Report on pages 92 and 93.

Shareholders and Annual General Meeting (AGM)
Communications with shareholders are given high priority by the Board. The Company has implemented the provisions of the Companies Act 2006 regarding electronic communication with its shareholders, in order to give shareholders more choice and flexibility in how they receive information from the Company. Cairn responds promptly to correspondence from shareholders and the Company's website contains a wide range of information on the Company, including a dedicated investor relations section.

In order to ensure that the members of the Board develop an understanding of the views of major shareholders, there is regular dialogue with institutional shareholders, including meetings with executive management after the announcement of the year-end and half-year results. The Board is kept informed of any issues raised by shareholders both as a standing agenda item in Board papers and through feedback at Board meetings and following results or other significant announcements. In addition, the Company maintains an investor relations database which details all meetings with investors or other related stakeholders. All analyst reports relating to the Company are also distributed to the Board.

A list of the Company's major shareholders can be found in the Directors' Report on page 124. The Company recognises that the success of the comply-or-explain approach under the Code depends on an ongoing and open dialogue with shareholders, and remains committed to engaging with shareholders, as well as governance and proxy voting agencies, on any matter which they wish to discuss in relation to the Company's governance.

The Company has a rolling programme of investor roadshows to ensure that senior management are regularly engaging with current and potential investors. During the last 18 months, certain Directors have also engaged directly (either through meetings or by telephone/written correspondence) with specific investors, investor groups, and proxy advisory agencies on a range of matters including progress against strategic objectives, diversity and remuneration. During 2020, the majority of investor meetings were held through virtual communications platforms due the restrictions in place in response to the COVID-19 pandemic. Following the announcement of her appointment as Chair, Nicoletta Giadrossi met with a number of shareholders by way of introduction.

AGM details (2020 and 2021)	Overview
2020 AGM: held as a closed meeting due to COVID-19 on Thursday, 14 May 2020 at the Company's Head Office	– At least 73% of all issued shares voted by shareholders in each resolution – Highest votes in favour >99% for nine resolutions – No resolutions with <91% in favour
2021 AGM: to be held on Tuesday, 11 May 2021 at 50 Lothian Road, Edinburgh, EH3 9BY (full details, including restrictions in place due to COVID-19 are set out in the Notice of AGM)	– Director attendance will be dependent upon UK and Scottish Government restrictions in place due to COVID-19 – 13 ordinary resolutions and four special resolutions being proposed to shareholders

The Board uses the AGM to communicate with private and institutional investors and has always welcomed their participation in annual general meetings. However, as a result of the COVID-19 pandemic and the measures that the UK and Scottish Governments had put in place restricting public gatherings of more than two people and all but essential travel, for the safety of our shareholders, our employees, our advisers and the general public, attendance at the 2020 AGM in person was unfortunately not possible and as such, just the Executive Directors were present, in order to constitute the quorum of two shareholders required for the meeting to be held, and to deal with the formal business of the meeting.

The Notice of AGM sent to shareholders on 14 April 2020, which was also published on the Company's website, fully explained these arrangements to shareholders and recommended that shareholders submit their votes on each of the resolutions being proposed by proxy in advance of the meeting, or to authorise the Chair of the meeting to vote on their behalf. The Company also enabled shareholders to submit any questions in advance of the meeting. These arrangements were implemented in line with regulatory guidance published in relation to holding AGMs during the COVID-19 pandemic, as well as the approach adopted by other FTSE companies in order to safely conduct their AGMs.

Under normal circumstances, it is policy for all Directors to be present at the AGM, with the Chair of each of the Board committees also expected to attend and be prepared to answer shareholder questions on areas within their remit. Our employees based in Edinburgh are also normally invited to attend the AGM as the Directors recognise that this provides a valuable opportunity for workforce engagement with the Board. In 2020, given employees were not able to attend the AGM, the Company held a virtual staff meeting immediately after the AGM.

As part of our commitment to transparency we look to involve shareholders fully in the affairs of the Company and to give them the opportunity at the AGM to ask questions about the Company's performance and activities. Details of resolutions to be proposed at the AGM on 11 May 2021 and an explanation of each resolution can be found in the separate Notice of AGM Circular accompanying this Annual Report and Accounts.

The proxy votes for and against each resolution, as well as abstentions, will be counted before the AGM and the results will be made available following the meeting after the shareholders have voted in a poll on each resolution. Both the Form of Proxy and the poll card for the AGM include a 'vote withheld' option in respect of each resolution, to enable shareholders to abstain on any particular resolution. It is explained on the Form of Proxy that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'for' or 'against' a resolution. To date, the Company has never received 20% or more of votes cast against the Board recommendation for any resolution proposed at an AGM.

Information Pursuant to the Takeover Directive
The Company has provided the additional information required by the Disclosure and Transparency Rules of the UK Listing rules (and specifically the requirements of DTR 7.2.6 in respect of directors' interests in shares; appointment and replacement of directors; powers of the directors; restrictions on voting rights and rights regarding control of the Company) in the Directors' Report.

Internal Control
The Board has overall responsibility for the Group's system of internal control, which includes all material controls, including financial, operational and compliance controls and related risk management, and for regularly reviewing its effectiveness. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Group's strategic objectives. Because of the limitations inherent in any system of internal control, Cairn's system is designed to meet its particular needs and the risks to which it is exposed, with a focus on managing risk rather than eliminating risk altogether. Consequently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has in place an Integrated Internal Control and Assurance Framework (the 'Framework'), which plays a critical role in setting out how the Company manages and assures itself that the risks relating to the achievement of corporate vision, strategy and objectives are effectively controlled. The Framework is based on the Committee of Sponsoring Organisations (COSO) framework and its five key components, which is a commonly used and recognised international framework for considering internal control systems. The COSO framework seeks to help organisations develop systems of internal control which help facilitate the achievement of business objectives and improvements in Company performance. The COSO framework also supports organisations in adapting to increasingly complex business environments and managing risks to acceptable levels with the aim of safeguarding shareholders' interests and Company assets.

The Framework has been in place for the 2020 financial year and up to the date of approval of the Annual Report and Accounts. The Board, supported by the Audit Committee, has carried out a review of the effectiveness of the systems of internal control during 2020 and will ensure that a similar review is performed in 2021. In so doing, the Board and Audit Committee took into account the assurance provided by the Chief Executive in respect of the effectiveness of the Group's system of internal control. The Board is accordingly satisfied that effective controls are in place and that risks have been mitigated to a tolerable level across the Group in 2020.

Particular attention has been placed by the Company's management on ensuring that an effective system of internal control has been maintained during the year in relation to the key risks in the Company's business activities. Enhancements have been made during 2020 to the following key controls, business processes and procedures:
- The Board completed a risk workshop which focused on further understanding potential cyber threats to the business. The objective of the workshop was to provide the Board further insight into the growing threats from cyber risk, with a focus on the changing risk environment resulting from the increase in home working. The workshop was facilitated by EY who provided an external view on some of the projects identified as priorities from our peers;
- The MT conducted a review of the risks, mitigations and actions identified on the Group risk register each quarter to ensure ownership for the risks, mitigations and actions were clearly assigned and implementation dates for actions were tracked;
- A compliance dashboard, developed in 2019 to assess compliance with a number of key regulations impacting the Group including UK Bribery Act, GDPR, CCO, CMAPP and modern slavery was presented at each RMC meeting and is presented annually to the Audit Committee as part of the year end control assessment;
- Assurance maps for the Group were updated in Q1 2020 to capture the key sources of assurance for business critical activities across the Group. The assurance map will be updated annually;
- EY, the Group's internal auditor, delivered the annual internal audit plan which consisted of a number of risk areas identified from the risk register. Topics covered in 2020 included New Ventures, Tax Governance, Mexico Operations and IT general controls. The Group has been working through the year to implement any identified improvements; and
- To ensure awareness, understanding and compliance on important governance, regulatory and security topics, mandatory e-learning was also implemented across the Group, which included comprehensive modules on modern slavery, anti-bribery and corruption and cyber security.

The following describes the key elements of the Framework and the processes used by the Board during 2020 to review the effectiveness of the system and the approach to be taken in 2021.

1. Strategic Direction
The Company's strategy and business plan are proposed by the ExecCo and approved by the Board. The Chief Executive is responsible for managing the Company's business and implementing the Company's strategic objectives in consultation with the Board and ExecCo. The Chief Executive is also responsible for implementing the decisions of the Board and its committees and driving performance measured against the Company's KPIs.

2. Operating Management
The Company operates two regional units covering different countries and assets and with multiple partners on both an operated and non-operated basis, with a further operating unit responsible for UK production assets. The assets within each region are the principal focus for our regional managers, who are tasked with delivering the strategic objectives for their particular region, with a combination of operational and technical teams as well as functional departments providing support to each of the assets. The implementation of the Cairn Operating Standards supports this process, providing assurance, standards and consistency in the delivery of our strategic objectives.

The Executive Directors continue to be supported by the ExecCo as well as by the MT and ELT. Further information on these teams and their remit can be found on pages 80 and 81. There are also a number of functional department heads whose roles include providing expert input and challenge to the Company's work programmes, budgets and business plan; and supplying the Directors with full and accurate information with which to make statements on the adequacy of internal control.

The Company refreshes its business plan, work programme and budget on an annual basis in line with its overall strategy. These documents start at asset level before being consolidated at regional and Company levels. The business plan sets out detailed objectives and KPIs for each asset and supporting functional departments and is consolidated into the Company's strategic planning. After an iterative process, the annual business plan, work programme and associated budget are presented to the Board for approval.

The asset management teams then have the required authority to implement the business plan and to deliver the agreed work programmes within the approved budget and delegations of authority, and in accordance with the internal control framework.

3. Risk Management

The Board is responsible for maintaining sound risk management and internal control systems across the Cairn Group. The Board must satisfy itself that the significant risks faced by the Group are being managed appropriately and that the system of risk management and internal control is sufficiently robust to respond to internal or external changes in the Group's business environment.

The RMC continues to be responsible for the development of risk management strategy and processes within the Company and for overseeing the implementation of the requirements of this strategy. It does this by ensuring that the framework for the identification, assessment, mitigation and reporting on all areas of risk is fit for purpose and that appropriate assurance arrangements are in place in relation to these risks to bring them within the Risk Appetite Statement approved by the Board. To supplement the role of the RMC, the Group Risk Management Procedure defines the processes through which Cairn seeks to systematically identify, analyse, assess, treat and monitor the business risks faced by the Group. The Group Risk Management Procedure also identifies the risk management organisational structure through which business risks are managed and regularly reviewed at operating, asset, country and Company levels. Asset-level, project-level, country-level and functional-level risk registers are used to capture, assess, monitor and review risks before the principal risks are consolidated into the Group risk register.

In 2020, the Board carried out a robust assessment of the emerging and principal risks facing the Company, details of which can be found on pages 42 to 51. Risk management updates were presented at each Board meeting and as part of an annual process, the Board undertook a strategic risk workshop in November 2020.

The RMC, which meets on a quarterly basis, is currently chaired by the Chief Executive and comprises the Executive Directors and senior functional management. The internal auditor also attends RMC meetings, in order to ensure integration of the Group's internal audit plan with the risk management process. Regular MT risk sessions were also held during 2020 to manage and facilitate the assessment and treatment of business risks that may affect the Company's ability to deliver its strategy.

Enhancements to our approach to risk management during 2020 included the following:

- The MT formally conducted a review of the risks, mitigations and actions identified on the Group risk register each quarter to ensure ownership for the risks. Mitigations and actions were clearly assigned and implementation dates for actions were tracked; and
- The Group implemented a new risk management and incident management software solution. The solution will facilitate improved reporting on all operational and corporate risks to the Group and will provide a more systematic process for the management of risks, controls and actions across the business.

The RMC reports on the Company's risk profile to both the Audit Committee and the Board. Additionally, the Audit Committee and the Board receive internal reviews of the effectiveness of internal controls relative to the key risks. The conclusion of the Board following these reviews during 2020 is that the internal controls in respect of key risks are effective.

4. Assurance

The 'three lines of defence' framework adopted by the Board provides three levels of assurance against the risks facing the Company: firstly at the operational level; secondly through overview by functional management and the RMC; and thirdly through internal or joint venture audits.

The integrated internal control and assurance framework document includes a description of the Company's business and assurance models and of its organisation and committee structure and defines the relevant roles and responsibilities. The framework defines the key policies and procedures which govern the way in which Cairn conducts its business and is therefore a core part of its system of internal control.

During 2020, the Directors reviewed the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and high-level internal control arrangements through the completion of internal control self-assessment questionnaires. These questionnaires, which are tailored to each region or function, are designed to provide an internal assessment of the effectiveness of key controls for the Group's principal risks.

Additionally, assurance maps for principal risks are developed, which outline the key sources of assurance across the 'three lines of defence'. The 'three lines of defence model' is a method of assessing different sources of assurance the Group can rely on when analysing key risks and controls. Assurance is gained through the application of the business management system which directs the day-to-day running of the business (first line), the oversight functions within Cairn which provide challenge to the risk and control environment (second line) and any third-party reviews the Group instructs to assess the status of a risk/control (third line). The assurance maps help identify potential areas of control weakness and/or ineffective use of assurance resources across the Group, which influenced the topics included in the 2020 Group internal audit plan.

The Directors derived assurance from the following internal and external controls during 2020:

- A schedule of matters specifically reserved for decision by the Board;
- Implementation of the Cairn Operating Standards for key business activities;
- An appropriate organisational culture and structure;
- Control over non-operated joint venture activities through delegated representatives;
- Specific delegations of authority for all financial transactions and other key technical and commercial decisions;
- Segregation of duties where appropriate;
- Business and financial reporting, including KPIs;
- Functional management reviews;
- An annual 'letters of assurance' process, through which asset and functional managers review and confirm the adequacy of internal financial and non-financial controls and their compliance with Company policies, and report any control weaknesses identified in the past year and actions taken in respect of any weaknesses identified in the prior year;
- A 'letter of assurance' from the Chief Executive confirming the adequacy of internal controls within the Company in line with its policy, and reporting of any control weaknesses identified in the past year and actions taken in respect of any weaknesses identified in the prior year;
- An annual internal audit plan, which is approved by the Audit Committee and Board and is driven by risks and key controls;
- Reports from the Audit Committee and RMC;
- Reports from the external auditor on matters identified during its statutory audit;
- Reports from audits by host governments and co-venturers;
- Independent third-party reviews; and
- The skills and experience of the workforce.

Nicoletta Giadrossi
Chair

8 March 2021

Audit Committee Report

Keith Lough, Chair of the Audit Committee

In a year of unprecedented global uncertainty and volatile commodity prices, the Audit Committee's strong focus on the Group's risk management process and the implications on financial reporting are key for ensuring that it delivers on its responsibilities to shareholders.

Members and Meetings in 2020

	Member since	Meetings attended
Keith Lough (Chair)	05/14	4
Nicoletta Giadrossi	05/18	4
Alison Wood	07/19	4

Dear Shareholder

The Audit Committee's primary responsibilities include the integrity of the Group's Financial Statements, the effectiveness of the Group's risk management and internal assurance processes and related governance and compliance matters.

Composition and Summary of Audit Committee Meetings in 2020

I served as Chair of the Audit Committee for the duration of the year having been appointed Chair in 2018.

Serving with me on the Audit Committee during 2020 were two fellow Non-Executive Directors; Nicoletta Giadrossi and Alison Wood. From 1 January 2021, Nicoletta stepped down from the Committee following her appointment as Chair of the Board and was replaced by Catherine Krajicek. The members of the Committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil these duties. Alison and I are qualified accountants with recent and relevant financial experience. Both Nicoletta and Catherine bring comprehensive industry knowledge. Nicoletta, Alison and Catherine are considered by the Board to be Independent.

During 2020, Ian Tyler also attended meetings in his capacity as Chair of the Board but was not a member of the Committee. Similarly, Nicoletta attended the March 2021 meeting in her new role as Chair but was not a member of the Committee.

At our request, the Chief Executive (in his capacity as executive responsible for internal audit) and CFO along with senior members of the finance and risk and compliance departments attend each meeting. Both internal and external auditors also attend. I also met with the external audit partner to discuss matters relevant to the Group throughout the year.

The Audit Committee met four times in 2020 with meetings arranged around the key external reporting dates. The first meeting in March focused on the 2019 year-end external audit process (reported in the 2019 Annual Report and Accounts). Meetings in June and August both centred on the Group's half year reporting and the November meeting focussed on planning for the 2020 year-end, external audit process and the internal auditors work programme for 2021. Subsequent to the year end, a meeting was held in March 2021 to conclude the 2020 audit and any significant issues.

Responsibilities and Activities During the Year

The Terms of Reference of the Committee take into account the requirements of the UK Corporate Governance Code and are available on the Group's website. A summary of the Committee's principal responsibilities and activities during the year are set out below.

	Principal Responsibilities of the Committee	Activities during the year	Key areas formally discussed
Financial Statements	– Monitoring the integrity of the Financial Statements of the Group and formal announcements relating to the Group's financial performance; – Reviewing any significant financial reporting judgements; and – Reviewing the appropriateness of accounting policies, their consistent application and disclosures in Financial Statements.	– March 2020: 2019 Financial Statements approval (included in 2019 Annual Report and Accounts). – June 2020: Half-year key accounting issues, estimates and assumptions. – September 2020: Approval of half-year financial statements. – November 2020: Year-end key accounting issues, estimates and assumptions. – March 2021: Approval of 2020 year-end financial statements.	– Going concern conclusions and linkage to the viability statement; and – Significant accounting issues at the half-year and year-end (see below);
External audit	– Overseeing the Group's relationship with the external auditors, including: • making recommendations to the Board on the appointment or reappointment of the external auditor; • reviewing their terms of engagement and engagement for non-audit services; and • monitoring the external auditors' independence, objectivity and effectiveness.	– At each meeting, the Committee receives an updated report from the external auditor which either explains the plans and scope for the forthcoming audit or review or contains the conclusions from the work performed.	– Reviewing the external auditors' scope and audit plan for the 2020 year-end; – Discussing the materiality levels set by the auditor; – Approval of the auditors' remuneration; – Consideration of the results of the external audit with the auditor and management; and – Assessment of the effectiveness of the external audit (see overleaf).
Internal risk management and assurance	– Reviewing the Group's internal financial controls and internal control and Risk Management systems and oversight of the Group's Risk Management Committee; and – Monitoring and reviewing the effectiveness of the Group's internal audit function.	– At each meeting, the Audit Committee receives: • An update from management on the latest Risk and Assurance Committee meetings and Risk Management process; and • a report from the internal auditors, tracking the progress of internal audits and their output and recommendations. – In November, the Audit Committee agreed on the proposed programme of internal audit for 2021.	– Reviewing the Group's Corporate and Operational risk register; – Reviewing reports on the activities of the Risk Management Committee; – Selection of internal audit work planned for 2021 and consideration for future years; and – Assessment of key findings raised from internal audits conducted in the year.
Whistleblowing procedures	– Reviewing the Group's whistleblowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of Financial Reporting and other matters and for appropriate follow-up action.	– The Committee's annual review and approval of the Group's Whistleblowing Procedures was performed at the November meeting.	– Reviewing and approving of the Group's whistleblowing procedures.
Other matters	– Reviewing the Group's policy for approval of non-audit work to the Company's auditor; and – Reviewing booking of Group reserves and resources.	– The Committee's annual review and approval of the Group's policy for approval of non-audit work was undertaken at the November meeting.	– Review and approval of the Group policy for approval of non-audit work to the Company's auditor; and – Classification of reserves and resources for disclosure in the Annual Report.

The review of the Annual Report and Accounts for fair, balanced and understandable presentation and disclosure, while considered by the Audit Committee, is formally performed and approved by the full Board of Directors.

Financial Statements

At each reporting date, the Audit Committee reviews the results for the relevant period and the key assets and liabilities in the Group balance sheet, focussing on the key estimates, assumptions and judgments that management has used in applying the relevant accounting standard.

The key issues identified at the December 2020 year end were the sale of Cairn's interests in Senegal, impairment testing on the Group's remaining oil and gas assets, notably the two UK producing assets, and accounting for the award under the Indian Tax arbitration. As always, the assessment of the ability of the Group to continue to operate as a going concern is also considered by the Audit Committee.

2020 Year-End Significant Accounting Issues:

Sale of Cairn's Interests in Senegal

Cairn announced that it had reached agreement to sell its interest in Senegal in July 2020. The timing of the transaction had implications for the carrying value in the Group's half-year financial statements where an initial impairment was recorded, before recording a loss on disposal in the full-year financial statements.

Audit Committee action	Audit Committee conclusions
The Audit Committee reviewed the initial accounting for the Group's interests in Senegal at the half-year in June and September 2020 and concluded on the accounting treatment for the sale of the assets on completion in November 2020. Key for the Audit Committee was ensuring that the presentation in the half-year and year-end Financial Statements was consistent with the principal risks to successfully completing the sale assessed at each reporting date.	During the year, the Audit Committee concluded that at the 30 June 2020 Balance sheet date, the proposed sale of the Senegal assets was not sufficiently progressed to allow the assets to be reclassed as 'held-for-sale' as at the half year reporting date. The Committee reviewed and agreed with the impairment charge recorded by management at that time. Subsequent to completion of the sale in the second half of 2020, the Audit Committee reviewed and agreed with management's calculation of the loss on disposal, noting the differing treatment of the fair value of deferred consideration which was included in half-year impairment tests, but not recognised as consideration on completion of the sale in accordance with the applicable accounting standard.

Impairment Testing on Oil and Gas Assets

The Committee review and, in conjunction with the full Board, approve Group corporate assumptions which, together with reserve estimates, feed into the Group's impairment tests produced by management and reviewed by the Committee.

Audit Committee action	Audit Committee conclusions
During 2020, management proposed changes to the Group's corporate assumptions, reducing the forward-curve based short-term oil price assumption period from three to two years and reducing the Group's long-term oil price assumption to be used in impairment test valuations to US$55/bbl, with future price escalation removed. The Committee reviewed all changes proposed and compared against analysis provided by the auditor on the market range of assumptions. Subsequent impairment test calculations were reviewed by the Committee, noting the key assumptions that management had highlighted including the approach for determining fair value and the interaction of deferred tax on asset carrying values. This review included both the Group impairment test on producing assets and the Company's impairment of investment in subsidiaries.	The Committee agreed with the approach that management had adopted in determining the appropriate valuation method for measuring the recoverable value of the Group's assets. The Committee were satisfied that the Group Corporate assumptions were correctly applied in the Group's impairment tests, where no impairment was recorded, and in measuring the impairment charges recorded in the Financial Statements of the Company.

Accounting for the Award Under the India Tax Arbitration

In December 2020, the tribunal established to rule on Cairn's claim against the Government of India ruled unanimously in Cairn's favour. Damages of US$1.2 billion plus interests and costs are now payable to Cairn.

Audit Committee action	Audit Committee conclusions
The Committee carefully considered the accounting implications of the award under the arbitration. While the Audit Committee acknowledged the robustness of the award in the Company's favour and the strength of the enforcement rights afforded to it, there was significant debate as to whether the recognition criteria under the accounting standards had been met.	The Committee concluded that, while both negotiations with the Government of India over settlement and legal processes to enforce the award in various jurisdictions had commenced, neither recovery route was sufficiently advanced to allow the Committee to conclude that the "virtually certain" requirement required by the accounting standards for realising income and therefore recognising an asset, had been achieved. Therefore, the Committee agreed that it was appropriate for the asset to remain classified as a contingent asset at this time.

Going Concern and Viability

At each reporting date, management considers the factors relevant to support a Statement of Going Concern included in note 1.2 to the Financial Statements. The Audit Committee reviews and challenges management's conclusions so that we may, in turn, provide comfort to the Board that management's assessment has been considered, challenged and is appropriate.

The Audit Committee carefully reviewed management's Going Concern conclusion based on the Group's latest cash and debt position and the forecast exploration and appraisal spend in the period ending 31 March 2021, including the implications of the completion of the Shell Western Desert acquisition within the conditions of the associated financing facilities for which the Group has obtained Commitment letters from external lenders. This year, the assessment included the increased risks associated with COVID-19 and the mitigating actions that management has taken. This review confirmed that the Group has the necessary funding agreed to meet its work programme and firm commitments over the period of 12 months from the date of signing the Financial Statements. The Audit Committee subsequently recommended to the Board that the Group continues to use the Going Concern basis in preparing its Financial Statements.

The Committee also reviews and challenges management on the sensitivity analysis performed to support the Group's Viability Statement, included in the Strategic Report on page 43. Following this challenge, the Committee recommended approval of the Viability Statement to the Board.

External Audit

The current version of the UK Corporate Governance Code states that FTSE 350 companies should put the external audit contract out to tender at least every ten years. Cairn complied with this provision before it came into force and completed an external audit re-tendering process in 2013. PwC were subsequently appointed as external auditors of the Group, on the recommendation of the Audit Committee at that time. The 2020 year-end audit therefore represents the eighth year of PwC's tenure as Group auditors.

Lindsay Gardiner continued as PwC's lead audit partner on the Cairn engagement for a third year. Lindsay, who was not previously involved with the audit of the Group or its subsidiaries, indicated that he intended to step-down from his role as lead audit partner at the end of the 2020 audit. Lindsay will be replaced by Bruce Collins, who was previously Director on the Cairn audit engagement between 2013 and 2015. Bruce was not involved in the Cairn audit between 2015 and 2020 and therefore is not precluded from accepting the role of lead audit partner.

Cairn will re-tender for the role of Group auditors at the end of the 2022 year-end audit, complying with the Competition and Markets Authority 2014 Order requiring a mandatory tender after ten years.

Assessment of External Audit Process

The Committee has an established framework to assess the effectiveness of the external audit process. This comprises:

Audit Committee action	Audit Committee conclusion
An assessment of the independence of the auditors.	The Audit Committee consider PwC to be independent.
A review of the Audit Plan including the materiality level set by the auditors and the process they have adopted to identify Financial Statement risks and key areas of audit focus summarised in the Independent Auditors' Report on pages 128 to 133.	The Committee accepted the level of materiality set by the auditors.
A review of the Audit Quality Inspection ('AQI') report on our auditor, published by the FRC with particular emphasis on any key messages applicable to Cairn.	There were no matters raised in the AQI report that caused concern for the Audit Committee.
A review of the final Audit Report, noting key areas of auditor judgement and the reasoning behind the conclusions reached.	The Audit Committee reviewed findings on the key audit issues identified. The Committee was satisfied that appropriate challenge had been made of management and that the audit process was robust.
Regular communications through formal papers submitted and presentations to the Committee, including a review by the Committee of the extent to which the auditors have challenged management.	The Audit Plan for the year ending 31 December 2020 was presented to the Audit Committee in June 2020 and is summarised in the Independent Auditors' Report on pages 128 to 133. Audit findings on significant matters are presented to the Committee, together with the work performed by the auditors to challenge management's key estimates and assumptions.
Separate meetings between myself as Chair of the Audit Committee and the lead audit engagement partner.	Separate meetings were held in advance of all Committee meetings during the year.
A formal questionnaire issued to all Audit Committee members and senior Cairn management who are involved in the audit, covering the robustness of the audit process, the quality of delivery, the quality of reporting and the quality of the auditors' people and service.	No matters of significance were reported.

Of particular focus for the Committee is the assessment of the judgement applied by PwC during each stage of the audit process including setting audit materiality, identifying the risks to the Financial Statements, evaluating audit findings and communicating those areas of judgement to the Committee.

The Audit Committee noted the level of planned materiality and agreed on the level of mis-statements to be reported to the Committee. The final Audit Report was presented to the Audit Committee in March 2021. The Committee agreed with the conclusions reached by the auditors, noting the degree of judgement around areas of significant audit risk.

The significant accounting issues identified by the Audit Committee were included in the significant matters identified by the external auditors in their Audit Plan. There were no other specific areas that the Audit Committee requested the auditors to look at.

At the end of each annual reporting cycle, the Audit Committee reflect on the quality of the audit provided by the auditors. At each Audit Committee meeting, the auditor presents an update on their progress and, where appropriate, conclusions on their half-year review and full-year audit and how the audit has been conducted in relation to the plan presented to the Audit Committee, with the Committee able to challenge the audit at any point.

Following conclusion of the 2019 year-end audit, the Committee discussed the quality of the audit service provided, using the questionnaire responses as a basis for the discussion. Although there were no significant matters reported, where the Committee believed improvements to the audit process could be made, these were fed back to the engagement partner in our separate meetings. The Audit Committee did conclude that the auditors had delivered an audit of appropriate quality. The formal assessment of the 2020 audit has yet to be formally undertaken.

Internal Risk Management and Assurance

The Audit Committee reviews the Group's principal risks at each meeting. The Group Risk Management Committee meet in advance of the Audit Committee and minutes are reviewed by the Audit Committee and follow-up queries addressed with management. The Group's Risk Management project plan is also presented, with the Audit Committee closely monitoring the close-out of recommendations raised during completed internal audits, as well as noting progress of ongoing audits and plans for future audits, ensuring they remain on schedule. The Audit Committee also complete an annual review of management's formal internal controls assessment.

The Group's principal risk dashboard is updated in advance of every meeting and changes to operational and corporate risks noted and discussed. The Audit Committee will challenge management on the classification of risks where further clarification is sought on either the assessment of the likelihood of a risk materialising or the estimated financial impact. During the current period, risks were reviewed against a back-drop of falling commodity prices and the ongoing COVID-19 pandemic, together with the ability of the Group to successful monetise its interests in Senegal.

Internal Audit

Following a competitive tender process, Ernst & Young LLP ('EY') were appointed as the Group's internal auditors with effect from July 2013. Prior to the beginning of each year, an internal Audit Plan is developed by the internal auditors, in consultation with senior management, based on a review of the outcome of the previous year's internal audits, the outcome of the annual assessment of effectiveness of internal control (refer to pages 128 to 133), the results of historical audits of fundamental business processes and the significant risks in the Group Risk Matrix and identified mitigation measures. The plan is then presented to the Audit Committee for review and approval. The internal auditors also participate in meetings of the Group Risk Management Committee to maintain an understanding of the business activities and associated risks and to update the Group Risk Management Committee on the internal audit work plan. The Audit Committee also receive updates on the internal audit work plan on an ongoing basis. The external auditor does not place any reliance on the work undertaken by the Group's internal audit function due to the nature of the scope and the timing of their work. The external auditor does, however, attend all Committee meetings where internal audit updates are given and meets separately with the internal auditor and the Audit Committee Chair to discuss areas of common focus in developing their audit plan.

During 2020, the Group's internal auditors conducted audits on the Group's new venture activities, tax governance, Mexico operations and IT general controls. No high risk findings were identified across the audits conducted.

Working Responsibly – Whistleblowing and Related Policies

The Group is committed to working responsibly as part of its strategy to deliver value for all stakeholders. This means delivering value in a safe, secure, environmentally and socially responsible manner.

The Audit Committee is responsible for ensuring the Group has a robust Whistleblowing Policy in place and this policy is reviewed annually by the Committee. The Group's current version of the policy was first presented to, and approved by, the Audit Committee at the March 2018 meeting and most recently re-approved at the November 2020 meeting.

The Committee is also responsible for and is satisfied that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of Financial Reporting and other matters and for appropriate follow-up action.

The Group has in place a comprehensive Anti-Bribery and Corruption management system and Code of Ethics. Regular training updates are provided to all employees and long-term contractors in addition to the training that is provided to all new employees joining the Company. As Cairn enters new countries, monitoring is undertaken and training is refreshed. Further information regarding these policies can be found on the Group's website.

Other Matters:

Provision of Non-Audit Services

We have a long-established policy in relation to the supply of non-audit services by the external auditor. The Group will engage an external adviser to provide non-audit services on the basis of the skills and experience required for the work, where benefit will be derived as a result of the third party's knowledge of the Group and at a reasonable cost. These advisers may include the Group's external auditor, under a restricted set of circumstances, although before the engagement commences, the Audit Committee must be satisfied that the auditors' objectivity and independence would not be compromised in any way as a result of being instructed to carry out those services.

The policy on approval of non-audit fees for the Group's auditor is re-approved annually. All non-audit fees should be approved by the Audit Committee in advance of the engagement with a practical work around of only seeking approval from the Committee Chair, rather than seeking full Committee approval, in advance for fees below an approved threshold of £100,000. This approval will then be ratified at the next meeting of the Committee.

The policy is available online on the Group's website.

During the year, PwC undertook significant work on the Circular to shareholders associated with the disposal of the Group's interests in Senegal. What was initially expected to be a relatively routine transaction, became a more complex working capital exercise due to the lengthy negotiations with the potential acquirer, the COVID-19 pandemic and pre-emption of the transaction by the current operator. Consequently, the non-audit fees payable to the auditors associated with this work exceeded the 70% fee-cap based on the average of fees paid in the last three consecutive financial years for the audit of the Group and its subsidiaries. Cairn sought and received authorisation from the FRC for an exemption from this fee-cap for the current year. As this reflects a one-off transaction for the Group, the fees are also expected to be one-off.

PwC also provided other services during the year including certification of the Group's EITI submission in Senegal and non-statutory audits of the Group's time writing recharges to operated assets.

A full analysis of remuneration paid to the Group's external auditor in respect of both audit and non-audit work is provided in note 6.4 to the Financial Statements.

Board and Committee Performance Evaluation

The Board retains overall responsibility for implementation of its annual performance evaluation and the process and outcomes of the 2020 internally conducted evaluation are described in the Corporate Governance Statement on pages 78 and 79. The process included a review of all Board Committees and it was concluded that the relationship between the Board and its Committees is functioning well, with all Committees fully meeting their remit. The Audit Committee works together with the Board in seeking to address any performance evaluation outcomes relating to the work of the Committee.

K G Lough

Keith Lough
Chair of the Audit Committee

8 March 2021

Nomination Committee Report

Nicoletta Giadrossi, Chair of the Nomination Committee

Role and Membership of the Committee
Cairn recognises that the role of its Nomination Committee, working together with the Board as a whole, is key to promoting effective Board succession and the alignment of Board composition with the Company's culture, values and strategy.

The membership of the Committee is set out in the table at the top of the next column and comprises a majority of independent Non-Executive Directors. The Chief Executive is also a member of the Committee.

The role of the Nomination Committee includes:
- Evaluating the balance of skills, knowledge, experience, diversity and independence on the Board;
- Leading the process for Board appointments and ensuring plans are in place for orderly succession to both Board and senior management positions;
- Overseeing the development of a diverse pipeline for succession; and
- Working with the Board to address any performance evaluation outcomes linked to Board composition and succession planning.

Members and Meetings in 2020

	Member since	Meetings attended
Ian Tyler (Chair)[1]	05/14	2
Nicoletta Giadrossi[2]	05/18	2
Peter Kallos	09/15	2
Keith Lough	05/15	2
Simon Thomson	03/13	2

1 Ian Tyler was Chair of the Committee during the year until his retirement on 31 December 2020.
2 Nicoletta Giadrossi became Chair of the Committee with effect from 1 January 2021.

Board Changes
As disclosed in last year's Annual Report, Alison Wood and Catherine Krajicek were appointed as Non-Executive Directors with effect from 1 July 2019. The process in respect of each of these appointments was described in last year's Nomination Committee Report. At the time of publishing last year's report, the Company also disclosed that it was in the final stages of the appointment process for one further Non-Executive Director to replace Todd Hunt. The Company subsequently announced in March 2020 that Erik B. Daugbjerg would be appointed as a Non-Executive Director with effect from 14 May 2020. Todd Hunt retired as a Non-Executive Director immediately following the AGM on 14 May 2020.

The Company did not instruct an independent recruitment consultant in connection with the appointment of Erik B. Daugbjerg and, as such, the Committee confirms that there are no circumstances in existence which are likely to impair, or could appear to impair, Mr Daugbjerg's independence. Following his identification by the Company as a suitable candidate, Mr Daugbjerg was interviewed by the Committee and by all other members of the Board. Following these interviews, the Committee recommended to the Board that Mr Daugbjerg be appointed as an independent Non-Executive Director and his appointment was unanimously approved by the Board. As with Alison Wood and Catherine Krajicek, Mr Daugbjerg was also given the opportunity to carry out due diligence on the Company prior to his appointment and was provided with the Company's induction materials for new directors, as well as attending a tailored programme of induction meetings with other members of senior management and the company secretarial team.

Chair Succession
The Company announced in May 2020 that Ian Tyler intended to step down as Non-Executive Chair of the Company within the following 12 months, having served on the Board for seven years including six as Chair. Following a thorough and comprehensive succession process, which was led by one of the Company's independent Non-Executive Directors, Cairn announced in November 2020 that I would be appointed Chair with effect from 1 January 2021. The Chair succession process and subsequent period of handover during 2020 has enabled a highly effective and seamless transition of the leadership of the Board. As disclosed in the Corporate Governance Statement on pages 82 and 83, the composition of the various Board Committees has also been refreshed with effect from 1 January 2021 in line with Code recommendations.

Succession Planning and Development of Executive Talent

The Nomination Committee regularly evaluates the combination of skills, experience, independence and knowledge of the Company on the Board and makes recommendations to the Board as appropriate. In so doing, the Committee fully supports the principle that both appointments and succession plans should be based on merit and objective criteria, and within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Working together, the Board and Nomination Committee maintain a comprehensive succession plan for appointments to the Board ensuring there is an appropriate balance of skills and experience that continues to align with our strategic aims. During 2020, we worked with a strategic partner to undertake an extensive talent development exercise to support succession plans for a key executive role and, as a result, the participants have robust development plans in place. We have also made very good progress on our talent development programme for other value-creating and value-enabling roles across the business which is shared annually with the Board.

Our mentor programme, which launched in May 2019, continues to provide invaluable support to colleagues whose aspirations are to grow and develop into senior roles within the business. We have partnered colleagues with some of our Board members as well as senior managers so that they gain strategic and tactical insights.

The Company's succession planning also includes contingency plans for the sudden or unexpected departure of Executive Directors (including the Chief Executive) and other senior roles, which is reviewed by the Board.

Following the sale of the Sangomar asset in Senegal in 2020, the Company undertook an internal reorganisation to ensure the organisation was set up appropriately to best implement the Company's strategy and support the changed asset base. Details of this reorganisation were shared with the Board.

Consequently, the Board has a deep understanding of our talent management and succession planning processes across the Company as well as knowledge of the range of measures being used to continue to develop and recruit talented senior employees.

Diversity

The Nomination Committee very much recognises the benefits of building a diverse Board, not just in terms of gender and social and ethnic background, but also to promote diversity of cognitive and personal strengths. Following the appointment of Alison Wood and Catherine Krajicek as Non-Executive Directors, the number of women on the Board increased from one to three with effect from 1 July 2019 (representing 33% of total membership as at 31 December 2020 and 37.5% from 1 January 2021 following Ian Tyler's retirement from the Board on 31 December 2020). The Board remains diverse in terms of the range of culture, nationality and international experience of its members. The directors' diverse range of practise and expertise cover not only a wealth of experience of operating in the oil and gas industry but also extensive technical, operational, financial, governance, legal and commercial expertise. The Committee will continue to monitor and consider diversity for all future Board appointments, whilst also continuing to recruit on merit.

Beneath Board level, we are also thinking more broadly than gender diversity in all that we do and this means taking into account diversity in all its dimensions – national origin, age, race and ethnicity, religion/belief, gender, marital status and socioeconomic status, as well as other factors such as personality type, educational background, training, sector experience, and organisational tenure. Our Group People Policy supports this approach and one of the key principles of this is to promote, develop and maintain an inclusive workplace and to enhance the successful advancement of diversity in the workforce. In this context, our people are also actively encouraged to take responsibility for their own development, and to challenge conventional thinking and share knowledge, as well as recognising and creating opportunities for personal growth.

Whilst it is by no means the sole consideration, the Company recognises the value of developing and increasing the number of women in senior management roles across the Group. Like others in our sector, we do face challenges in achieving this, as it is generally recognised that more males study science, technology, engineering and mathematics (STEM) subjects, which in turn tends to mean more men than women apply to join energy companies.

Following the internal reorganisation described above, the Board decided to replace the Senior Leadership Team with a smaller, more focused Executive Committee comprising the two Executive Directors, the Chief Operating Officer and the Director of Exploration. This change took effect from 1 December 2020. There are currently no women on the Executive Committee. As at 31 December 2020, of the 20 roles directly reporting to the newly formed Executive Committee, 5% are female, however, of the value-creating and value-enabling roles identified in our talent management programme, 38% of the talent pool are female. The gender split of our management population is two-thirds male to one-third female and looking at our broader talent pool, the gender diversity of our employee population is 50.2% female and 49.8% male.

The Company has participated fully in the annual submission of gender performance data to the UK Government as part of the Hampton-Alexander review aimed at improving the representation of women in leadership positions in the FTSE 350 (from 2016 to 2020 inclusive). It should be noted that the data submitted by the Company by the required deadline in November 2020 reflected the position prior to the new organisational structure taking effect on 1 December 2020. Our ranking in the Hampton-Alexander Review Report published in February 2021 improved compared to the previous year, from position 95 following the 2019 submission to position 89 following the 2020 submission (in the FTSE 250 category).

Cairn will continue to promote diversity in its widest possible sense and the Board and Nomination Committee remain committed to ensuring that our policies and practices support this approach, with a view to harnessing the potential of our workforce and driving the success of the business.

Board and Committee Performance Evaluation

The Board retains overall responsibility for implementation of its annual performance evaluation and the process and outcomes of the 2020 internally conducted evaluation are described in the Corporate Governance Statement on pages 78 and 79. The process included a review of all Board committees and it was concluded that the relationship between the Board and its committees is functioning well, with all committees fully meeting their remit. The Nomination Committee works together with the Board in seeking to address any performance evaluation outcomes relating to Board composition and succession planning.

Nicoletta Giadrossi
Chair of the Nomination Committee

8 March 2021

Alison Wood, Chair of the Remuneration Committee

Part 1 – Annual Statement from the Chair of the Committee

Dear shareholder,

As the Chair of Cairn's remuneration committee, I am pleased to present our Directors' Remuneration Report for 2020.

At last year's Annual General Meeting, shareholders were asked to vote separately on our 'Annual Report on Remuneration' for the year to 31 December 2019 and a new 'Directors' Remuneration Policy' to be applied in 2020 and later years. The committee was delighted by the strong support for both resolutions shown by the Company's members, with 91.20% of votes cast being in favour of the former and 93.01% in favour of the latter.

Part 2 of this report, which contains our Annual Report on Remuneration, explains how the overall executive remuneration framework that was approved at the meeting on 14 May 2020 was subsequently applied throughout the remaining part of the year. It also sets out how the same policy will be operated in 2021. The Annual Report on Remuneration will be subject to an advisory vote at the AGM to be held on 11 May 2021.

Although shareholders are not being asked to approve a new Directors' Remuneration Policy at the 2021 AGM, the substantive provisions of the policy adopted at last year's Annual General Meeting are repeated in Part 3 of this report for ease of reference.

Members and meetings in 2020

	Member since	Meetings attended
Nicoletta Giadrossi (Chair during 2020[1])	01/17	4
Peter Kallos	09/15	4
Ian Tyler[2]	06/13	4

1 Nicoletta Giadrossi was Chair of the Committee during 2020. From 1 January 2021, she sits on the Committee as a member. Alison Wood was appointed Chair of the Committee from 1 January 2021.
2 Ian Tyler was a member of the Committee until his retirement from the Board on 31 December 2020.

New Chair of the Committee
On 1 January 2021 I joined the committee and, with effect from that date, replaced Nicoletta Giadrossi as its Chair. I would like to express my thanks to Nicoletta for leading the committee so effectively over the past few years and wish her well as she takes on her new role as Chair of the Company.

Summary of 2020 Business Context and Key Remuneration Decisions
The work of the committee in 2020 was conducted against a backdrop of a year in which the Company continued to progress its main initiatives, including portfolio management and retaining a resilient balance sheet, whilst striving to deliver value in a safe, secure, environmentally and socially responsible manner for all of our stakeholders. The sale of the Company's interests in Senegal; announcing a subsequent return of cash to shareholders; and obtaining the final India arbitration award (which found unanimously in Cairn's favour) clearly demonstrated the Company's positive response to the challenges that were faced in 2020.

The committee was also mindful of the potential impact of COVID-19 on the business and, at the start of the crisis, conducted a full review of the Company's remuneration structures for executive directors with the aim of ensuring that the pay arrangements and outcomes for our senior leadership team appropriately reflected the experience of the Company's shareholders and its wider employee population during this difficult time. The committee's deliberations on this issue took into account relevant guidance issued by institutional investors and their representative bodies. They also reflected the fact that the Company was less impacted by the COVID-19 crisis than many other organisations and, in particular, that:
- the Company did not access any UK Government loan scheme;
- Cairn did not make any use of the UK Government's furlough scheme; and
- given the resilience of the business, there was no need to impose salary reductions across the Group's wider workforce.

Against this background, the key remuneration related decisions made by the committee in 2020 (including those influenced by COVID-19) are described in more detail in the Annual Report on Remuneration contained on pages 97 to 111 and can be summarised as follows:

- **Standard base salary increases**
  In accordance with its normal practice, the base salaries of the Company's Executive Directors (being Simon Thomson and James Smith) were reviewed by the committee at its meeting in November 2020 and it was agreed that an increase of 1% would be applied to both individuals with effect from 1 January 2021.

  The above increase was consistent with the level of standard annual salary increase awarded to other employees at that time.

- **Alignment of pension contributions**
  During the year, and in satisfaction of the commitments given in the Directors' Remuneration Report for the year ended 31 December

2019, the committee carried out a detailed review of pension provision across the Group. This review took into account the now wide spread preference of investors that pension benefits for executive directors (including those currently in post) should be aligned to those applicable to the wider workforce. The conclusion reached by the committee was that this alignment should be delivered by:

- increasing the contribution rates applicable to the wider workforce from 10% of salary to 12.5% of salary; and
- reducing the contribution levels of the incumbent executive directors from their current level of 15% of salary to 12.5% of salary.

The committee is of the view that the above changes, which will be implemented with effect from 1 January 2023, will result in the Company's pension arrangements becoming aligned with both market practice and institutional investors' guidelines. For the avoidance of doubt, and in accordance with the terms of the Company's approved remuneration policy, if a new executive director were to be appointed prior to the above implementation date, their pension contribution would immediately be capped at a level that was equal to the amount paid to the wider UK employee population from time to time.

– **2020 annual bonus – structure**

Under the Executive Directors' bonus scheme for 2020 (the overall structure of which was unchanged from the prior year), the whole of the individuals' entitlements were dependent on the achievement of Group KPIs.

The above KPIs, and their respective weightings for the purposes of the bonus scheme, were set by the committee in advance of the start of the year and, in accordance with normal practice, were thereafter regularly reviewed in order to ensure that they remained appropriate. In 2020, this process led the committee to exercise its discretion and make an adjustment to the weightings ascribed to two KPIs part way through the period. In particular, the committee decided that, in order to reflect the significant re-calibration of the Company's overall strategy that took place during the year (in terms of which a greater emphasis was placed on expanding the production base and reducing the overall exploration investment), it would be appropriate to reduce the weighting applicable to the exploration related KPIs (from 35% of total bonus opportunity to 25%) and apply a corresponding increase to the KPIs relating to balance sheet strength (from 25% of total bonus opportunity to 35%).

The committee is of the view that the above decision, which was made in accordance with the terms of the Company's approved remuneration policy, was appropriate in light of the change of strategic emphasis and reflected the particular circumstances (including the oil price environment) that existed at the time the committee's discretion was exercised. The committee is also clear that this change to the weightings was not implemented to make the bonus scheme for 2020 less demanding than when the structure of the plan was originally set.

Throughout the year, the committee also considered whether the ongoing impact of the COVID-19 crisis required further adjustments to be made to the structure of the bonus scheme. The conclusion reached was that, notwithstanding the exceptional circumstances that prevailed over the majority of 2020, the terms of the arrangement (as adjusted in the manner described above) remained appropriate on the basis that they helped ensure that there was an enhanced level of focus on the financial stability of the business during a period of significant economic uncertainty.

– **2020 annual bonus – outturn**

Based on an assessment of the extent to which the relevant targets were achieved, awards made under the annual bonus scheme to the Executive Directors during the year (as a percentage of annual salary) were 93.75% for both Simon Thomson and James Smith.

Under the Company's current approved remuneration policy, any part of an executive director's bonus that is in excess of 100% of the individual's base salary is deferred into Cairn shares for three years. Given that this threshold was not reached by the above bonuses, they were paid out wholly in cash.

Further details of the way in which these awards were determined and paid are set out on pages 102 and 103 of the Annual Report on Remuneration.

– **Long Term Incentive Plan (LTIP) – partial vesting of 2017 awards**

The performance period applicable to the LTIP awards granted in 2017 came to an end during 2020. Over this period, the Company's Total Shareholder Return was sufficient to place it between the eighth and ninth positions in a group of 17 comparator companies with the result that:

- the 'core' elements of these awards vested in respect of 34.29% of the shares over which they were granted; and
- no part of the 'kicker' elements of these awards vested and they lapsed in full.

As part of the above vesting process, the LTIP's rules required the committee to review the Company's overall performance over the three years from the grant of the awards. After due and careful consideration, the committee concluded that there had been a sustained improvement in such overall performance during that time.

The vested awards held by the Executive Directors are subject to a further two-year holding period during which they cannot normally be exercised and any shares that are ultimately acquired by them will constitute 'relevant shares' for the purposes of the post-employment shareholding requirement described on page 118.

– **LTIP – grant of 2020 awards**

During 2020, the committee made the fourth annual grant under the Company's LTIP that was adopted at the 2017 AGM.

Normally, LTIP awards are granted by the committee in March of each year. However, as a result of the significant market uncertainty that existed in March 2020 due to the COVID-19 crisis, it was decided that it would be appropriate to defer the grant process until there was some degree of stability in the Company's share price. As a result, the 2020 awards under the LTIP were granted on 28 July 2020.

Notwithstanding the above deferral of the award process, the committee was also aware that these grants were still being made at a time when, along with many other listed companies, Cairn had experienced a material fall in its share price (when compared to the 'pre-COVID 19' level). The Company's remuneration policy makes it clear that any such share price movement should be considered by the committee at the time any grants under the 2017 LTIP are being formulated, principally to mitigate against the risk of participants realising a 'windfall' gain on their subsequent vesting. As a result, the committee determined that a 20% reduction should be applied to the number of ordinary shares over which each individual's award would otherwise have been granted if Cairn's standard approach had been adopted on that occasion. In the case of the Executive Directors, this resulted in awards being granted with a face value equal to 2 x base salary (rather than the 2.5 x base salary awards envisaged by the policy). The quantum of this reduction in the size of awards reflects general market practice in these circumstances and was arrived at by the committee after taking independent advice. For the avoidance of doubt, no change was made to the overall structure or weightings of the performance conditions that were applied to the above grants.

The committee is also conscious of the fact that the Company's remuneration policy (and the terms on which recent awards under the 2017 LTIP have been granted) gives it a broad discretion to reduce the vesting levels that arise from the formulaic operation of the performance conditions applicable to the above awards where it is deemed appropriate to do so. The question of windfall gains is one factor that will be considered by the committee at the expiry of the relevant performance measurement periods.

Full details of the awards made to Executive Directors in July 2020 are set out in the Annual Report on Remuneration.

- **Share Incentive Plan (SIP) – operation during 2020**
  As explained on page 108, the Company operates a tax-advantaged, all-employee SIP that is used on an annual basis to provide a range of different share related benefits to the Group’s employees. Although the Executive Directors were eligible to participate in the ‘free share’ and ‘matching share’ elements of this scheme during the first half of 2020, they elected not do so in light of the Company’s share price performance at that time.

- **Non-Executive Directors' fees and Chair's fee**
  During 2020, the Committee (excluding Nicoletta Giadrossi) reviewed the Chair’s annual fee in the context of market data and the time commitment for the role. Following this review, it was decided that the fee for 2021 should be maintained at the level paid in 2020.

  The fees paid to Non-Executive Directors were also reviewed during the year by the Executive Directors and the Chair and it was determined that their basic annual fee would be maintained at £75,500 for 2021. Similarly, no change was made to the additional fee payable for chairing the audit and/or remuneration committee.

- **Details of additional discretions exercised by the Committee during 2020 in relation to Executive Directors’ pay**
  In early 2020, the Committee exercised its overarching discretion in relation to the 2019 annual bonus scheme and reduced the amount of the awards that would otherwise have been paid to the Executive Directors for the levels of achievement delivered against the Group KPIs for that period. This decision, which reflected a number of macro economic considerations, was made as part of the committee’s established practice of reviewing all variable remuneration awards to ensure they are fair and reasonable in the circumstances which exist at the relevant time. Appropriate details of this reduction were included in last year’s Directors’ Remuneration Report.

  The only other additional substantive discretions exercised by the committee during 2020 related to the operation of the Company’s various share-based incentive schemes. In particular, the committee:

  - exercised its discretion to disapply “dividend equivalent” rights attaching to 2017 LTIP awards in relation to the special dividend paid to shareholders as part of the return of cash that was approved by shareholders on 8 January 2021 (see page 105 for further details);
  - decided to give participants in the SIP the ability, if they so wished, to reinvest the above noted special dividend that was paid in respect of their plan holding in further “dividend shares”; and
  - made various decisions in relation to the treatment of a small number of leavers (none of whom were Executive Directors).

- **Consideration of remuneration arrangements for the wider workforce during 2020**
  In accordance with the terms of the Company’s approved remuneration policy, the committee regularly reviewed the remuneration levels and incentive arrangements for employees below senior management level. This exercise was particularly relevant in the context of the above noted decisions around the alignment of pension contributions across the Group that will come into effect on 1 January 2023.

  During the year, members of staff were also given the opportunity to raise issues on a variety of matters, including executive pay, via a number of mechanisms, including the Company’s Employee Voice Forum which, throughout 2020, was hosted by Nicoletta Giadrossi.

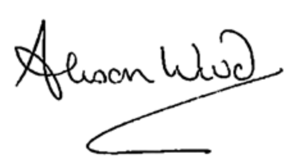
Each of the committee’s decisions described above was made in the context of the requirements of the 2018 UK Corporate Governance Code and, in particular, after considering the various factors set out in its Provision 40. For example, the decision to amend the weightings ascribed to certain Group KPIs for the purposes of the 2020 annual bonus scheme was based on a desire to ensure that the Company’s incentive schemes encouraged behaviours that were consistent with the Company’s purpose, values and strategy. Similarly, the decision to defer the grant of the 2020 LTIP awards and apply a reduction to their overall quantum reflected an intention to mitigate reputational and other risks from excessive rewards. The committee was satisfied that, during 2020, the approved remuneration policy operated as intended and delivered outcomes that fairly reflected the resilient nature of the business and its achievements over the year.

Applying the Policy in 2021
An overview of the way in which the current remuneration policy will be applied in 2021 is set out on pages 110 and 111 in the Annual Report on Remuneration. In summary:

- on 1 January 2021, the above noted increases to the base salaries of the Chief Executive and CFO came into effect;
- the Group KPI measures used for the annual bonus scheme (and their respective weightings and payment scales) have been reformulated for 2021 in order to ensure consistency with the Company’s strategic priorities for the period. In particular, the selected KPIs reflect the Company’s increased focus on its business within the energy transition whilst delivering value for our shareholders. They also encourage delivery of a unique value proposition that is supported by strong financial management in a responsible manner; and
- no material changes have been made to the manner in which the LTIP will operate in 2021.

When administering executive pay throughout 2021, the committee will continue to monitor wider business performance and the ongoing impact of the COVID-19 crisis.

Feedback on Directors’ Remuneration Report
We welcome questions and feedback from all those interested on both the content and style of this report. We also look forward to receiving your support for the Directors’ Remuneration Report at the AGM to be held on 11 May 2021.



Alison Wood
Remuneration Committee Chair

8 March 2021

Part 2 – Annual Report on Remuneration

Introduction

This Annual Report on Remuneration provides details of the way in which the committee operated during the financial year to 31 December 2020 and explains how Cairn's approved Directors' Remuneration Policy that is described on pages 113 to 117 was implemented during that period. It also summarises how that policy will be applied in 2021.

In accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "Regulations"), this part of the report will be subject to an advisory vote at the 2021 AGM.

The Company's auditor is required to report to Cairn's shareholders on the "auditable parts" of this Annual Report on Remuneration (which have been highlighted as such below) and to state whether, in their opinion, those parts have been properly prepared in accordance with the Regulations and the Companies Act 2006.

On the basis that Cairn has fewer than 250 UK employees, the Company is not required to publish or report its gender pay gap information.

Operation of the Remuneration Committee During 2020

Members of the Remuneration Committee

The members of the remuneration committee during the year were as follows:
- Nicoletta Giadrossi (Chair of the committee).
- Ian Tyler; and
- Peter Kallos.

The individuals who served on the committee, each of whom is an independent Non-Executive Director of the Company, had no personal financial interest (other than as shareholders) in the matters decided, no potential conflicts of interest from cross-directorships and no day-to-day involvement in running the business. Prior to her original appointment as Chair in May 2018, Nicoletta Giadrossi had served on the committee for more than 12 months.

In anticipation of her joining the committee and taking on the role of its Chair with effect from 1 January 2021, Alison Wood was invited to attend a number of the committee's meetings throughout the year.

Biographical information on the individuals that were committee members as at 31 December 2020 is shown on pages 72 and 73 and details of attendance at the committee's meetings during 2020 are shown on page 82.

Internal Assistance Provided to the Committee

The Chief Executive is not a member of the remuneration committee but may attend its meetings by invitation and is consulted in respect of certain of its proposals. The Chief Executive is not involved in any discussions in respect of his own remuneration. During the year, the committee also received material assistance and advice on remuneration policy from the Company Secretary.

External Assistance Provided to the Committee

As and when the remuneration committee considers it appropriate, it takes external advice on remuneration from a number of sources. During the year, it received the following assistance:

Adviser	Assistance provided to the committee during 2020	Fees for committee assistance in 2020[1]	Other services provided to the Company during 2020
Aon[2 3 4]	Appointed by the committee to give periodic advice during the period to 31 May 2020 on various aspects of the directors' remuneration packages. Also assisted with a number of miscellaneous remuneration-related projects (including the impact of COVID-19 on Executive Director pay).	£8,910	Provided advice on various aspects of remuneration practice across the Group in the period to 31 May 2020.
Alvarez & Marsal Taxand, LLP[3 4]	Appointed by the committee to give periodic advice during the period from 1 June 2020 on various aspects of the directors' remuneration packages. Also assisted with the preparation of the Directors' Remuneration Report and provided support on a number of miscellaneous remuneration-related projects.	£8,286	Provided advice on various aspects of remuneration practice across the Group in the period from 1 June 2020.
Deloitte LLP[4]	Appointed by the Company's management team but provided assistance to the committee in relation to the design, communication and implementation of the new policy approved at the 2020 AGM.	£1,188	Provided advice on various aspects of remuneration practice across the Group.
Ernst & Young LLP	Appointed by the Company to carry out an independent verification of its achievement against performance conditions applicable to the Company's LTIPs and share option schemes.	N/A – no advice provided to the committee	Internal auditor of the Company throughout the year.
Shepherd and Wedderburn LLP	Appointed by the Company to carry out regular calculations in relation to the LTIP performance conditions. Also assisted with the preparation of the Directors' Remuneration Report.	£24,351	General legal services to the Group throughout the year.

Notes:
1 The bases for charging the fees set out in the table were agreed by the committee at or around the time the particular services were provided and, in general, reflected the time spent by the adviser in question on the relevant matter.
2 Aon Hewitt Limited, part of Aon plc.
3 Cairn's advisory team at Aon transferred to Alvarez & Marsal Taxand, LLP on 1 June 2020. With effect from that date, the committee appointed Alvarez & Marsal Taxand, LLP as its independent advisor in place of Aon.
4 Each of Aon, Alvarez & Marsal Taxand, LLP and Deloitte LLP are (or were when providing advice to the committee) members of the Remuneration Consultants Group and their work is governed by the Code of Conduct in relation to executive remuneration consulting in the UK.
5 The committee reviews the performance and independence of all its advisers on a continuous basis. No issues relating to performance or independence were noted by the committee during the year.

Statement of Shareholder Voting at General Meetings

The table below shows the voting outcome at the last general meeting(s) at which shareholders were asked by the Company to approve a resolution relating to its Directors' Remuneration Report and Directors' Remuneration Policy:

Description of resolution	Date of general meeting	Number of votes 'For' and 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld'[1]
To approve the 2019 Directors' Remuneration Report	14 May 2020	409,788,514	91.20%	39,547,428	8.80%	449,335,942	19,676
To approve the 2020 Directors' Remuneration Policy	14 May 2020	417,923,175	93.01%	31,405,942	6.99%	449,329,117	26,501

Note:
1 A vote withheld is not a vote in law.

The committee welcomed the endorsement of both the above resolutions that was shown by the vast majority of shareholders at the relevant meetings and gave due consideration to any concerns raised by investors who did not support the resolutions.

Payments to Past Directors During 2020 (Audited)

During the year to 31 December 2020, there were no payments to past directors of the kind which require to be disclosed in terms of the Regulations.

Single Total Figure Table for 2020 (Audited)

The tables below set out the remuneration received by Executive Directors and Non-Executive Directors during the year in the following categories.

Salary + **Benefits** + **Pension** + **SIP** + **Annual Bonus** + **Long-term incentives** = **Total remuneration**

Executive Directors

		Fixed remuneration				Variable remuneration				Totals		
						Annual bonus[4]...						
	Financial year	Salary and fees	Benefits[1]	Pension[2]	SIP[3]	...paid in cash	...deferred into shares	....total bonus	Long-term incentives[5]	Total remuneration	Total fixed remuneration	Total variable remuneration
Directors												
Simon Thomson	**2020**	**£586,650**	**£35,291**	**£87,998**	**£0**	**£549,984**	**£0**	**£549,984**	**£219,808**	**£1,479,731**	**£709,939**	**£769,792**
	2019	£576,844	£34,376	£86,527	£7,197	£468,686	£0	£468,686	£0	£1,173,630	£704,944	£468,686
James Smith	**2020**	**£381,561**	**£38,611**	**£57,234**	**£0**	**£357,713**	**£0**	**£357,713**	**£142,965**	**£978,084**	**£477,406**	**£500,678**
	2019	£375,183	£36,787	£56,277	£7,197	£304,836	£0	£304,836	£0	£780,280	£475,444	£304,836

Notes:
1 Taxable benefits available to the Executive Directors during 2020 were a company car/car allowance, private health insurance, death-in-service benefit and a gym and fitness allowance. This overall package of taxable benefits was largely unchanged from 2019, with the higher figures for both the Executive Directors in 2020 primarily being attributable to increased costs for private health insurance cover.
2 Additional disclosures relating to the pension provision for the Executive Directors during 2020 are set out on page 101.
3 This column shows the face value (at date of award) of matching and free shares provided to the Executive Directors under the SIP during the relevant period. Further details on the way in which the SIP was operated during 2020 are set out on page 108.
4 Under the Company's annual bonus scheme for 2019 and 2020, any sums awarded in excess of 100% of salary are delivered in the form of deferred share awards, which normally vest after a period of three years from grant. Further information in relation to the annual bonus scheme for 2020 is provided on pages 102 to 104. For the avoidance of doubt, the quantum of awards made under this arrangement is not attributable, either wholly or in part, to share price appreciation.
5 This column shows the value of shares that vested in respect of LTIP awards with performance conditions that ended during the period in question. Further details of the LTIP's operation during 2020, including how the level of award was determined, confirmation of the amount (if any) of the above vesting value that was attributable to share price appreciation and a summary of any discretions that were exercised, are provided on pages 105 to 108.
6 Following the end of the year to 31 December 2020, the committee considered whether there were any circumstances that could or should result in the recovery or withholding of any sums pursuant to the clawback arrangements contained within the Company's remuneration policy. The conclusion reached by the committee was that it was not aware of any such circumstances.

Non-Executive Directors

	Financial year	Fixed Remuneration: Salary and fees[1]	Fixed Remuneration: Benefits	Fixed Remuneration: Pension[2]	Variable Remuneration: Annual bonus[2]	Variable Remuneration: Long-term incentives[2]	Totals: Total remuneration	Totals: Total fixed remuneration	Totals: Total variable remuneration
Directors									
Nicoletta Giadrossi[3]	**2020**	**£85,500**	**–**	**–**	**–**	**–**	**£85,500**	**£85,500**	**–**
	2019	£85,500	–	–	–	–	£85,500	£85,500	–
Keith Lough[3]	**2020**	**£85,500**	**–**	**–**	**–**	**–**	**£85,500**	**£85,500**	**–**
	2019	£85,500	–	–	–	–	£85,500	£85,500	–
Peter Kallos	**2020**	**£75,500**	**–**	**–**	**–**	**–**	**£75,500**	**£75,500**	**–**
	2019	£75,500	–	–	–	–	£75,500	£75,500	–
Alison Wood[4]	**2020**	**£75,500**	**–**	**–**	**–**	**–**	**£75,500**	**£75,500**	**–**
	2019	£37,750	–	–	–	–	£37,750	£37,750	–
Catherine Krajicek[4]	**2020**	**£75,500**	**–**	**–**	**–**	**–**	**£75,500**	**£75,500**	**–**
	2019	£37,750	–	–	–	–	£37,750	£37,750	–
Erik B. Daugbjerg[5]	**2020**	**£47,527**	**–**	**–**	**–**	**–**	**£47,527**	**£47,527**	**–**
	2019	£0	–	–	–	–	£0	£0	–
Former directors									
Todd Hunt[6]	**2020**	**£28,071**	**–**	**–**	**–**	**–**	**£28,071**	**£28,071**	**–**
	2019	£75,500	–	–	–	–	£75,500	£75,500	–
Ian Tyler (former Chair)[7]	**2020**	**£180,000**	**–**	**–**	**–**	**–**	**£180,000**	**£180,000**	**–**
	2019	£177,000	–	–	–	–	£177,000	£177,000	–

Notes:
1 As disclosed in the 2019 Annual Report on Remuneration, the Chairman's fee for 2020 was increased from £177,000 to £180,000. The basic annual fee for Non-Executive Directors in 2020 remained at £75,500, being the same level paid in 2019.
2 The Non-Executive Directors do not participate in any of the Company's long-term incentive arrangements and are not entitled to a bonus or pension contributions.
3 A further annual fee of £10,000 was payable to both Keith Lough and Nicoletta Giadrossi for their roles as Chair of the audit committee and the remuneration committee respectively during 2019 and 2020.
4 Alison Wood and Catherine Krajicek were both appointed as Non-Executive Directors on 1 July 2019. Their respective fees for 2019 reflect the period from that date to the year end.
5 Erik B. Daugbjerg was appointed as a Non-Executive Director on 14 May 2020. His fees for 2020 reflect the period from that date to the year end.
6 Todd Hunt retired as a director on 14 May 2020. His fees for 2020 reflect the period from the start of the year to that date.
7 Ian Tyler retired as Non-Executive Chair of the Company on 31 December 2020.

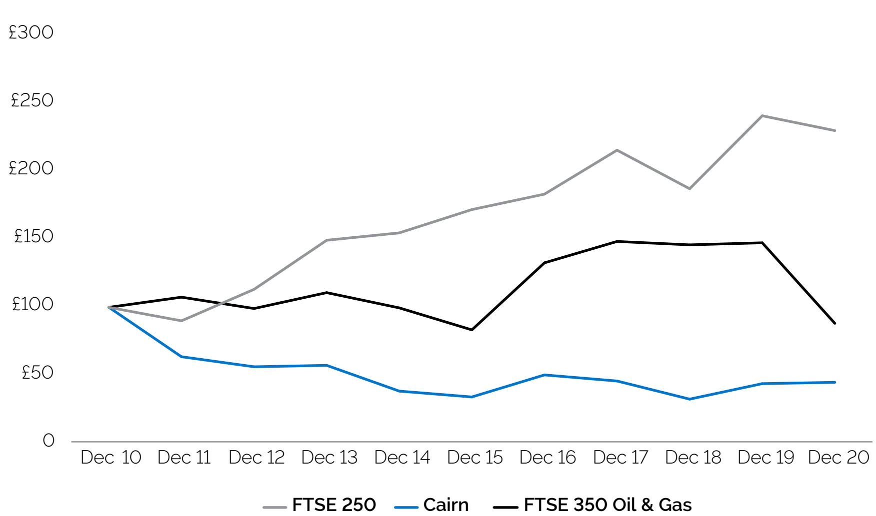
TSR Performance Graph and Further Information on Chief Executive Pay

Introduction

The following chart demonstrates the growth in value of a £100 investment in the Company and an investment of the same amount in both the FTSE 250 Index and the FTSE 350 Oil & Gas Producers Index over the last ten years. These comparisons have been chosen on the basis that: Cairn was a constituent member of the FTSE 250 Index for the whole of 2020; and the FTSE 350 Oil & Gas Producers Index comprises companies who are exposed to broadly similar risks and opportunities as Cairn.

The table following the graph illustrates the movements in the total remuneration of the Company's Chief Executive during the same 10-year period.

Performance Graph – Comparison of 10-Year Cumulative TSR on an Investment of £100



Total Remuneration of Chief Executive During the Same 10-year Period

Financial year	Chief Executive	Total remuneration of Chief Executive[1]	Annual variable element award rates for Chief Executive (as % of max. opportunity)	Long term incentive vesting rates for Chief Executive (as % of original award level)
2020	Simon Thomson	£1,479,731	75%	27.4%[2]
2019	Simon Thomson	£1,173,630	65%	0%
2018	Simon Thomson	£2,204,001	70%	56.7%
2017	Simon Thomson	£2,992,615	76.9%	90.8%
2016	Simon Thomson	£2,081,601	80.2%	81.7%
2015	Simon Thomson	£1,292,167	75%	23.4%
2014	Simon Thomson	£1,073,425	78.5%	0%
2013	Simon Thomson	£962,765	63%	0%
2012	Simon Thomson	£1,018,570	86%	0%
2011	Simon Thomson	£3,405,719	82%	121%
2011[3]	Sir Bill Gammell	£4,053,822	N/A	106%

Notes:

1 The amounts disclosed in this column have been calculated using the same methodology prescribed by the Regulations for the purposes of preparing the single total figure table shown on page 98.

2 As explained on page 106, Simon Thomson's 2017 LTIP award vested in respect of 34.29% of its "core" award (being the element granted over ordinary shares worth 2 x base salary). This represents 27.4% of the total award (i.e. "core" plus "kicker" awards) that was granted over shares worth 2.5 x salary.

3 Sir Bill Gammell stood down as Chief Executive on 30 June 2011 and was replaced by Simon Thomson (who had previously been Legal and Commercial Director) with effect from that date. Sir Bill Gammell's "total remuneration" for 2011 shown in the above table reflects the amount of salary, benefits and pension paid to him in respect of the period to 30 June 2011. However, during the year to 31 December 2011, Sir Bill Gammell also received, in connection with the termination of his employment and in settlement of his contractual entitlements, a payment of salary and benefits in lieu of his contractual notice period of one year (£770,000) and a cash bonus under the Company's annual bonus scheme (£625,000).

Pay Ratio Information in Relation to Chief Executive's Remuneration

The Regulations require certain companies to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees.

Although the above requirement does not technically apply to Cairn (on the basis that it had fewer than 250 UK employees during 2020), the committee felt that it would be appropriate to include the relevant disclosures this year on an entirely voluntary basis as it helps to demonstrate the link between the Chief Executive's pay and the remuneration of the wider workforce. A similar decision was made for the last two years, with the result that the following table shows the relevant ratios for each of 2020, 2019 and 2018:

Year	Method of calculation adopted	25th percentile pay ratio (Chief Executive : UK employees)	Median pay ratio (Chief Executive : UK employees)	75th percentile pay ratio (Chief Executive : UK employees)
2020	Option A	22 : 1	14 : 1	8 : 1
2019	Option A	19 : 1	12 : 1	7 : 1
2018	Option A	36 : 1	22 : 1	11 : 1

The median, 25th percentile and 75th percentile figures used to determine the above ratios were calculated by reference to the full-time equivalent annualised remuneration (comprising salary, benefits, pension, SIP, annual bonus and long term incentives) of all UK based employees of the Group as at 31 December 2020 (i.e. "Option A" under the Regulations). The committee selected this calculation methodology as it was felt to produce the most statistically accurate result.

The committee considers that the median pay ratio for 2020 that is disclosed in the above table is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole. It reflects the fact that a greater proportion of Executive Director pay is linked to annual performance through a higher annual bonus opportunity (a percentage of which is subject to deferral into shares).

The committee notes that each of the pay ratios for 2020 is higher than in the immediately preceding year. This is largely attributable to the fact that, unlike during 2019, awards vested under the Company's various discretionary share incentive plans in the period of 12 months to 31 December 2020. Given that the Executive Directors receive a higher level of annual award (as a percentage of salary) under these arrangements than almost all other employees, this vesting had a greater proportionate impact on the total remuneration level of the Chief Executive. For the avoidance of doubt, the differences in the ratios between 2020 and 2019 are not attributable to any material change in the Company's employment models or the use of a different calculation methodology.

Pay details for the individuals whose 2020 remuneration is at the median, 25th percentile and 75th percentile amongst UK based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£586,650	£36,869	£59,959	£130,000
Total pay and benefits	£1,479,731	£66,646	£107,062	£192,234

Percentage Annual Change in Directors' Remuneration Elements Compared to all Group Employees

The table below compares the percentage change in various elements of the Directors' remuneration between 2019 and 2020 with the percentage change in the remuneration of all the Group's employees in respect of that same period.

	% change in base salary/fees	% change in taxable benefits	% change in annual bonus
All Group employees	3.0%[1]	(0.4)%[2]	2.2%
Executive Directors			
Simon Thomson	1.7%	2.7%[3]	17.3%[4]
James Smith	1.7%	5.0% [3]	17.3%[4]
Non-Executive Directors			
Keith Lough	0%	0%	N/A
Peter Kallos	0%	0%	N/A
Nicoletta Giadrossi	0%	0%	N/A
Alison Wood[5]	100%	0%	N/A
Catherine Krajicek[5]	100%	0%	N/A
Erik B. Daugbjerg[6]	N/A	0%	N/A
Former directors			
Todd Hunt[7]	(62.8%)	0%	N/A
Ian Tyler[8]	1.7%	0%	N/A

Notes:

1 The standard level of salary increase across the Group in 2020 was 1.7%. However, a small number of individuals received higher percentage increases which raised the average for all employees to 3%.

2 This fall in average taxable benefits for all Group employees has arisen due to a lower level of relocation expenses being paid in 2020.

3 As explained on page 98, the above increases in the taxable benefits for both the Executive Directors was primarily attributable to increased costs for private health insurance cover.

4 The above noted percentage change in annual bonus for Simon Thomson and James Smith has been impacted by the fact that, as highlighted on page 96, the committee exercised its overarching discretion in relation to the 2019 annual bonus scheme and reduced the amount of the awards that would otherwise have been paid to members of the Executive Committee for the levels of achievement delivered against the Group KPIs for that period. No such reduction was applied to the Group KPI elements of the 2019 bonus awards made to the general employee population.

5 Alison Wood and Catherine Krajicek were both appointed as Non-Executive Directors on 1 July 2019.

6 Erik B. Daugbjerg was appointed as a Non-Executive Director on 14 May 2020.

7 Todd Hunt retired as a director on 14 May 2020.

8 Ian Tyler retired as Non-Executive Chair of the Company on 31 December 2020.

9 The Non-Executive Directors are not eligible to participate in the annual bonus scheme.

Executive Directors' Base Salaries During 2020

Based on a review carried out in November 2019, the following salary increases for Executive Directors became effective on 1 January 2020:

2020 Annual Salary Details

	Job title	Annual salary as at 31 December 2019	**Annual salary as at 1 January 2020**	% increase with effect from 1 January 2020
Current directors				
Simon Thomson	Chief Executive	£576,844	**£586,650**	1.7%
James Smith	CFO	£375,183	**£381,561**	1.7%

The increases shown in the above table for both Simon Thomson and James Smith were consistent with the level of standard annual salary increase awarded to other employees on 1 January 2020.

Executive Directors' Pension Provision During 2020 (Audited)

In accordance with the terms of the Directors' Remuneration Policy described on pages 113 to 117, the Company operates a defined contribution, non-contributory Group personal pension plan which is open to all UK permanent employees. During 2020, the Company contributed 10% of basic annual salary (15% in respect of current Executive Directors) on behalf of all qualifying employees.

As explained in the Chair's Annual Statement on pages 94 and 95, the committee has decided that, with effect from 1 January 2023, the above contribution rates will be aligned so that all employees and Executive Directors will benefit from an annual Company pension contribution of 12.5% of basic salary.

The Company also has a pension committee which meets on a regular basis to assess the performance and suitability of the Company's pension arrangements.

James Smith is a member of the Company scheme and, during the year, received Company contributions up to his statutory annual allowance. The balance of his 15% of basic salary entitlement was paid as additional salary.

During the year, Simon Thomson received an amount equal to 15% of his annual basic salary in the form of additional salary as his pension arrangements have already reached the relevant lifetime limit.

Details of the actual amounts of pension contributions/additional salary that were paid to the Executive Directors during 2020 are set out in the "pension" column of the single total figure table on page 98.

Annual bonus – 2020 structure and outcome (audited)
During 2020, Cairn operated an annual bonus scheme for all employees and Executive Directors. The maximum level of bonus award for Executive Directors and certain PDMRs for the year was 125% of annual salary.

For all participants other than the Executive Directors, 2020 bonus awards were based on achievement against a mixture of personal objectives and Group-wide KPIs. When determining the level of award attributable to the personal performance element of these individuals' bonuses, consideration was also given to the extent to which they demonstrated the Company's "high performance behaviours" during the period and also the level of their understanding, application and compliance with the Company's various standards and policies. The final level of all bonuses awarded to employees below Executive Director/PDMR level was reviewed and approved by the committee.

Consistent with the approach adopted in 2019, 100% of each Executive Director's bonus opportunity for the year to 31 December 2020 was determined by reference to the extent to which certain Group KPIs were achieved. Taking into account commercial sensitivities around disclosure, a summary of the relevant targets, ascribed weightings, payment scales and achievement levels is set out below.

2020 Annual Bonus Scheme – Group KPI Performance Conditions (100% Weighting) and Achievement Levels

KPI measures and performance achieved in 2020				Weighting	Bonus awarded	KPI remuneration committee decision
Purpose	2020 KPI	Measurement and payment scale	2020 performance	(as % of allocated proportion of maximum opportunity)		
Maintain licence to operate						
Deliver value in a safe, secure and environmentally and socially responsible manner.	– Achieve a number of specified leading indicators in relation to governance, people and society. – Achieve lagging HSSE indicators derived from IOGP targets, with threshold, target and stretch levels identified for measurement. – Establish a consistent methodology for estimating carbon intensity of existing and proposed new assets for use in strategic decision-making. – Influence JV partners in UK Continental Shelf including to target zero flaring during shutdowns. – Implement energy efficiency benchmarks for use in equipment selection for application in new operated drilling and seismic projects. – Focus on developing our people through talent management, organisational competency and employee engagement.	– Achievement of leading indicators linked to the categories listed. – Lagging indicators set in line with IOGP targets and guidelines.	– OSPAR audit completed in 2020 with no major findings. – CSR projects (Suriname mangrove rehabilitation and NATIN) on course at end of 2020 despite COVID-19. Additional programme development for Mexico commenced. – No LTIs or recordable incidents in 2020. – No recordable spills above the IOGP level. – Energy efficiency methodology for the Group's operated E&A activities has been developed.	15%	13.5%	Substantially achieved
Portfolio management						
Portfolio optimisation and replenishment.	– Secure new venture opportunities that meet the corporate hurdles and have risk levels consistent with our Risk Appetite Statement.	– Each new opportunity will be measured against tests of control, materiality and commercial robustness.	– Following Tullow giving notice that they intended to withdraw from six out of seven blocks in Côte d'Ivoire. Cairn opened negotiations with Tullow and subsequently took Operatorship in blocks C1-301 and C1-302.	5%	3.5%	Partially achieved

Purpose	2020 KPI	Measurement and payment scale	2020 performance	Weighting (as % of maximum opportunity)	Bonus awarded (as % of allocated proportion of maximum opportunity)	KPI remuneration committee decision
Deliver exploration success						
Grow the reserves and resources base to provide a basis for future growth.	– Mature new exploration or appraisal targets with JV support for drilling in the period 2020-2022. – Successfully drill and evaluate the wells planned for the 2020 work programme. – Discover or add potentially commercial hydrocarbons.	– Measured by the number of prospects progressed to 'drill-ready' status on an operated and non-operated basis. – Measured by the execution of the drilling and evaluation of wells. – Scored according to the net 2C potentially commercial resources added from exploration drilling and reported in 2020 reserves and resources report.	– Four prospects were matured to 'drill-ready' status: Diadem and Jaws in the UK Continental Shelf; and Saasil and Sayulita in Mexico. – In 2020, two wells were successfully drilled in Block 7 (Ehecatl) and Block 9 (Bitol) in Mexico, Both wells reached their planned subsurface targets and gathered the appropriate data. The cost of the Ehecatl well was at AFE level but the cost of the Bitol well was over the AFE level. – No new contingent resources were added in 2020 as both of the above wells were unsuccessful in finding hydrocarbons.	25%[1]	9%	Partially achieved
Progress developments						
Progress Senegal development projects.	– Achieve certain milestones on the Sangomar (formerly SNE) development in categories of subsurface, wells, subsea, FPSO and project controls.	– Measured against pre-set project milestones relating to specific aspects of the development of Sangomar.	Prior to the sale of Sangomar: – Three of the five project execution milestones relating to subsea, FPSO and project controls were fully met. – Two remaining milestones, subsurface and wells, were substantially met.	10%	9%	Substantially achieved
Production performance						
Maximise revenues through efficient operations.	– Deliver Group production in line with guidance for 2020.	– Production delivery assessed against production guidance communicated to the market in January 2020 of between 19,000 and 23,000 bopd net to Cairn.	– Out-turn production from Kraken and Catcher during 2020 was within guidance at approximately 21,350 bopd net to Cairn.	10%	6%	Partially achieved
Deliver a sustainable business						
Manage balance sheet strength.	– Ensure balance sheet strength with achievement measured across three categories: attainment of certain financial tests in line with funding strategy; portfolio management; and resolution of Indian arbitration and recovery of proceeds in event of success.	– Ensure adequate sources of funding through debt financing, cash flow generation, portfolio optimisation and/or hedging strategies to support our committed expenditure. – Receipt of award in Cairn's favour in the Indian arbitration.	– Funding headroom was maintained throughout the year covering the Group's committed forward capital expenditure. – Sale of Sangomar asset with cash received at completion of ~US$525 million provided capital to allow both a return of capital of ~US$250m to shareholders and a further strengthening of the balance sheet. – The tribunal ruled unanimously in Cairn's favour in the Indian arbitration, awarding damages to Cairn of US$1.2 billion plus interest and costs, which became immediately payable. The total due at the year-end was US$1.7 billion.	35%[1]	34%	Substantially achieved
			Totals	**100%**	**75%**	

KPI measures and performance achieved in 2020

Notes:
1 As explained in the Chair's Annual Statement on page 95, the committee exercised its discretion during 2020 and adjusted the weightings ascribed to the "Deliver exploration success" and "Deliver a sustainable business" KPIs. The weighting for the former was decreased from 35% to 25% and, in the case of the latter, it was increased from 25% to 35%. These adjustments reflected a significant re-calibration of the business's overall strategy that occurred during the year and were intended to ensure that there was an increased focus on financial stability.

2020 Annual Bonus Scheme – Overview of Awards and Actual Payments Made

The application of the outturn from the above performance condition assessments resulted in the following bonuses becoming payable to Simon Thomson and James Smith:

		Simon Thomson	James Smith
		Group KPI measures	Group KPI measures
Award elements	Weighting (as % of max. bonus opportunity)	100%	100%
	x		
	Achievement level	75%	75%
	=		
	Award percentage (as % of max. bonus opportunity)	75%	75%
Award calculation	Max. bonus opportunity (as % of salary)	125%	125%
	x		
	Award percentage (as calculated above)	75%	75%
	=		
	Total award (as % of salary)	93.75%	93.75%
	Total award (as an amount)	£549,984	£357,713
Form of payment	Cash payment[1]	£549,984	£357,713
	Deferred share award[2]	£0	£0

Notes:
1 Cash payments due under the annual bonus scheme were paid to the relevant individuals shortly after completion of the assessment of the relevant performance measures and conditions.
2 Under the Company's annual bonus scheme for 2020, any amounts awarded in excess of 100% of salary would have been delivered in the form of share awards granted under the Company's Deferred Bonus Plan.

Before the above bonuses were finalised, the award levels produced by the application of the various targets were reviewed by the committee in the context of the Company's overall financial and operational performance during 2020. The conclusion reached was that the amounts to be paid to participants were appropriate and fairly reflected the resilient nature of the business and its achievements over the year. As a result, there was no requirement for the committee to make any adjustments pursuant to its overarching discretion under the annual bonus scheme, details of which are set out in the Directors' Remuneration Policy.

Long Term Incentives During 2020

Introduction

During the year to 31 December 2020, the Executive Directors participated in the Company's 2017 LTIP (which was approved by shareholders at the AGM held on 19 May 2017).

The 2017 LTIP enables selected senior individuals to be granted conditional awards or nil-cost options over ordinary shares, the vesting of which is normally dependent on both continued employment with the Group and the extent to which pre-determined performance conditions are met over a specified period of three years.

Overview of Performance Conditions

For the awards granted to Executive Directors under the 2017 LTIP during 2017, 2018, 2019 and 2020, the performance conditions are comprised of two distinct elements, namely:

– Conditions applicable to the "core award"

The first condition applies to that element of each award which is over ordinary shares worth 200% (160% in the case of the 2020 grants) of the individual's salary (the "core award") and involves an assessment of the Company's TSR performance over a three-year performance period (commencing on the date of grant) relative to the performance achieved by a pre-determined comparator group of companies in the same sector (details of which are set out on page 108). Vesting will then take place as follows:

Ranking of Company against the comparator group	Percentage of ordinary shares comprised in core award that vest
Below median	0%
Median	25%
Upper quartile or above	100%
Between median and upper quartile	25%–100% on a straight line basis

– Conditions applicable to the "kicker award"

The second condition applies to the remaining part of each grant (the "kicker award"), being an element that is granted over ordinary shares worth 50% (40% in the case of the 2020 awards) of salary. This part of the award will vest in full if, over the same three-year measurement period (i) the Company achieves an upper quartile ranking (or above) in the comparator group; and (ii) the TSR actually achieved by the Company is at least 100%. For the avoidance of doubt, if either of these requirements is not satisfied, no part of the kicker award will vest.

No part of an award granted under the 2017 LTIP during 2019 and earlier years will vest unless the remuneration committee is satisfied that there has been an overall satisfactory and sustained improvement in the performance of the Company as a whole over the performance period. In the case of awards granted in 2020 and later years, the committee retains the discretion to reduce the vesting level produced by the formulaic operation of the performance conditions described above in circumstances where, based on its independent judgement, it considers it appropriate to do so (e.g. where the outturn from the assessment of the prescribed targets is not, in the committee's view, a genuine reflection of the underlying performance of the Company).

Summary of Vesting Terms, Holding Periods and Clawback Arrangements

In the case of the grants made under the 2017 LTIP to Executive Directors, all awards will normally be subject to a holding period of two years following vesting, at the end of which the ordinary shares to which the holder has become entitled will be released or become exercisable. For the avoidance of doubt, this additional holding period applies to both the core and kicker awards (see above).

As noted in the Directors' Remuneration Policy, awards granted under the 2017 LTIP are subject to clawback provisions which may be operated by the committee where, in the period of three years from the end of the applicable performance period, it becomes aware of either a material misstatement of the Company's financial results or an error in the calculation of performance metrics which, had it been known at the relevant time, would have reasonably been expected to have resulted in a lower vesting percentage being determined. The circumstances in which clawback can be applied in respect of awards vesting on or after 1 January 2020 were expanded also to include cases of gross misconduct and corporate failure, due to the conduct of management, which results in the appointment of a liquidator or administrator.

Where clawback is to be operated in respect of an award, the committee has a range of different mechanisms by which value can be recovered from the relevant individual including the reduction of future bonuses, the application of a reduction in the number of shares over which other incentive awards vest or are exercisable and requiring the individual to make a cash payment to the Company.

All outstanding awards under the 2017 LTIP have been granted on terms that participants will receive a payment (in cash and/or shares) on or shortly following the settlement of their awards, of an amount equivalent to the dividends that would have been payable on the shares acquired between the date of grant and the expiry of any applicable holding period. Where required, the committee will decide the basis on which the value of such dividends shall be calculated, which may assume the reinvestment of dividends. The rules of the 2017 LTIP also give the committee the discretion to disapply these provisions in relation to all or part of any special dividend. As highlighted in the Chair's Annual Statement on page 96, this discretion was exercised by the committee in relation to the special dividend paid by the Company on 25 January 2021 on the basis that the economic position of participants in the 2017 LTIP was effectively preserved through the operation of the share consolidation that formed part of the return of cash mechanism.

LTIP Awards Granted During 2020 (Audited)

On 28 July 2020, the following awards under the 2017 LTIP were granted to Executive Directors:

	Description of award	Form of award	Basis of award granted[3]	Share price at date of grant[4]	No. of shares over which award originally granted	Face value (£'000) of shares over which award originally granted[5]	% of shares over which award originally granted that vest at threshold	Vesting determined by performance over
Directors								
Simon Thomson	Core award	Nil-cost option	1.6 x base salary of £586,650	£1.323	709,478	£939	25%	3 years until 27 July 2023
	Kicker award	Nil-cost option	0.4 x base salary of £586,650	£1.323	177,369	£235	100%	
James Smith	Core award	Nil-cost option	1.6 x base salary of £381,561	£1.323	461,449	£611	25%	3 years until 27 July 2023
	Kicker award	Nil-cost option	0.4 x base salary of £381,561	£1.323	115,362	£153	100%	

Notes:
1 Details of the performance conditions applicable to the awards granted in 2020 are provided on page 105.
2 No price is payable by participants for their shares on the exercise of a nil-cost option granted under the LTIP.
3 Cairn's normal practice is to grant awards on the basis of 2 x salary (in the case of the "core" award) and 0.5 x salary (for the "kicker" award). These reduced grant levels in 2020 reflect the decision of the committee that is outlined in the Chair's Annual Statement on page 95.
4 This figure represents the closing mid-market price of a share in the Company for the dealing day immediately preceding the date of grant. (The actual closing price on 28 July 2020 was £1.354.)
5 The values shown in these columns have been calculated by multiplying the "number of shares over which the award was originally granted" by the "share price at date of grant".
6 In the period following the grant of the above awards, no change was made to their exercise price or the date on which they will become exercisable.

LTIP – Awards Vesting During the Year (Audited)

On 22 May 2020, the three-year performance period applicable to the awards granted under the 2017 LTIP on 23 May 2017 to various participants (including the Executive Directors) came to an end. Thereafter, the remuneration committee assessed the relevant performance conditions. The results of this assessment, which was completed on 28 May 2020, can be summarised as follows:

Award	Performance measure	% of award subject to measure	Performance achieved 2017-2020	% of award vested
Core award	Relative TSR performance against a comparator group of 17 companies.	100%	Cairn's TSR over the period placed it between the eighth and ninth highest ranked companies in the comparator group. After a careful consideration of a variety of factors, the committee also concluded that there had been a sustained improvement in the overall performance of the Company over the three years in question.	34.29%
Kicker award	For any part of the kicker award to vest, (i) the Company must achieve at least an upper quartile ranking in the above comparator group; and (ii) the TSR actually achieved by the Company must be at least 100%.	100%	As Cairn's ranking in the comparator group was below upper quartile, no part of the kicker award vested and it lapsed immediately on completion of the committee's above noted assessment.	0%

Notes:
1 Further details of the performance conditions that applied to the above awards are set out on page 105.
2 At various points in the period 23 May 2017 to 22 May 2020, the committee was required to determine (in accordance with the approved remuneration policy in place at that time) the treatment of those comparator group companies that delisted. No other discretions relating to the vesting of the awards were exercised by the remuneration committee during or after the relevant performance period.
3 The TSR calculations used to inform the committee's determinations in relation to the above awards were independently verified by Ernst & Young LLP.

The following table shows, for each of the Executive Directors, details of the 2017 LTIP awards that vested during the year:

	Description of award	Form of award	Date of grant	No. of shares over which award originally granted	Date of vesting	% of award to vest as per performance condition assessment	No. of shares that vested[1]	Value of shares vesting[2]	Amount of vesting value attributable to share price appreciation[3]
Current Director									
Simon Thomson	Core award	Nil-cost option	23/05/17	513,700	28/05/20	34.29%	176,128	£219,808	£0
	Kicker award	Nil-cost option	23/05/17	128,425	28/05/20	0%	0	£0	£0
James Smith	Core award	Nil-cost option	23/05/17	334,114	28/05/20	34.29%	114,555	£142,965	£0
	Kicker award	Nil-cost option	23/05/17	83,528	28/05/20	0%	0	£0	£0

Notes:
1 Following their vesting, the above awards became subject to a two-year holding period during which they cannot normally be exercised.
2 The values shown in this column (which are included in the single total figure table for 2020) have been calculated by multiplying the number of shares that vested by £1.248, being the closing mid-market price of a share in the Company on the day such vesting occurred.
3 On the basis that the price of an ordinary share was lower at the date of vesting of these awards (£1.248) than at their date of grant (£2.18), no part of the vesting value is attributable to share price appreciation.
4 No discretions were exercised in relation to the awards set out in the above table as a result of share price appreciation or depreciation.

LTIP – Awards Exercised During 2020 (Audited)

No LTIP awards were exercised by the Executive Directors during the year to 31 December 2020.

LTIP – Other Awards Held by Executive Directors During the Year

For the sake of completeness, and in order to allow comparisons to be made with the awards granted during 2020, set out below are details of the other unvested awards under the 2017 LTIP that were held by the Executive Directors during the year:

	Date of grant	Plan	Description of award	Form of award	Basis of award granted	Share price at date of grant[2]	No. of shares over which award originally granted	Face value (£'000) of shares over which award originally granted[3]	% of shares over which award originally granted that vest at threshold	Vesting determined by performance over three years until…
Directors										
Simon Thomson	28/03/18	2017 LTIP	Core award	Nil-cost option	2 x base salary of £565,533	£2.11	536,050	£1,131	25%	27/03/21
		2017 LTIP	Kicker award	Nil-cost option	0.5 x base salary of £565,533	£2.11	134,012	£283	100%	
	13/03/19	2017 LTIP	Core award	Nil-cost option	2 x base salary of £576,844	£1.677	687,947	£1,154	25%	12/03/22
		2017 LTIP	Kicker award	Nil-cost option	0.5 x base salary of £576,844	£1.677	171,986	£288	100%	
James Smith	28/03/18	2017 LTIP	Core award	Nil-cost option	2 x base salary of £367,826	£2.11	348,650	£736	25%	27/03/21
		2017 LTIP	Kicker award	Nil-cost option	0.5 x base salary of £367,826	£2.11	87,162	£184	100%	
	13/03/19	2017 LTIP	Core award	Nil-cost option	2 x base salary of £375,183	£1.677	447,444	£750	25%	12/03/22
		2017 LTIP	Kicker award	Nil-cost option	0.5 x base salary of £375,183	$1.677	111,861	£188	100%	

Notes:
1 Further details of the performance conditions that apply to these awards are set out on page 105.
2 This figure represents the closing mid-market price of a share in the Company for the dealing day immediately preceding the relevant date of grant.
3 The values shown in this column have been calculated by multiplying the relevant "number of shares over which the award was originally granted" by the appropriate "share price at date of grant".
4 During 2020, no changes were made to the exercise prices of the above awards or the date on which they will become exercisable.

Comparator Group Companies Applicable to LTIP Awards

The table below provides details of the comparator groups applicable to each tranche of awards granted under the 2017 LTIP to Executive Directors that were outstanding during 2020.

	Comparator group applicable to LTIP awards granted on…			
Company	23/05/17	28/03/18	13/03/19	28/07/20
Africa Oil Corp.	✓	✓	✓	✓
Aker BP ASA (formerly named Det Norske Oljeselskap ASA)	✓	✓	✓	✓
DNO ASA	✓	✓	✓	✓
Energean PLC (formerly named Energean Oil & Gas PLC)			✓	✓
EnQuest PLC	✓	✓	✓	✓
Faroe Petroleum PLC*	✓			
Genel Energy PLC	✓	✓	✓	✓
Hurricane Energy PLC			✓	✓
Kosmos Energy Limited	✓	✓	✓	✓
Lundin Energy AB (formerly named Lundin Petroleum AB)	✓	✓	✓	✓
Nostrum Oil & Gas PLC	✓	✓	✓	✓
Ophir Energy PLC*	✓			
Pharos Energy PLC (formerly named SOCO International PLC)	✓	✓	✓	✓
Premier Oil PLC	✓	✓	✓	✓
Rockhopper Exploration PLC	✓	✓	✓	✓
Santos Limited	✓	✓	✓	✓
Seplat Petroleum Development Company PLC	✓	✓	✓	✓
Sound Energy PLC	✓	✓	✓	✓
Tullow Oil PLC	✓	✓	✓	✓

* Denotes companies that have delisted during the applicable performance period. For awards granted under the 2017 LTIP, the committee's normal policy is to remove from the relevant comparator group any company that has delisted less than half way through the applicable performance period. For delistings that occur after that time, the relevant company is retained and moved in line with the remaining members of the group.

Participation of Executive Directors in All-Employee Share Schemes During 2020

Introduction

In order to encourage increased levels of long-term share ownership amongst its general employee population, the Company launched an HM Revenue and Customs approved SIP in April 2010. The SIP provides eligible employees, including the Executive Directors, with the following benefits:

- "Partnership shares" – employees can authorise deductions of up to £1,800 per tax year from pre-tax salary, which are then used to acquire ordinary shares on their behalf.
- "Matching shares" – the Company can award further free shares to all participants who acquire partnership shares on the basis of up to two matching shares for every one partnership share purchased. For the tax year 2020/2021, the Company awarded two matching shares for every one partnership share purchased and intends to continue using this award ratio for the tax year 2021/2022.
- "Free shares" – employees can be given up to £3,600 worth of ordinary shares free in each tax year. On 15 April 2020, an award of free shares was made to employees.

In certain circumstances, the rules of the SIP also allow participants to reinvest dividends paid on their plan shares in further "dividend shares".

As highlighted in the Chair's Annual Statement, the Company's Executive Directors elected not to receive any benefit from the SIP during 2020. In particular, they opted-out of the free share award made on 15 April 2020 and chose not to make any partnership share acquisitions (with the result they did not receive any award of corresponding matching shares).

As the SIP is an "all-employee" arrangement, no performance conditions are imposed in relation to any matching or free shares awarded pursuant to its terms.

Details of Executive Directors' SIP Participation in 2020

Details of the shares purchased by and awarded to the Executive Directors under the SIP during the course of the year are as follows:

	Total SIP shares held at 01/01/20	Free shares awarded during 2020	Partnership shares awarded during 2020	Matching shares awarded during 2020	Total SIP shares held at 31/12/20
Directors					
Simon Thomson	34,536	0	0	0	34,536
James Smith	26,241	0	0	0	26,241

The total number of shares held by each of the current Executive Directors under the SIP is included in their beneficial shareholdings disclosed in the Directors' Report on page 122.

Shareholding Guidelines for Directors (Audited)

A formal share ownership policy for Executive Directors has been in place for a number of years under which they are required, during employment, to build up and maintain a target holding, currently equal to 200% of salary. In addition, and with effect from 14 May 2020, being the date the Directors' Remuneration Policy set out on pages 113 to 117 was approved by shareholders, Executive Directors (and certain other senior managers) are normally obliged to maintain a specified holding of shares for a period of two years following cessation of employment. Further details of the terms of this policy are set out on page 118.

The following table discloses the beneficial interest of each Director in the ordinary shares of the Company as at 31 December 2020 (or date of cessation of directorship, if earlier). It also highlights the fact that, on 1 January 2021, the "in service" element of the above shareholding requirements were satisfied by both Simon Thomson, Chief Executive, and James Smith, CFO.

	Shares held			Awards over shares under the LTIP			Compliance with shareholding requirements	
							In service requirement	Post-cessation requirement
	Ordinary shares[2]	Ordinary shares held in the SIP[3]	Total holding of ordinary shares	Ordinary shares subject to vested but unexercised awards[4]	Ordinary shares subject to unvested awards[5]	Total interest in ordinary shares	Value of holding as a % of salary on 1 January 2021[6,7]	Value of holding as a % of salary on 1 January 2021[6,8]
Executive Directors								
Simon Thomson	1,311,386	34,536	1,345,922	176,128	2,416,842	3,938,892	387%	25%
James Smith	524,403	26,241	550,644	114,555	1,571,928	2,237,127	253%	25%
Non-Executive Directors								
Nicoletta Giadrossi	–	–	–	–	–	–	–	–
Keith Lough	–	–	–	–	–	–	–	–
Peter Kallos	10,982	–	10,982	–	–	10,982	–	–
Alison Wood	–	–	–	–	–	–	–	–
Catherine Krajicek	–	–	–	–	–	–	–	–
Erik B. Daugbjerg	–	–	–	–	–	–	–	–
Former director								
Todd Hunt[9]	72,012	–	72,012	–	–	72,012	–	–
Ian Tyler	–	–	–	–	–	–	–	–
	1,918,783	**60,777**	**1,979,560**	**290,683**	**3,988,770**	**6,259,013**		

Notes:
1 Details of the Company's share ownership policies for Executive Directors are set out on page 118.
2 Includes shares held by connected persons.
3 Under the rules of the SIP, certain shares awarded to participants must be retained in the plan for a specified "holding period" of up to five years. The receipt of these shares is not subject to the satisfaction of performance conditions.
4 This column shows all vested but unexercised awards under the LTIP that were held by the director concerned as at 31 December 2020.
5 This column shows all unvested and outstanding awards under the LTIP that were held by the director concerned as at 31 December 2020 (i.e. including those granted during the year). Details of these entitlements, the vesting of which is subject to the satisfaction of performance conditions, are set out on pages 106 and 107.
6 Share price used is the average share price for the period of 90 days up to and including 31 December 2020.
7 This holding includes (i) all shares currently held by the individual; and (ii) the net-of-tax number of all shares subject to vested but unexercised LTIP awards.
8 This holding includes the net-of-tax number of all shares subject to vested but unexercised LTIP awards.
9 Todd Hunt retired as a director on 14 May 2020 and the disclosure in the above table represents his beneficial interest in the ordinary shares of the Company as at that date.

Dilution of Share Capital Pursuant to Share Plans During 2020

In any 10-year rolling period, the number of ordinary shares which may be issued in connection with the Company's "discretionary share plans" (which includes the LTIP and the share option/award schemes used to incentivise less senior employees) cannot exceed 5% of the Company's issued ordinary share capital.

In addition, in any 10-year rolling period, the number of ordinary shares which may be issued in connection with all of the Company's employee share schemes (whether discretionary or otherwise) cannot exceed 10% of the Company's issued ordinary share capital.

It should also be noted that all shares acquired by or awarded to participants under the SIP and the Deferred Bonus Plan are existing ordinary shares purchased in the market. As a result, neither the SIP nor the Deferred Bonus Plan involves the issue of new shares or the transfer of treasury shares.

Board Appointments with Other Companies During 2020

The Board believes, in principle, in the benefits of Executive Directors accepting positions as Non-Executive Directors of other companies in order to widen their skills and knowledge for the benefit of the Company, provided that the time commitments involved are not unduly onerous. The Executive Directors are permitted to retain any fees paid for such appointments.

The appointment of any Executive Director to a non-executive position with another company must be approved by the nomination committee. In the case of a proposed appointment to a company within the oil and gas industry, permission will only normally be given if the two companies do not compete in the same geographical area.

Details of the non-executive positions with other companies that were held by Cairn's Executive Directors during 2020, and the fees that were payable, are as follows:

	Position held	Fees received for the year to 31/12/20
Current directors		
Simon Thomson	Non-Executive Director, Graham's The Family Dairy Limited	**£35,000**
	Non-Executive Director, Edinburgh Art Festival	**£0**

Relative Importance of Spend on Pay
Set out below are details of the amounts of, and percentage change in, remuneration paid to or receivable by all Group employees and distributions to shareholders in the years ended 31 December 2019 and 2020.

	Financial Year 2019	**Financial Year 2020**	% change
Employee costs (US$m)	39.1	**33.6**	(14.1)%[1]
Distributions (US$m)[2]	0	**0**	0%

Note:
1 This fall in employee costs during 2020 is largely attributable to the headcount reduction that resulted from the disposal of Capricorn Norge AS.
2 For the purposes of the above table, "Distributions" include amounts distributed to shareholders by way of dividend and share buyback.

Implementation of Remuneration Policy in 2021
The following table provides details of how the Company intends to implement the key elements of the current Directors' Remuneration Policy described in pages 113 to 117 during the year to 31 December 2021.

Remuneration element	Implementation during 2021
Base salary	Both of the Executive Directors received a 1% increase in base salary on 1 January 2021 – this was in line with the standard annual increase awarded to other employees on that date. After applying this increase, details of the base salaries payable to both the current Executive Directors for the year to 31 December 2021 are as follows: – Simon Thomson, Chief Executive – £592,517; and – James Smith, CFO – £385,377.
Benefits	Executive Directors will continue to receive the same benefits as in 2020.
Annual bonus	In accordance with the requirements of the policy, Executive Directors will be eligible to receive a bonus of up to 125% of base salary depending on the extent to which specified measures are satisfied over 2021. However, any bonus awarded to an Executive Director in excess of 100% of salary will be deferred into Cairn shares for a period of three years. The whole of the Chief Executive's and CFO's 2021 bonus opportunity will be based on the Group KPIs described below (with details of the weightings specified in brackets): – **ESG and HSSE (17.5%);** • Achieve a number of specified leading indicators that support Company policies and standards in relation to HSSE and corporate responsibility; focusing on matters identified in our materiality matrix, governance and people. • Achieve lagging HSSE indicators derived from IOGP targets. • Complete Phase 1 of CCUS (carbon capture, utilisation and storage) application and evaluation. • Further develop the framework, in line with the UN SDGs, for the social investment plans across the Group, including quantifying the overall impact of the programme(s). • Communicate our climate change performance and our processes for governance, risk management and target setting using the CDP, SASB & TCFD frameworks. – **New Ventures (20%);** • Mature prospects achieving commercial thresholds that can be considered for future exploration drilling. • Conduct our operated and non-operated exploration and appraisal activities successfully, on time and on budget. • Add new commercial resources to replace reserves and grow value. – **Production (20%);** • Convert resources to reserves. • Deliver net production and operating costs within guidance targets. – **Financial Performance (25%);** • Demonstrate balance sheet strength reflected in three categories: meeting financial tests in line with funding strategy; portfolio management; and recovery of Indian arbitration proceeds. – **Corporate Projects (17.5%)** • Develop and execute corporate projects to enhance the portfolio, consistent with the Group Risk Appetite Statement. The overall categories and weightings for these KPIs were agreed by the Board, with the specific targets to be used for the purposes of the 2021 bonus scheme being set by the remuneration committee (which will also be responsible for their assessment at the end of the year). The committee has also determined a payment scale (including threshold, target and maximum levels) for each measure that will ultimately be used to calculate the amount of an individual's award. The choice of metrics for 2021 and their weightings reflects Cairn's focus on the upstream stages of the oil and gas lifecycle. In line with this focus, Cairn does not utilise strict financial performance KPIs. Instead, relevant elements of financial performance are incorporated more broadly into the KPI structure, including our focus on retaining balance sheet strength, delivering efficient operations and maturing our developments. Precise details of the targets and payment scale to be used for the 2021 plan are commercially sensitive and have not, therefore, been set out above. However, appropriate disclosures will be included in next year's Annual Report on Remuneration.

Remuneration element	Implementation during 2021
LTIP	It is intended that, during the early part of 2021, the Executive Directors will be granted awards pursuant to the rules of the 2017 LTIP. These awards will, in aggregate, be over shares worth 250% of salary and will take the following forms: – a "core award" over shares worth 200% of salary – the vesting of which will be dependent on relative TSR performance over a three year period versus a comparator group of peer companies (with 25% vesting for a median ranking rising on a straight-line basis to 100% vesting for upper quartile performance); and – a "kicker award" over shares worth 50% of salary – vesting will be conditional on achieving both an upper quartile ranking in the comparator group and absolute TSR growth over the performance period of at least 100%. All shares that vest in relation to an award (whether "core" or "kicker") will be subject to an additional two-year holding period. The comparator group against which the relative performance conditions are assessed will be the same as the one used for the purposes of the LTIP grants made in 2020.
SIP	Executive directors will be given the opportunity to participate in the SIP on the same terms as apply to all other eligible employees in the arrangement.
Pension	During 2021, the Company will continue to contribute 15% of basic salary on behalf of the current Executive Directors or pay them an equivalent amount of additional salary. In accordance with the policy, the rate of pension contributions for any new appointees to the Board will be capped at a level that is equal to the amount paid to the wider UK employee population.
Non-Executive Directors' fees	For 2021, both the annual Non-Executive Director fee and the additional annual fee for chairing the audit and/or remuneration committees remain unchanged at £75,500 and £10,000 respectively.
Chair's fees	The annual Chair's fee for 2021 has been maintained at £180,000, being the same level that was paid in 2020.

Part 3 – Directors' Remuneration Policy

Introduction
At the AGM held on 14 May 2020, shareholders overwhelmingly approved a new Directors' Remuneration Policy for the Company. This policy, which specifies the various pay structures operated by the Company and summarises the approach that the committee will adopt in certain circumstances such as the recruitment of new directors and/or the making of any payments for loss of office, became effective immediately on receipt of that approval and was applied by the committee during 2020. This policy will also be operative throughout 2021.

Although not required by the Regulations, the substantive terms of the above Directors' Remuneration Policy are repeated in this Part 3 for ease of reference. However, any details that were specific to 2020 or earlier years (including, for example, any disclosures relating to the decision-making process that was followed for determining the new policy and the illustrative remuneration scenarios set out on page 119) have, where applicable, either been omitted or updated to reflect the current position. The policy as originally approved by shareholders can be found on pages 97 to 106 of the 2019 Annual Report and Accounts, a copy of which is available on the Company website.

Purpose and Role of the Remuneration Committee
The remuneration committee determines and agrees with the Board the overall remuneration policy for the Executive Directors and the Group's PDMRs (Persons Discharging Managerial Responsibilities). Within the terms of this agreed policy, the committee is also responsible for:
- determining the total individual remuneration package for each Executive Director and the PDMRs;
- determining the level of awards made under the Company's LTIPs and employee share award schemes and the performance conditions which are to apply;
- determining the KPIs used to measure performance for the annual bonus scheme;
- determining the bonuses payable under the Company's annual bonus scheme;
- determining the vesting levels of awards under the Company's LTIPs and employee share award schemes; and
- determining the policy for pension arrangements, service agreements and termination payments for Executive Directors and PDMRs.

The committee also reviews the overall remuneration levels and incentive arrangements (including the Group-wide bonus scheme) for employees below senior management level but does not set individual remuneration amounts for such individuals. This oversight role allows the committee to take into account pay policies and employment conditions within the Group as a whole when designing the reward structures of the Executive Directors and PDMRs. For example, the committee considers the standard increase applied to basic pay across the Group when setting Executive Directors' base salaries for the same period.

The committee operates within written terms of reference agreed by the Board. These are reviewed periodically to ensure that the committee remains up-to-date with best practices appropriate to Cairn, its strategy and the business and regulatory environment in which it operates. The current version of the terms of reference are available on the Company's website.

Consultation with Relevant Stakeholders
The committee is always keen to ensure that, in carrying out its mandate, it takes into account the views and opinions of all the relevant stakeholders in the business.

During the early part of 2020, the committee continued to engage with a selection of the Company's larger institutional investors (i.e. primarily those holding 3% or more of our issued share capital), and a selection of proxy agencies, in relation to the new Directors' Remuneration Policy that was approved at the AGM held on 14 May 2020. A number of the features highlighted by shareholders during this exercise (including, for example, a desire for the pension benefits for new Executive Directors to be aligned to those offered to the wider workforce and a preference for the introduction of a post-employment shareholding requirement) were incorporated into the final policy.

Historically, the committee has not undertaken a formal consultation exercise with employees in relation to the Group's policy on senior management remuneration. Members of staff are, however, regularly given the opportunity to raise issues on a variety of matters, including executive pay, via a number of mechanisms such as the Company's Employee Voice Forum (which, during 2020, was hosted by Nicoletta Giadrossi), the attendance of Directors at team meetings and employee engagement surveys.

Overview of Current Remuneration Policy
Cairn's current policy on Executive Directors' remuneration, which became effective on 14 May 2020 and which is set out below, is to ensure that it appropriately incentivises individuals to achieve the Group's strategy to deliver value for stakeholders by building and maintaining a balanced portfolio of exploration, development and production assets, whilst offering a competitive package against the market.

A description of each of the elements comprised in the pay packages for Cairn's directors under its remuneration policy is as follows:

Policy Table – Elements of Directors' Remuneration Package

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Base salary	Helps recruit and retain employees. Reflects individual experience and role.	Normally reviewed annually (with changes taking effect on 1 January) and/or when otherwise appropriate, including when an individual changes position or responsibility. Aim is to provide a competitive base salary relative to the market (although the committee does not place undue emphasis on benchmarking data and exercises its own judgement in determining pay levels). Decision influenced by: – role and experience; – average change in broader workforce salaries; – individual performance; and – remuneration practices in companies of a broadly similar size and value and relevant oil and gas exploration and production companies.	Whilst the committee has not set a monetary maximum, annual increases will not exceed the level of standard increase awarded to other employees except that more significant increases may be awarded at the discretion of the committee in connection with: – an increase in the scope and responsibility of the individual's role; or – the individual's development and performance in the role following appointment; or – a re-alignment with market rates.	None
Benefits	Helps recruit and retain employees.	Directors are entitled to a competitive package of benefits. For UK executives, the major elements include a company car, permanent health insurance, private health insurance, death-in-service benefit and a gym and fitness allowance. The committee reserves the right to provide further benefits where this is appropriate in the individual's particular circumstances (for example costs associated with relocation as a result of the director's role with the Company). Executive directors are also eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	Company cars up to a value of £70,000 (or, as an alternative, an annual car allowance of up to £8,771) may be provided. Other benefits are intended to be market competitive. The committee has not set a monetary maximum for other benefits as the cost of these may vary from time to time.	None

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Annual bonus	Rewards the achievement of annual KPIs and/or other objectives linked to the Company's strategic goals.	Bonuses are awarded by reference to performance against specific targets measured over a single financial year. Any amounts awarded to an individual under this arrangement up to 100% of salary are paid out in full shortly after the assessment of the performance targets has been completed. The remainder of the bonus will be deferred into an award of shares for a three-year period, or such other period as determined by the committee. Annual bonuses may be subject to clawback, and the extent to which deferred share awards vest may be reduced, if certain events occur in the period of three years from the end of the relevant financial year. These include the committee becoming aware of: – a material misstatement of the Company's financial results; – an error in the calculation of performance targets which, had it been known at the relevant time, would have reasonably been expected to have resulted in a lower award being made; – an act committed by the relevant participant that has (or could have) resulted in summary dismissal by reason of gross misconduct; or – a corporate failure which arose due to the conduct of management and which has resulted in the appointment of a liquidator or administrator. The detailed terms of the clawback mechanism applicable to the cash element of any annual bonus award are set out in an individual agreement entered into between the Company and the relevant executive director. This provides the committee with a variety of alternative means by which value can be recovered including: – the reduction of future bonus awards; – the application of a reduction in the number of shares in respect of which share awards would otherwise vest or be exercisable; and – requiring the individual to make a cash payment to the Company.	Maximum % of salary: 125%	The measures and targets applicable to the annual bonus scheme (and the different weightings ascribed to each of them) are set annually by the committee in order to ensure they are relevant to participants and take account of the most up-to-date business plan and strategy. All, or a significant majority, of the bonus opportunity will normally be determined by reference to performance against demanding Group KPIs such as: – exploration and new venture objectives; – development and production targets; and – HSE. The remaining part of a director's bonus (if any) will normally be based on the achievement of personal objectives relevant to that individual's role within the business. Where possible, a payment scale (ranging from 0% at 'threshold', not more than 50% at 'target' and 100% at 'maximum') for different levels of achievement against each KPI and/or other objective is specified by the committee at the outset of each year. The committee has discretion to vary the measures and weightings during the year if events arise which mean that it would be inappropriate to continue with the originally prescribed structure. The committee expects that this discretion will only be exercised in exceptional circumstances and not to make the bonus scheme for that year less demanding than when it was originally set. In addition, the committee has discretion to ensure that the ultimate bonus payment for a financial year is fair and reasonable and properly reflects performance over that period.

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
2017 Long Term Incentive Plan (or 2017 LTIP)	Incentivises executive directors to deliver long-term performance for the benefit of shareholders, thereby aligning the interests of the directors with those of the Company's investors.	The 2017 LTIP was established by the Company following receipt of the necessary shareholder approvals at the 2017 AGM. Awards will normally be made annually with vesting dependent on achievement of performance conditions chosen by the committee that are measured over a period of at least three years. Vesting of awards will generally take place on the third anniversary of grant or, if later, the date on which the performance conditions are assessed by the committee. All awards that vest will normally be subject to a holding period in terms of which the relevant shares will only be released/become exercisable after a further period of at least two years has expired from the vesting date. The committee reviews the quantum of awards annually, taking into account factors such as market rates and overall remuneration. The committee also retains the discretion to adjust award levels in circumstances where there has been a significant movement in the Company's share price. Under the rules of the 2017 LTIP, awards may be subject to malus and/or clawback provisions if certain events occur after their grant but before the expiry of the period of three years from the end of the relevant performance period. For awards vesting on or after 1 January 2020, these events include: – the committee becoming aware of a material misstatement of the Company's financial results; – the committee becoming aware of an error in the calculation of performance targets which, had it been known at the relevant time, would have reasonably been expected to have resulted in a lower award being made; – the relevant participant committing an act that has (or could have) resulted in summary dismissal by reason of gross misconduct; or – a corporate failure arising, due to the conduct of management, which has resulted in the appointment of a liquidator or administrator.	Normal total maximum % of salary: 250%.	Vesting of awards granted under the 2017 LTIP will be determined by the growth in Total Shareholder Return (TSR) of Cairn over a performance period of at least three years. Awards up to 200% of salary (the "core award") will be subject to TSR performance measured relative to a comparator group selected by the committee, with no more than 25% vesting at median and 100% for at least upper quartile performance. In order to focus on exploration success which leads to a material increase in the share price, once performance for the "core award" has been fully achieved, an additional element of up to 50% of salary can be earned if absolute TSR growth over the same performance period equals or exceeds 100% (the "kicker award"). The committee retains the discretion to reduce the vesting level produced by the formulaic operation of the TSR conditions in circumstances where, based on its independent judgement, it considers it appropriate to do so (e.g. where the outturn from the assessment of the prescribed targets is not, in the committee's view, a genuine reflection of the underlying performance of the Company). Although the committee's intention is that the above conditions will be applied to LTIP awards granted in 2021, it may decide to impose different (but equally challenging) conditions in future years. The committee will consult with major shareholders prior to making any such decision and will ensure that the vesting of at least 50% of all awards granted under the LTIP continues to be determined by reference to the Company's TSR performance.

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Share Incentive Plan (or SIP)	Encourages a broad range of employees to become long-term shareholders.	The Company established an HM Revenue and Customs approved share incentive plan in April 2010. It allows the Company to provide eligible employees, including the executive directors, with some or all of the following benefits: – partnership shares acquired using deductions from salary; – matching shares awarded to those employees who purchase partnership shares on the basis of a ratio specified by the Company; and – free shares. Matching and free shares awarded under the SIP must normally be held in the plan for a specified period.	Participation limits are those set by the UK tax authorities from time to time. These limits are currently as follows: – Partnership shares: up to £1,800 per tax year can be deducted from salary. – Matching shares: up to two matching shares for every one partnership share purchased. – Free shares: up to £3,600 worth in each tax year.	None
Pension	Rewards sustained contribution.	The Company operates a defined contribution group personal pension plan in the UK. The scheme is non-contributory and all UK permanent employees, including the executive directors, are eligible to participate. The Company contributes a specified percentage of basic annual salary for senior employees, including executive directors. Where an executive director has an individual personal pension plan (or overseas equivalent), the Company pays its contribution to that arrangement. If an executive director's pension arrangements are fully funded or applicable statutory limits are reached, an amount equal to the Company's contribution (or the balance thereof) is paid in the form of additional salary.	For current Executive Directors, the Company contributes 15% of basic salary on their behalf or pays them a cash equivalent. For any future appointees to the Board, the Company's pension contributions will be capped at a level that is equal to the amount paid to the wider UK employee population (currently 10% of basic salary).	None
Share ownership policy	Aligns executive director and shareholder interests and reinforces long-term decision-making.	During their employment, executive directors are obliged to build up and maintain a target holding of shares worth 200% of salary. Executive directors are also normally required to maintain a shareholding equal to 200% of final salary for a period of two years following cessation of employment. Further details relating to both the above requirements (including the particular shares to which they relate and the enforcement mechanisms that have been put in place) are set out on page 118.	Not applicable.	None

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Non-Executive Directors' fees	Helps recruit and retain high-quality, experienced individuals. Reflects time commitment and role.	Non-executive directors' fees are considered annually and are set by the executive members of the Board and the Chair taking into account a range of relevant factors including: – market practice; – time commitment; and – responsibilities associated with the roles. Additional fees are payable to the Chairs of the audit and remuneration committees and may be paid for other additional responsibilities. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the expenses.	The Company's Articles of Association place a limit on the aggregate annual level of non-executive directors' and Chair's fees (currently £900,000).	None
Chair's fees	Helps recruit and retain the relevant individual. Reflects time commitment.	The Chair's fee is considered annually and is determined in light of market practice, the time commitment and responsibilities associated with the role and other relevant factors. Expenses incurred in the performance of the Chair's duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the expenses.	The Company's Articles of Association place a limit on the aggregate annual level of non-executive directors' and Chair's fees (currently £900,000).	None

Notes:
1 A description of how the Company intends to implement the policy set out in this table during the financial year to 31 December 2021 is provided on pages 110 and 111.
2 The following differences exist between the Company's above policy for the remuneration of directors and its approach to the payment of employees generally:
– Participation in the LTIP is typically aimed at the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Employee Share Award Scheme (details of which are provided in section 4.4 of the notes to the financial statements, on pages 165 and 166.
– Under the Company's defined contribution pension scheme, the Company contribution for all other employees (and any new executive directors appointed to the Board) is 10% of basic annual salary.
– A lower level of maximum annual bonus opportunity applies to employees other than the executive directors and certain PDMRs.
– Benefits offered to other employees generally comprise permanent health insurance, private health insurance, death-in-service benefit and gym and fitness allowance.
In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and PDMRs, a greater emphasis is placed on variable pay.
3 The TSR performance conditions applicable to the 2017 LTIP (further details of which are provided on page 105) were selected by the committee on the basis that they improve shareholder alignment and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. Under the terms of these performance conditions, the committee can specify the basis on which TSR for any company is calculated and has the discretion to make adjustments to this methodology to take account of exceptional circumstances, including share capital variations. Where any company becomes unsuitable as a member of the comparator group as a result of, for example, a change of control or delisting, the committee has the discretion to treat that company in such manner as it deems appropriate (including replacing it with another organisation).
4 Where a nil-cost option award under the 2017 LTIP becomes exercisable, it will generally remain so until the 10th anniversary of the date on which it was granted.
5 The choice of the performance metrics applicable to the annual bonus scheme reflect the committee's belief that any incentive compensation should be tied to appropriately challenging measures of both the overall performance of the Company against its strategic KPIs and (where appropriate) those areas that the relevant individual can directly influence.
6 The legislation applicable to the SIP does not allow performance conditions to be applied in relation to partnership or matching shares and, given that the SIP is an 'all-employee' arrangement, the Company has decided that it is currently not appropriate to apply performance conditions to free shares awarded under it, although the committee retains the discretion to apply performance conditions to future awards.

Shareholding Policy for Executive Directors

The committee believes that a significant level of shareholding by the Executive Directors strengthens the alignment of their interests with those of shareholders. Accordingly, the Company has a formal share ownership policy (which has been in place for a number of years) under which the Executive Directors are required to build up and maintain a target holding of 200% of salary. In order to facilitate the achievement of the above requirement, the share ownership policy provides that, until the necessary holding is achieved, an Executive Director is obliged to retain shares with a value equal to 50% of the net-of-tax gain arising from any vesting or exercise under the Company's share incentive plans.

In addition, and with effect from 14 May 2020, being the date this Directors' Remuneration Policy was approved by shareholders, Executive Directors (and certain other senior managers) are normally obliged to maintain a specified holding of shares for a period of two years following cessation of employment. In particular:

- the requirement is to maintain a post-employment holding of relevant shares equal to 200% of final salary;
- if this targeted holding has not been achieved at the point employment ceases, the requirement will apply to all relevant shares held at that time;
- "relevant shares" will include all shares acquired by the individual on the exercise of awards that vest under any of the Company's discretionary share plans, including the LTIP and the Deferred Bonus Plan, on or after 1 January 2020 (other than those that are sold in order to satisfy tax liabilities arising on exercise);
- shares subject to awards that vest on or after 1 January 2020 but which remain unexercised (e.g. because a holding or deferral period applies), or which have been granted under the Deferred Bonus Plan, will also count as "relevant shares", but on a net-of-tax basis;
- until such time as the 200% of salary target is achieved, any relevant shares acquired by an individual will be placed in a nominee structure;
- relevant shares held by or on behalf of an individual will also count towards the satisfaction of the existing share ownership policy that is described above;
- for the avoidance of doubt, any shares acquired by an individual other than pursuant to a discretionary share plan (e.g. purchases using his/her own resources) will not be subject to the post-employment holding requirement; and
- the committee will retain the discretion to reduce or waive the post-employment holding requirement in limited circumstances (such as on the death of the individual or where his/her personal circumstances change).

Common Terms of Share Awards

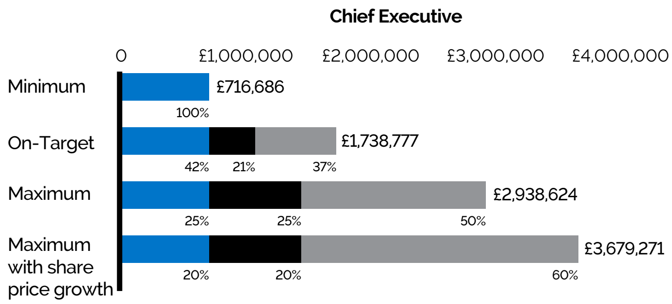
Awards under any of the Company's discretionary share plans referred to in this report may:

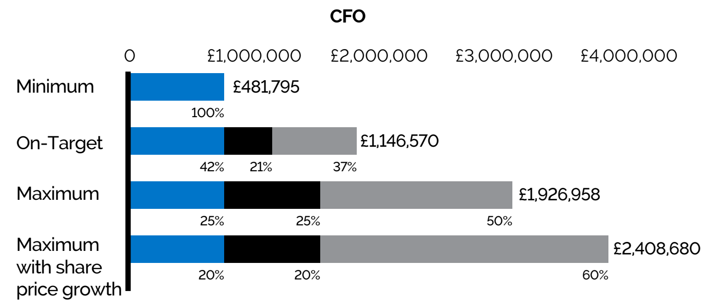
- be granted as conditional share awards or nil-cost options or in other such form that the committee determines has the same economic effect;
- have any performance conditions applicable to them amended or substituted by the committee if an event occurs which causes the committee to determine that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;
- incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under the award that vest up to the time of vesting (or, where the award is subject to a holding period, release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- be settled in cash at the committee's discretion; and
- be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Legacy Awards

The committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 15 May 2014 (the date the Company's first shareholder-approved directors' remuneration policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Remuneration Scenarios Relating to the Above Policy
Cairn's pay policy seeks to ensure that the overall package of the Executive Directors is generally weighted more towards variable pay and, within such variable pay element, that greater emphasis is placed on the delivery of long-term performance through the award of long-term incentives. In the chart below, we show the make-up of remuneration of the current Executive Directors in 2021 under minimum, on-target and maximum scenarios. A further row has also been included which illustrates the impact on the figures contained in the maximum scenario of an assumed share price appreciation for the LTIP award of 50% over the relevant performance period.





Fixed elements **Annual Variable** **Long-Term Incentives**

In developing the above scenarios, the following assumptions have been made:
- The "minimum" rows are intended to show the fixed level of remuneration to which the Executive Directors are entitled in 2021 irrespective of performance levels, namely base salary (at current rates), benefits (using the details set out in the 2020 single total figure table provided on page 98) and pension (calculated by applying the percentage entitlement for those individuals set out in the policy table against latest confirmed salary).
- The "on-target" scenario seeks to illustrate the remuneration the Executive Directors would receive if performance was in line with expectation. In addition to the fixed elements summarised above, it assumes a specified level of payout/vesting under the annual bonus scheme and 2017 LTIP. In the case of the bonus scheme a 50% payout has been used. For on-target performance under the LTIP, the "kicker" element of the award would not vest. Therefore the illustration is based on 55% vesting of the "core award" of 200% of salary. This vesting level is broadly equal to the percentage applied in determining the grant date "fair value" of an LTIP award for the purposes of the Company's share-based payment charge.
- The "maximum" rows demonstrate total remuneration levels in circumstances where the variable elements pay out in full, namely an annual bonus payment of 125% of salary (with 100% of salary paid in cash and the balance delivered in the form of a deferred share award) and 100% vesting of LTIP awards to be granted in 2021 over shares worth 250% of salary.
- For the "maximum with share price growth" row, share price appreciation of 50% over the relevant performance period has been assumed for the LTIP awards. For all other rows, any post-grant share price movements have not been taken into account for the purposes of valuing LTIP and deferred bonus awards.
- The Executive Directors are entitled to participate in the SIP on the same basis as other employees. The value that may be received under this arrangement is subject to legislative limits and, for simplicity, has been excluded from the above chart.

Recruitment Policy
Base Salaries
Salaries for any new director hires (including internal promotions) will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role. Where it is appropriate to offer a below-market salary initially, the committee will have the discretion to allow phased salary increases over time for newly appointed directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits
Benefits for new appointees to the Board will normally be provided in line with those offered to other Executive Directors and employees taking account of local market practice, with relocation expenses/arrangements provided for if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with Cairn. Legal fees and other reasonable costs and expenses incurred by the individual may also be paid by the Company. Pension provision for any new executive directors will be in accordance with the terms of the policy.

Variable Pay
For external appointments, the committee will ensure that their variable remuneration arrangements are framed in accordance with the terms of, and are subject to the limits contained in, the Company's existing policy.

The committee may however, in connection with an external recruitment, offer additional cash and/or share-based elements intended to compensate the individual for the forfeiture of any awards under variable remuneration schemes with a former employer. The design of these payments would appropriately reflect the value, nature, time horizons and performance requirements attaching to the remuneration foregone. Shareholders will be informed of any such arrangements at the time of appointment.

Where an individual is appointed to the Board, different performance measures may be set for the year of joining the Board for the annual bonus, taking into account the individual's role and responsibilities and the point in the year the executive joined.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

Chair and Non-Executive Directors
On the appointment of a new Chair or Non-Executive Director, the fees will be set taking into account a range of relevant factors including market practice, time commitment and the responsibilities associated with the role. Where specific cash or share arrangements are delivered to Non-Executive Directors, these will not include share options or other performance-related elements.

Executive Directors' Service Contracts
Each of the current Executive Directors has a rolling service contract with an indefinite term that contains the key elements shown in the table below:

Provision	Detailed terms
Remuneration	– Salary, pension and benefits. – Company car or cash allowance. – Permanent health insurance. – Private health insurance for Director and dependants. – Death-in-service benefits. – 30 days' paid annual leave. – Participation in annual bonus plan, subject to plan rules. – Participation in Deferred Bonus Plan, LTIP and SIP, subject to plan rules.
Notice period[1]	– 12 months' notice by the Director or by the Company.
Termination payment	– See separate disclosure below.
Restrictive covenants	– During employment and for 6 months after leaving.
Contract date	– Simon Thomson – 29 June 2011. – James Smith – 4 February 2014.

Note:
1 The committee believes that this policy on notice periods provides an appropriate balance between the need to retain the services of key individuals who will benefit the business and the need to limit the potential liabilities of the Company in the event of termination.

The Executive Directors' service contracts are available for inspection, on request, at the Company's registered office.

Exit Payment Policy for Executive Directors
Executive directors' contracts allow for termination with contractual notice from the Company or termination with a payment in lieu of notice, at the Company's discretion. The contracts also allow for phased payments to be made on termination with an obligation on the individual to mitigate loss. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct. The committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination and the contractual obligations of both parties as well as the relevant share plan and pension scheme rules.

In the event of termination by the Company, an Executive Director would be entitled to receive an amount representing base salary and the value of benefits and pension contributions due under the individual's service contract for the notice period. Directors are not entitled to participate in any additional redundancy scheme. The committee will have the authority to settle legal claims against the Group (e.g. for unfair dismissal, discrimination or whistleblowing) that arise on termination. The committee may also authorise the provision of outplacement services and pay reasonable legal expenses associated with the termination.

On termination of employment, the committee has discretion as to the amount of bonus payable in respect of the current year. The bonus paid would reflect the Company's and the individual's performance during that period. However, any bonus payable (in cash and/or share awards as determined by the committee) on termination would not exceed a pro-rated amount to reflect the period for which the individual had worked in the relevant year.

As a general rule, if an Executive Director ceases employment, all unvested share awards granted pursuant to the Company's deferred bonus arrangements will lapse immediately. However, if such cessation occurs by reason of death, injury, permanent disability, or because the individual's employing company or part of the business in which he/she is employed is transferred out of the Group, retirement with the agreement of the Company, or in any other circumstances determined by the committee other than where an individual has been summarily dismissed (in each case, a 'good leaver'), those awards will not lapse and will normally continue to vest at the end of the original vesting period. The committee may determine that a deferred bonus award should vest before the normal time in certain circumstances, for example where an individual has died. The committee also has the discretion to time pro-rate any awards held by such a good leaver.

As a general rule, if an Executive Director ceases employment, all unvested awards granted pursuant to the Company's 2017 LTIP will lapse immediately. However, if such cessation occurs by reason of death, injury, permanent disability, or because the individual's employing company or part of the business in which he/she is employed is transferred out of the Group, or in any other exceptional circumstances determined by the committee (in each case, a 'good leaver'), those awards will not lapse and will normally continue to vest at the end of the original performance period but only if, and to the extent that, the applicable performance conditions are satisfied. The committee may determine that an award should vest before the normal time in certain circumstances, for example where an individual has died. It is the remuneration committee's normal policy to time pro-rate any awards held by such a good leaver, although it retains the discretion to refrain from doing so in exceptional circumstances. Any holding period attached to the share awards would normally continue to apply.

If an Executive Director ceases employment, 2017 LTIP awards subject to a holding period will normally be released (or if structured as nil-cost options, become exercisable) on the original timescales. These awards will, however, lapse where cessation occurs due to the individual's gross misconduct, or if the committee considers it appropriate, the individual's bankruptcy. The committee has the discretion to accelerate the release of shares in certain circumstances, for example death.

On a change of control of the Company resulting in the termination of his employment, the current Chief Executive is entitled to compensation of a sum equal to his annual basic salary as at the date of termination of employment. As noted and explained in previous reports, the committee recognises that this provision is no longer in accordance with best practice. It was not included in the contract of the CFO that was entered into on his appointment in 2014, and will not be included in the contracts of other future appointees to the Board; however, it continues to apply to the current Chief Executive.

In the event of a change of control or winding up of the Company, treatment of share awards will be in accordance with the relevant plan rules. The committee has the discretion to disapply time pro-rating in the event of a change of control.

If there is a demerger or special dividend, the committee may allow awards to vest on the same basis as for a change of control.

Non-Executive Directors' Letters of Appointment
None of the Non-Executive Directors nor the Chairman has a service contract but all have letters of appointment that set out their duties and responsibilities, the time commitment expected by the Company, and the basis on which their fees will be paid. These letters of appointment have no fixed term but can be terminated with immediate effect by either the director concerned or the Company and are subject to the Company's Articles of Association, which provide for the annual election or re-election by shareholders of all the Company's directors. There are no provisions for compensation payable on termination of appointment.

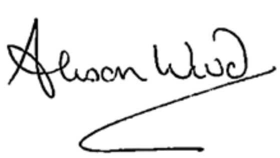
The following table sets out the dates of the letters of appointment for the Chair and each of the current Non-Executive Directors and specifies the dates on which those individuals are next subject to election or re-election:

Director	Date of original appointment	Date when next subject to election or re-election
Nicoletta Giadrossi	10 January 2017	11 May 2021
Keith Lough	14 May 2015	11 May 2021
Peter Kallos	01 September 2015	11 May 2021
Alison Wood	01 July 2019	11 May 2021
Catherine Krajicek	01 July 2019	11 May 2021
Erik B. Daugbjerg	14 May 2020	11 May 2021

None of the Non-Executive Directors nor the Chair participates in any of the Company's share schemes and they are not entitled to a bonus or pension contributions.

The Non-Executive Directors' and Chair's letters of appointment are available for inspection, on request, at the Company's registered office.

The Directors' Remuneration Report was approved by the Board on 8 March 2021 and signed on its behalf by:



Alison Wood
Chair of the Remuneration Committee

8 March 2021

Directors' Report

The Directors of Cairn Energy PLC (registered in Scotland with Company Number SC226712) present their Annual Report and Accounts for the year ended 31 December 2020 together with the audited consolidated Financial Statements of the Group and Company for the year. These will be laid before shareholders at the AGM to be held on 11 May 2021. The Directors' Report and the Strategic Report (which includes trends and factors likely to affect future development, performance and position of the business, our Section 172 Statement and a description of the principal risks and uncertainties of the Company's Group and can be found on pages 2 to 69 and is hereby incorporated by reference), collectively comprise the management report as required under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Results and Dividend
The Group made a loss after tax of US$393.8 million (2019: profit after tax of US$93.6 million).

On 17 December 2020, the Company announced that, following completion of the sale of all of its interests in Senegal to Woodside, it would be paying a special dividend of approximately £188 million to shareholders in January 2021. Save for this special dividend, the Directors do not recommend the payment of a dividend for the year ended 31 December 2020.

Strategic Report
Details of the Group's strategy and business model during the year and the information that fulfils the requirements of the Strategic Report can be found in the Strategic Report section on pages 2 to 69 of this document, which are deemed to form part of this report by reference.

Details of Cairn's offices and Cairn's advisers are given at the end of this report.

Change of Control
All of the Company's share incentive plans contain provisions relating to a change of control and further details of these plans are provided in the Directors' Remuneration Report on pages 94 to 121. Generally, outstanding options and awards will vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

On a change of control of the Company resulting in the termination of his employment, the current Chief Executive is entitled to compensation pursuant to his service contract. Further details of the relevant provisions are set out in the Directors' Remuneration Report on pages 120 and 121. There are no agreements providing for compensation to the Chief Financial Officer or to employees on a change of control and no such provision will be included in the contracts of other future appointees to the Board.

Other than the restated and amended Senior Secured Borrowing Base Facility Agreement entered into by the Company and other subsidiaries with DnB Bank ASA and other syndicated banks dated 7 September 2018 (the 'Facility Agreement'), there are no significant agreements to which the Company is a party that take effect, alter or terminate in the event of a change of control of the Company. In terms of clause 9.2 of the Facility Agreement, if there is a change of control of the Company, any lender may cancel its commitment and declare its participation in all outstanding utilisations, together with accrued interest and all other amounts accrued immediately due and payable.

Corporate Governance
The Company's Corporate Governance Statement is set out on pages 76 to 85 and is deemed to form part of this report by reference.

Directors
The names and biographical details of the current Directors of the Company are given in the Board of Directors section on pages 72 and 73. In addition to those listed on those pages, during the year, Todd Hunt was a Non-Executive Director of the Board until his retirement on 14 May 2020 and Ian Tyler was a Non-Executive Director and Chair of the Board until his retirement on 31 December 2020. The beneficial interests of the Directors in the ordinary shares of the Company are shown below:

	As at 31 December 2019 Number of shares[1]	As at 31 December 2020 Number of shares[1]	As at 8 March 2021 Number of shares[2]
Simon Thomson	1,345,992	1,345,992	1,145,089
James Smith	550,644	550,644	465,928
Nicoletta Giadrossi	0	0	0
Keith Lough	0	0	0
Peter Kallos	10,982	10,982	9,292
Alison Wood	0	0	0
Catherine Krajicek	0	0	0
Erik B. Daugbjerg[3]	–	0	0
Todd Hunt[4]	72,012	–	–
Ian Tyler[5]	0	–	–

Notes:
1 This number of shares reflects the shareholding of the director prior to the 11 for 13 ordinary share capital consolidation that took place with effect from 11 January 2021 and represents ordinary shares of 231/169 pence each that were in issue at the date noted.
2 This number of shares reflects the 11 for 13 ordinary share capital consolidation that took place with effect from 11 January 2021 and represents ordinary shares of 21/13 pence each currently in issue.
3 Erik B. Daugbjerg was appointed as a Non-Executive Director on 14 May 2020.
4 Todd Hunt retired as a Non-Executive Director on 14 May 2020.
5 Ian Tyler retired as Chair and Non-Executive Director on 31 December 2020.

Details of outstanding awards over ordinary shares in the Company held by the Directors (or any members of their families) are set out in the Directors' Remuneration Report on pages 94 to 121.

None of the Directors has a material interest in any contract, other than a service contract, with the Company or any of its subsidiary undertakings. Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 94 to 121.

Share Capital
The issued share capital of the Company is shown in section 7.1 of the notes to the Financial Statements. As at 8 March 2021, 499,267,656 ordinary shares of 21/13 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange. The rights attaching to the ordinary shares are set out in the Company's Articles of Association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Voting Rights
The following paragraph details the position in relation to voting rights attaching to shares set out in the Company's Articles of Association. However, the Company recognises that best practice is now to hold a poll on all shareholder resolutions. It is the Company's current practice, therefore, to hold a poll and it is committed to doing so going forward.

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting or class meeting, on a show of hands, every member present in person and every duly appointed proxy entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every share held by him/her. In the case of joint holders of a share, the vote of the senior member who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A corporation which is a member of the Company may authorise one or more individuals to act as its representative or representatives at any meeting of the Company, or at any separate meeting of the holders of any class of shares. A person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company.

Restrictions on Voting
No member shall, unless the Directors of the Company otherwise determine, be entitled in respect of any share held by him/her to attend or vote at a general meeting of the Company either in person or by proxy if any call or other sum presently payable by him/her to the Company in respect of shares in the Company remains unpaid. Further, if a member has been served with a notice by the Company under the Companies Act 2006 requesting information concerning interests in shares and has failed in relation to any shares to provide the Company, within 14 days of the notice, with such information, the Directors of the Company may determine that such member shall not be entitled in respect of such shares to attend or vote (either in person or by proxy) at any general meeting or at any separate general or class meeting of the holders of that class of shares. Proxy forms must be submitted not less than 48 hours (or such shorter time as the Board may determine) (excluding, at the Board's discretion, any part of any day that is not a working day) before the time appointed for the holding of the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours (or such shorter time as the Board may determine) before the time appointed for the taking of the poll at which it is to be used.

Variation of Rights
Whenever the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class may, subject to statute and unless otherwise expressly provided by the rights attached to the shares of that class, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting, the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class. These provisions also apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if the shares concerned and the remaining shares of such class formed separate classes. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or the terms upon which such shares are for the time being held, be deemed not to be varied or abrogated by the creation or issue of further shares ranking pari passu with, or subsequent to, the first mentioned shares or by the purchase by the Company of its own shares.

Transfer of Shares
Subject to any procedures set out by the Directors in accordance with the Articles of Association, all transfers of shares shall be effected by instrument in writing in any usual or common form or in any other form acceptable to the directors of the Company. The instrument of transfer shall be executed by, or on behalf of, the transferor and (except in the case of fully paid shares) by, or on behalf of, the transferee. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members of the Company.

The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register a transfer of any share which is not a fully paid share unless such share is listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. The Directors may also refuse to register a transfer of a share in uncertificated form where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations 2001 to register the transfer and they may refuse any such transfer in favour of more than four transferees.

The Directors may also refuse to register any transfer of a share on which the Company has a lien.

The Directors may, in their absolute discretion and without assigning any reason therefore, refuse to register a transfer of any share in certificated form unless the relevant instrument of transfer is in respect of only one class of share, is duly stamped or adjudged or certified as not chargeable to stamp duty, is lodged at the transfer office or at such other place as the Directors may determine, is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and is in favour of not more than four transferees jointly. If the Directors refuse to register a transfer, they shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company (in the case of a share in certificated form) or the date on which the operator instruction (as defined in the Uncertificated Securities Regulations 2001) was received by the Company (in the case of a share in uncertificated form) (or in either case such longer or shorter period (if any) as the Listing Rules may from time to time permit or require), send to the transferee notice of the refusal.

Major Interests in Share Capital

As at 31 December 2020 and 19 February 2021 (being the latest practicable date prior to the date of this report), the Company had received notification that shareholdings of 3% and over were as set out in the table below.

	As at 31 December 2020*	% Share Capital	As at 19 February 2021+	% Share Capital
MFS Investment Management	82,658,216	14.02	69,638,921	13.95
BlackRock	71,884,411	12.19	57,138,877	11.45
Aberdeen Standard Investments	39,950,674	6.78	34,042,821	6.82
Vanguard Group	23,102,391	3.92	20,131,276	4.03
Fidelity International	23,039,693	3.91	17,243,465	3.45
Aegon Asset Management UK	19,302,258	3.27	15,679,260	3.14
Legal & General Investment Management	19,253,235	3.27	13,407,559	2.69
Franklin Templeton	17,693,212	3.00	14,915,377	2.99

Notes:

* This number of shares reflects the shareholding prior to the 11 for 13 ordinary share capital consolidation that took place with effect from 11 January 2021 and represents ordinary shares of 231/169 pence each that were in issue at the date noted.

\+ This number of shares reflects the 11 for 13 ordinary share capital consolidation that took place with effect from 11 January 2021 and represents ordinary shares of 21/13 pence each currently in issue.

Political Donations

No political donations were made and no political expenditure was incurred during the year.

Greenhouse Gas Emissions

Details of the Group's greenhouse gas emissions can be found in the Strategic Report section on pages 56 and 57, which are deemed to form part of this report by reference. Our response to the Streamlined Energy and Carbon Reporting (SECR) framework has been provided on page 192 of this Annual Report and Accounts and in our CR Data Appendix (see www.cairnenergy.com/working-responsibly).

Financial Instruments

The financial risk management objectives and policies of the Company are detailed in section 3.9 of the Financial Statements.

Acquisition of Own Shares

No shares have been repurchased by the Company in the financial year to 31 December 2020.

Appointment and Replacement of Directors

The Company's Articles of Association provide that directors can be appointed by the Company by ordinary resolution, or by the Board. The Nomination Committee makes recommendations to the Board on the appointment and replacement of directors. Further details of the rules governing the appointment and replacement of directors are set out in the Corporate Governance Statement on page 79 and in the Company's Articles of Association.

Directors' indemnities

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined in Section 234 of the Companies Act 2006 (a 'Qualifying Third Party Indemnity Provision'). The indemnity was in force throughout the last financial year and is currently in force.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The Directors currently have powers both in relation to the issuing and buying back of the Company's shares and are seeking renewal of these powers at the forthcoming AGM.

Articles of Association

Unless expressly specified to the contrary therein, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and Accounts, the Directors' Remuneration Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period.
In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website (www.cairnenergy.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Following careful review and consideration of the Cairn Energy PLC Annual Report and Accounts 2020 (the 'Accounts'), the Directors consider that the Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Board of Directors section on pages 72 and 73, confirm that, to the best of their knowledge:
- the Group Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, and loss of the Group and loss of the Company; and
- the Strategic Report section on pages 2 to 69 of this document includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Disclosure of Information to Auditors
Each of the Directors of the Company as at 8 March 2021, being the date this report is approved, confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the Directors have taken appropriate steps to make themselves aware of the relevant audit information and to establish that the Company's auditors are aware of this information.

AGM 2021
The AGM of the Company will be held at 50 Lothian Road, Edinburgh EH3 9BY at 12 noon on Tuesday, 11 May 2021. The resolutions to be proposed at the AGM are set out and fully explained in the Notice of AGM which has been posted to shareholders together with this Annual Report and Accounts. Restrictions put in place by the UK and Scottish Governments in response to the COVID-19 pandemic will impact how the AGM is held in 2021. Full details are included in the Notice of AGM.

Recommendation
The Board considers that all of the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of all of the proposed resolutions, as they intend to do in respect of their own beneficial shareholdings.

This Annual Report was approved by the Board of Directors and authorised for issue on 8 March 2021.

By order of the Board

Anne McSherry
Company Secretary

8 March 2021