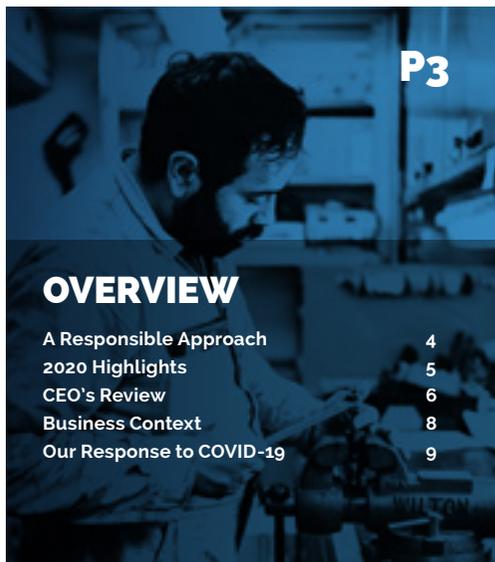


CAIRN ENERGY PLC

Corporate Responsibility Report 2020



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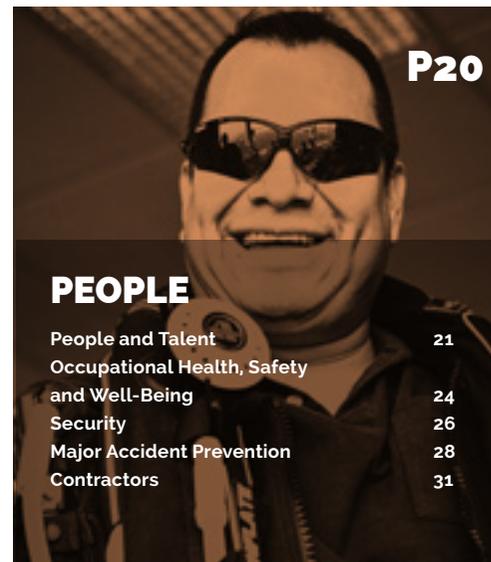
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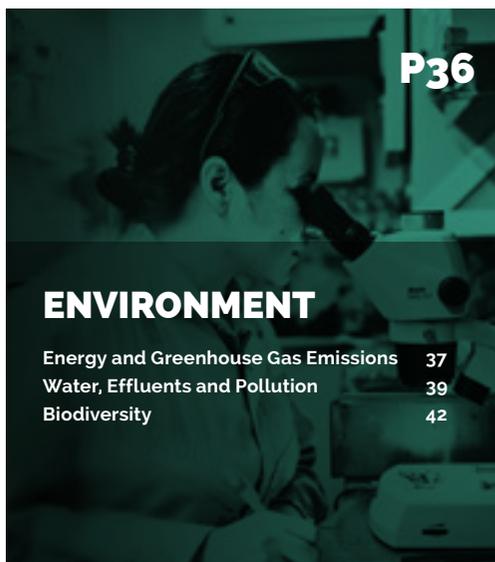
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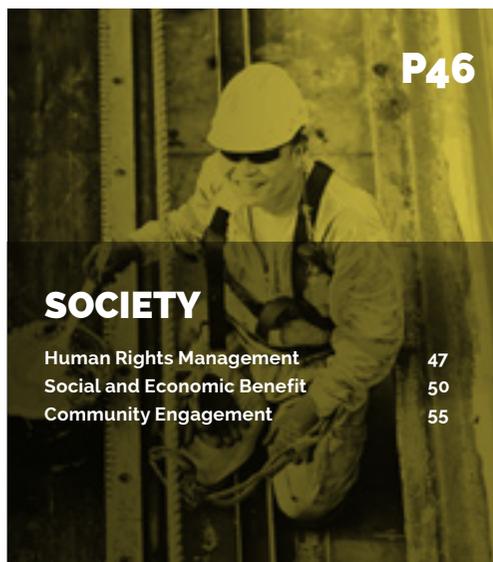
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OVERVIEW

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



A RESPONSIBLE APPROACH

Cairn is committed to working responsibly as part of our overall strategy to deliver value for all stakeholders. This means working in a safe, secure, and environmentally and socially responsible way.

Read more: [Our Responsible Approach](#)

Our Operations

We currently hold interests in five countries. Our exploration activities are focused on North-west Europe, West Africa and Latin America, and underpinned by non-operated interests in production and development assets in the North Sea. Our headquarters in Edinburgh, Scotland, is supported by offices in London and Mexico.

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



EXPLORATION

We hold mature acreage in the UK, frontier acreage in Suriname, and emerging acreage in Mexico, Israel and Côte d'Ivoire. We sold our acreage in Senegal in late 2020.



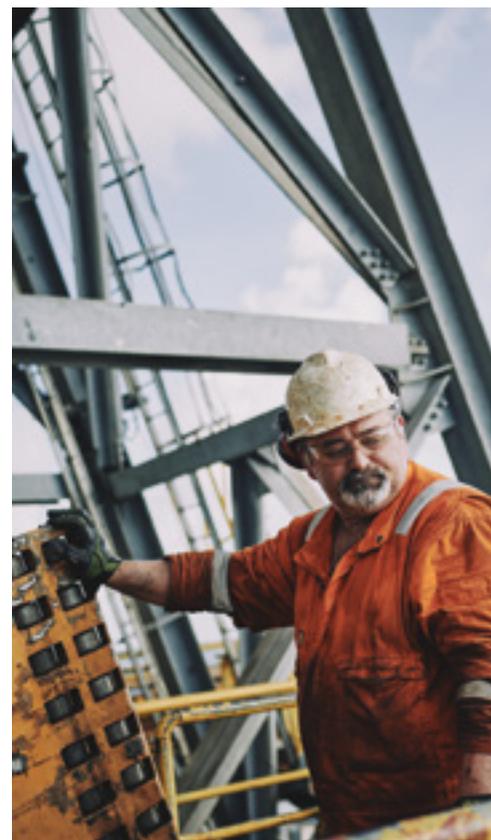
DEVELOPMENT

Until December 2020, we held an interest in the Sangomar Field development project in Senegal. This was an exploration asset that we progressed into development before selling our interest to Woodside Energy Limited in late 2020.



PRODUCTION

We hold non-operated interests in two production assets in the UK North Sea, Catcher and Kraken, which delivered their first oil in 2017.



Our Corporate Responsibility Report

This document comprises Cairn Energy's full Corporate Responsibility (CR) Report 2020. It covers our CR strategy and performance from 1 January to 31 December 2020, across all assets and activities over which we have operational control. We exclude data where we do not have operational control, but we do consider the risks associated with our partners' management of such activities.

Based on our material issues, the content in this report is considered under four main themes:

People (page 20), **Environment** (page 36), **Society** (page 46) and **Governance** (page 56). We also outline our approach under **Our CR Strategy** (page 12).

We have commissioned ITP Energised to provide third-party assurance of the integrity of our greenhouse gas (GHG) emissions data.

See our [About This Report](#) (page 72) for more information about scope and boundaries, and [Managing Material Issues](#) (page 19) for detail about our materiality assessment.

Read our full [Assurance Statement](#) online.

2020 HIGHLIGHTS

FINANCIAL AND OPERATIONAL

Average net oil production:
21,000 bopd¹

Oil and gas sales revenue:
US\$324m

Net cash inflow:
US\$239m

Capital expenditure:
US\$125m

Year-end Group cash reserves:
US\$570m

Read more about our
Financial performance in
our [Annual Report and Accounts](#).

PEOPLE

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

Training:
26 hours
of training per employee

Major accident and hazard
prevention:
28%
of employees completed our
major accident and hazard
refresher training

Engagement:
In December 2020, our final
monthly pulse survey of the
year recorded an employee
engagement score of
8.1 out of 10,
0.7 above the
industry benchmark

Read more about our **People performance** on page 20.

ENVIRONMENT

Emissions:
24,967 tCO₂e
Total Scope 1, 2 & 3
carbon emissions

Energy:
354,099 GJ
Total energy consumption

Waste:
141.57 tonnes
Total hazardous and
non-hazardous waste

Water:
7,854m³
Total water consumption,
including fresh and seawater

Spills:
Zero
spills of oil or chemicals to the
environment

Read more about our
Environmental performance
on page 36.

SOCIAL

Human rights:
98%
of personnel completed
refresher training in human
rights and modern slavery

Targeted social investment:
We are part of a sector-wide
initiative in Suriname to develop
local oil and gas industry skills

Social and economic benefits:
Group social investment of
US\$0.9m

Read more about our
Social performance
on page 46.

GOVERNANCE

Policies:
Our three main policies were
updated in October 2020

Corporate Responsibility
Management System (CRMS):
We revised our CRMS to
incorporate updated materiality
issues, the International
Association of Oil & Gas
Producers (IOGP) good practice
and OSPAR audit findings

Climate change and energy
transition:
Our CDP rating improved from
B- in 2019 to B in 2020

Read more about our
Governance on page 56.



¹Barrels of oil per day



CEO'S REVIEW

Cairn's strategic execution during 2020 has been delivered against the backdrop of a global pandemic. Our people and those who work with Cairn have successfully adopted new ways of working to ensure business continuity and momentum on all activities. We thank them for their effort and commitment. Cairn has not accessed any Government business support schemes.

Energy transition

As an exploration and production business, Cairn's role in the transition to lower net carbon energy is to responsibly produce hydrocarbons in support of the UN Sustainable Development Goals. The company is committed to driving down emissions in its operations wherever possible and has committed to the World Bank global gas flaring reduction initiative. During 2020, Cairn invested in the NECCUS project, which is examining proof-of-concept industrial carbon capture projects: an engineered solution to helping businesses and governments achieve CO₂ abatement on the path to net zero. Cairn also assesses its reporting against the Task Force on Climate-related Financial Disclosure and is committed to complying with its framework.

Financial flexibility to rebuild a balanced portfolio

Financial flexibility is integral to Cairn's strategy. At the onset of the pandemic, swift action was taken to proactively manage the capital programme

without risking future activity and opportunity. Active portfolio management saw completion of the sale of the Group's interests in Norway in Q1, and of its Senegal interests in Q4, eliminating significant, long term capital commitments totalling US\$1.7bn and enabling a US\$250m special dividend to shareholders, which was paid in January 2021.

With balance sheet strength, Cairn is well positioned to fund growth and we announced in March 2021, the proposed acquisition of 50% of Shell's production, development and exploration upstream interests in the Western Desert, Egypt for a purchase price of US\$323m net to Cairn, with additional contingent consideration of up to US\$140m net to Cairn if certain requirements are met. The remaining 50% of the interests will be acquired by Cairn's consortium partner Cheiron, an experienced local operator. Cheiron will operate the production and development assets and two exploration concessions, with Cairn operating three exploration concessions.

The acquisition is in line with Cairn's strategy of expanding and diversifying the production base. The assets provide low-cost production, near-term development and exploration growth potential and enhance the contribution of gas within Cairn's portfolio.

Transaction highlights:

- Adds WI 2P reserves of 113 mmboe as at 31 December 2020
- Adds low-cost 2021 forecast WI production of between 33,000–38,000 boepd with an opex./ bbl of <US\$6/boe, with significant potential to increase production levels in future years
- Two-thirds of production from the Assets is gas weighted, adjusting Cairn's current hydrocarbon split towards gas
- Significant Cashflow from Operations (CFFO) contribution: average CFFO for previous three years (2017–2019) was -US\$140m net to the interest being acquired by Cairn
- Enhances near-term growth opportunities with 2C contingent resources WI of 49 mmboe as at 31 December 2020 to Cairn and significant exploration potential remaining
- Cairn, together with Cheiron Energy, plans to finance the Acquisition with a new joint acquisition reserve-based lending facility of up to US\$350m, joint junior debt facility of US\$100m and existing cash on balance sheet
- The economic effective date of the Acquisition is 1 January 2020. Production for the assets being acquired averaged 83,000 boepd (Cairn WI of 41,500 boepd) in 2020

Subject to the approval of the Egyptian authorities and Cairn's shareholders, the acquisition is expected to complete in H2 2021.

Cairn also announced in March 2021, the proposed sale of its entire interests in the UK Catcher and Kraken fields to Waldorf Production UK Limited for a firm consideration of US\$460m with a further uncapped contingent consideration dependent on oil price and production

performance. The divestment realises value for these assets as they fall into natural decline, enabling Cairn to further pursue its strategic goals at an opportune time in the industry cycle.

Subject to regulatory and shareholder approval, the disposal is expected to complete in H2 2021.

India

On 23 December, Cairn announced that the tribunal established to rule on its claim against the Government of India (GoI) had found in Cairn's favour.

The tribunal ruled unanimously that India had breached its obligations to Cairn under the UK-India Bilateral Investment Treaty and it awarded to Cairn damages of US\$1.2bn plus interest and costs, which immediately became payable. The total due at the year-end was US\$1.7bn.

Cairn has engaged directly with the GoI regarding satisfaction of the Award, which is also enforceable against India-owned assets in over 160 countries that have signed and ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Cairn has already taken steps to have the Award recognised in certain major jurisdictions in which Indian sovereign assets have been identified.

Disposal of Senegal interests and return of cash to shareholders

The sale of Cairn's interests in Senegal to Woodside completed in Q4 2020, providing flexibility for future investment, enabling shareholder returns and avoiding significant long-term development capital expenditure. Cash received at completion was US\$525m, comprising the US\$300m acquisition consideration and a US\$225m reimbursement of expenditure incurred on the sale assets since 1 January 2020. A further US\$100m is payable

to Cairn subject to certain conditions being met relating to the date of first production from the Sangomar development and the prevailing oil price at that time.

As a result of this transaction, in January 2021 Cairn returned approximately US\$250m to shareholders via a special dividend of 32 pence per eligible ordinary share.

Cairn's discoveries offshore Senegal opened up a new basin on the Atlantic Margin, laying the foundations for Senegal's first multiphase offshore oil and gas development.

Outlook

Cairn's engagement with the Government of India on its arbitration award will continue in parallel with pursuing options of enforcement and monetisation of the Award in order to safeguard shareholders' rights. As a result of the transactions announced in March 2021, Cairn will deliver a step change in the scale and growth potential of the business with the planned material expansion and diversification of our production profile. The broadening of Cairn's production base will provide the funding and cash flow to support selective exploration activity, with wells in Egypt, the UK and Mexico during 2021. Underpinning Cairn's approach to capital allocation decisions is our longstanding principle of weighing business development and investment opportunities against a track record of returning cash to shareholders and we will continue to seek opportunities to realise value for shareholders.

Chair succession

Nicoletta Giadrossi succeeded Ian Tyler as Board Chair on 1 January 2021. We thank Ian for his significant contribution to the business during his seven years on the Board, six as Chairman.

“As we continue to live and work with the consequences of the global pandemic, we have focused on keeping our people safe while maintaining momentum on business priorities and returning value to shareholders.

The proposed acquisition of Shell's Western Desert assets in Egypt is an important step in our strategic ambition to expand and diversify our producing asset base, bringing material reserve and production additions and offering exploration potential in a country with significant oil and gas growth opportunities. Our joint venture with established Egyptian operator Cheiron Petroleum Corporation creates a strong partnership with extensive experience and complementary skill sets.

We also announced in March 2021 the proposed sale of our interests in the UK Catcher and Kraken fields. The divestment of these assets, as they fall into natural decline, will further strengthen our ability to pursue Cairn's strategic goals.

Following the unanimous arbitration decision under the UK-India Investment Treaty to award Cairn US\$1.2 billion plus interest, we have engaged with the Government of India regarding adherence to the ruling and we are pursuing all avenues to protect our shareholders' rights to the value of the award.”


SIMON THOMSON

Chief Executive Officer

BUSINESS CONTEXT

In a year dominated by a global pandemic, Ben Conley, Cairn's Strategy and Business Development Director, examines the context and impacts on the oil and gas industry.

Read more: **Our Responsible Approach**

Oil Price, COVID-19 and Demand Impact

The short-term disruption to commodity prices caused by the COVID-19 pandemic was extreme, even in the context of heightened commodity price volatility over the past decade. The reaction of commodity prices to governmental pandemic responses is instructive as to the role of hydrocarbons in the interconnected global economy. While the commodity price dip caused by the pandemic has been swift and severe, its impact will be limited on energy system capital allocation decisions that are taken on multi-year, multi-decade planning horizons. Long-term energy demand fundamentals, coupled with the climate and energy transition challenges, are of greater relevance to Cairn and its shareholders.

Governmental actions in 2020 to reduce global mobility temporarily removed an estimated 20 million barrels per day of oil demand from the market¹. At the same time, OPEC+ failed to agree supply cuts and appeared to switch to a market share versus non-OPEC supply strategy². The challenge of finding a new equilibrium oil price saw Brent prices decline by 80% from US\$69/bbl in early January to US\$14/bbl in mid-April 2020 and saw West Texas Intermediate moving into negative territory. Whilst a more stable pattern was established through the second half of 2020, the volatility of spot oil prices reinforces the importance of Cairn's prudent approach to balance sheet risk management to be able to weather and possibly benefit from extreme short-term cycles.

Forecasters offer a range for the expected return to pre-pandemic oil demand levels, between H2 2021 and mid 2022, with a best case of recovery similar to that shown in China, which reached pre-lockdown air travel and oil demand levels by October 2020³ and has seen a return to accelerating economic growth⁴ to a more gradual recovery⁵. Significant spare oil supply capacity is available to meet near-term demand recovery and to dampen possible price spikes. Protecting the price at the bottom of the range is likely to come from continuing OPEC+ cohesion

for a price support strategy, rather than market share strategy. OPEC's Secretary General Barkindo stated in October 2020, that compliance with production targets was at record highs and that members had learned that there is more to gain from cohesion than competition⁶.

Where the impact of the COVID-19 pandemic on supply/demand fundamentals appears relatively short lived, the large fiscal stimulus deployed by governments and central banks may be more significant. The immediate impact has been increasing financial asset prices, particularly those with long-term growth potential. However, the unprecedented scale and timing of this stimulus may also drive inflationary pressures, in turn supporting commodity and related asset prices.

When considering the fundamental market outlook over a four- to seven-year period, the supply/demand picture appears more constructive for oil prices. Recent industry reinvestment rates are estimated to be materially below that required to sustain current production levels. Analysts model 2019 reinvestment in upstream capacity, being the capital investment required to sustain production rates given natural decline, of 64% compared to a long-term average of ~87%. JP Morgan estimated in October 2020 that the upstream industry has under-invested by some US\$650billion in the capacity required to sustain current production of ~90 mmbpd, or by up to US\$1trillion in the capacity required to sustain peak 2019 production rates of 105 mmbpd⁸.

The medium-term supply/demand balance suggests that underinvestment may leave the oil market structurally short through the 2020s, with analysts suggesting that prices in the range of US\$60–65/bbl are needed to support investment levels that can balance supply with demand⁹.

Demand for gas in specific growth markets will continue to drive strong regional investment levels, especially where there is a need for gas to replace other fuels such as coal in order to reduce carbon intensity, albeit the scale of large gas discoveries globally in recent years may mean a near-term oversupply in LNG markets, before gas demand ramps up as part of the energy transition. Current investment trends illustrate a balance between the needs of future energy systems alongside the need to meet affordable energy needs of the coming decade and beyond, providing ongoing opportunity for nimble, responsible producers of hydrocarbons such as Cairn.

Energy Transition and Medium-term Market Outlook

See the **Annual Report** page 12.

Climate Risk and Energy Transition

See the **Governance** section and the **Annual Report** page 14.

1 Goldman Sachs, August 2020 International Energy Agency (2020). World Energy Outlook 2020, IEA, Paris

2 Reuters: <https://www.reuters.com/article/uk-oil-opek-survey/opek-april-oil-output-surges-to-13-month-high-before-new-cut-deal-idUKKBN22C2NK>.

3 Commodities Trading Corporation

4 FT 18.1.21: China's economy expands at faster rate than before coronavirus

5 International Energy Agency (2020). World Energy Outlook 2020, IEA, Paris

6 OPEC Secretary General Barkindo, at JP Morgan conference.

7 Bernstein Energy: 2020 Global Marginal Cost

8 JP Morgan

9 Bernstein Energy: 2020 Global Marginal Cost



OUR RESPONSE TO COVID-19

As the COVID-19 pandemic continues to develop, the safety and well-being of our people remain our primary concerns. In an unprecedented year, we acted quickly and proactively in addressing the challenges associated with the pandemic. We have also tried to be open and comprehensively engage with our employees and contractors, not only to inform them of our actions but also to listen to them and understand their needs and concerns.



Crisis Management

We have tracked COVID-19 since January 2020 and taken steps to respond to it throughout the year. Building on our long-standing Business Continuity Plan and Pandemic Guidance, we deployed a nine-step programme in April to ensure all business-critical activities were protected and managed to prevent impacts on the business.

Following the controls and advice set out by host governments in our operating locations, as well as multinational organisations such as the World Health Organization (WHO), this programme was developed with input from all functional teams. In addition, the Pandemic Steering Group of Oil and Gas UK (advised by Health Protection Scotland) has proved to be a useful source of industry-driven information and recommendations.

Our Crisis and Emergency Response Team (CERT) was activated to initiate our Business Continuity Plan and apply our Pandemic

Guidance, establishing and supporting working from home and maintaining essential activities.

Employee Engagement

Having completed a work-from-home exercise earlier in the year, we were prepared for our office-based teams to work remotely when this became imperative under government requirements. We made provisions to ensure everyone had adequate working space at home and the equipment they needed to operate efficiently. Policies covering leave, remote working and working hours were adapted, and business travel was restricted to ensure the ongoing health and safety of our people while continuing to meet the needs of our business. Otherwise, all recruitment activities were paused between April and October 2020.

COVID-19-safe office space and inductions were provided to those unable to work from home, in line with government restrictions and guidelines.

Online channels were used to maintain communication with remote workers and to support good mental health, and our CEO personally called every individual in the company – including contractors – to check that they were managing and to see how the business could support them.

We have continued to keep people informed about how we are managing evolving risks, and meetings such as our Board and Governance Committee meetings, Management Team meetings and routine operation meetings have continued to run virtually. A COVID-19-specific intranet page with internal advice and external feeds was created and a communications calendar was set up, covering COVID-19 and project activities, as well as quizzes, games and videos to maintain the collective employee morale and support good mental health.

OUR RESPONSE TO COVID-19

Overseas Activities

In Mexico, office staff started to work from home ahead of government advice to do so, and we were able to return overseas personnel to their home base before any significant escalation of the virus. Some activities were conducted after the initial wave of the virus under strict precautions, and all our outstanding post-drilling and environmental sampling operations were completed by year end.

With the help of local partners, all survey work and vessel inspections have been managed

remotely, and safe procedures for the removal of one of the Mexico Bg wellheads and the environmental survey were implemented. One local security contractor in Mexico tested positive for COVID-19 and our protocols ensured that he, and those in close contact with him, were quarantined, and any potential spread contained quickly. The contractor made a full recovery without infecting others.

We have also monitored how our non-operating partners have conducted drilling campaigns during the pandemic, ensuring that best practice has been followed.

Community Support

As part of our efforts to support the authorities and communities where we operate, we have made the following financial donations to specifically support countries of operation in their efforts to manage the pandemic:

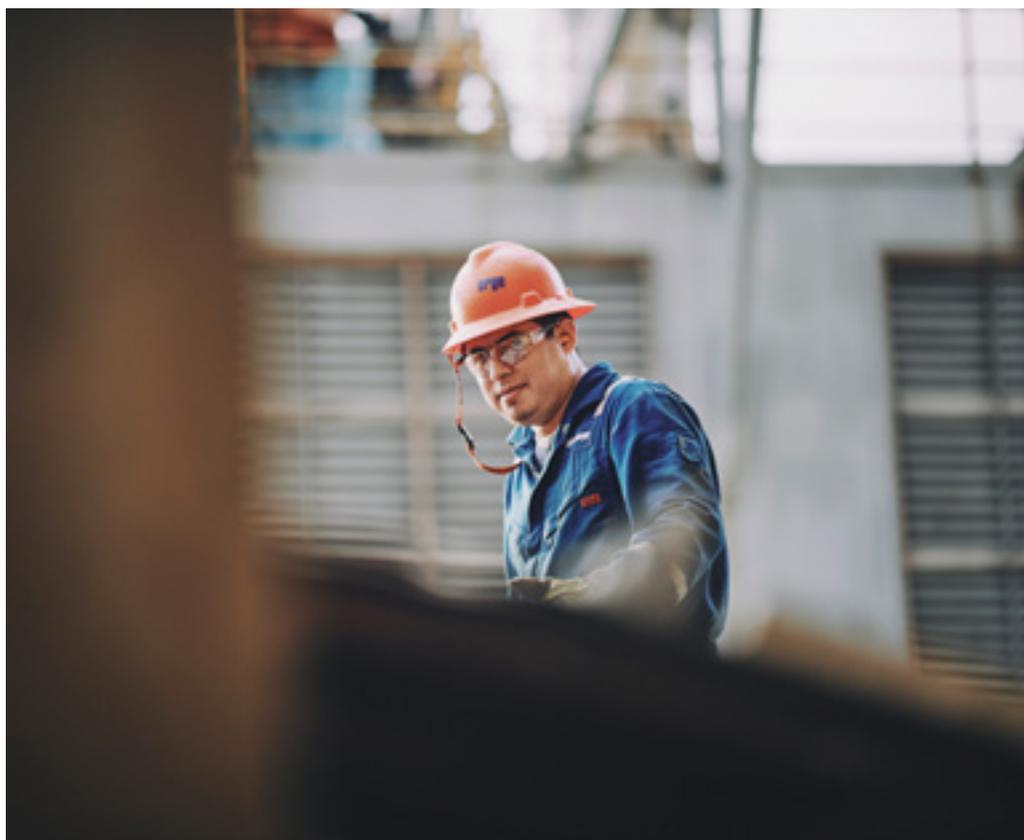
Country	About the donation	Commitment
Senegal	Donation to the Ministry of Health to support its COVID-19-related work	US\$50,000 from joint venture
Suriname	Donation to support the COVID-19 Support Fund initiative led by Suriname's Trade & Industry Association (VSB). The Fund focused on improving the country's intensive care capabilities, primarily through the purchase of ventilators and other vital equipment	US\$50,000 from Cairn
Mexico	Donation to Fundación Mexicana para la Salud (Funsalud), a not-for-profit contributing to the improvement of health in Mexico, to support its comprehensive COVID-19 relief efforts	US\$50,000 from Cairn

Safe Return to Work

Communication is a standing agenda item for the new Return to Office Steering Committee, which was established in May 2020 to monitor changes in government requirements, agree on the best approach for managing the eventual return of office-based employees, develop action plans and maintain good communication. After a comprehensive risk assessment, new protocols regarding social distancing, deep cleaning and other ways to mitigate infection were established within the office, and advice for those needing to return early was developed, along with improved travel risk assessments for essential business travel.

We continue to assess the risks to the business and the people who work for and with us, which will help us to resume more normal working operations as soon as circumstances allow.

For more information regarding our response to COVID-19 and its impact on the business, please see the **People** section of this report (page 24) and our website at www.cairnenergy.com



OUR STRATEGY

Our overarching strategy is to deliver value for shareholders from our primary business: the production of energy through the oil and gas life cycle. We believe we have a role to play in meeting global energy demand, which will continue to encompass hydrocarbons for many years to come.



OUR STRATEGY

As an exploration and production company, our role remains to produce hydrocarbons responsibly for the foreseeable future while playing a meaningful role in energy transition. We continue to focus on opportunities that offer the best chance of a relatively rapid return on investment, increase the resilience of our portfolio, and drive down the emissions from our operations over the short, medium and long term.

We are engaged in a number of initiatives to reduce our carbon footprint and emissions, and contribute to the transition towards a lower-carbon future. These include commitments to global initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the World Bank's Zero Routine Flaring by 2030 initiative. We are pursuing the efficient use of energy, reducing the carbon intensity of our operations, and investigating the viability of investments into reduction projects such as carbon capture, utilisation and storage.

As part of our strategy, Cairn is committed to working in a safe, secure, environmentally and socially responsible manner. This approach is embodied in our processes, policies and procedures, and relies on a long-term approach, whether we're looking at reducing our carbon footprint, assessing the energy efficiency of the vessels and rigs we use, or deciding which social impact projects to invest in. This approach to working responsibly is part of our history and can be seen through our [legacy in India](#). Our principles and values are embedded in our management system, Code of Ethics and high performing behaviours, as outlined on this page.

The United Nations Sustainable Development Goals (UN SDGs) (page 16) present a framework against which we are able to consider and measure our efforts. We continue to consider these Goals – including those related to Affordable and Clean Energy (SDG 7) and Climate Action (SDG 13) – as we manage our impacts on the environment and shape the benefits we can bring to society in the years to come.

OUR VALUES: THE 3RS

Our long-standing values, known as the '3Rs', form the centre of our culture.

BUILDING RESPECT

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

NURTURING RELATIONSHIPS

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

ACTING RESPONSIBLY

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

High Performing Behaviours

Our High Performing Behaviours, based on the 3Rs, guide our employees in their day-to-day work. They are communicated throughout the organisation and embedded in our culture through annual performance reviews and objective setting, so that everyone can contribute to our success.

- Be safe.
- Be entrepreneurial.
- Be focused.
- Be a leader.
- Be collaborative.
- Be open.
- Be empowered.

☞ See the [Chair's Statement](#) and the [Governance](#) section in our [Annual Report and Accounts](#) for more information.

OUR BUSINESS PRINCIPLES

Our long-established set of Business Principles outline how we work, helping us to manage risks and behave ethically and responsibly to people, society and the environment. They are integrated into our systems and processes, including our Corporate Responsibility Management System (CRMS), Operating Standards, Group Risk Management System and People Management Manual.

The Board, which has ultimate responsibility for maintaining our culture of working responsibly across the organisation, is supported by:

- our values, **Code of Ethics**, Business Principles and our policies, processes, standards and systems, which all employees, contractors and suppliers are required to comply with;
- the internal oversight of key committees and groups, including our Executive Committee (formerly the Senior Leadership Team) and Management Team, Risk Management Committee and Audit Committee;
- internal and external assurance audits; and
- engagement with stakeholders, which influences how we view material issues and formulate strategy and business objectives.



Responsible governance

#1 We manage risk and seek to continually improve.

#2 We behave honestly, fairly and with integrity.



Behaving responsibly to people

#3 We develop the potential of our people.

#4 We foster a workplace that respects personal dignity and rights, is non-discriminatory and provides fair rewards.

#5 We provide a healthy, safe and secure work environment.



Behaving responsibly towards the environment

#6 We take a precautionary approach to our effect on the environment.

#7 We strive to prevent and minimise our impact on the environment.



Behaving responsibly to society

#8 We seek to make a positive social impact in every area where we work.

#9 We respect the rights and acknowledge the aspirations and concerns of the communities in which we work.

MEASURING OUR CR PERFORMANCE

Embedding CR Into Our Activities

Our strategic business objectives and key performance indicators (KPIs) set our business direction for any given year against the bigger picture of our long-term Group strategy. These are approved by the Board and used to develop specific CR Objectives based on our material issues and business priorities. The **annual materiality assessment** (page 19) combines an assessment of the importance of issues to Cairn and our stakeholders under four themes: People, Society, Environment and Governance.

Key Performance Indicators

Our CR Objectives and associated targets are an integral part of our annual Group key performance indicators (KPIs), which are cascaded through the business and to individuals for action and performance tracking. Brief summaries of progress against our 2020 CR Objectives, and details of our new 2021 CR Objectives, can be found throughout the following sections of this report.

Our CR Objectives are collectively regarded as 'maintaining our licence to operate', and assess our ability to deliver a range of social, environmental and economic benefits in a safe, secure, and environmentally and socially responsible manner (see **Our Business Principles** on page 13).

We have maintained this focus for many years, but in 2021 we will strengthen and deepen our efforts in this area to improve transparency through the monitoring of CR performance and our contribution to the **UN SDGs** (page 17).

Understanding Our Key Risks

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

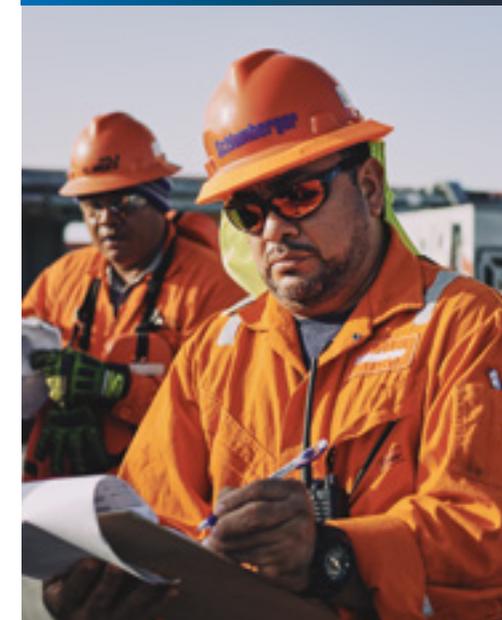
We regularly review how our most significant risks are being managed and record them in a risk register. The risk register and stakeholder feedback are the two primary sources of information we use when **Managing Material Issues** (see page 19).

Over the year, we continued to monitor our overall exposure to risk. Project risks are reviewed at specific points in project delivery, and operational and corporate risks are reviewed at least quarterly. Although our operational activities were limited in 2020 and rescheduled in most cases, risk management activities continued. These included COVID-19 and business continuity, the assessment of potential new venture and business risks, and the completion of drilling-related operational compliance in Mexico.

WORKING TOGETHER AND WITH OTHERS

Our people are trained to help embed our responsible approach into their activities. Additional support is provided by specialists, who work alongside project teams to ensure that potential CR impacts are considered in project planning and during operations.

We also leverage the experience, expertise and resources of our joint venture partners, non-governmental organisations (NGOs) and industry associations. We continue to engage stakeholders across the business to understand concerns, and improve our performance and communication.



FRAMEWORKS AND STANDARDS

At Cairn, working responsibly means striving to deliver value in a safe, secure, and environmentally and socially responsible manner for all our stakeholders.

Our culture of working responsibly is reinforced by a number of global management frameworks and standards that promote good working practices and responsible corporate behaviour.

Guided by strong leadership and corporate governance, we operate in accordance with the systems, standards and frameworks outlined on this page.



Environment

ISO 14001, OSPAR, CDP, SECR

- Our CRMS is aligned with the requirements of **ISO 14001**, the international standard for environmental management systems, and **OSPAR**, a mechanism by which 15 governments and the EU protect the marine environment of the North-east Atlantic. We were reverified against OSPAR requirements in 2020 by an independent external auditor and compliance documentation was submitted to the UK regulator. We do not operate in UN World Heritage sites.
- We continued with our annual carbon disclosure submission to the **CDP** and received a B rating. This represents an improvement from our B- last year, and from a C rating over the last three years. We also completed CDP's Water Security questionnaire at the basic level in 2020.
- We assessed our understanding of the **Streamlined Energy and Carbon Reporting (SECR)** requirements and ensured our compliance with them (see our [Data Appendix](#)).



People

ISO 45001, MSA

- Our CRMS is aligned with the requirements of **ISO 45001:2018**, the international standard for occupational health and safety management systems. We implemented findings from an external assessment of compliance with the standard in 2020.
- We operate in accordance with the UK Modern Slavery Act (MSA); our selection procedure for service providers includes modern slavery assessments and our [MSA Statement](#) is available online.



Society

UDHR, VPSHR, ISO 26000, UN SDGs

- We support the principles contained within the **Universal Declaration of Human Rights (UDHR)**.
- In mitigating security risks, our operations, equipment and training meet the requirements of the **Voluntary Principles on Security and Human Rights (VPSHR)**.
- Our CRMS is aligned with **ISO 26000** guidance on operating in a socially responsible way.
- We map how our activities contribute to the 17 **UN SDGs** (page 17), which guide us in minimising our negative impacts and maximising the social, economic and environmental benefits of our activities in the countries where we work.



FRAMEWORKS AND STANDARDS



Governance

FRC, IPIECA, TCFD, SASB, GRI, AA1000, EITI

- We use the latest guidance from the **Financial Reporting Council (FRC)** and the **International Petroleum Industry Environmental Conservation Association (IPIECA)** to inform our **stakeholder engagement** (page 55) and help us to focus on **priority issues** (page 31).
- We assess our reporting against the recommendations of the **TCFD**. The TCFD was established by the Financial Stability Board to improve the reporting of climate-related risks and opportunities, and commit to improving our reporting on governance, strategy, risk management, and metrics and targets in line with its recommendations. We are building on the understanding and management of climate resilience and the carbon footprint of our portfolio with an emphasis on carbon intensity and energy efficiency, and have developed a **TCFD Index**.
- To improve the quality and transparency of our reporting, we have assessed and aligned our reporting against the **Sustainability Accounting Standards Board (SASB) Oil & Gas – Exploration & Production Sustainable Accounting Standard**.
- We report our CR information in accordance with the **Global Reporting Initiative (GRI) Standards (Core option)**¹, following the GRI's content principles of materiality, stakeholder inclusiveness, sustainability context and completeness; and its quality principles of balance, comparability, accuracy, timeliness, clarity and reliability. Download our **GRI Content Index**.
- We align our CRMS and CR reporting against AccountAbility's **AA1000 Accountability Principles Standard**. This ensures that we engage with internal and external stakeholders, identify and assess our most important CR issues, and address and respond to them in a structured way.
- We are a member of the **Extractive Industries Transparency Initiative (EITI)**, a coalition of governments, companies and organisations promoting payment transparency in the oil, gas and mining sector, and support the EITI global standard.

IFC, IOGP

We are committed to working to the **International Finance Corporation (IFC)**² Performance Standards on Environmental and Social Sustainability, and align our CRMS with industry good practice, including the **International Association of Oil & Gas Producers (IOGP)** standards and guidance. Our CRMS is based on the IOGP/IPIECA Operating Management Standard Framework³.

▢ Read more about **ethics and operating with integrity** (page 57).

▢ See how we've performed against the UNGC principles in our **UNGC Index** (page 16).

COMPLYING WITH LOCAL REGULATIONS

We commit to complying with the regulations set by the authorities in the countries where we operate, which vary by location. We use our CRMS to guide our minimum requirements where we operate, and these are particularly important where regulations for the oil and gas sector are underdeveloped. Our CRMS is based on IOGP standards and international best practice. This ensures that we apply the same standards consistently, wherever we operate.

UNGC

As a signatory to the **United Nations Global Compact (UNGC)**, we continue to support this initiative for businesses committed to aligning their strategies with universally accepted principles in human rights, labour, the environment and anti-corruption. We have integrated these principles into our policies and **Code of Ethics**.

SIMON THOMSON

Chief Executive Officer

¹ Organisations can report in accordance with the GRI Standards at one of two levels (Core or Comprehensive), depending on the degree to which the Standards have been applied.

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

³ IOGP/IPIECA, 2014: Operating Management System Framework for controlling risk and delivering high performance in the oil and gas industry, Report 510

THE UN SUSTAINABLE DEVELOPMENT GOALS

We support the United Nations Sustainable Development Goals (UN SDGs), a series of 17 goals that seek to promote prosperity for all. They provide the business community with a framework for assessing the impact and increasing the value of their activities. We consider our activities within the context of these goals and assess our contributions to them.

While we believe we can play a meaningful role in helping to address the SDGs, not all 17 are relevant to our business in all circumstances, nor to each of our assets. In addition, the potential for some goals to conflict with one another exists. For example, as an oil and gas company, we acknowledge that producing fossil fuels contributes to global climate change, but also provides affordable energy and promotes economic, social and human development.

Nonetheless, across the value chain, many of our activities add value to society by contributing positively towards the SDGs. These include providing energy to meet demand, driving down the emissions intensity of our operations as the world transitions to a lower-carbon economy and supporting communities through targeted social investments. We also look to minimise or mitigate any potentially negative impacts on both society and the environment.

Aligning our efforts with the SDGs helps inform the development of **Impact Benefit Plans** (page 50), which we now draft for each major project. These plans evolve over time, as we evaluate the net value our activities bring.

Our contributions to the SDGs that are applicable to our business in 2020 are summarised on page 18.



THE UN SUSTAINABLE DEVELOPMENT GOALS

Minimise negative impacts

		<ul style="list-style-type: none"> - Continued to make payments to host governments throughout our operations (page 60) - Donated to UK charity Freshstart to support homeless people
- Implemented measures to minimise disruption to fishing activities offshore Mexico (page 55)		
- Enhanced employee travel health and security risk management (page 24)		<ul style="list-style-type: none"> - Continued to offer employee health benefits across the organisation (page 25) - Developed and delivered health and well-being initiatives (page 24) - Gave financial support for national COVID-19 responses in Suriname, Senegal and Mexico (page 10) - Donated to UK charities Projekt42, Maggie's and Edinburgh Young Carers to support health and well-being
- Continued to apply our CRMS to protect the health and safety of workers (page 25)		
- Minimised the impact of COVID-19 with employees working from home, restricted business travel and greater support for mental health and well-being (page 9)		
- Delivered weekly security and health updates to employees in Mexico to minimise the risks, including social impact reports and local workforce development (page 26, 50)		<ul style="list-style-type: none"> - Progressed an initiative to support a vocational training institute (NATIN) in Suriname (page 51) - Donated to Winning Scotland Foundation, a UK charity empowering Scotland's young people through education
		<ul style="list-style-type: none"> - Maintained a robust equality and diversity policy (page 23)
- Established an initiative to benchmark the energy efficiency of our projects and develop mechanisms for improvement (page 37)		<ul style="list-style-type: none"> - Produced oil and gas to meet energy demand (page 6) - Contributed to energy security for host nations (page 53) - Promoted development in Senegal that aims to contribute to the domestic gas supply, replacing higher-carbon electricity generation sources (page 7) - Provided funding to Heriot-Watt University to support clean energy research (page 70)
- Introduced methodology to promote efficient use of energy (page 67)		
- Developed carbon intensity methodologies to support our commitment to reducing emissions (page 69)		
- Influenced partners to reduce the carbon intensity of projects (page 69)		
		<ul style="list-style-type: none"> - Continued to implement policies for local procurement and supplier development (page 53) - Continued to support the development of the National Institute of Oil and Gas (INPG) in Senegal through the JV (page 50)
		<ul style="list-style-type: none"> - Continued to support Invest in Africa in Senegal, which trains local businesses and manages a portal for local small and medium-sized enterprises to access oil and gas contracts (page 52)

SDG

Maximise positive impacts

Minimise negative impacts

		<ul style="list-style-type: none"> - Continued to support the EITI in promoting transparent payments to governments and fair distribution of benefits in host nations (page 60) - Donated to UK charities Polar Academy and Street League to support disadvantaged young people
- Continued to apply robust waste and chemical management plans throughout our operations (page 40)		<ul style="list-style-type: none"> - Promoted human rights and environmental and safety standards through contracts and audits (page 34)
- Launched an initiative to benchmark the energy efficiency of projects, and developed mechanisms for improving and promoting energy efficiency in operated projects (page 37)		<ul style="list-style-type: none"> - Contributed to climate change adaptation projects through social investment (page 69)
- Developed carbon intensity methodologies to support our commitment to reducing emissions (page 69)		
- Endorsed the World Bank's Zero Routine Flaring by 2030 initiative, and committed to avoiding associated emissions in our operated and non-operated projects (page 38)		
- Continued to challenge partners to reduce emissions and avoid flaring, including the assessment of potential opportunities to reduce fuel usage (page 69)		
- Subjected 2020 operations to environmental impact assessments (EIAs) and environmental management measures in line with our CRMS and Environmental Policy (page 40)		
- Implemented robust programmes for accident prevention, preparedness and response (page 28)		
- Completed drilling programmes without significant impact (page 44)		
- Conducted habitat studies in Mexico and supported endangered sea turtles (page 45)		
- Continued to adhere to our robust human rights policies to ensure human rights violations do not occur in our supply chain (page 35)		<ul style="list-style-type: none"> - Supported institutional training in Senegal through JV (page 50) - Undertook EITI reporting in participating countries (page 60)
- Maintained robust anti-bribery and corruption management policies and procedures (page 57)		
- Held human rights awareness training (page 48)		
- Engaged with marine authorities in Mexico (page 45)		
- Endorsed the World Bank's Zero Routine Flaring by 2030 initiative (page 38)		<ul style="list-style-type: none"> - Continued to support the UNGC and the EITI (page 16) - Joined the Proteus Partnership, a global initiative that supports the development, dissemination and analysis of global data on protected areas, threatened species, and critical marine and coastal ecosystems (page 43)

SDG

Maximise positive impacts

MANAGING MATERIAL ISSUES

How We Assess Material Issues

To manage risk effectively and to operate with the support of our stakeholders, we need to understand the issues that matter to them and are most significant to our business. We do this by conducting an annual assessment of CR-related issues, which identifies issues to be covered in our annual reporting.

The assessment considers relevant issues, determined from international reporting requirements including IPIECA⁴, GRI⁵, SASB⁶ and TCFD⁷ (see page 15), and compares our approach with that of peer companies. We then classify these issues as high, significant, medium, low or insignificant to indicate their importance to Cairn based on risk, and their importance to stakeholders based on stakeholder and investor engagement, and media scanning. The results of this assessment are presented to the Board every year for detailed review.

We assess scores for 'importance to stakeholders' across five different stakeholder groups (investors, governments, employees, community and business partners). 'Importance to Cairn' is assessed through quarterly risk reviews. We track each issue deemed material to manage and address any associated impacts.

Every two years, we engage representatives from each of our five groups of stakeholders to gain feedback on the issues we have identified as material to the business. We last undertook this engagement process in 2019. In alternate years, we undertake a thorough review of our materiality process and assessment, which is externally assured. In 2020, this involved an expert review

of the application of Cairn's internal materiality procedure to the preparation of a materiality matrix, to determine CR issues for inclusion in our 2020 reporting and recommendations on positioning.

The external review concluded that Cairn has a documented standard operating procedure in place to identify potentially material topics and issues, and that Cairn's list of material issues contains all relevant issues. The review also identified a number of limited recommendations including: the inclusion of a new issue, 'reserves valuation and capital expenditures', as suggested by SASB; the inclusion of a SASB framework; a review of stakeholder scores for cultural heritage, given peer-related associated issues during the year; and some clarifications to the internal materiality standard operating procedures. These were included in the final assessment.

The Issues of Importance to Cairn and Our Stakeholders

The issues identified as material to both stakeholders and Cairn are shown in the materiality matrix below. We report on the issues identified as being of medium and high materiality under four themes, as reflected by the **People** (page 20), **Environment** (page 36), **Society** (page 46) and **Governance** (page 56) sections of this report.

Issues of high material importance are also covered in our **Annual Report and Accounts**.

Materiality Matrix

Governance

- 1 Advocacy and Lobbying
- 2 Anti-Competitive Behaviour
- 3 Business Partners' Alignment on CR Issues
- 4 Cairn ABC Practices
- 5 Climate Change Policy and Planning
- 6 Contractors' and Suppliers' ABC Practices
- 7 CR Governance
- 8 Data Protection
- 9 Fines and Prosecutions
- 10 Funding
- 11 Global Energy Transition
- 12 Government ABC Practices
- 13 Ineffective Whistleblowing
- 14 Investment (Home and Overseas)
- 15 JV Partners and Funding
- 16 Management of Material Issues
- 17 Operations in Sensitive and Complex Locations
- 18 Remuneration
- 19 Reserves Valuations and Capital Expenditure
- 20 Tax and Payments to Governments

Environment

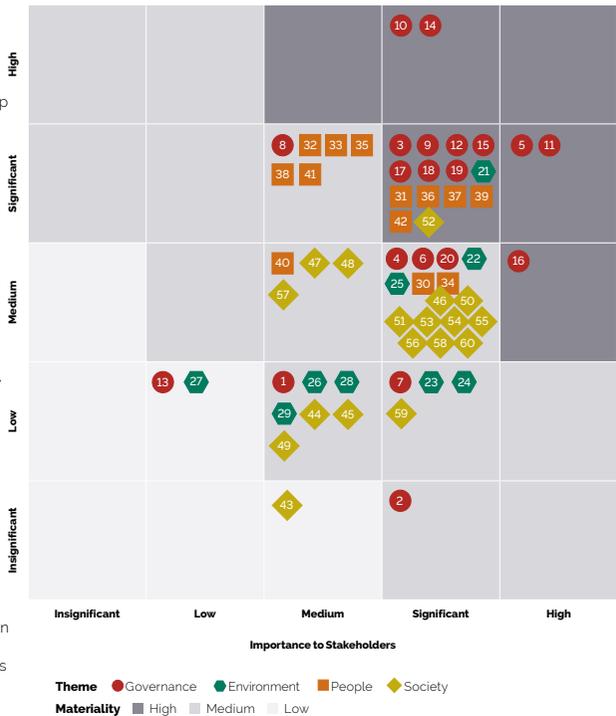
- 21 Biodiversity and Sensitive Areas
- 22 Discharges to Sea, Land and Sound
- 23 Energy Use and Alternative Sources
- 24 Freshwater Use
- 25 GHG Emissions (Including Venting and Flaring)
- 26 Materials Use
- 27 Product Stewardship
- 28 Reuse, Recycle and Waste Management
- 29 Use of Local Resources

People

- 30 Anti-Discrimination
- 31 Assets Security
- 32 Contractor Selection, Capacity and Leadership
- 33 Cyber Security
- 34 Equal Pay, Equal Opportunity
- 35 Human Capital Development
- 36 Infectious Diseases
- 37 Major Accident Prevention
- 38 Office Security
- 39 Personnel Security and Travel
- 40 Talent Attraction
- 41 Workplace Health and Well-Being
- 42 Workplace Safety

Society

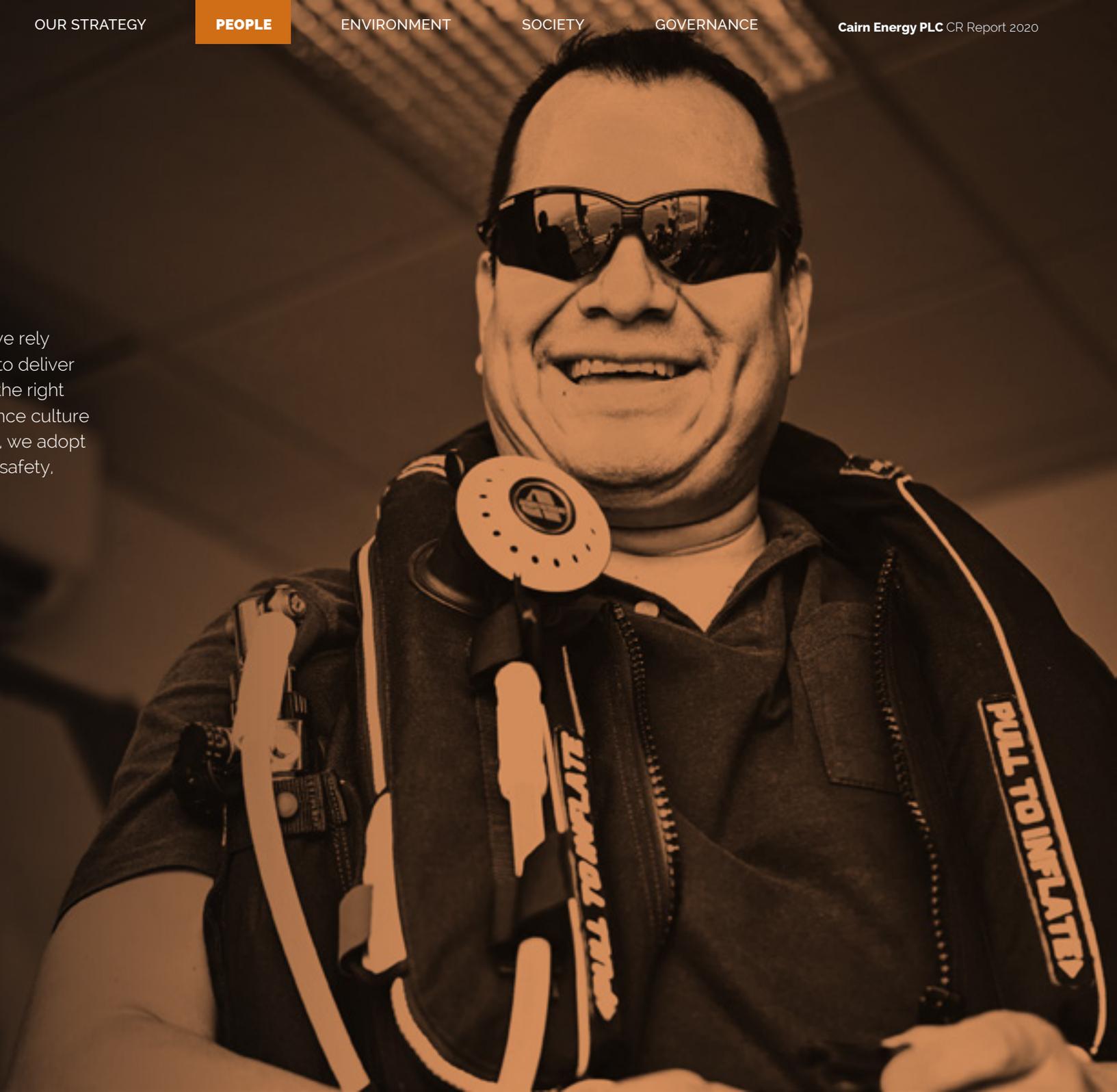
- 43 Anti-Discrimination (Beyond Employees)
- 44 Community Health
- 45 Cultural Heritage
- 46 Demonstrating Value Created
- 47 Economic or Physical Displacement
- 48 Freedom of Association
- 49 Grievances and Grievance Mechanisms
- 50 Human Rights Management
- 51 Indigenous People's Rights
- 52 Local Community Stakeholders
- 53 Local Content and Local Procurement
- 54 Local Energy Access
- 55 Local Hiring Practices
- 56 Local Workforce Development
- 57 Modern Slavery
- 58 Security and Human Rights
- 59 Social Investment
- 60 Working Conditions/T&Cs



4 IPIECA Oil and Gas Industry Voluntary Guidance on Sustainability Reporting, 3rd edition, 2016 – www.ipieca.org/resources/good-practice/oil-and-gas-industry-guidance-on-voluntary-sustainability-reporting-3rd-edition/
 5 Global Reporting Initiative – www.globalreporting.org
 6 Sustainability Accounting Standards Board – www.sasb.org
 7 Task Force on Climate-related Financial Disclosures – www.fsb-tcf.org

PEOPLE

Our people are critical to our success, and we rely on their commitment, skills and knowledge to deliver our strategy every day. As well as nurturing the right relationships and fostering a high-performance culture based on opportunity, equality and diversity, we adopt values and behaviours that promote health, safety, well-being and security.



PEOPLE AND TALENT

Through the skills and experience of our people, we are able to deliver our strategy. With a clear focus on business results, our efforts are underpinned by our core values of building respect, nurturing relationships and acting responsibly (known as the '3Rs') and our High Performing Behaviours (see page 12).



STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

Medium materiality:

- Talent Attraction;
- Human Capital Development;
- Anti-Discrimination; and
- Equal Pay and Equal Opportunity.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We have designed, developed and implemented a new approach on managing our talent across the Group.
- We designed and implemented a technical competency framework.
- We implemented a new approach to internal communications, resulting in an increase in our employee engagement score.

2021 CR OBJECTIVES

- Establish our diversity and inclusion strategy.
- Deliver the next phase of our talent management programme.
- Deliver the remaining phases of the technical competencies project.

☐ Detailed performance data on **Employees** is available in our **Data Appendix**.

Employee Engagement

Our people are the foundation on which our success is built, and we aim to create positive, collaborative work environments that enable them to fulfil their potential. We respect personal dignity and rights, and we want everyone to feel involved and valued by colleagues and managers.

Throughout 2020, given the COVID-19 challenges, we swiftly deployed our people to work from home, providing them with appropriate risk assessments and all the necessary technology and equipment for a safe working environment. We took elevated steps to encourage our people, within and across teams, to continue to work collaboratively by regularly publishing videos from different members of our senior team.

Our I&T team replaced our Skype for Business technology with Microsoft Teams, which provided a springboard for greater collaboration. The new technology allowed us to host regular Group-wide 'town halls' online, to provide everyone with updates on our strategy and the key projects being delivered during the year.

We also created an online COVID-19 Hub, through which we published all updates about working from home or returning to the office; it also provided a fun space for staff to chat and share stories and photographs.

☐ Read about staff engagement during the pandemic in **Our Response to COVID-19** on page 9.

MEASURING ENGAGEMENT: PULSE SURVEYS

We introduced monthly 'Have your say' pulse surveys across the Group in 2018. These short, regular snapshots have had consistently high participation rates (92% aggregated) and attracted more than 6,000 comments from staff to date. Focusing on 11 key areas so that we can compare our results with our industry peers, in the last 12 months, we have consistently tracked equal to or above the energy and utilities sector on overall employee engagement. From the feedback gathered, we identify key areas we want to

improve and each one is sponsored by a senior team member to champion its progress.

This year, we continued the monthly surveys and included additional questions to gather further insight into our employees' assessment of the initiatives and support provided in response to COVID-19 challenges. The feedback indicated that colleagues were delighted with the support they received; a personal call to each colleague from the CEO was cited as particularly valuable.

In December 2020, we finished the year on an employee engagement score of 8.1 out of 10, 0.7 above the industry benchmark.

EMPLOYEE VOICE FORUM

Our Employee Voice Forum, launched in May 2019, gives our people direct access to the Board. There are two meetings each year, chaired by a Non-Executive Director, and colleagues' concerns, ideas and suggestions collected by the forum members are discussed.

Unsurprisingly, two key themes emerged this year: the flexibility of working from home in the future and the plans for returning to office working.

REWARDS AND BENEFITS

Every year, we benchmark salaries and benefits against other oil and gas companies. This helps us to continue to offer a competitive package as a way to attract and retain employees. We provide employees with an annual Total Reward Statement to demonstrate the total value of their compensation and rewards, while an online Rewards and Benefits Guide gives staff access to application forms and relevant policies.

As part of our annual review in 2019, we listened to feedback from staff about our cycle to work scheme and increased the value to £5,000 in April 2020; cycle parking places were also increased. Our Pensions Committee recommended that we introduce salary exchange for pensions, and this was implemented in April.

PEOPLE AND TALENT

Developing Our People

LEARNING OPPORTUNITIES

Providing learning opportunities for our people is essential to operating to the highest standards and making our business more efficient, effective and successful. We invest in developing our people and each colleague has a personal learning 'budget', helping them to fulfil their potential and deliver our objectives.

Typically, opportunities are provided through e-learning modules, traditional classroom training, workshops, seminars, conferences and field trips, and we often have people on overseas secondments as part of their development. Due to the challenges associated with COVID-19, many of the in-person opportunities were converted to online delivery or postponed. Fortunately, some educational establishments migrated to online learning, which enabled us to continue to provide financial assistance to colleagues looking to embark on further qualifications.

CAIRN ACADEMY

The Cairn Academy, launched in 2019, enables colleagues to undertake mandatory compliance online learning to improve their understanding of important governance, regulatory and security topics, as well as our processes and procedures.

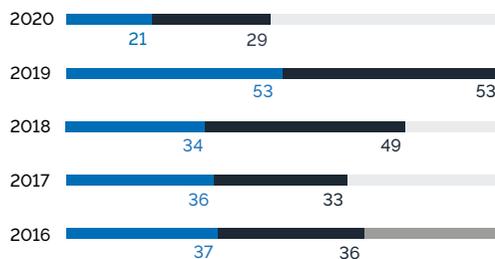
A new version of the Cairn Academy portal was launched in August 2020 following a change of provider. Each month, two or three mandatory modules are released, as well as other self-help topics and sessions on health and well-being, such as how to deal with stress in the workplace.

MANAGEMENT DEVELOPMENT PROGRAMME

Designed to support individual, team and company success, our long-established Management Bootcamp is a development programme that empowers our managers to support themselves as well as their teams to deliver results. To maintain a strong pipeline, places are also open to staff interested in becoming managers in the future.

We were delighted to assist another four cohorts of people managers in completing the programme during the last year, even though full-day sessions in the office were replaced with shorter online sessions in the face of COVID-19.

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



■ Management grade employees
■ Non-management grade employees

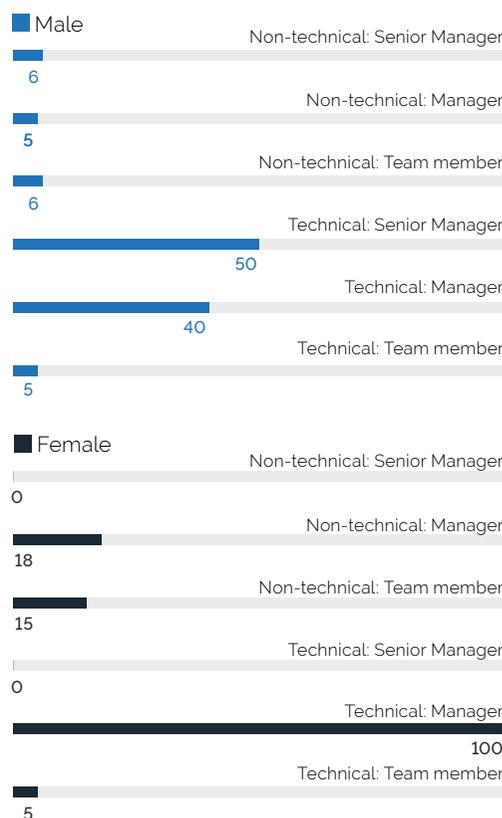
Talent Attraction

To deliver on our strategy, we need to attract, retain and develop the best talent, and ensure that our people are deployed in roles and activities where they will add the most value to the business, while gaining job satisfaction and career development.

Enabling and empowering our people to work at their best is the key to being a high-performing organisation, so proactively managing the talent in our workforce is critical. We are fortunate to work with a number of key partners that help us to source our future talent. The recruitment and onboarding process itself is robust, which means that when someone joins us, they are set up for success.

We employ people from across the world with different insights and perspectives, and our recruitment partners proactively track the gender split across all the applications we received.

2020 Success by gender, role type, number of applications (%)



KEY STATS

204
Total workforce

45
Average age
(2019: 44)

PEOPLE AND TALENT

SUPPORTING OUR TALENT

Our talent strategy focuses on three overarching strands:

- talent, succession planning and mentoring;
- management and leadership programmes; and
- support through annual stretch objectives and development plans.

This year, we have designed and implemented a new approach to managing our talent for key roles across the Group and our succession planning is managed by our people managers, with support from HR. Our Management Bootcamp provides current and aspiring managers with the learning and development required to get the best from their people. Our leadership programme is more bespoke and structured to each individual's needs.

Our mentoring programme, launched in 2019, has been very successful in providing support and proactively managing talent and succession. As an example, our Principal Geophysicist, Laura Bornatici, joined the mentoring programme when it was launched and is now ready to step into our Chief Geophysicist role.

"I've been part of the mentoring programme as a mentee for the last 16 months. This has been a great opportunity for development. During the conversations with my mentor, I gained a deeper view of our industry within the wider context. Thanks to my mentor, I can better understand how my contribution as a geoscientist fits in the larger strategic picture. I now have a clearer view of how our one- to two-year projects contribute to the longer-term strategy of the company."

Laura Bornatici
Principal Geophysicist

Our Nomination Committee regularly evaluates the combination of skills, experience, independence and company knowledge of our Board members, and makes recommendations where appropriate. In this way, the Committee ensures that appointments and succession plans are based on merit and objective criteria, and promote diversity with regards to gender, social and ethnic backgrounds, and cognitive and personal strengths.

Equality and Diversity

Our success depends on having a diverse range of talented people with the necessary skills, competencies and passion. For us, diversity and inclusion is about everyone recognising and respecting our different capacities, capabilities and cultures, and making the most of our differences.

We seek to foster a working environment that respects personal dignity and rights, avoids discrimination and provides fair rewards. We recognise diversity in all its dimensions – national origin, age, race and ethnicity, religion/belief, gender, sexual orientation and marital status – and welcome people with a wide range of other inherent traits, including socioeconomic background, education, training, sector experience, organisational tenure and personality types/cognitive diversity.

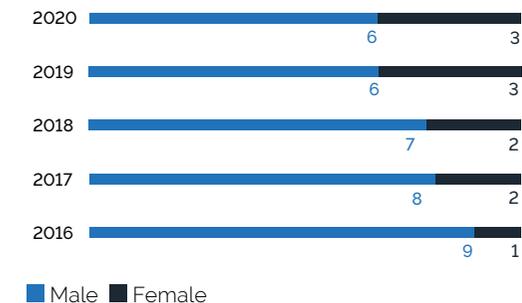
Our People Management Policy guides how equality and diversity are built into all aspects of recruitment and selection, learning and development, and remuneration and benefits. We also have policies on disability, equality and diversity, fixed-term employees, part-time employees, flexible working and harassment.

We continue to develop our diversity metrics to promote equality of opportunity, pay and reward on a non-discriminatory basis.

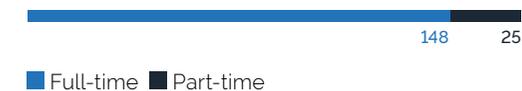
Gender split



Board members by gender



Staff by employment type



OCCUPATIONAL HEALTH, SAFETY AND WELL-BEING

Providing a healthy working environment and maintaining people's well-being are core corporate responsibilities, and of paramount importance to Cairn. Adhering to the highest standards of health and safety underpins everything we do – and has never been more important than during 2020, a year like no other.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

High materiality:

- Workplace Safety; and
- Infectious Diseases.

Medium materiality:

- Workplace Health and Safety.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We developed guidance and training for regular travellers on working in extreme environments, and conducted a 'lunch and learn' session.
- We continued our internal health and well-being programme.

2021 CR OBJECTIVES

- Maintain and develop the COVID-19 management programme, and facilitate a return to office working to protect the health and safety of our people via the Return to Office Steering Group.
- Monitor and advise on COVID-19 compliance in accordance with government guidelines, and ensure that travel risk assessments evolve with the progress of the disease and the easing of restrictions.

▢ Detailed performance data on **Health and well-being** is available in our **Data Appendix**.

Managing and Minimising Health Risks

INFECTIOUS DISEASES

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

As part of our Journey Management System, we perform travel risk assessments to identify and reduce health risks before international travel. This includes inoculation and specific country briefings, as well as general advice on basic travel health, natural disasters, security alerts and female traveller security. Our Traveller Health and Security intranet site provides all personnel with safety and security advice, and travel management procedures for our countries of operation. Our ongoing efforts to support employees include a revised and reissued travel risk policy (see page 25).

Despite the COVID-19 pandemic, we were required to make some business-critical trips overseas to countries outside the UK and Scottish government travel corridors. To do so, we introduced enhanced risk assessment and mitigation procedures covering pre-, during and post-travel. This included provisions for emergency evacuation for health reasons and insurance cover.

▢ See **Security** on page 26 for further information about how we keep our people safe.

COVID-19

Our efforts to provide a safe working environment have never been more important than over the last year and will continue to be so into 2021, with the COVID-19 pandemic affecting all work locations across the company.

COVID-19 was first reported in China at the end of December 2019 and, as the virus has developed, we have tracked the advice given by the WHO and local governments. Throughout the crisis, we have sought to understand both the direct and indirect impact of this advice on our daily business and the people who work for us.

In this context, Cairn convened a group of relevant managers at the end of January 2020 for a more detailed briefing, which has been followed by weekly updates to our Crisis and Emergency Response Team (CERT). The response to the virus has been managed initially by the CERT, which meets regularly online for updates on our global locations. The initial work-from-home arrangement we executed in line with our Business Continuity Plan and our Pandemic Guidance includes alert, action and recovery phases, which we will adhere to as the disease progresses. Although CERT briefings continue, more latterly tracking of the disease, compliance with government and guidelines, communications and the development of a return to office strategy has been led by the Return to Office Steering Group formed in May 2020, on which key members of the CERT sit.

We acted quickly and proactively in addressing the challenges associated with the pandemic, which was our main health and safety priority during 2020. As a consequence, the impact on day-to-day business activities was minimised.

▢ See **Our Response to COVID-19** on page 9 for more information.

OCCUPATIONAL HEALTH, SAFETY AND WELL-BEING

Workplace Safety

Providing a safe working environment is a core corporate responsibility (CR), and minimising risks to people and the environment is of paramount importance to us.

Managing safety risks involves applying risk assessment techniques and, where risks cannot be avoided, we apply mitigation such as engineering controls, safe working procedures and personal protective equipment (PPE). Leadership activities include management visits and behavioural-based management initiatives and audits. The routine procedures we implement include management visits, a permit-to-work system, toolbox talks and safety drills. We actively engage with contractors to ensure they have effective systems in place and apply strict assurance processes to assess them.

Overall accountability for working safely and responsibly remains with the Board, but applying these controls across our operations falls to the Management Team. Asset Managers are responsible for ensuring that operations adhere to our Corporate Responsibility Management System (CRMS), including health, safety and environment (HSE) standards and procedures; that all risks are managed to As Low As Reasonably Practicable (ALARP) levels; and that plans are in place to manage these risks.

Our robust incident management process ensures incidents are recorded and investigated, and lessons learned. Performance updates are reported to the Board.

Managing day-to-day operational safety hazards involves several mechanisms to promote safe working procedures, but largely falls under the systems of our contractors wherever they operate key activities such as drill rigs. Clear oversight is provided by our own personnel and procedures are bridged where necessary to ensure responsibilities are understood.

OUR 2020 PERFORMANCE

Overall, our occupational safety performance for our operated activities in 2020 was in line with CR Objective expectations and International Oil and Gas Producers (IOGP) benchmarks. We set key performance indicator (KPI) criteria and assess our performance through the year against the benchmark from two years before, as the data for a given year is only released later in the following year.

While it is worth noting that our operations were limited in 2020, we experienced no lost time restricted workday cases (RWDCs), lost time or recordable injuries during the year, and only two first aid cases (trapped finger and cut finger).

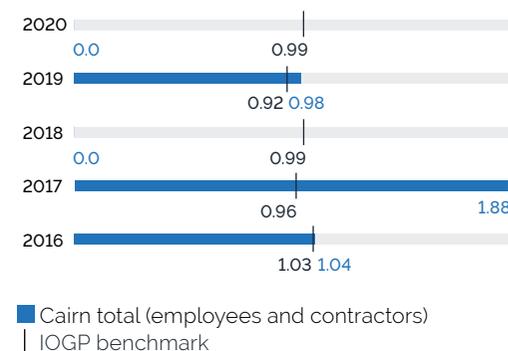
Hazardous Materials

While we faced potential exposures to hazardous materials during our drilling campaign in Block 9 offshore Mexico during 2020, we have limited direct exposure as a rule. Nonetheless, we maintain robust requirements for the management of materials hazardous to health and waste in our CRMS, to protect human health and the environment. These requirements include selecting the least damaging materials wherever possible; conducting risk assessments; providing suitable storage facilities; providing safe handling procedures and training; and ensuring personal protective equipment is used where necessary. The final well of the two-well exploration drilling programme was completed safely by the end of March 2020.

We take rigorous steps to ensure our contractors have compatible processes and systems to protect their people. These range from having appropriate exposure detection and protection arrangements in place to running emergency drills. In addition, we require our contractors and other facilities to provide suitable water supplies and wastewater disposal facilities to prevent infection and illness from water-borne or other pathogens, in accordance with our CRMS.

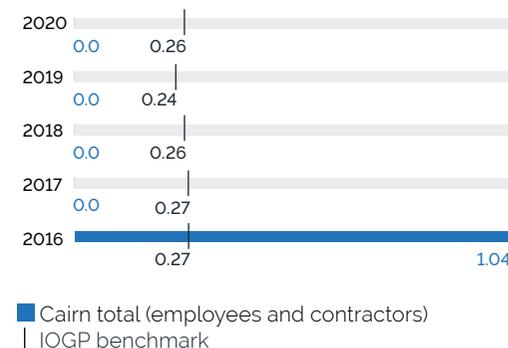
Total Recordable Injury Rate (TRIR)

(Total recordable injuries per million hours worked)



Lost Time Injury Frequency (LTIF)

(Lost time injuries per million hours worked)



Note: We have included overall IOGP benchmark figures (average of onshore and offshore for employees and contractors). IOGP benchmark figures for 2020 are not yet available.

Cairn TRIR and LTIF statistics can be higher than the IOGP benchmark after only one incident or a small number of incidents. This is because our exploration activities are often short in duration, meaning there are relatively few hours worked compared with ongoing production and other long-term operations.

Workplace Health and Well-Being

Staff wellness plays an important role across our business and during COVID-19 lockdowns, it was essential that we increased activities to support our people throughout this most difficult time. We ran specific programmes and communication on COVID-19 (see **Infectious Diseases** on page 24).

Otherwise, our health and well-being programme in the UK helps staff to understand how their behaviour and lifestyle can affect their health and well-being, explore their values and attitudes and, where appropriate, change their behaviour. Now in its second year, the programme of activities has been rolled out globally, with a focus on three areas: Getting Healthy, Maintaining Health and Regaining Health.

We also extended the programme to include financial health and gender-specific health sessions delivered by a local general practitioner. We continue to offer the popular option of an annual health assessment for all members of staff, as well as flu vaccinations. The health benefits we offer all our employees include general, travel and dental benefits.

Recognising the impact of social interaction and strong working relationships on mental health, we provide staff with opportunities to socialise at a team, functional and Group level. To promote well-being and good mental health during COVID-19 lockdowns, we have run exercise and yoga sessions, walking challenges, and virtual walks and tours. In addition, a wide variety of workshops, webinars and online sessions covered meditation, anxiety, stress management, bike maintenance, financial well-being, understanding change, nutrition and healthy eating.

SECURITY

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

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

High materiality:

- Personnel Security and Travel; and
- Asset Security.

Medium materiality:

- Office Security; and
- Cyber Security.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We revised our security guidelines, which are ready to be issued in 2021.
- We completed a review of business continuity plans, although we delayed their reissue to take into account COVID-19 learnings.
- We reviewed and relinquished our external workspace support, given our successful work-from-home capability as a result of the COVID-19 pandemic.
- We used our business continuity and pandemic plans to successfully manage our response to COVID-19.

2021 CR OBJECTIVES

- Complete review of our security guidelines against the latest ISO standard.
- Review security information sources and providers to identify potential improvements.
- Perform a cyber security audit in 2021.

☐ Detailed performance data on **Security** is available in our [Data Appendix](#).

Keeping Our People Safe

Against the backdrop of an ever-changing security landscape, we have a duty of care to our people and our assets, and place high importance on protecting our investments, reputation and data. We are a member of the IOGP Security Committee and continue to monitor and respond to emerging threats, acting on intelligence from embassies, civil authorities and contractors in both active locations and potential countries of interest.

Our due diligence process requires us to assess and address the risks our people may face. Employees can access our Journey Management System and traveller guides before they travel and while they are away. In operational locations that are deemed to be of medium and high risk, we develop and implement Security Management Plans. These may involve ground security teams to provide safe transit to hotels, airports and meetings, or to support access to field locations.

UPDATING OUR APPROACH

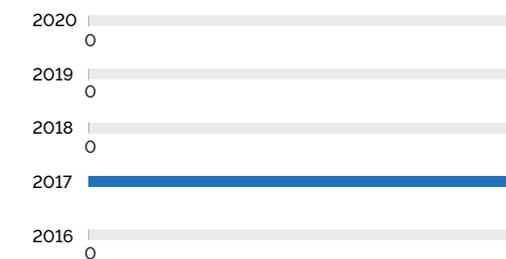
Our due diligence process requires us to assess and address the risks our people may face and amend our processes in line with our experiences.

In 2019, although no-one was injured, a failure to follow proper travel procedure in Mexico led to a full investigation, the findings of which prompted us to take remedial action. Our travel risk policy was revised and reissued in January 2020 with stronger lines of accountability. Training sessions were held in Mexico and Edinburgh to remind everyone of their responsibility to follow established procedures (such as arrival and departure arrangements and in-field requirements), as well as all relevant health and safety legislation. Support services were also improved in terms of access to transport facilities.

While Mexico, Côte d'Ivoire and Suriname are considered to be high-risk locations from a security risk management perspective, we reported no security incidents affecting our staff or premises during 2020. However, we have seen an increase in security issues, specifically in the Gulf of Mexico, where issues ranging from petty crime to violence and kidnapping are increasingly prevalent; these are possibly the result of economic challenges exacerbated by the pandemic. Piracy is on the increase too, especially against anchored, low-lying vessels.

Currently, there is no formal regional mechanism for oil and gas companies to share information about such incidents, but we do now have a security deputy on the ground in Mexico, contracted through specialist risk consultancy Control Risks. Having a point of contact in the country provides us with regular information, allowing us to act more quickly if necessary, and enables us to maintain contact with other in-country operators for intelligence sharing as required. New security guidance has also been developed for release in 2021.

Total security incidents (number)



* Break-in at staff apartment

SECURITY

ASSET SECURITY

We have recently checked our approach to protecting our assets against the anti-piracy policies and procedures adopted by major logistics companies. We also updated our guidance to ensure we align with industry best practice such as ILOGP standards.

Furthermore, we conducted a gap analysis of the Industrial Safety, Operational Safety and Environmental Protection Administration System (SASISOPA) process required by legislation in Mexico. We found no non-compliances in the security of our operations or third-party providers of aviation, accommodation and logistics services. Our six Emergency Response Protocols were instrumental in getting approval from the Agencia de Seguridad, Energía y Ambiente (ASEA), the Mexican regulators.

OFFICE SECURITY

Acknowledging that we are the only oil and gas company headquartered in Edinburgh, we held a remote exercise in January 2020 to assess the impact on business continuity of pressure groups supporting or protesting against climate change, for example. The lessons learned from this exercise, including the enhancement of our working-from-home policy, helped inform our business continuity plan and were applied at the outset of the COVID-19 outbreak.

PERSONAL SECURITY AND TRAVEL

Business-critical travel has its health risks and assessments are always applied in proportion to the activities planned and locations visited. However, in 2020, the impact of COVID-19 necessitated a thorough review and revision of our travel risk processes and procedures. As a result, we currently conduct meetings via video conference, Zoom and Teams in preference to travelling, where possible.

Under normal circumstances, with a large number of staff travelling on any given day, we have established mechanisms to assess and address the risks they may face, both before and during travel, and feedback after travel to improve our intelligence. Such information is made available to all employees via our intranet (see **Managing and Minimising Health Risks** on page 24). Our global risk management system provides daily safety alerts, allows us to track travellers and provides them with SOS capability should they get into distress.

As well as monitoring the security situation in operational locations, we look at threats in potential countries of interest. This forms part of our due diligence process and new country entry requirements as we explore opportunities in many different territories.

While travel to investigate new ventures has been curtailed for now, we have had to conduct some business-critical trips; these were fully assessed for security risks and mitigation put in place. Additional guidance and training have been developed for working in these challenging environments and in preparation for when travel restrictions are lifted.

CYBER SECURITY

Although we experienced no cyber security breaches from deliberately malicious software during 2020, we regularly review our arrangements to ensure we continue to protect our IT infrastructure from such malware incidents. We continue to communicate threats, strategies and improvement plans to maintain a holistic and collaborative approach throughout the Group, and we have a dedicated Cyber Security Manager and a 24/7 service partner that continually manage current threats and risks.

Keeping up with potential threats and taking the necessary measures to prevent security breaches and data loss, we continuously work with our partners to test our internal and exterior environment. Our IT Security team has undertaken a number of National Institute of Standards and Technology gap analysis workshops, to help us to maintain a high level of cyber security maturity. This is regularly monitored and updated.

To increase awareness and stay on top of security trends, we actively participate in several industry bodies, including the ILOGP Security Committee, and take guidance from the Information Commissioner's Office and the GCHQ-run National Cyber Security Centre.

Having gained Cyber Essentials accreditation (part of the UK Government's 10 Steps to Cyber Security), we obtained Cyber Essentials Plus in November 2019; this is renewed annually. We are planning a cyber security audit in 2021.



MAJOR ACCIDENT PREVENTION

We constantly work to minimise risks to people and the environment, having put extensive safety measures and procedures to avoid accidents in place for every phase of our activities.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

High materiality:

- Major Accident Prevention.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- Corporate Major Accident Prevention Policy (CMAPP) leadership trips were limited due to COVID-19, but senior management was involved in new business due diligence field trips and a presentation by the Chief Operating Officer to Scottish Energy.
- We improved our accident and incident reporting mechanisms and software support.
- We implemented our CMAPP audit findings.
- We implemented a quality assurance and control improvement programme linked to the improved Project Delivery Process (PDP).
- We evaluated and began implementing new crisis and emergency software.
- We implemented improvements in the assessment and assurance of key role competencies.

2021 CR OBJECTIVES

- Develop a transparent leadership programme, indicators and assurance points.
- Deliver a quality assurance/control improvement programme in projects in accordance with revised PDP, including competence assurance.

📄 Detailed performance data on **Accident prevention and safety** is available in our [Data Appendix](#).

Operated assets

Our industry faces a number of major accident hazards and it is important we avoid the risks arising from these hazards, or at least manage them to a level that is ALARP. This underpins legislation in the UK Continental Shelf (UKCS) and in many other jurisdictions, as well as industry good practice.

Our CMAPP captures our position and the arrangements we have in place around the world to address these risks. The mechanisms of control or legislative equivalents it describes are applied to our operated activities. Strengthening our commitment to mitigate the risks and emergency response capability, it is required under the UK Offshore Installations (Offshore Safety Directive) (Safety Case) Regulations 2015. Having been revised in October 2019, it was reviewed again in 2020, but left unchanged.

CMAPP FOCUSES ON:

- safety leadership and the safety culture within our organisation;
- our governance and management of major accident hazards, including safety and environmental protection;
- how our contractors manage and maintain their equipment, and prevent major incidents through robust control and maintenance mechanisms;
- demonstrating and verifying the competency required among our staff and contractors, and conducting appropriate training and succession planning to maintain that capability; and
- transparent, independent assurance processes covering document control, data management and storage.

A CMAPP leadership event in Mexico was conducted in early 2020, but subsequent follow-up visits to assess progress in the country were cancelled due to restrictions on travel. However, the CMAPP training module was incorporated into our internal training portal, the **Cairn Academy** (page 22), in October 2020 and completed by critical personnel.

We also evaluated and commenced the implementation of new software systems, including our new incident management system **CAMMS** (page 66) and **Crisis Incident Management (CIM)** (page 31) for crisis and emergency management. These are both due to be rolled out in early 2021.

NON-OPERATED ASSETS

Our relative influence over joint venture partners depends on the circumstances associated with the activity, our share of the asset and the regulatory framework under which we operate. We may seek to influence our joint venture partners through Operating Committee Meetings and Technical Committee Meetings.

In 2020, we continued to support our partners in the prevention of major accidents on our non-operated assets, primarily in the UK, Senegal and Côte d'Ivoire.

MAJOR ACCIDENT PREVENTION

WELL ENGINEERING CONTROLS

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

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

Our wells are designed to comply fully with the requirements of our Well Engineering and Operations Management System, as well as our CRMS. They are designed and assured beyond the requirements for the expected geological conditions.

Well control assurance

Planning and procedures

- Major hazard assessment
- External well examiner
- Well experts and peer review
- Regulator and partner review
- DWOP¹/TWOP²/LWOP³
- Independent review of critical equipment and systems
- WCPMP⁴ gate
- Project risk register
- Corporate risk review
- Well Engineering & Operations competency assessment
- Rig inspection and acceptance
- Daily operations review meetings

1. Drill Well on Paper
2. Test Well on Paper
3. Logging Well on Paper
4. Well Construction Project Management Procedure

Our well design, planning and inspection procedures conform to international good practice and existing legislation, and are applied wherever we operate.

Our principal mechanisms for well control are as follows:

Primary well control: The primary control is maintained by ensuring that the pressure applied by the density of the column of the drilling fluid exceeds the pore pressure in the formations in the wellbore. We have robust processes for predicting the pore pressures and those predictions are assured by pore pressure prediction experts. The density of the drilling fluid is checked on a regular basis during operations, and the quality of the drilling fluid and volumes are also constantly monitored throughout the operation.

Secondary well control: Should the primary barrier be compromised, then the secondary barrier comes into effect, which is the blowout preventer (BOP). The BOP is made up of a series of hydraulically operated rams that can be operated in an emergency from the rig and a subsea BOP that can be closed using a remotely operated vehicle. The BOP is rated for well pressures significantly higher than those expected. It is subjected to a series of regular maintenance and test requirements.

Tertiary well control: This term is used to regain control of the well in the unlikely event of both the primary and secondary barriers being compromised. Tertiary well control includes options such as drilling a relief well or using a well-capping device. We develop source control plans for each of our well operations that include these aspects, and we maintain contracts for the supply of capping stacks and for well-control expertise.



MAJOR ACCIDENT PREVENTION



Why?



IDENTIFY

Why are we doing this project?

How?



ASSESS

How could we do this project?

Ready



DEFINE

Are we **ready** to sanction the work?

Finished



EXECUTE

Have we **finished** all we needed to do?

Learn



EVALUATE

What do we **learn** and achieve?

PROJECT MANAGEMENT PROCEDURE

In 2020, the Well Construction Project Management Procedure (WCPMP) was updated. Our WCPMP ensures that we understand, evaluate and control risks at key stages in all our projects. During the oil and gas life cycle, the WCPMP helps us to focus on important CR issues for all operated projects under our control.

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

As part of our CMAPP application, we use assurance processes at each stage of the WCPMP. These cover the selection and assessment of contractor and service providers, their capabilities, systems and equipment, and Safety and Environmentally Critical Elements (SECEs). This encompasses the performance requirements of SECEs, preventative maintenance, competence of personnel, and interfaces between our contractors and field assets. We deploy external experts to assure us that the appropriate mechanisms are in place and that we act on closing any high-priority findings before operations commence.

In 2020, significant reviews were initiated for improving the application of major accident controls in our WCPMP. These were fully revised to include greater quality assurance and improvements in the Well Engineering & Operations Competency Procedure, in line with UK offshore safety regulations.

PLANNING AHEAD

We shall be implementing the reviewed and improved process of competency assessment within our project teams, and preparing and executing projects under the direction of the recently updated WCPMP.

We looked at improving our capping system response by developing and improving deployment and operational Response Time Models, and we continue to progress this with industry partners.

MAJOR ACCIDENT PREVENTION

Crisis Management and Emergency Response

We focus on prevention, but in the unlikely case a significant accident or incident does occur, we maintain a three-tiered crisis and emergency response arrangement that is capable of supporting our activities quickly and effectively, wherever they are in the world.

Our CERT provides both strategic and tactical support as required, depending on local capability, to ensure business continuity. The CERT Leader can muster on-call specialists to advise key personnel, assist in crisis and emergency management, and help to prevent escalation in accordance with the priority issues of People, Environment, Assets and Reputation – the so-called PEAR principle.

Due to COVID-19 restrictions, we have been unable to use our physical emergency response rooms, but CERT team members have remained ready to respond virtually and still undergo weekly training and operational briefings covering security, travel, health and emergency response scenarios.

ONGOING TRAINING

We continue to use an independent crisis and emergency management specialist to develop our scenario-based exercises. Depending on the scenario and scope, these test our readiness to respond to field incidents and assess if the different tiers are able to respond appropriately and effectively should such incidents escalate. The exercises were designed to build knowledge of emergency scenarios, test the understanding of our primary response mechanisms, and enhance organisational resilience by testing communication routes, facilities and equipment, contingency plans and assumptions.

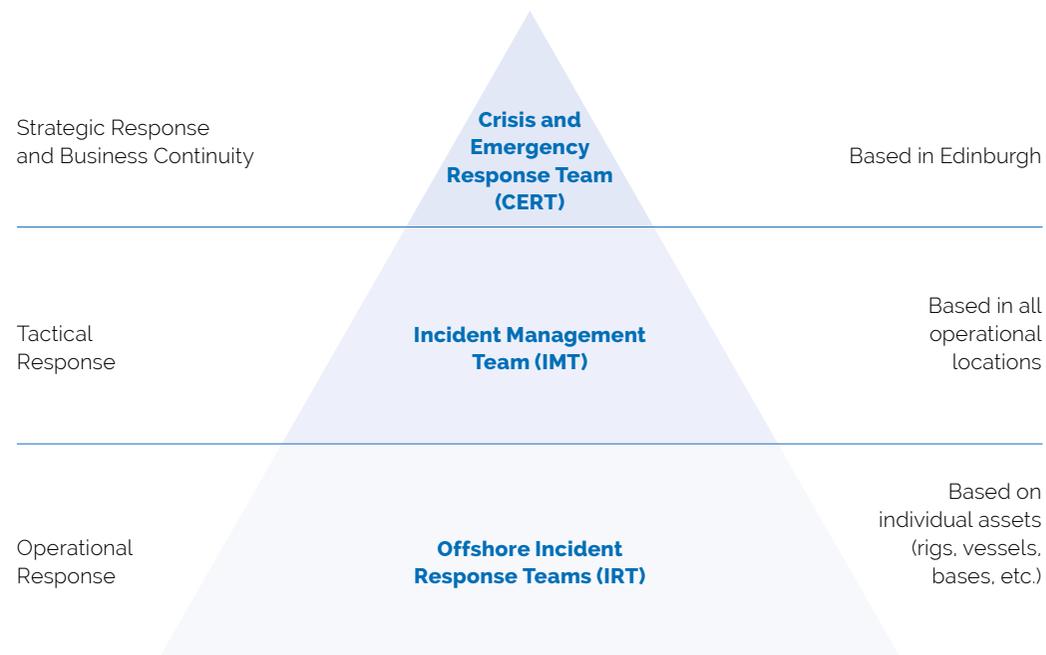
During 2020, we held three emergency response exercises in Mexico relating to possible scenarios – one including and the other excluding piracy – using our Incident management software and other tools. These simulations tested our responses to scenarios such as a heli-ditching, rig fire and heavy lifting incident with multiple casualties requiring medical evacuation. Additionally, an Incident Management Team (IMT) desktop exercise was held to provide line of sight with Maersk's ways of working, to align the tactical and strategic elements of CERT.

CERT team members undergo weekly training and attend operational briefings covering security, travel, health (including COVID-19) and emergency responses to a range of possible events. Each role within the CERT has an associated online self-training module.

In 2020, we reviewed our crisis management software and agreed to move away from a bespoke software solution to Crisis Incident Management (CIM), an ISO-accredited crisis and emergency system. CIM is used by many operators in the UK and internationally, and is rapidly becoming best practice in our industry. Adopting the new system brings Cairn in line with our IMT partner in the UK and Mexico.

We have been rolling out remote training to all roles within our CERT ahead of launching CIM in the first quarter of 2021. This involved three remote exercises using CIM and Teams (see case study on the right). We expect to conduct face-to-face training in 2021.

Our UK Emergency Response Framework



CERT SIMULATION EXERCISES

While the majority of Cairn's staff have been working remotely during the COVID-19 pandemic, CIM was introduced as the new CERT information management software tool.

To ensure that the team was able to operate effectively from home, as well as to provide an opportunity to gain experience with using CIM, a series of simulation exercises was conducted in October and November 2020. These three simulations used a collision between the Catcher floating production storage and offloading unit and the off-loading tanker as the scenario.

The exercises allowed CERT team members to rehearse their roles and responsibilities in responding to such a situation using CIM. They also enabled us to practise the human resources response to an incident involving a Cairn casualty; this included notifying the next of kin, and the potential mobilisation of Human Resources and Family Liaison representatives to Aberdeen.

Despite all CERT members being very familiar with their roles and ways of working, these simulations demonstrated that command, control and coordination while working remotely is extremely difficult, but can be managed efficiently.

MAJOR ACCIDENT PREVENTION

**MANAGING OIL SPILLS**

We always prepare our operations for the low probability of a high-impact event and have robust plans in place to manage such incidents. Oil spill risk, for example, is of high concern to stakeholders (see **Managing Material Issues** on page 19), and we remain committed to applying the IPIECA–IOGP Industry Practice¹. We continue to improve our preparedness in relation to understanding local country spill management capabilities, developing oil spill plans, making equipment logistical arrangements, conducting deployment planning and identifying the capabilities of contractors.

We remain an associate member of Oil Spill Response Limited (OSRL), a specialist organisation that assists operators in responding effectively to oil spills. We also invest heavily in other OSRL memberships to access specialist response equipment and techniques for containment, dispersal and surveillance.

In 2020, around 2.5 litres of oily water entered the sea when a road tanker on a quayside in Mexico was overfilled. We investigated the controls in place for road tankers and made improvements to supervisory procedures.

PLANNING AHEAD

We continue to plan for drilling relief wells as an option to address a major event, depending on a range of factors relating to logistics and effectiveness. In addition, we looked at improving our capping system response by developing local logistics plans and improving Response Time Models using the IOGP good practice released in late 2019.

In 2020 we had limited operations, but we continue to look ahead towards new programmes. This has included assessing capabilities in location or entities under our new business and new venture initiatives. We also commenced assessing the arrangements we have in place to support emergencies in Côte d'Ivoire, following the acquisition of two licences from a previous operator in advance of potential seismic work in 2021.

KEY STATS**1**

minor spill to sea in 2020

¹ The IPIECA–IOGP Oil Spill Response JIP (OSR–JIP) was set up to implement learning opportunities in respect of oil spill preparedness and response following the April 2010 well-control incident in the Gulf of Mexico. As part of this effort, the OSR–JIP has produced more than 20 good practice guides. IPIECA is the global oil and gas industry association for environmental and social issues.

CONTRACTORS

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



STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

Medium materiality:

- Contractor Selection, Capacity and Leadership.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We implemented improvements to our supply chain procedures, including tendering.
- We improved the KPIs we use for assessing contractors.
- We improved our Project Management Procedure in terms of quality assurance of contractors, and the services and goods they supply.

2021 CR OBJECTIVES

- Implement revised contractor national content and energy efficiency requirements in the selection and tendering processes for forthcoming projects.
- Set contractor HSE leadership expectations for the operational implementation of improvements, including revised KPIs for forthcoming projects.

Detailed performance data on **Contractors** is available in our [Data Appendix](#).

Contractor Capacity and Leadership

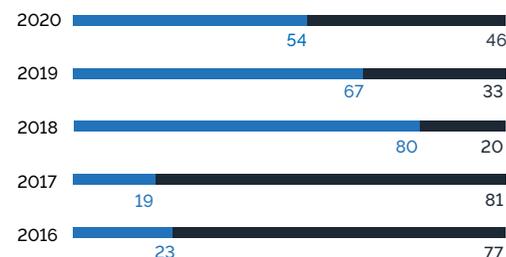
To support the delivery of our operational projects, we supplement our core staff resources with experienced consultants and contractors, and continue to employ a contract accountable manager for every contract.

Cairn procures a substantial amount of goods and services from contractors and third-party vendors, so our relationships with them are fundamental to our success, including the responsible delivery of projects. We continue to rely on high-quality and competitively priced suppliers for much of the technical expertise, equipment and services needed to maintain our operational capability.

As part of a wider review of Cairn Operating Standards and Processes, we undertook a review of our contracting and tendering process. While we made no significant changes in what we do, we did enhance certain areas such as how we look to review national content and assess energy efficiency in our **tender process** (see [page 34](#)).

Contractors account for approximately 47.7% of our workforce and undertook 48.7% of hours worked in 2020. Our main use of contractors during the year focused on completing post-drilling activity in Block B9 offshore Mexico, including environmental sampling, and wellhead and debris recovery.

Total national and non-national contractors (%)



■ National ■ Non-national



Cairn workforce

204

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

110

Men

94

Women



Contractors

186

IR35, the off-payroll rules about tax and National Insurance contributions that apply to UK contractors, was due to launch in 2020. Due to COVID-19, the roll-out was delayed to April 2021, but Cairn is already compliant with the regulations.

CONTRACTORS

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



Health and safety



Security



Environment



Social responsibility



Anti-bribery and corruption

Contractor Selection

The performance of contractors is a vital factor for us in maintaining our licence to operate, so effective selection, strong working relationships and good performance are all essential.

All contractors are selected on their adherence to our principles and standards, as well as their experience, service capability, competence and competitiveness. In evaluating contractors and tenders, we have specific requirements that ensure they use management systems and apply ways of working that meet our CR policies and procedures. These range from major accident hazard management to human rights issues.

We are increasing and improving our scrutiny of key equipment providers in terms of their environmental performance as part of the tendering process. In 2020, this included an extra emphasis on the energy efficiency of vessels, rigs and helicopters, fuel use management and the overall footprint of our projects (see page 69 for more information on **energy efficiency**).

Principal service contractors are often large, multinational organisations contracted through a Master Service Agreement, which specifies the performance objectives and responsibilities of both parties. These agreements typically run for around five years before being retendered.

Read about how we address requirements for using **local and national contractors** on page 53

PRE-QUALIFICATION TOOLS

We use specialist pre-qualification services in some jurisdictions to identify pre-approved vendors and examine their performance prior to full tendering.

For many projects in the UK, we use the Achilles First Point Assessment Limited (FPAL) platform to get performance data about approved vendors. As a member and subscriber, we use the platform as a pre-selection tool when looking for potential contractors across the European oil and gas market. With a new well scheduled for 2022, we have started the long-lead tendering process and contracting for pre-work.

We have also helped to develop a similar system in Senegal. The African Partner Pool, managed by NGO partner **Invest in Africa** (page 52), was launched in April 2019 and currently has more than 1,000 registered suppliers.

THE TENDER PROCESS

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

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

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

We reviewed the environmental element of our HSE CR questionnaire in 2020 to seek further improvement in the energy efficiency performance of drilling rigs, marine vessels and aviation. Energy efficiency and emissions are considered important factors in selection, and we are considering a 'carbon cost of ownership' for future projects. This was specifically trialled when evaluating the vessels to be used for UK site survey work in 2020.

INTEGRATED CONTRACTOR AUDIT PLANS

So that all our activities conform to our CRMS, human rights, and anti-bribery and corruption (ABC) management systems, and Cairn Operating Standards (COS), we use an integrated contractor and supply chain audit plan.

This plan identifies corporate and operational risks, and develops an assurance and audit programme to demonstrate effective controls are in place across systems and processes, as well as on individual rigs and vessels. We use independent audits for some critical assurance steps, including the management of major accident hazards. Improvements in quality assurance (QA) and quality control (QC) measures recommended by an audit in Mexico during 2019 have been agreed in 2020, and will be implemented in the project commencing in 2021. This includes strengthened QA/QC plans early in the project as part of the Project Delivery Process updated in September, and associated field assessment procedures.

CONTRACTORS



At the beginning of the year, we develop integrated plans to determine the key audits necessary for operated projects in any given year, and 2020 was no exception. However, COVID-19 delayed operations and, therefore, only limited work was completed in this area.

CR Issues for Contractors and Suppliers

ETHICS, AND ANTI-BRIBERY AND CORRUPTION (ABC)

We need our contractors and suppliers to share our commitments as they appear in the Code of Ethics and to work in a manner that meets our standards. This helps to protect people and communities, the environment and our reputation.

Our approach to evaluating contractor tenders includes an anti-bribery assessment and we conduct risk-based due diligence when selecting contractors. Due to the limited amount of operated activity during the year, no anti-bribery assessments were conducted in 2020.

HUMAN RIGHTS AND FORCED LABOUR

Under the provision of the UK Modern Slavery Act, we scrutinise our supply chain to avoid modern slavery. We have added appropriate clauses on modern slavery into all of our vendor contracts to ensure contractors understand their legal obligations and our requirements. Along with integrated auditing, we have built this into our global Master Service Agreements with direct (Tier 1) service companies. Mandatory human rights and modern slavery refresher training was rolled out in 2020 to all staff via the Cairn Academy, and records of completion were filed (see our [Modern Slavery Statement](#)).

DATA PROTECTION

In compliance with EU General Data Protection Regulation (GDPR) legislation, in force since May 2018, we document the processing of personal data, by both Cairn and third parties on our behalf, and publish revised privacy notices for greater transparency. In addition, mandatory training has been delivered, and a Data Privacy Coordinator supports the Group in complying with GDPR and internal risk governance. Again, this was delivered through the Cairn Academy.

As part of the revisions made to the COS in 2020, we have now set out in more detail the process through which data privacy assessments are undertaken. If the service being procured involves the processing of personal data by a contractor on our behalf, robust due diligence must be undertaken to ensure compliance with the GDPR and any other relevant data protection legislation, such as the Data Protection Act 2018. Data protection requirements should be included in the invitation to tender, with a review conducted by the Data Privacy Coordinator. A full Data Protection Impact Assessment, Cyber Assessment and site visits may be required prior to contracts being finalised, to confirm the contractor can meet their data protection obligations.

In addition, GDPR introduced a legal requirement that a written contract containing several mandatory contractual clauses must be in place before a third party undertakes any processing of personal data on Cairn's behalf. These clauses, which set out the responsibilities and liabilities of both parties and ensure the rights of individuals whose personal data is being processed, will be incorporated into the final contract.

ENVIRONMENT

Environmental protection is a key operational priority for Cairn. We take a precautionary approach, with rigorous risk assessments and robust working methods at every stage of a project. These help us to avoid or minimise any adverse impact on the environments in which we work, without affecting our commitment to safety.



ENERGY AND GREENHOUSE GAS EMISSIONS

The global demand for energy is rising, due to population growth, urbanisation and the growth in consumption in developing economies. Even as society transitions to a lower-carbon economy, we believe that the need for energy will continue to require the efficient use of hydrocarbon fuels for some time to come.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.
- Climate change policy and its impacts on energy transition.

MATERIAL ISSUES

Medium materiality:

- Greenhouse Gas (GHG) Emissions (including venting and flaring); and
- Energy Use and Alternative Sources.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We continued to assess climate change risks and our reporting against the Task Force on Climate-related Financial Disclosures (TCFD).
- We assessed carbon intensity methodologies to assess our assets and projects.
- We sought to influence our UK Continental Shelf (UKCS) partners to reduce their carbon intensity and emissions.
- We examined energy efficiency benchmarks to improve our performance and developed an approach for improving the selection of our operating assets.

2021 CR OBJECTIVES

- Develop our understanding of carbon capture utilisation and storage application and opportunities, including carbon pricing.
- Improve GHG-related metrics in line with TCFD and Sustainability Accounting Standards Board (SASB) requirements.

(See also **Contractors** on page 33.)

Detailed performance data on **Emissions, Energy, Water, Waste, Chemicals** and **Biodiversity** is available in our [Data Appendix](#).

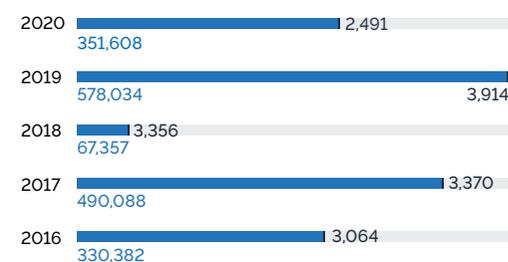
Energy Use

Direct energy use from operated assets across the Group mainly comprises diesel fuel combustion in our field operations, as well as some minor electricity consumption in our offices. As our exploration programmes vary from year to year, Cairn's energy consumption fluctuates to reflect this variation. In 2020, we completed our drilling campaign, wellhead recovery and environmental close-out survey in Mexico, while our planned Norwegian activities ended when we sold our interests. Therefore, our energy consumption during the year has been relatively modest compared with 2019, when we ran three drilling campaigns.

Our indirect energy use arises primarily from travel, in support of our operations and in new venture activities, which have been limited in 2020 due to COVID-19-related restrictions.

Heating, cooling and electricity use in 2020 was 2,491 GJ, less than 2019, with variation during the year largely associated with local weather conditions and employees working from home.

Total direct and indirect energy consumption (GJ)



■ Direct energy ■ Indirect energy

Energy Efficiency

Through our Environmental Policy, we commit to promoting the efficient use of energy, with the aim of conserving natural resources, reducing atmospheric emissions and mitigating the impacts of our activities.

In 2020, we met our CR Objective to examine energy efficiency benchmarks, and we will continue to seek improvements in the selection and performance of operating assets. We continue to identify and implement measures to reduce energy use associated with our operations, in line with our Association of British Independent Exploration Companies (BRINDEX) commitment and in support of UK government aspirations.

LOWER-CARBON ASSETS AND EQUIPMENT

In 2020, we set an objective to determine how to minimise energy use (largely diesel fuel consumption) in our drilling operations and associated activities in our value chain. By doing so, we can reduce our carbon footprint without compromising safety or cost. Given that our programmes vary in duration and location, there are many factors to consider, ranging from the environment and time of year of operations through to the personnel involved and configuration of the equipment.

Our assessments included benchmarking the fuel consumption of rigs, vessels and helicopters across the industry as points of reference. Industry benchmarks are limited but, combined with our own historic data from the assets we have used in the past, they form a useful starting point in our selection process. To complement the benchmarking exercise, we collected typical fuel consumption data as part of the tender process, trialling this approach when tendering the vessels needed for our forthcoming geophysical and geotechnical survey work in the UK.

ENERGY AND GREENHOUSE GAS EMISSIONS

The exercise suggests that the consumption rates of suitable vessels vary considerably. As a consequence, if all other technical and commercial considerations are equal, lower consumption – and therefore emissions – could prove to be a point of differentiation during selection.

In the future, we will include fuel consumption against a base case scenario for operational programmes, allowing us to consider the 'carbon cost of ownership', in much the same way we already consider the financial cost of ownership. This will help us to optimise the performance of our equipment.

GHG Emissions

Monitoring, managing and reducing the GHG emissions associated with the oil and gas sector can make a major contribution towards the transition to a more sustainable future, in line with our CR Objectives, the **UN Sustainable Development Goals (SDGs)** (see page 17) – SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) in particular – and the evolving regulatory landscape, such as the **Streamlined Energy and Carbon Reporting (SECR)** and the **TCFD** recommendations (see page 16).

GHG emissions from our activities – which arise mainly from the combustion of fuels such as marine diesel by rigs and transport vessels – account for a relatively modest share of our operational footprint. We monitor and manage the GHGs emitted during our activities and disclose them in accordance with industry requirements, methodologies and standards.

Some of the locations we work in are heavily regulated, so complying with national regulatory requirements is an important aspect. For example, following Brexit, the UK will no longer be a direct member of the EU Emissions Trading System (EU ETS). The UK ETS follows the same approach and comes into force in 2021.

We report on an 'operational control' basis, which means that we include emissions from those assets that are operated by us, but not those controlled by our partners. Around 95% of the GHG emissions associated with our operations occur in the supply chain, which means our influence over carbon management and reporting is largely restricted to the selection of contractors, operational efficiency and the use of modern equipment.

OPERATIONAL 2020 PERFORMANCE

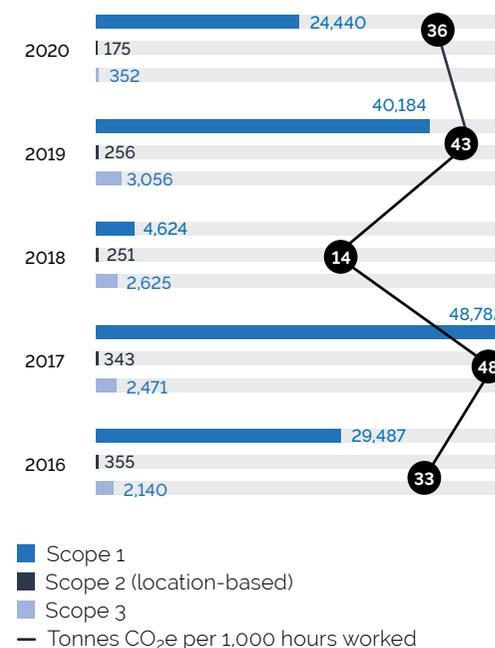
In absolute terms, our annual GHG emissions vary with the duration and nature of the projects during the year, and from an operated perspective, our emissions largely arise from exploration and appraisal activities. The selection of major equipment and contractors is influenced by safety considerations, technical well requirements, the distance between operations and support bases, and local environmental and meteorological conditions. Read more about **carbon intensity** in the **Governance** section (page 69).

Compared to the previous year, 2020 was a year of low operational activity for Cairn. In Mexico, operations largely ended in March, with post-drilling and sampling taking place in June and July, and wellhead recovery and environmental survey close-out completed in November. We completed the sale and divestment of our non-operated interest in the Sangomar field in Senegal and all assets in Norway. Operated seismic activity is due to resume in Côte d'Ivoire and Suriname in 2021, and operated drilling activity in the UK is scheduled for 2022.

In line with this notable decrease in activities during the year, our total GHG emissions were reduced to 24,967 tonnes CO₂e in 2020. Similarly, normalised emissions decreased to 35.99 tonnes CO₂e per 1,000 hours worked.

Total and normalised GHG emissions (tonnes CO₂e)

Scopes 1, 2 and 3



Further details about our GHG emissions data, methodology notes and calculations can be found in our [Data Appendix](#) and on our [website](#).

Flared Gas

Oil production and refining operations can use flaring as a way to dispose of associated or excess gas when it is uneconomic to process. Flaring is also used to manage gas in the event of a non-routine process upset.

The industry has continued to reduce the amount of natural gas that is flared and, in July 2020, we endorsed the World Bank's Zero Routine Flaring by 2030 initiative, which seeks to phase out routine flaring by 2030.

We had no operated flaring in 2020, but worked with our partners on Catcher and Kraken producing assets to seek opportunities to reduce emissions in general, and flaring in particular. This included assessing the potential to use imported gas rather than diesel fuel on Kraken as part of a repermitting exercise and minimising flaring well below permitted levels at both assets. We continue to advocate deferred production rather than routine flaring as a means to keep these assets productive.

Other Emissions

We monitor and report on other air emissions in connection with our activities. These include methane, carbon dioxide, nitrous oxide, sulphur dioxide and volatile organic compounds (VOCs). Again, these figures decreased compared to 2019 because, as with GHGs, these emissions are influenced by our level of operated activity.

WATER, EFFLUENTS AND POLLUTION

We are committed to minimising the environmental impact from our operations, by carefully managing our water use, limiting discharges into the sea and reducing waste. Setting specific reduction targets is challenging, due to the significant variations in the level of activity and the equipment we use from year to year.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

Medium materiality:

- Discharges to Sea, Land and Sound;
- Reuse, Recycle and Waste Management;
- Freshwater Use; and
- Materials Use.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We conducted environmental sampling in Mexico to assess the impact of discharges from drilling Block 9, and independent assessment confirmed no significant environmental damage in accordance with Mexican criteria.
- We removed the wellhead and cleared debris from the seabed in Mexico following the drilling programme.

2021 CR OBJECTIVES

- Improve our standard water data collection and assessment for locations in which we operate.
- Improve water resilience and stress ranking reporting transparency, including our response to the CDP Water Security questionnaire requirements.

Detailed performance data on **Water, Waste and Chemicals** is available in our [Data Appendix](#).

Freshwater Use

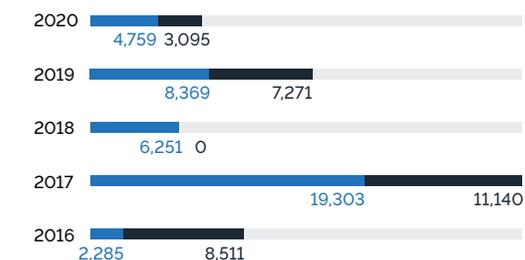
Water resilience as a result of climate change and water use are areas of increasing focus for our industry, and include transparency around use in areas of water stress¹. We appreciate that our business both impacts, and depends on, water resources close to our operations. We also acknowledge that access to clean, safe water is a fundamental human right, one of the UN SDGs and of importance to local communities and the environment. Therefore, our water resource strategy covers:

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

In 2020, Cairn completed CDP's Water Security questionnaire at the basic level and in 2021, we plan to improve our level of transparency on water abstraction and protection, quality management and discharge parameters, including considerations of water stress and resilience.

In 2020, our use of freshwater was limited to supplies to our rig offshore Mexico. Our freshwater use decreased compared with 2019, primarily as a result of the level of operational activity we undertook during the year. In 2020, 61% of our water withdrawal (4,759m³ out of 7,854m³) was freshwater.

Total water withdrawal (m³)



■ Freshwater withdrawal ■ Seawater withdrawal

Discharges to Sea and Land

Although we predominantly use oil-based drilling fluid, some seawater was used in top-hole water-based drilling fluid and subsequently discharged to sea in 2020. Spent oil-based drilling fluids were sent to shore for treatment in all programmes.

Our discharges in 2020 were largely limited to domestic sources and some offshore in Mexico during drilling and minor vessel operations. The impact of any drilling discharges was evaluated by an environmental sampling programme following drilling completion. This confirmed that no significant environmental impact occurred, in accordance with all local requirements.

¹ World Resources Institute: National Water Stress Rankings classifying countries' baseline water stress.

WATER, EFFLUENTS AND POLLUTION



Sound

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

We conducted no seismic programmes during 2020 but, in Mexico, speed restrictions were in place for vessels operating in Mexican waters to serve the drilling programme, to minimise the sound impact on protected turtles (see page 45).

Materials Use

Although we have limited direct exposure to chemicals and other potentially hazardous materials, we still have robust requirements for chemical management in our Corporate Responsibility Management System (CRMS). The liquid and solid chemicals we use, such as drilling fluids for exploration, are selected to be fit for purpose as well as to minimise any impact on human health or the environment. In most locations, they are submitted for approval by the regulatory authority.

We identify and assess their potential risks and impacts as part of our routine approach to planning operations, and select chemicals based on internationally accepted good practice and local legislation. We also use ESIAs or similar tools to determine the potential impact of emissions and discharges from planned operations on local environments. This takes into account the local environmental resources and their uses by others.

THE UK

In the UK, chemical management is in full compliance with regulatory requirements from OSPAR², detailing the approach to the selection of chemicals for use and discharge in offshore activities. In addition to requiring the comprehensive testing of chemicals, the legislation requires the pre-screening, ranking, hazard assessment and risk management of chemicals, as well as the replacement of certain chemicals with less hazardous alternatives.

During 2020, there were no operational activities completed in the UK other than routine submissions to the Department for Business, Energy and Industrial Strategy (BEIS) for the period covering 2019.

MEXICO

Prior to commencing operations in Mexico, all proposed chemicals were submitted to the regulators Agencia de Seguridad, Energía y Ambiente (ASEA), as part of our Environmental Impact Assessment (EIA)³ for review. The assessment and associated chemical lists were approved in August 2019. The chemicals used were selected on a similar basis to the UK, tracked and reported to Cairn by our chemical suppliers, and all are in full compliance with local regulatory requirements.

Any changes to the chemicals required during drilling were similarly submitted to the regulatory authority for approval before use. All discharges were in compliance with local requirements and the post-drilling environmental survey identified no significant impacts.

Waste Management

Adopting the precautionary principle, our waste management approach aligns with internationally accepted best practice, legal requirements and duty of care standards. We use the accepted waste management hierarchy in our waste management practices.

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

For all projects, we ensure that:

- waste management options in-country are understood ahead of starting operations;
- local facilities and service providers have been audited, and gaps identified and addressed;
- Waste Management Plans are informed by the findings from in-country reviews and audits;
- waste is transferred to approved waste management facilities, which may require specific licences or permits;
- waste management activities are supervised for the duration of operations for each waste stream by approved waste management professionals;
- hazardous wastes that cannot be treated locally are transferred to suitable treatment and disposal facilities in full compliance with international law, including the Basel Convention⁴; and
- waste transfer treatment and disposal records are maintained in accordance with legislation and internal requirements.

² Decision 2000/2 of the OSPAR Convention for the Protection of the Marine Environment of the North-east Atlantic (as amended by OSPAR Decision 2005/1).

³ Known locally as the Manifestación de Impacto Ambiental.

⁴ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, adopted by 53 nations worldwide.

WATER, EFFLUENTS AND POLLUTION

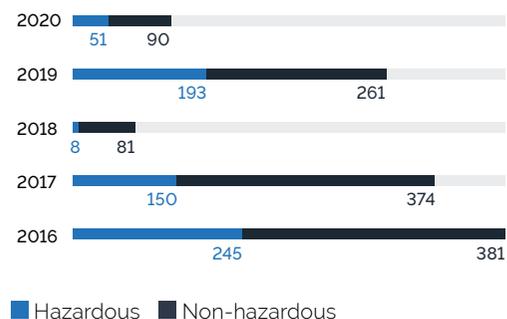
We dispose or discharge in the following instances, where reuse and recycling are not options:

- water-based waste drilling fluids are discharged to sea when they have met the OSPAR Convention conditions or principles and been approved by the regulator;
- rather than being discharged, oil-based drilling fluids and associated cuttings are taken to shore for processing and licenced disposal as approved by the regulator;
- waste generated during offshore support operations (excluding drilling), such as domestic use on vessels and offshore rigs, is managed in accordance with MARPOL⁵ requirements;
- any waste that cannot be discharged at sea or incinerated offshore is segregated and transferred for further treatment and disposal onshore; and
- wastewater generated by our offices is treated through municipal sewage and wastewater systems.

In 2020, we had a limited drilling programme, with the one campaign offshore Mexico ending in March and wellhead recovery taking place in November. We generated 51.47 tonnes of hazardous waste and 90.1 tonnes of non-hazardous waste in total during 2020. A Waste Management Plan, in line with local legislation and duty of care principles, was developed in 2019 covering all identified waste streams and disposal options that had the least impact. This was used until the closure of the campaign.

As we used predominantly low-toxicity, oil-based drilling fluid during our 2020 operations, we brought wastes arising back to shore for specialised treatment and local disposal, in line with OSPAR and CRMS requirements. All contractors selected were assessed for their capability to treat and dispose of residuals. No wastes were transferred under the Basel Convention in 2020.

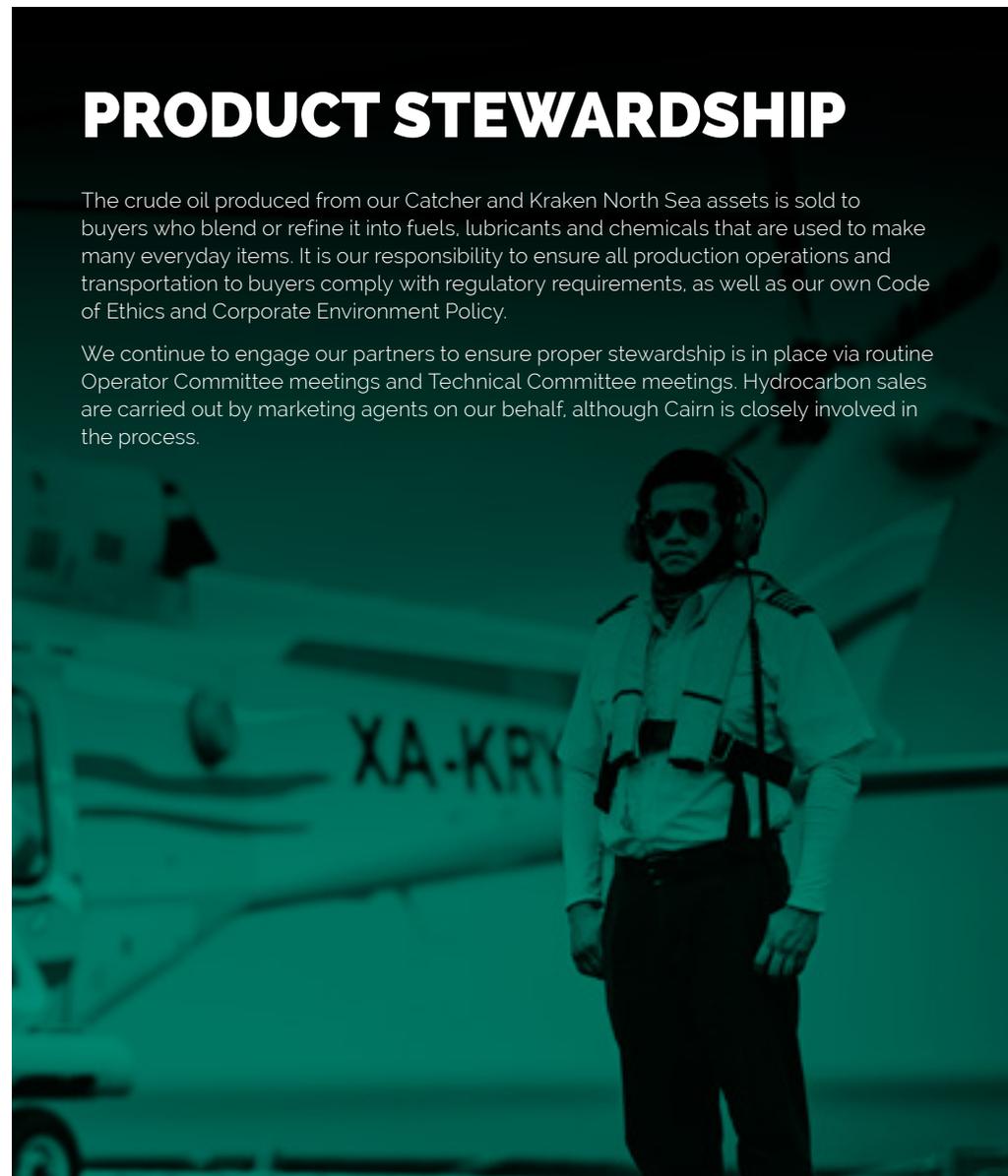
Total hazardous and non-hazardous waste (tonnes)



PRODUCT STEWARDSHIP

The crude oil produced from our Catcher and Kraken North Sea assets is sold to buyers who blend or refine it into fuels, lubricants and chemicals that are used to make many everyday items. It is our responsibility to ensure all production operations and transportation to buyers comply with regulatory requirements, as well as our own Code of Ethics and Corporate Environment Policy.

We continue to engage our partners to ensure proper stewardship is in place via routine Operator Committee meetings and Technical Committee meetings. Hydrocarbon sales are carried out by marketing agents on our behalf, although Cairn is closely involved in the process.



⁵ International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) under the auspices of the International Maritime Organisation, which has 174 nation members worldwide.

BIODIVERSITY

The threat to biodiversity remains a high-profile global issue. We believe it is important to protect the habitats, ecosystems and species where we operate, and preserve them for future generations.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

High materiality:

- Biodiversity and Sensitive Areas.

Medium materiality:

- Use of Local Resources.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We reviewed the latest industry guidance to ensure our procedures remained in line with best practice.
- We performed environmental assessments in our operations for our new venture assessments and completed environmental sampling following completion of drilling in Mexico.
- Other planned surveys and assessments in the UK and Suriname were delayed due to programme deferral.
- We joined the Proteus Partnership to improve access to biodiversity information, assessment and mapping capabilities.

2021 CR OBJECTIVES

- Ensure EIAs are in place for all new activities in 2021 and that preparatory work meets our standards for drilling programmes in 2022.
- Improve biodiversity exposure and reporting transparency, including in relation to Shoreline Environmental Sensitivity Index⁶ rankings and IUCN⁷ classifications of environmental protection.

Detailed performance data on **Biodiversity** is available in our [Data Appendix](#).

Protecting Biodiversity and Sensitive Areas

We appreciate that oil and gas exploration and development activities could potentially affect biodiversity – on land and at sea. We therefore adopt a precautionary approach, believing that where threats of serious or irreversible damage may exist, even if not scientifically proven, cost-effective measures to prevent damage should nonetheless be taken. For this reason, we do not explore, develop or enter into joint ventures in UNESCO World Heritage sites⁸.

Our overall strategy to mitigate any potential impacts on biodiversity is guided by our Biodiversity Framework and includes baseline surveys to benchmark the existing environmental conditions before we commence operations, as well as action plans to protect the fauna and flora in specific locations.

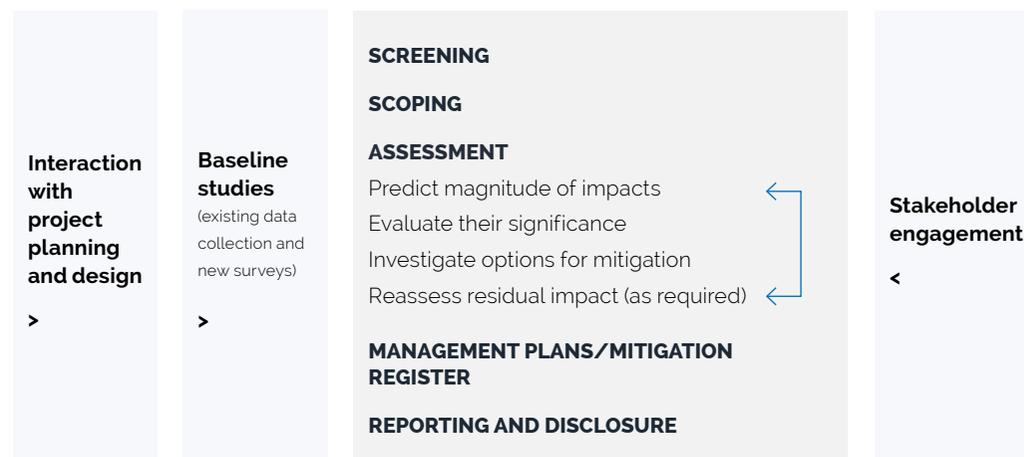
OUR BIODIVERSITY FRAMEWORK

Our Biodiversity Framework, outlined below, sets out a common approach, with processes that apply to all our operations. Although owned by senior management, it is implemented locally in accordance with our **Project Delivery Process** (see page 29). Our approach to this complex and critical work is set out in our CRMS. We reviewed the latest guidance to ensure we are applying it in our assessments.

All our commitments related to biodiversity are covered by our Business Principles in our **Code of Ethics** (see page 58), as well as our **Corporate Environment Policy**, which was most recently reviewed and reissued globally in October 2020.

We continued to develop programme-specific Environmental and Social Management Plans for all our operated projects, as part of the ESIA or equivalent process.

Biodiversity Framework



6 US National Oceanic and Atmospheric Administration Shoreline Environmental Sensitivity Ranking.

7 International Union for Conservation of Nature protection classifications.

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

BIODIVERSITY

Biodiversity Action Plans

In highly diverse locations, specific Biodiversity Action Plans (BAPs) may be developed where there is either a significant risk to biodiversity or a clear benefit for targeted conservation. We commission external independent consultants to develop our ESAs or risk assessments and, if required, to advise and assist with managing biodiversity risks and impacts. They draw on available environmental studies and background information to understand any habitats that may be impacted. These assessments include impacts on local livelihoods due to the link between the environment and communities. In 2020, we developed a BAP for our operations in Mexico with a particular emphasis on the Kemp's Ridley sea turtle, a critically endangered species, and we also initiated support for a turtle conservation organisation (see page 44).

THE PROTEUS PARTNERSHIP

In November 2020, Cairn signed an agreement to join the **Proteus Partnership**, a global collaboration between the conservation community and 13 businesses from the extractives sector. By joining, we will gain access to a wide range of biodiversity data, assessment tools, briefings, technical assistance and training resources.

Led by the UNEP World Conservation Monitoring Centre, the initiative supports the development, sharing and analysis of global data on protected areas, threatened species, and critical marine and coastal ecosystems. This is intended to support effective action, inform policy developments, and provide opportunities for engagement and dialogue.

At Cairn, the biodiversity data will support some of our key business processes including Investment Proposals for new ventures, ESAs and management plans, and in reporting about biodiversity. We held training in December 2020 so that our geologists could learn about the new data now at their disposal. This information will also help improve the transparency of reporting in relation to SASB requirements.

Assessing Our Biodiversity Impacts

For all existing and potential locations that could affect Critical Habitats, protected areas or the welfare of local communities relying on ecosystem services, we undertake extensive assessments of their potential biodiversity impacts. We then work with technical specialists, government departments, NGOs and other local stakeholders to inform any mitigation activities required.

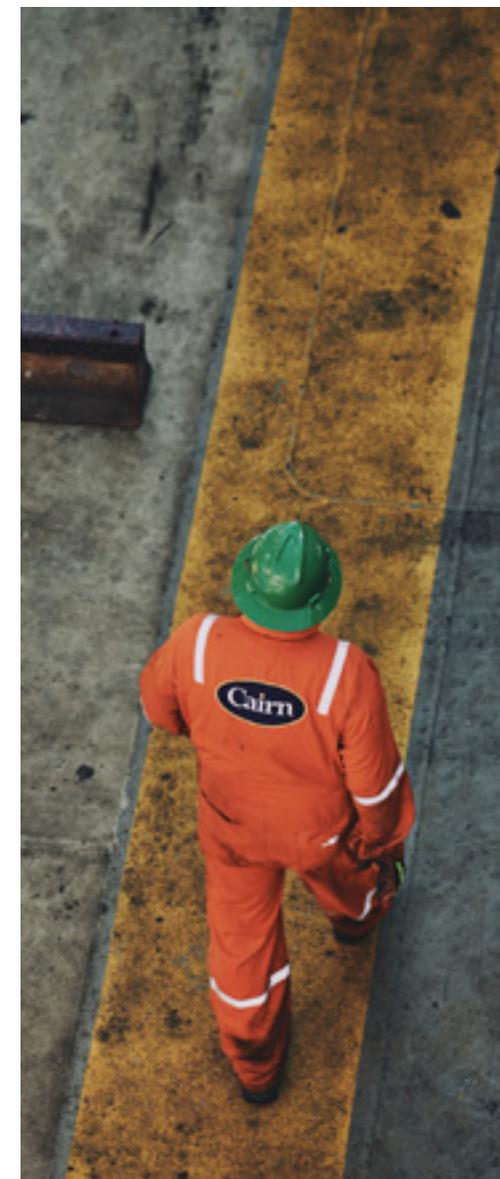
As a minimum, we always undertake environmental risk and impact assessment work before starting any project. Although the extent varies with location, we assess the potential biodiversity impacts for all projects as early as possible and continue to do so through all stages in the oil and gas life cycle.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

When identifying, assessing and managing biodiversity risks and impacts, we follow the requirements outlined in the IFC Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources)⁹ and the appropriate national

legislation and internationally accepted good practice. Any project in which significant potential impacts to biodiversity are identified undergoes additional studies and a formal assessment to demonstrate how these potential impacts will be managed.

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

Our ongoing reviews of our biodiversity guidance include the adoption of International Petroleum Industry Environmental Conservation Association (IPIECA) and the International Association of Oil & Gas Producers' (IOGP)¹⁰ comprehensive guidance, which is widely supported by organisations such as the UNGC¹¹ and the IUCN¹².



⁹ The Performance Standards on Environmental and Social Sustainability are included in the Sustainability Framework of the International Finance Corporation, helping the IFC's clients improve their performance, enhance transparency, manage risk and protect the environment. (www.ifc.org)

¹⁰ Oil and gas industry bodies IOGP and IPIECA provide a variety of guides on assessing, protecting and managing biodiversity in oil and gas projects. (www.iogp.org/bookstore and www.ipieca.org/resources)

¹¹ The UN Global Compact, the world's largest corporate sustainability initiative, calls on companies to align their strategies and operations with 10 universal principles on human rights, labour, the environment and anti-corruption. (www.unglobalcompact.org)

¹² The International Union for Conservation of Nature is the global authority on the status of the natural world and the measures needed to safeguard it. (www.iucn.org)

BIODIVERSITY

Environmental Baseline Surveys

An Environmental Baseline Survey (EBS) enables us to define existing biodiversity, environmental and other conditions near our activities, using a range of analytical techniques ranging from seabed sampling to photography.

As well as providing data for assessing our potential impacts on habitats and helping us to develop mitigation plans, an EBS helps us determine the extent of existing damage arising from the previous activities of others, protecting our business from liabilities. Repeating these surveys upon entering and exiting a location helps us delineate our impact and avoid liability for impacts caused by others.

However, we conducted no new baseline surveys in 2020, as most of our planned operational work was deferred, in part due to the COVID-19 situation. Our key assets include:

- **Côte d'Ivoire:** In late 2020, we assumed operatorship of Blocks 301 and 302 in Côte d'Ivoire, covering both shore and shallow water locations. In such circumstances, we conduct a thorough review of the environmental and social baseline work already undertaken and inherited from the previous operator to assure ourselves it is appropriate. In this case, it was also necessary to facilitate future seismic survey work. To date, this has included a review of the approved ESIA for the project, the previous operator's environmental management plan and supporting procedures. A thorough review of mitigation measures will be conducted prior to undertaking future seismic survey work.

- **Mexico:** In completing our work on two exploration wells in Mexico, we conducted a post-drilling environmental survey. Sampling was undertaken as part of commitments made in the project ESIA, and the agreement with the regulator ASEA, and confirmed the absence of environmental damage. Read a case study about our work in Mexico on page 45.
- **Senegal:** Since the transfer of operatorship, we maintained a collaboration with the new operator to ensure full ESIA's were conducted as part of the development planning and legislative approvals. We exited our interest in December 2020.
- **The UK:** While there were no surveys conducted in the UK during 2020, planning will commence in advance of future drilling programmes, including a well in the UKCS scheduled for 2022.

Assessments in Other Locations

In 2020, Cairn looked at a number of new locations, targeted by our New Ventures team, with substantial potential to have sensitive habitats and associated biodiversity in the blocks of interest. As part of the risk assessment process, initial studies and reviews of sensitive habitats have been commissioned to identify protected areas or species and biodiverse locations, and understand potential risks which may arise, not only from any planned initial activity, but also later stages of the oil and gas life cycle. Biodiverse areas can be significant sources of livelihood for local communities, and their interaction with that biodiversity must be taken into consideration during any ESIA or biodiversity assessment.

Our involvement in a mangrove rehabilitation project in Suriname (page 51), for example, will help to improve local biodiversity and the ability of local communities to maintain their livelihoods and adapt to climate change.

In addition, we screened sensitive environmental areas and vulnerable communities for various investment proposals in locations including Côte d'Ivoire, Suriname, Israel and the UK.

□ For further information, please see the **Biodiversity** section of the [Data Appendix](#).

Use of Local Resources

Oil and gas activities can result in various social and human rights impacts on local communities, including the use of local resources for business activities such as land or water use, and transportation routes. In Mexico, our operations were conducted offshore and, as such, our use of local resources was limited. The principal use of local resources accessed included freshwater supplies to the offshore rig, the use of a pre-existing port facility on the coastline, the local purchase of marine gas oil for vessels and the transportation of workers to the rig. Our workforce was predominately local or regional, with workers transferring to the rig via helicopter from an existing helicopter base in Villahermosa. Any workers entering Mexico flew to the international airport in Villahermosa, staying in airport hotel accommodation where required and then transferring to the rig. This approach of employing local workers and utilising existing local resources benefitted the area economically and limited any negative impact on local resources.

During the year, we have used the World Resources Institute's Aqueduct Water Risk Atlas, an online water risk mapping tool that helps companies, investors, governments and other users understand where and how water risks and opportunities are emerging worldwide. This tool has helped us to analyse water stress in different locations when considering possible new venture activities.

□ For more information, see **Freshwater Use** on page 39 and **Protecting Biodiversity and Sensitive Areas** on page 42.

BIODIVERSITY



KEMP'S RIDLEY SEA TURTLE PROTECTION

CASE STUDY

We work hard to understand the biodiversity risks associated with both operated and non-operated new ventures opportunities, such as the potential environmental impacts offshore Mexico.

In 2020, we carried out a Critical Habitat Assessment and a Biodiversity Impact Assessment for Block 9, one of our operated licences offshore Mexico, with our joint venture partner CITLA Energy. This identified that the project is located within an area assessed to be a Critical Habitat¹³ for the endangered Kemp's Ridley sea turtle and noted possible impacts on them arising from our planned activities.

Having already taken mitigation measures identified through our ESIA – avoiding contact with wildlife and sudden changes in vessel direction, and using soft starts for operating equipment – an observer for our offshore drilling unit undertook additional monitoring and recording of all sea turtles and marine mammals. Support vessels were restricted to speeds below 10 knots.

Although our activities were judged to have no impact on the species, we looked to go beyond mitigation and to achieve a 'net gain' for the species by contributing to the efforts of a local conservation group, Vida Milenaria. Their aim is to protect and enhance local turtle populations, and their efforts have yielded results, helping to release 93,193 hatchlings in 2020, compared to 8,100 in 2000. Vehicles are key to the group's ability to patrol some 35 kilometres of beach, protecting the turtles' nests from poachers and natural predators during nesting and hatching. So alongside our joint venture partners, we donated US\$12,000 to enable the purchase of an all-terrain quad bike and associated fuel for one year to support their efforts.

Vida Milenaria also works to further community education, conducting school visits and workshops to raise awareness of turtle conservation and organising beach clean-up events.

The additional mitigation measures, together with the efforts to achieve the net gain for the Kemp's Ridley sea turtles, were documented within a BAP. This will form part of the management approach for future work within Block 9, in line with Good International Industry Practice.

¹³ Term from the IFC's Performance Standard 6. Biodiversity Conservation and Sustainable Management of Living Natural Resources. IFC, 2012, used to describe any area of the planet with high biodiversity value, including habitat of significant importance to critically endangered species.

SOCIETY

We have always sought to make a positive difference to society through economic and community development, even in the most difficult of times, such as during 2020. We also recognise that we must manage and mitigate any potential risks and impacts associated with our activities. Respecting and protecting human rights across our operations is a fundamental part of our commitment.



HUMAN RIGHTS MANAGEMENT

In line with internationally recognised standards such as the United Nations (UN) Universal Declaration of Human Rights, we respect everyone who works for us or with us. We support their rights to safe working conditions, equal treatment and fair reward for their efforts, and have put mechanisms in place to maintain effective relationships with employees, communities and other stakeholders.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

Medium materiality:

- Human Rights Management;
- Modern Slavery;
- Security and Human Rights;
- Freedom of Association;
- Working Conditions/Terms and Conditions; and
- Grievances and Grievance Mechanisms.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We revised our human rights training in line with our refreshed guidance.
- We rolled out our revised human rights and modern slavery training.
- Our human rights 'lunch and learn' session was delayed due to COVID-19.

2021 CR OBJECTIVES

- Demonstrate application of human rights guidance in planned operations, including the availability of transparent grievance procedures.
- Hold a specialist-run, in-house human rights 'lunch and learn' session available to all staff.

Detailed performance data on **Human rights** is available in our [Data Appendix](#).

Human Rights Management

OUR APPROACH

Respecting human rights is a fundamental part of our commitment to protecting stakeholders and our business. We support internationally recognised human rights standards; seek to ensure non-complicity in human rights abuses by identifying, assessing and managing human rights risks within our sphere of influence; and put mechanisms in place for raising and addressing grievances. Furthermore, we include requirements in contracts and look at vulnerabilities in our supply chain, including modern slavery.

To ensure human rights are respected and promoted in our relationship with contractors, communities and other stakeholders, we seek to ensure full compliance with international standards such as the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights across our business.

KEY STATS

98%

of employees were trained on human rights policies and procedures

HUMAN RIGHTS MANAGEMENT

OUR HUMAN RIGHTS POLICIES AND GUIDELINES

Our Human Rights Guidelines define how we identify, assess and manage potential human rights issues at key project stages. This documentation was last updated in early 2020, in line with the latest business and human rights guidance, making it a more succinct, accessible and effective management tool.

We issued refresher training via e-learning through the Cairn Academy to 208 employees and contractors in October 2020; the human rights module had been completed by 201 people by the end of 2020, and 184 have taken the module on modern slavery. In 2021, we plan to run a specialist-run 'lunch and learn' session, open to all staff, that was delayed from 2020.

Our position on human and labour rights is integrated into our Corporate Social Responsibility (CSR) Policy, most recently reviewed in October 2020, and our Code of Ethics (see page 57). This has been informed by the UN Guiding Principles, the IFC Performance Standards and the ISO 26000 Guidance for Social Responsibility, as well as the Voluntary Principles on Security and Human Rights and their Implementation Guidelines. We have also reviewed guidance from industry bodies and voluntary organisations.

All personnel have a responsibility to respect human rights in their dealings with others. Our Human Rights guidance adopts a 'rights aware' approach, which means that we recognise the human rights of the people we affect and are affected by. To do this, we need to understand the rights that are affected by our business and manage these issues appropriately. Our five-step process for identifying and assessing human rights issues at all levels of the business has been incorporated into our Corporate Responsibility Management System (CRMS) documentation.

Read more about our **CRMS** on page 63.

Identifying and assessing human rights issues



Modern Slavery

We acknowledge that modern slavery and human trafficking is a significant global issue. We do not employ forced, bonded or child labour, and take all reasonable steps to ensure that slavery, in all its different forms, does not exist in any part of our business, including our supply chain.

Since the introduction of the UK Modern Slavery Act, we have set CR Objectives to improve our position in this area and have published, and since updated, our **Modern Slavery Statement**. Refresher training has been rolled out as an e-learning module to employees and contractors.

Our procedure for selecting service providers incorporates modern slavery assessments. Using an approach similar to that used in our anti-bribery and corruption (ABC) management system (page 58), we have assessed our supply chain to identify potential risks and vulnerabilities to modern slavery. We tend to use specialist local contractors, with well-developed employment practices, that understand our requirements and standards. However, our suppliers often have subcontractors of their own and while our influence diminishes down the supply chain, we advocate good practice with them.

Our tender process includes specific questions about whether potential contractors, vendors and suppliers have modern slavery policies and procedures. These assessments form part of our health, safety and environment (HSE) start-up audits, with checks conducted at a local and corporate level.

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

During 2020, our engagement with contractors was limited to future planning with little or no contractor personnel hire. Nonetheless, we have found no significant risks of forced or compulsory labour in our supply chain in 2020.

Read about our **new risk management** software on page 66.

Security and Human Rights

When operating in complex and challenging security environments, we recognise that we must maintain the safety and security of our operations within an operating framework that ensures respect for human rights.

As part of our standard procedures, 100% of our operations are subject to human rights reviews or impact assessments. Security contractors are assessed on their adherence to our principles and standards, which include our aim that activities, equipment and training meet the requirements of key human rights standards and guidelines. Effective selection of security contractors, strong working relationships and good performance protect people and communities, which helps us to maintain our licence to operate.

Before we enter a new country as an operator, we apply human rights screening as part of our due diligence process. We review key indicators under international classification indices such as the Global Slavery Index and the US Trafficking in Persons Report, and commission specialist geopolitical advisors to research potential risks. We assess potential impacts through Environmental and Social Impact Assessments (ESIAs) and, where necessary, undertake a Human Rights Impact Assessment. If any current or potential issues are identified, we engage with those affected to consider how best to manage them.

Prior to proceeding with a non-operated joint venture, we check any human rights issues and identify any risks that may require management by the operator.

Read more about our **Contractors and Supply Chain** on page 35.

HUMAN RIGHTS MANAGEMENT

WORKING CONDITIONS

Our People Management Manual, which contains our Group People Policy and all employee-related policies and procedures, sets out our requirements for recruitment and selection, diversity and inclusion, health and well-being, work-life balance, training and benefits. We expect our contractors to have similar arrangements in place.

We require a positive working environment that respects an individual's personal dignity and rights, and that is free from discrimination, harassment or bullying.

FREEDOM OF ASSOCIATION

We continue to consult our people on organisational and performance issues, and respect contracted employees and their membership of unions. We have identified specific risks and requirements in relation to unions in certain locations such as Mexico, and we deal transparently in this area, respecting their right to freedom of association and collective bargaining.

☐ See **People** on page 24 for more information about protecting our people against the risks associated with COVID-19.

Grievances and Grievance Mechanisms

We take grievances from employees or external stakeholders very seriously. For operational activities, grievance mechanisms are established to provide individuals and community representatives the opportunity to address any concerns or report non-compliance with legal requirements and company policy.

For employees, our Group Whistleblowing Procedure covers our responsibilities, the safeguards we have in place, the mechanisms for raising concerns and the investigation process, and is supported by training. Our whistleblowing procedure includes an ability to report potential failure to comply with legal requirements and company policy, including modern slavery issues. We provide separate grievance mechanisms in local languages where our operations take place.

External mechanisms for reporting concerns are also available, such as the **Public Concern at Work** advice service, the **Gangmasters & Labour Abuse Authority** and the **Modern Slavery Helpline** in the UK. Where available elsewhere, access to separate external mechanisms is shared with personnel locally.

We received one grievance relating to our operations offshore Mexico. This was received in late 2019, managed, and closed in early 2020 in line with our established procedure. Receiving such feedback can help to inform future stakeholder engagement and social management plans.



SOCIAL AND ECONOMIC BENEFIT

We seek to mitigate any negative impacts and enhance the positive benefits that arise from our operations, as well as share the value generated by oil and gas activities. We promote good practice, support a wide range of international agreements and standards, and develop programmes designed to support capacity building and local community participation, as well as contribute to the United Nations Sustainable Development Goals (UN SDGs).

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

Medium materiality:

- Local Workforce Development;
- Demonstrating Value Created;
- Local Hiring Practices;
- Local Procurement and Local Content;
- Local Energy Access; and
- Social Investment.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We implemented our agreed social investment programmes in Suriname.
- We began developing social investment priorities for Mexico, conducting habitat studies and supporting endangered sea turtles.
- We reviewed our wider corporate social investment position and initiated the evolution of a corporate programme.

2021 CR OBJECTIVES

- Agree, establish and track social investment across the Group that helps to deliver a positive impact on the communities with which we work.
- Further develop the existing framework, in line with the UN SDGs, for the social investment plans across the Group, including quantifying the overall impact of our programme(s).

Detailed performance data on **Social and economic benefit** is available in our [Data Appendix](#).

Demonstrating Value Created

SOCIAL IMPACT ASSESSMENTS AND MANAGEMENT PLANS

In accordance with our CRMS, we are required to evaluate the potential social benefits, risks and impacts of any major activity we undertake. The scope and nature of such Social Impact Assessments (SIAs) depend on local context and regulations. An SIA may be performed as a separate activity or, more commonly, as part of an ESIA.

We also develop a Social Management Plan for each project to mitigate any negative impacts and enhance the positive benefits identified. In this way, we can assess and track the benefits and impacts together, with the aim of providing a positive overall benefit.

No SIAs were required or undertaken in 2020, but in response to the submission of our SIA in Mexico in 2019, SENER (the Mexican Department of Energy) requested the creation of a Social Management System Manual and an annual report to summarise its implementation. In 2020, we finalised the associated annual report for the first year of our activities in Mexico, for submission in due course.

IMPACT BENEFIT PLANS

To deliver value from our operations and make a positive social impact wherever we work, we assist in the development of local community programmes, in consultation with governments, the public and other stakeholders, while minimising any negative impacts associated with our activities.

We use the **UN SDGs** (page 16) as an additional framework for understanding environmental, social and governance risks and opportunities, and for developing Impact Benefit Plans, which we now draft for each major project. Helping us to focus our activities on areas where we can maximise benefits and minimise negative impacts, these plans evolve over time as we evaluate the net value our activities bring.

Local Workforce Development

Our Production Sharing Contract (PSC)¹ in Mexico specifies that we must undertake an annual technology transfer programme. In that regard, we are working on plans to offer a one-week geoscience-based module at the Universidad Nacional Autonoma de Mexico (UNAM) in Mexico City, delivered by a professor at Durham University, UK. We expect the module to be delivered online and it is currently scheduled to take place in the summer of 2021.

We are also pleased to have continued supporting Senegal's National Institute of Oil and Gas (INPG) through our Senegal joint venture (JV). Cairn played a founding role in the Institute, which was established to develop the country's fledgling petroleum industry by training its future workers and leaders.

During 2019 and 2020, approximately US\$240,000 was provided by the JV to support the INPG in developing a 10-year business and operational plan. The plan, presented to the President and Minister of Petroleum and Energy, provides a blueprint for in-country capacity building, training and development. This funding was in addition to a JV contribution of IT and office equipment to the value of US\$250,000 in 2019, when establishing the INPG's foundation office.

¹ A PSC is an agreement between contractor and government through which the contractor bears the exploration, production and development risks and costs, in return for a stipulated share of the profit resulting from this effort.

SOCIAL AND ECONOMIC BENEFIT



SOCIAL INVESTMENT IN SURINAME

CASE STUDY

In Suriname, Cairn supports a number of social investment projects, in conjunction with the state oil company Staatsolie. Under a Production Sharing Contract, we have committed to spend US\$100,000 per calendar year on local social responsibility, community investment programmes or training for each phase of the project.

With Staatsolie and several international oil companies, we are part of a sector-wide initiative to improve the technical skills and practical experience needed to participate in the oil and gas industry following the discovery of oil offshore. Together, we are investing in equipment and infrastructure at the Institute for Natural Resources and Engineering Studies (NATIN) in Paramaribo, a tertiary college providing technical/vocational education and training for around 2,500 students. After the gift agreement was signed at the start of the year, we supported the college with the procurement of US\$100,000 worth of much-needed engineering, IT and fire safety equipment. The deliveries were completed in September 2020 after some COVID-19-related procurement and logistics delays.

Through an agreement with Anton de Kom University in Paramaribo, we are also involved in a mangrove rehabilitation project. The project is designed to protect a kilometre-long stretch of

coastline that is particularly at risk from rising sea levels and erosion. Adjacent to areas previously restored by the same technique, semi-permeable sediment trapping units enable mangroves to be re-established, further stabilising coastal land and supporting biodiversity. A walkway to facilitate access to the reclaimed area for mangrove planting and potential future visitors is nearing completion, as is the construction of sanitary facilities for workers and volunteers, and a mangrove nursery for raising seedlings.

With the participation of local communities, this coastal stabilisation project represents an important attempt to protect livelihoods and the environment, and to support adaption to the effects of climate change by protecting against rising sea levels, erosion and flooding. The mangroves also provide valuable habitat for fish, shellfish and coastal birds.

SOCIAL AND ECONOMIC BENEFIT



SUPPORTING SUPPLIERS IN SENEGAL

CASE STUDY

Cairn played a founding part in the launch of Invest in Africa (IIA) in Senegal, an initiative to promote the development of local small- and medium-sized enterprises, and to facilitate their access to oil and gas industry projects and other multi-national opportunities. Following the transfer of operatorship of our Senegal acreage to Woodside Energy Limited, we have continued to play a role in IIA, participating in the monthly steering panel sessions alongside Woodside and other industry operators.

The Senegalese government has consistently and widely promoted the use of local goods and services in the national oil and gas sector, and encouraged the participation of local workers, technology and capital across the value chain. Cairn is proud to have supported IIA in providing the African Partner Pool (APP) platform in Senegal, which provides local suppliers with a place to register for opportunities in the sector, as well as support for local businesses starting their journey into industry.

The APP now has more than 1,300 registered suppliers, 72% of which are local. In 2020, 54 requests were posted on the APP and 87% of the contracts awarded through the system were won by local suppliers.

During the year, and as a result of the restrictions imposed by COVID-19 on holding face-to-face events, IIA hosted 15 online workshops on a range of topics, from HSE standards to accessing finance, attended by more than 1,000 participants. Cairn's contribution to IIA during 2020/21 – our third year of doing so – was approximately US\$166,000.

SOCIAL AND ECONOMIC BENEFIT

Local Procurement and Local Content

We encourage our principal contractors to engage local personnel, where appropriate skills and services exist. In Mexico, for example, the vast majority of the partner companies that Cairn engages with are local organisations.

As part of the revisions made in 2020 to the Cairn Operating Standards, we have now set out a more comprehensive process through which the national content of received tender submissions will be assessed. Where applicable, contractors are required to confirm that they, and any subcontractors, will comply with the required minimum percentage of national content and associated reporting requirements.

The categorisation of local, national and international vendors depends on definitions within local legislation. In Senegal, we categorise spend with a nationally registered company as fully qualifying for national spend, whereas the requirements underpinning what qualifies as national content in Mexico are much more complex and stipulated by legislation. Under the PSC, each of our key contracts in Mexico contains a percentage target for the achievement of local content. This is assessed during the tender process, and is monitored and reported against annually and through each phase of the PSC.

Beyond having a contract with a Mexican company, we need to understand the nationality of its personnel and whether the equipment and materials used are of Mexican origin. Our selection process has been supported by the use of an electronic platform for capturing, managing and reporting on spend against specific categories and criteria (see the case study on page 54). We are also required to obtain an annual certification from each supplier confirming the level of national content achieved.

Local Energy Access

We understand that we have a role to play in supporting countries' rights to Affordable and Clean Energy (SDG 7) while considering Climate Action (SDG 13). We have a history of contributing to energy security for host nations through the responsible production of hydrocarbons, such as our legacy in India.

In India, we have played an active role in developing oil and gas reserves, helping to build the country's domestic oil industry and working to enhance its energy security. In 2004, Cairn made the largest onshore discovery in India for more than 25 years, leading to the creation of a world-class oil province in Rajasthan. This has the potential to provide more than 30% of India's daily crude oil production, with recoverable reserves and resources of more than 1 billion barrels. In a nation facing rapid economic growth and increasing energy demands, this step-change in domestic production was of significant value to the country and remains crucial to India's development.

Many of our activities in India contributed to the UN SDGs, including:

- gas compression installations to reduce flaring and greenhouse gas emissions;
- the installation of solar panels on eight platforms in the Bay of Bengal;
- a drinking water storage, treatment and distribution scheme for local communities;
- a tree-planting programme and the rehabilitation of 50 acres of mangroves; and
- the most extensive study at the time into water availability in Rajasthan to support our operations as well as local communities.

In Senegal, Cairn discovered significant hydrocarbon resources offshore in underexplored acreage. We then went on to appraise and participate in the development of these discoveries, which are expected to commence production in 2023. The Senegal development is expected to make a significant contribution to domestic gas supply and will also help replace some higher-carbon fuel sources of electricity generation in the country.



SOCIAL AND ECONOMIC BENEFIT



ONLINE PORTAL FOR CAPTURING LOCAL CONTENT IN MEXICO

CASE STUDY

The methodology and framework for reporting national content in Mexico are highly complex. Cairn is responsible for ensuring that local content complies with the requirements set out by the Secretaría de Economía (Secretariat of Economy). The percentage of national content needed is defined in the contract that Cairn entered into with the National Hydrocarbons Commission (CNH)².

We use Ernst & Young's (EY) SIGA-C system to capture local content information. Vendors are given access to the online platform so that they can complete local content calculations for each invoice and generate annual local content letters. EY reviews and validates the electronic invoices, identifying those that qualify for local content reporting. This allows Cairn to report the status of the local content submissions and compare it to the contractual target required.

For 2020, more than 660 vendor invoices have been reviewed, validated and reported against for local content purposes through SIGA-C.

² The Comisión Nacional de Hidrocarburos (National Hydrocarbons Commission) is a Mexican government agency.

COMMUNITY ENGAGEMENT

Understanding the concerns of the communities in which we work, and meeting their needs and aspirations, are key to mitigating the possible impacts and enhancing the benefits of our community development activities.

STRATEGIC OBJECTIVES

- Maintain licence to operate.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.

MATERIAL ISSUES

High materiality:

- Local Community Stakeholders.

Medium materiality:

- Community Health;
- Indigenous People's Rights;
- Cultural Heritage; and
- Economic or Physical Displacement.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We revised our stakeholder engagement requirements for all social investment programmes in Mexico and Suriname.
- We continued to monitor local community concerns and needs in Mexico during drilling operations.

2021 CR OBJECTIVES

- Demonstrate the application of stakeholder engagement registers in forthcoming projects and demonstrate that engagement follows our latest guidance.

▢ Detailed performance data on **Community engagement** is available in our **Data Appendix**.

Local Community Stakeholders

We consult with local stakeholders to help us to identify any potential impacts associated with our activities and to provide us with local knowledge with which to inform any action plans. This process enables us to minimise risk, maximise shared economic and social benefits, and foster long-lasting relationships with communities, governments, partners, investors and employees.

For each project, we develop a stakeholder engagement plan, which identifies key stakeholders and their interests, details how we will access information and provides community feedback to inform our understanding. This includes monitoring media and civil society commentary, stakeholder enquiries, and community, government and local authority engagement.

COMMUNITY HEALTH

Even though many of our assets are located offshore, we recognise that our activities can affect local people to some extent.

For example, by excluding fishing vessels from the waters close to our drilling rigs on occasion, our activities can impact local fishermen. Our activities may also utilise existing infrastructure and services, restricting access for local communities and businesses. In such instances, we share our plans with local community representatives, invite feedback on the issues that affect them, and engage on ways to minimise disruption and strengthen those communities.

We also use **grievance mechanisms** (page 49) to ensure local people have the means to communicate any concerns to the Company.

▢ Read more: **Working with Our Stakeholders** on page 71.

INDIGENOUS PEOPLE AND CULTURAL HERITAGE

Most of our activities are conducted offshore, with limited impacts onshore. However, we look to address potential impacts on other marine users and around our shore bases, such as through our efforts in recent years to **support communities** (page 52) near our operations off the coast of Senegal.

Our recent operations have not involved any resettlement of people or impacted indigenous peoples or their cultural heritage. However, new venture risk assessments include these areas as part of the Cairn approach.

GOVERNANCE

Strong corporate governance and effective risk management are vital if we are to deliver on our strategy, achieve our objectives and create 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. These are underpinned by our core values, Business Principles, Cairn Standard Operating Procedures and Corporate Responsibility Management System (CRMS), all of which are understood and adhered to across the Group.



ETHICS, ANTI-BRIBERY AND CORRUPTION, AND TRANSPARENCY

We take a clear stand on ethical matters. Our zero-tolerance position on issues such as fraud, bribery and corruption helps us to access funding, build trust, maintain our licence to operate and deliver value to our stakeholders. We also report transparently on executive remuneration and payments to governments.

STRATEGIC OBJECTIVES

- Maintain licence to operate.
- Deliver a sustainable business.
- Production performance.

PRINCIPAL RISKS

- Lack of adherence to health, safety, environment and security policies.
- Fraud, bribery and corruption.
- Political and fiscal uncertainties.
- Misalignments with joint venture (JV) operators.

MATERIAL ISSUES

High materiality:

- Funding;
- Investment (Home and Overseas);
- Management of Material Issues;
- Business Partner Alignment of CR Issues;
- Fines and Prosecutions;
- Government ABC Practices;
- JV Partners and Funding;
- Operations in Sensitive and Complex Areas; and
- Remuneration.

Medium materiality:

- Cairn ABC Practices;
- Contractors' and Suppliers' ABC Practices;
- Anti-Competitive Behaviour;
- Tax and Payments to Governments;
- Advocacy and Lobbying;
- Data Protection; and
- CR Governance.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We reviewed the data and indicators we report to all audiences for improvement opportunities.
- We conducted a Group-wide anti-bribery and corruption (ABC) risk assessment.
- We held ABC risk sessions with the Board and the Management Team, and conducted ABC refresher training.
- We rolled out a new Dutch version of our Code of Ethics.
- We implemented annual ABC compliance certificates to be signed off by senior managers, which confirmed their adherence to the Group Code of Ethics.
- We developed ABC key performance indicators (KPIs) for the presentation of quarterly Risk Management Committee meetings.

2021 CR OBJECTIVES

- Review the Code of Ethics and revise as required.
- Communicate our climate change performance and processes for governance, risk management and target setting with internal and external stakeholders in a transparent and consistent manner.
- Recording, tracking and reporting our Scope 1 and 2 emissions.
- Improve the quality of our reporting against Task Force on Climate-related Financial Disclosures (TCFD) requirements and Sustainability Accounting Standards Board (SASB) Standards.

Detailed performance data on **Ethics, Anti-Bribery and Corruption, and Transparency** is available in our [Data Appendix](#).

Operating with Integrity

We seek to demonstrate integrity in everything we do, to deliver value to all stakeholders and maintain their trust. We take our responsibility for operating in an ethical, transparent way seriously.

At the heart of this commitment lies a culture based on working responsibly. This means having the right values, principles and policies in place, embedding them in our systems and processes, and making sure our people understand and uphold them. To help us:

- the Board promotes high standards of corporate governance, delivers its strategy in line with shareholders' long-term interests and engages with other stakeholders to deliver benefits;
- the Executive Committee (formerly the Senior Leadership Team) provides oversight and guidance on vision, strategy, culture, corporate governance, corporate responsibility (CR), and health, safety and environmental (HSE) matters; and
- The Management Team ensures our strategy is translated into our day-to-day business, and that we comply with our ethics and procedures in all projects.

See the **Chair's Statement** in our [Annual Report and Accounts](#) for more information.

ETHICS, ANTI-BRIBERY AND CORRUPTION, AND TRANSPARENCY

ALIGNING WITH BUSINESS PARTNERS ON CR ISSUES

Working ethically requires our business partners, as well as our employees and contractors, to align with us on CR issues. This involves ensuring that they adhere to our revised **Code of Ethics** (see below), setting CR objectives and KPIs, monitoring their performance at Board meetings and selecting contractors.

Examples of our collaborations and partnerships include:

- working with the Association of British Independent Oil Exploration Companies (BRINDEX) on global energy transition (page 60);
- ensuring that our drilling activities offshore Mexico with JV partner Citla Energy meet the IFC's Performance Standards (page 45); and
- liaising with JV partner Woodside Energy Limited in Senegal on the development of the Sangomar field (page 4).

Ethics

CODE OF ETHICS

Our **Code of Ethics** underpins the way we work and sets out our core values, behaviours and Business Principles. Every employee is required to sign up to and adhere to the terms of the Code as part of their employment conditions, and their performance is assessed against the Code. In addition, 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.

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 regional director or using a confidential phone line. The whistleblowing charity Public Concern at Work also offers an anonymous channel for staff to use if they prefer. Where appropriate, independent investigations are conducted.

We will review the Code in 2021 as part of our two-year revision cycle.

📄 See our [website](#) for more information.

OPERATIONS IN SENSITIVE AND COMPLEX LOCATIONS

We continue to track emerging ethical issues of importance, both to us and society in general, such as the requirements of the UK Modern Slavery Act and the Equality Act in recent years, the concerns of local people in areas where we operate and the need to protect sensitive habitats where we operate. Our integrated audit plan assesses the supply chain risks for all partners and projects, with a focus on modern slavery, ABC, and health, safety, security and environment (HSSE).

Some of our assets are located in areas where ethical issues arise. These range from the concerns about official corruption to the potential for environmental impacts on sensitive habitats.

ABC Practices

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.

ABC ASSESSMENTS FOR NEW VENTURES

All entries into new territories require an ABC risk assessment, intended to highlight exposure to potential risks and ensure due diligence across all aspects of planned opportunities and projects. Our new ventures activity spans a wide range of locations with varying attitudes to ABC, so it is critical to identify the level of risk in locations where official corruption could impact our operations and our reputation.

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 interests or political connections within our supply chain were identified. A recommendation was made for additional workshops, and these may be held virtually.

KEY STATS

ZERO

incidents of non-compliance with the Code of Ethics

ZERO

employee dismissals for non-compliance with the Code

ETHICS, ANTI-BRIBERY AND CORRUPTION, AND TRANSPARENCY

**ABC CONTROLS IN OPERATIONS**

We do not tolerate or permit bribery, corruption or improper payments of any kind in our business dealings, anywhere in the world, with either governments or the private sector. Accordingly, staff, business partners and service providers are expected to act with honesty and integrity, and to comply with all applicable laws when working for or with Cairn.

Business partners and service providers are carefully selected after appropriate due diligence has been conducted, and are subject to written contracts that contain robust anti-bribery and corruption provisions. An ABC register of business partners and service providers is maintained, which details the results of any due diligence and monitoring requirements.

Cairn's relations and dealings with government officials, as with other stakeholders, should always have integrity at the core of any discussions. There is guidance for all staff on the protocols that must be followed when interacting with government officials.

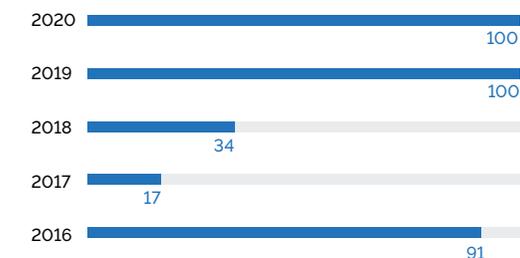
Cairn also became a participating company in the Extractive Industries Transparency Initiative (EITI) in September 2013. The EITI is a voluntary international coalition of governments, companies and civil society working to encourage the full disclosure of tax and other payments made by oil, gas and mining companies to governments.

STAFF TRAINING ON ABC ISSUES

Through the Cairn Academy, we provide staff training on our Code of Ethics and our ABC management system, as well as tax evasion, EU General Data Protection Regulation (GDPR), human rights and modern slavery, health and safety, and Corporate Major Accident Prevention Policy (CMAPP). 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. 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.

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

ETHICS, ANTI-BRIBERY AND CORRUPTION, AND TRANSPARENCY

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.

This CR report and accompanying [Data Appendix](#) is intended to provide investors, analysts, interest groups and 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 environmental, social and governance (ESG) reporting in 2020, we refreshed our reporting against our shareholders' preferences, as well as a number of established **frameworks and standards** (page 15). 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.

☐ See [About This Report](#) on page 72 and [Managing Material Issues](#) on page 19 for further information.

☐ Download our full [Global Reporting Initiative \(GRI\) Content Index](#).

REMUNERATION

Remuneration in general, and executive pay in particular, remains an issue of interest among our shareholders and wider society. Cairn is incorporated in the UK and listed on the London Stock Exchange. Therefore, we are required to report against the revised UK Corporate Governance Code. Our Remuneration Committee ensures that Cairn is fully compliant with the requirements of the revised Code.

☐ Full details can be found in the Directors' Remuneration Report in our [Annual Report and Accounts](#).

DATA PROTECTION

In compliance with EU GDPR legislation, in force since May 2018, we document the processing of personal data, by both Cairn and third parties on our behalf, and publish revised privacy notices for greater transparency. In addition, mandatory training has been delivered and a Data Privacy Coordinator supports the Group in complying with GDPR and internal risk governance. We reported no GDPR incidents in 2020.

TAX AND PAYMENTS TO GOVERNMENTS

Financial Disclosure and Transparency

We support financial transparency in our industry because we believe it will lead to long-term sustainable growth and build greater trust in Cairn. We are committed to transparent compliance in the jurisdictions where we work, many of which are complex and uncertain from a legislative perspective, and comply with a number of voluntary standards.

We report payments to governments in our [Annual Report and Accounts](#), in compliance with EU legislation and as part of our voluntary commitment as a member of the EITI. In 2020, we renewed our membership of the EITI, which requires companies to publish payments to governments, as well as governments to publish receipts from companies – both of which are independently verified. We have actively participated in EITI working groups in Senegal and are looking at the requirements for doing so in Mexico.

As in previous years, our 2020 disclosures included the payments to governments detailed in our EITI reporting, such as corporate income tax, licence fees and withholding tax. We also report additional payments including VAT, payroll taxes and social security costs.

Tax Obligations

We operate in several locations with diverse tax obligations and requirements, and seek to comply with local rules and regulations in every territory. Our [Group Tax Strategy](#) (see our [website](#)) is to not enter into any artificial tax planning and, in managing our tax affairs, to align any tax planning with genuine commercial activity.

The Group has been in arbitration against the Republic of India under the UK-India Bilateral Investment Treaty since 2014. In December 2020, Cairn announced that the Arbitral Tribunal established to rule on Cairn's claim against the Government of India had found in Cairn's favour. The Tribunal ruled unanimously that India had breached its obligations to Cairn under the treaty, and has awarded Cairn damages of US\$1.2 billion plus interest and costs.

☐ See our [Annual Report and Accounts](#) for more information.

ADVOCACY 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 assets is responsible for engaging with host governments, as part of its local Stakeholder Engagement Plan that 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. These include Oil & Gas UK, BRINDEX and the Association of Mexican Hydrocarbon Businesses (AMEXHII).

KEY STATS

US\$19.9m

in payments to governments

Non-compliance with laws and regulations

Zero

incidents

Zero

non-monetary sanctions

£0

in significant fines

ECONOMICS AND FUNDING

One of our strategic imperatives is to expand and diversify our production base, setting up the business to operate responsibly, add value and generate returns for shareholders. The cashflow generated by our production assets funds our exploration and development activity, and 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 JV partners to allocate capital and financial resources efficiently.

STRATEGIC OBJECTIVES

- Maintain licence to operate.
- Portfolio management.
- Production performance.
- Deliver a sustainable business.

PRINCIPAL RISKS

- Lack of exploration success.
- Volatile oil and gas prices.
- Failure to secure new venture opportunities.
- Underperformance on Kraken and Catcher assets.
- Political and fiscal uncertainties.
- Diminished access to debt markets.
- Climate change policy and its impacts on energy transition.

MATERIAL ISSUES

High materiality:

- Funding;
- JV Partners and Funding;
- Investment (Home and Overseas); and
- Management of Material Issues.

Medium materiality:

- CR Governance.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We re-audited our CRMS against the requirements of OSPAR 2003/5 without major findings.
- We revised our CRMS, reviewed key issues, including COVID-19 and Brexit, and presented our findings to the Board in September 2020, reissuing the CRMS in December.
- We endorsed the World Bank's Zero Routine Flaring by 2030 initiative in July 2020.

2021 CR OBJECTIVES

- Review the CRMS' fitness for purpose against the revised Group strategy.
- Perform a CRMS audit to ensure all aspects of the OSPAR 2003/5 requirements are met.

Detailed performance data on **Economics and funding** is available in our **Data Appendix**.

Our Positive Contribution

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

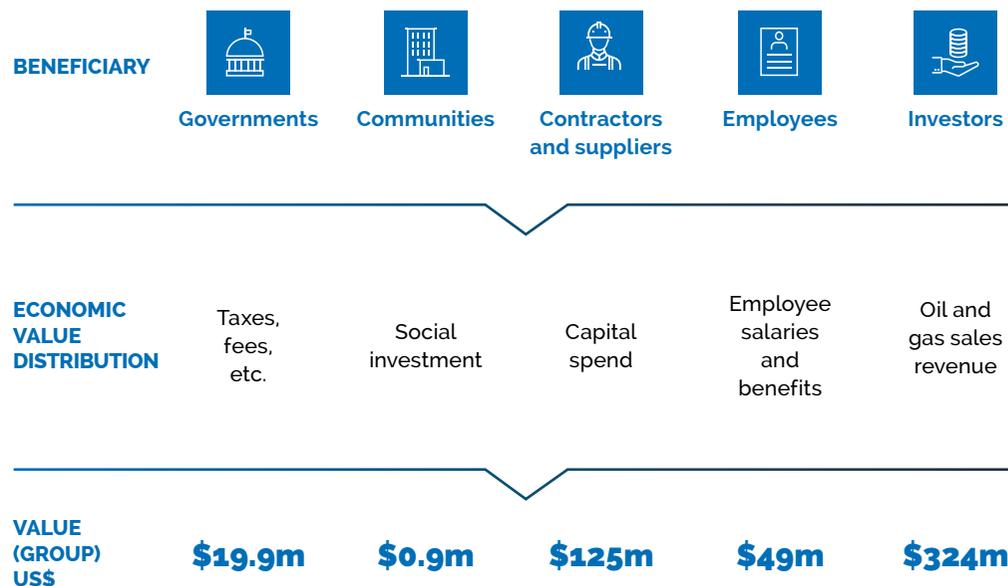
- governments, which grant permits and our licence to operate;

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

We distribute value through payments to:

- governments and authorities, including taxes and duties;
- promote social and community development in our host countries;
- our contractors and suppliers;
- our employees in the form of salaries and other benefits; and
- shareholders and funding institutions.

Total value generated and distributed in 2020



ECONOMICS AND FUNDING



Meeting the Highest Standards

Our sector has to balance changing and emerging risks, as well as growing pressure to improve operating standards, against a need to focus on cost efficiency and carbon emissions reduction. Volatile oil prices continue to be a principal risk, particularly since the onset of the COVID-19 pandemic in 2020, so efficient capital allocation across the portfolio is crucial. Despite the increasing pressure we face to improve cost efficiency, we never compromise our operating standards or undermine our commitment to working safely and responsibly.

Similarly, investment analysts, shareholders and funding institutions request increasingly detailed information about our CR standards, performance and reporting.

By participating in industry bodies such as the IOGP, we can monitor the latest developments in best practice, incorporate them into our CRMS and apply them, both at a corporate level and in our projects.

CR Governance

Increasingly, providers of capital want to ensure that we meet the highest CR standards across all our activities, including International Finance Corporation (IFC) and OSPAR requirements, as well as international and national regulations.

Our CRMS:

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

ECONOMICS AND FUNDING



AUDITING AND UPDATING OUR CRMS

CASE STUDY

In September 2020, we conducted our annual CRMS management review with the Board to endorse proposed changes to the system at the end of the year. This review covered HSE performance and progress, a summary of material issues, external audit findings against OSPAR 2003/5, checklists of review items and proposed updates, and an overview of COVID-19 management.

We also reviewed the key changes to governance and reporting requirements, including sustainability reporting guidance that included changes to IOGP/IPIECA, GRI and the forthcoming United Nations (UN) COP26 (due in November, but later postponed until 2021). The rising importance of TCFD and SASB in terms of transparency for our industry was discussed, along with the increasing demand for information and data to different audiences. Possible changes in legislation such as the fall-out from Brexit and, in particular, the likely successor to the EU Emissions Trading Scheme (EU ETS) in the UK were raised, and no compliance issues were reported for the year to date. Other items included were findings of a review of peer group reporting and key investor ESG expectations.

In addition, audit actions from 2019 were closed and the findings of the 2020 OSPAR audit were reviewed. There were no major findings or weaknesses, although areas for improvement were actioned, including the need to improve CRMS audit coverage.

The Board approved the CRMS updates, which were incorporated into the CRMS before year end as part of the annual revision.

After the Board meeting, we initiated and completed a review to better understand the ways in which our main shareholders assess our transparency and performance, including their use of agencies and rating systems. This will be used to enhance the transparency of our 2021 reports.

“Our Board continues to seek the latest developments for our industry in the ESG space to improve transparency and ensure good governance. There is a clear focus on the importance of not only maintaining our licence to operate, but also demonstrating that we continue to do the right thing and perform well against our peers.”

Dr Michael Hunter, Group HSE Manager

ECONOMICS AND FUNDING

Investment and Funding for JVs

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

Through our CRMS, we rigorously evaluate all new opportunities to understand all the risks associated with the location and the investment, and to ensure the integrity and credentials of the partners involved. This process includes evaluating any CR-related concerns using investment proposals (IPs) and determining any necessary action. All significant new venture projects require Board approval following an assessment of risks.

Evaluating new ventures

Risk screening



Health
and safety



Social



Human
rights



Political



Corruption



Security



Environment

Investment proposal (IP)

Identify and evaluate risks

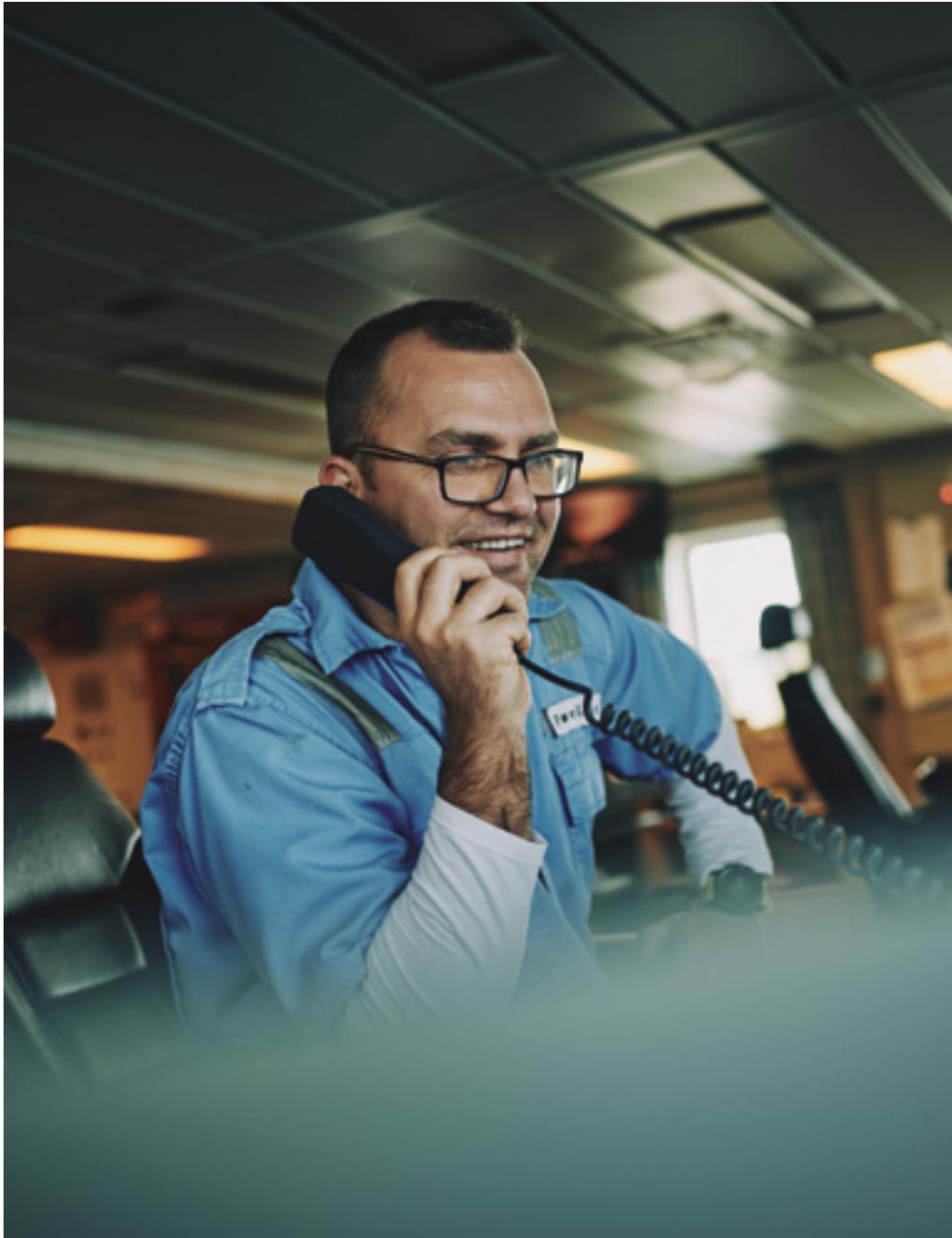
Identify risk avoidance or mitigation measures

Board approval

Alignment with strategy and risk appetite

Test implications of investment

ECONOMICS AND FUNDING



RESERVES VALUATION AND CAPITAL EXPENDITURE

Our Board and Senior Leadership Team examined our business model in the context of energy transition and the UK's commitment to net zero emissions over the coming years, to ensure 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. Reserves are calculated using Cairn's latest oil and gas price assumptions, including the purchase of ETS allowances under the UK Emissions Trading System.

To illustrate the robustness of the reserves under the ongoing energy transition, sensitivity analyses have been performed using the International Energy Agency's (IEA) published assumptions for their 2020 'Stated Policies' and 'Sustainable Development' 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 is economically robust.

Cairn utilises the Oil Production Greenhouse gas Emissions Estimator (OPGEE) model developed by Stanford University to estimate the potential Scope 1 and 2 greenhouse gas (GHG) emissions associated with the production and transportation of current oil and gas reserves. The OPGEE model findings, presented to the Management Team in October 2020, allowed us to assess both locations of interest in terms of intensity, and individual assets against global averages. In addition, this helped us benchmark the model against data from existing non-operated production and our development assets for validation purposes. It also allows life cycle estimation for assets being considered for drilling and provides indicative benchmarks of performance.

For more information, see our [Group Reserves Report](#).

ECONOMICS AND FUNDING



NEW RISK MANAGEMENT SOFTWARE

CASE STUDY

In October 2020, we began transitioning our risk management software to a new, fit-for-purpose platform. One provider, CAMMS, will deliver this system in conjunction with our incident management software for recording and notifying incidents across the Group during early 2021. ABC risk assessments will be included in the new, more powerful platform, helping to integrate risks across business and supporting comprehensive reporting to the Board.

The other benefits of the system to Cairn include its ability to conduct trends analysis, enhance ownership of risk management, flag emerging risks quickly and aggregate risk registers across all locations automatically to detect common themes.

CLIMATE RISK AND ENERGY TRANSITION

Climate change and energy transition is considered a principal risk to our business. We continue to consider the specific challenges, risks and opportunities it represents, to improve our understanding and response. During 2020, our Board and Senior Leadership Team examined our business model and our actions to date, to revise and improve our strategy, and set a clearer path towards net zero emissions over the coming years. This will assist in future-proofing our business while maintaining a strong business proposition.

STRATEGIC OBJECTIVES

- Maintain licence to operate.
- Clarify energy transition position and progress to net zero.
- Maintain a strong business proposition.

PRINCIPAL RISKS

- Climate change and energy transition impact on our business.

MATERIAL ISSUES

High materiality:

- Global Energy Transition;
- Climate Change Policy and Planning; and
- Reserves Valuation and Capital Expenditure.

2020 PERFORMANCE AGAINST CR OBJECTIVES

- We identified and participated in developing carbon intensity methodologies to assess our assets and projects.
- We sought to influence our UK Continental Shelf (UKCS) partners to reduce their carbon intensity.
- We performed a benchmarking review and proposed an assessment methodology for reducing energy use and emissions in exploration projects.
- We endorsed the World Bank's Zero Routine Flaring by 2030 initiative.

2021 CR OBJECTIVES

- Improve communication about our climate change performance and our processes for governance, strategy, risk management and target setting with internal and external stakeholders in a transparent and consistent manner.
- Record, track and report our Scope 1 and 2 equity emissions and demonstrate 'activity normalised' reductions in operated projects.
- Develop our understanding of carbon capture and underground storage (CCUS) application and identify opportunities, including required carbon pricing.

Detailed performance data on **Emissions, Energy, Water, Waste, Chemicals and Biodiversity** is available in our [Data Appendix](#).

Global Energy Transition

In 2021, we anticipate a greater emphasis on global energy transition, with an acceleration of activities by investors, companies and businesses around the world in developing and implementing actions that limit temperature rise. Governments are expected to further their specific commitments in their Nationally Determined Contribution (NDC) plans under the [Paris Agreement](#). This forms part of the transition towards more sustainable affordable sources of energy and the path to develop net zero carbon economies. To meet the aspiration of limiting temperature rise to 1.5°C above pre-industrial levels, the continued use of hydrocarbon fuels with technologies and mechanisms to capture carbon emissions associated with their use will be required for some decades to come¹.

Given the importance of climate action policy and planning to Cairn and our stakeholders – especially investors – we will continue to assess our reporting against the four pillars of the TCFD: governance, strategy, risk management, and metrics and targets.

THE GLOBAL CONTEXT

In its 2020 edition, the [World Energy Outlook](#) discusses two main and interconnected themes: the impact of COVID-19 on the energy sector and the prospects for accelerated energy transition. Subject to the duration and severity of the pandemic, its effects are likely to be felt for some time to come. The IEA predicts a 5% fall in global energy demand and an 18% decrease in energy investment, hitting oil and gas in particular. The report covers a variety of scenarios and suggests that demand for natural gas is likely to grow significantly, while oil remains more vulnerable to economic uncertainties. Nonetheless, while proportions vary, most scenarios consider a role for hydrocarbon energy in 2050 and beyond.

CAIRN'S BUSINESS CONTEXT

We assess the resilience of our key assets against several transition scenarios, including the IEA's Sustainable Development Scenario (SDS). These consider business as usual, along with limiting temperature rise to 2°C and 1.5°C scenarios, with both orderly and disorderly industry responses to the changing demand for oil and gas². Under all variations of the model, each of our existing assets delivered returns above our downside case. We built on our understanding of likely hydrocarbon demand scenarios during 2020 with a detailed review of the likely impact of COVID-19 on demand and oil price. We also analysed the medium-term market outlook as a result of energy transition, including implications of the IEA Net Zero Emissions 2050 scenario, which points to the scale of the carbon reduction challenge ahead. This review is presented in our [Annual Report and Accounts 2020](#). Our Board and Senior Leadership Team looked hard at our business model in the context of energy transition to revise and improve our strategy. The aim was to chart a clearer path towards the UK's commitment to net zero over the coming years, and refocus our approach to future-proofing our business while retaining a strong Cairn business proposition.

The outcome of the revised approach, agreed by the Board, means Cairn will focus on targeting hydrocarbon projects that can be produced responsibly and in support of multiple UN SDGs, ensuring that we manage climate-related resilience to provide value to shareholders and stakeholders.

Despite the impact of COVID-19, we are confident that the Group's portfolio remains resilient to energy transition policy changes and will remain relevant in a global economy as it transitions to lower-carbon sources of energy.

¹ IEA, Energy Technology Perspectives 2020, Special Report on Carbon Capture Utilisation and Storage, CCS in clean energy transitions.

² Cairn Annual Report and Accounts 2019

CLIMATE RISK AND ENERGY TRANSITION

Governance

GOVERNANCE STRUCTURES AND MECHANISMS

The review of the business model resulted in modification of our governance mechanisms. Our Senior Leadership Team was replaced by an Executive Committee (ExCo), consisting of our Executive and most senior managers, with routine input from other key managers. The strategic role of the ExCo includes reviewing climate and energy transition issues, including the overall understanding of Cairn's position, international and stakeholder drivers, and risk and opportunities. The ExCo reports to each Board meeting via our Executive.

Our Management Team, which shares some members with the ExCo and is chaired by the Chief Operating Officer (COO), continues to focus on operational matters and the application of our strategy. Likewise, the COO reports to the Board periodically on implementation of our KPIs, including climate-related metrics. Achieving KPIs for a given year is annually assessed by the Remuneration Committee and reported to the Board. The Management Team reviews corporate and operational risks and opportunities quarterly.

Other related governance mechanisms include:

- updates by the Group HSE Manager on CR-related KPIs, including climate-related items, are included at each Board meeting (approximately six per year) and quarterly at Management Team meetings;
- capital expenditures are set via the budgetary process developed by departments and projects for Board approval; and
- acquisitions and divestitures are approved by the ExCo and Board. Detailed IPs are required for submission to the ExCo to assess risks including CR/climate issues. In 2020, these considered the carbon intensity of a potential acquisition for the first time.

As part of the review of our energy transition and business model, we identified the need for a sharper focus on the application of our strategy for business development. This has resulted in the creation of a new role, the Strategy and Energy Transition Advisor, who reports to the Strategy and Business Development Director. This role is responsible for assessing energy transition risks, opportunities and implications as part of new potential acquisitions and in identifying assets with low-carbon intensity that can be developed responsibly.

TRANSPARENCY

In 2020, we conducted an independent review of our reporting against the requirements of the TCFD and the position of key investors and selected peer companies. As a member of BRINDEX, we remain committed to reporting consistently and meeting investor needs, and have worked with them to agree on a position on TCFD, in support of the UK government's target of reducing GHG emissions to net zero by 2050.

After our annual CRMS review in September 2020 (page 62), we reported back to the Board with an external perspective of Cairn's position in respect of ESG reporting. This included raising the profile of TCFD, SASB, GRI and CDP, and examined the position of selected peer companies, primary shareholders and investors. Towards the end of the year, we also completed a review of our key shareholders and their application of ESG assessment mechanisms, including the reliance on investor ESG rating agency indicators to better improve reporting transparency. During 2020, we also identified the introduction of the UK Streamlined Energy and Carbon Reporting Regulations as a way to enhance GHG reporting.

We continue to make annual submissions to the **CDP**, a not-for-profit charity that provides a global carbon disclosure system for investors, companies, cities, states and regions.

We submitted the Climate Change questionnaire and received a rating of B, which falls within the 'management band'. This reflects an improvement from B- in 2019 and from C over the last three years. We also submitted the CDP Water Security questionnaire at a basic level for the first time and plan to look at this in more detail in 2021. This year, we have prepared a TCFD and SASB Index, which signposts all relevant available disclosures within our reporting. Read more at www.cairnenergy.com/working-responsibly

Strategy

The Board review of our business model and strategy in 2020 re-emphasised our commitment to improving our governance and set a clear path forward in relation to the energy transition challenge, recognising the continued role that hydrocarbons will play for the foreseeable future. This used input from our shareholder base and other stakeholders to formulate our approach.

CAIRN'S POSITION

Since Cairn was founded, we have been committed to doing the right thing. Fundamentally, this has not changed although our responsible approach will continue to evolve. Our corporate responsibility philosophy has moved to embrace the UN SDGs in this new decade. We have applied social initiatives in many of the SDG categories in the past and will do so in the future, not least in respect of Affordable and Clean Energy (SDG 7) and Climate Action (SDG 13), as well as other climate-related SDGs.

Strategically, Cairn remains an oil and gas company focused on driving down emissions, and the emissions intensity of our operations and activities. We will:

- play a meaningful role in energy transition, producing hydrocarbons responsibly in support of the SDGs; and

- dedicate human and financial resources to identify specific, achievable routes to reducing emissions, including investigating investments in CCUS and identifying specific emissions reduction opportunities compatible with our business model.

Our strategy continues to look at different time horizons:

- short-term elements over the next two to three years – the viability of CCUS and investment opportunities that may arise, NDC and adaptation to physical risk, including social investment in community social projects (e.g. mangrove rehabilitation, membership of NECCUS);
- medium-term for the duration of the Paris Agreement (2030) – developing a pipeline of emission reduction projects, either specifically linked to our assets or to NDCs; and
- long-term, post-Paris Agreement considerations – the price and demand for oil and gas in various scenarios, including potential asset stranding or physical risks and opportunities that may arise.

Risk and Opportunity Management

MANAGEMENT PROCESS

Each project, department and corporate group assesses risk and opportunities routinely using the Cairn risk procedure. This defines whether to 'treat', 'tolerate', 'transfer' or 'terminate' in line with our risk appetite statement. These are assimilated at a project, department and corporate level by the Group Risk Manager, who shares this quarterly with the Management Team and Audit Committee. Annually, we use our register to assess the materiality for annual reporting purposes, in line with Financial Reporting Council (FRC) requirements. In 2020, climate risk and energy transition was considered 'high' in terms of overall materiality assessment (see **Managing Material Issues** on page 19).

CLIMATE RISK AND ENERGY TRANSITION

PHYSICAL

Existing production operators are concerned with physical risks from climate change on an acute and chronic basis. Climate modelling is used to understand physical risks, such as the possible implications for life of field design and the impact of acute weather events. Cairn had no operated fixed production installations in 2020; however, our offshore non-operated assets Catcher and Kraken are vulnerable to disruption and damage from higher intensity storms. With the knowledge that such physical risks may impact Cairn, standard operating procedures can be adapted to mitigate the risk. Our operated drilling installations may suffer from waiting on weather with associated non-productive time. For temporary campaigns, we seek to use mobile drilling units capable of meeting the expected environmental conditions using available climatic and metocean data. They are also assessed for energy efficiency and managed accordingly.

We also look to help our communities adapt to physical risks, for example, through our investment in the mangrove rehabilitation project in Suriname (page 51).

TRANSITION

Current and emerging legislation continues to represent both risks and opportunities for Cairn. In the UK, Cairn's non-operated assets have been subject to the EU ETS for the duration of their operation; following Brexit, they will fall under the UK ETS in 2021, with similar rules to the EU ETS. We have engaged our partners in this area and continue to challenge them on emission reduction opportunities, including the potential for reducing flaring, lowering emissions, and improving operational and energy efficiency. This is in line with our commitments under the World Bank's Zero Routine Flaring by 2030 initiative. We continue to track regulatory developments in all areas of our operations and potential locations of interest as a matter of course, including NDC plans and opportunities to link with them.

Market-based risks and opportunities form part of our assessment to prevent stranded assets including portfolio resilience and transition impacts on our business, including impacts on oil and gas prices, the availability of funding, restricted exploration locations and specific requirements of potential lenders. Cairn's strong focus on stakeholders includes the position taken by our investors and the information they are interested in. This impinges on both market-related and reputational risks.

Reputational risks can also materialise at an international, national and local level with investors and local communities, and their perception of our strategic position and operational behaviour. We monitor stakeholder engagement both corporately and on a project basis, and these influence our materiality assessment. For communities, stakeholder engagement registers help us to develop Impact Benefit Plans (IBPs) for each relevant project so that we can realise opportunities, and identify chronic and acute investment needs and opportunities. These IBPs link to UN SDG themes and Cairn's values.

In 2020, we joined NECCUS, a consortium working to find technological, innovative and financial opportunities to achieve net zero. We are looking at the [Acorn CCS project](#), led by Pale Blue Dot Energy, as an opportunity for more involvement in the move towards net zero. In 2021, we have further actions planned in relation to the assessment of CCUS as a potential opportunity for Cairn. We will continue to seek low-intensity carbon assets and operational energy efficiency.

Metrics and Targets

OPERATIONAL PERFORMANCE

We routinely collect GHG emissions, energy, water and waste data from our operated activities (see our [Data Appendix](#)). Target setting remains a challenge given that we do not operate any production assets and our emissions arise

from highly variable field activities. In 2020, our only drilling programme in Mexico ended in March, compared to three campaigns in 2019; consequently, operated emissions reduced considerably. We are actively seeking meaningful metrics and targets for both our operational activities and from our opportunity assessments.

Carbon Intensity

In 2020, Cairn helped to develop and trial an oil and gas GHG estimation tool for asset life cycle, using the OPGEE³ model developed by Stanford University. The tool uses country and field-level information to calculate CO₂e emissions per megajoule of energy produced. This allowed us to assess locations of interest in terms of intensity and individual assets against global averages, then benchmark the model against data from existing non-operated production and our development asset for validation purposes. It also allowed us to estimate life cycle GHGs for assets being considered for drilling.

Despite some anomalies, the results were sufficiently encouraging to allow us to assess relative intensities and develop indicative benchmarks to target low-carbon intensity assets as part of commercial evaluations. All existing potential development assets and existing non-operated production fell within the benchmarks, with the exception of those that may involve liquid natural gas. This tool will be further evaluated in 2021, as will the potential for using the benchmarks as targets.

Energy Efficiency Benchmarking

We plan our operations to be safe and efficient, and to minimise our time in the field, thereby reducing emissions and costs. With accident prevention and safety as a priority, we select rigs, vessels, bases and aviation to meet the objectives of the programme, with their specific type, capability and size dictated by the environment in which we are operating.

However, in 2020, we increased our focus on selecting more energy-efficient equipment. In identifying potential benchmarks for our drilling operations when selecting rigs, vessels and aviation, we found few readily available sources. Therefore, we developed an approach based on our own historic data and used a modified life cycle 'carbon cost of ownership' methodology to estimate expected energy consumption and emissions, based on anticipated time and operation. This enables us, where possible, to select the most efficient equipment and, using lessons learned from previous programmes, to reduce energy use and emissions from equipment hired from major contractors.

Influencing Non-Operated Partners

Having examined compliance and flaring during maintenance at our non-operated production emissions last year, we signed up to the World Bank's Zero Routine Flaring by 2030 initiative in July 2020. Although our non-operated activities conduct very little routine flaring, we aim to use our leverage with partners to support the World Bank's aim to phase out all routine flaring by 2030 and factor it into any future developments. This includes deferring production where flaring is proposed to maintain production when it is not a safety event.

PERFORMANCE IN COMMUNITIES

As part of our commitment to working with communities, we continue to support opportunities that promote sustainable projects and empowerment linked to relevant UN SDGs. We are currently working to identify climate mitigation, adaptation and resilience-building projects in our different locations that we can support through social investment programmes. These include a mangrove rehabilitation project in Suriname (see page 51), which will help to improve biodiversity and the livelihoods of local people, and assist communities in adapting to climate-related risks and impacts.

3 Stanford University, School of Earth Sciences, Energy & Environmental Sciences, The Oil Production Greenhouse gas Emissions Estimator (OPGEE).

CLIMATE RISK AND ENERGY TRANSITION



CLEAN ENERGY SCHOLARSHIPS AT HERIOT-WATT UNIVERSITY

CASE STUDY

Cairn has pledged £300,000 to a scholarship programme at Heriot-Watt University (HWU) in Edinburgh, designed to foster talent and promote geoscience training and research into the transition to low-carbon energy. The funds will be available over three years for postgraduates studying for master's degrees in Applied Geoscience at the Institute of GeoEnergy Engineering (IGE). Research projects need to focus on themes such as carbon storage and geothermal energy from a subsurface and geoscience perspective – key areas of our business.

HWU, a global leader in subsurface geoscience, helps to evaluate carbon storage sites and geothermal energy applications. Having collaborated on research projects in the past, the university was a natural partner for the scholarship scheme, which will complement our ongoing internship and graduate programmes. In 2020–21, three students on the Sustainable Subsurface Energy Systems (SES) programme received Cairn MSc scholarships.

The Cairn Energy Prize also awards £500 to the student with the best clean energy-focused geoscience project, from any part of the university. This year's recipient was Obadiah Kato, who researched the development, evolution and sustainable resources of the Lake Albert Green in

Western Uganda. In future years, the prize will be awarded to the best SES student dissertation as the Bruce Blanche Memorial Award.

Cairn also provides support for the Centre of Doctoral Training (CDT) programme. Entitled 'GeoNetZero', the CDT is an HWU-led partnership of 12 UK universities undertaking PhD research into the role that geoscience plays in the low-carbon energy transition and the challenge to meet net zero emission targets. Cairn's donations underpin the academic and industry training that the students receive alongside their research. To date Cairn has donated £240,000 to the CDT for the oil and gas programme and has now pledged an additional £160,000 of support for the GeoNetZero CDT.

WORKING WITH OUR STAKEHOLDERS

Continuous engagement with stakeholders is an integral part of our day to day business. Their support is a fundamental component of our ability to operate.

Following the review of our Corporate Responsibility Management System (CRMS) and reporting in relation to the AA1000 Accounting Principles (2018), we have strengthened the link between our stakeholder engagement activities, our materiality process and our decisions and strategy. To ensure that the Directors are aware of stakeholder engagement activities carried out by senior management and other employees, regular updates are given to the Board both through the Board meeting process and ongoing Board communications from the Executive Directors. This allows the Directors to be assured that they are aware of stakeholder considerations when making key decisions.

The Board is aware of the importance of their role in: understanding stakeholder interests and concerns; balancing these fairly between the stakeholders of the company; and responding to them as part of their Board responsibilities. Importantly, we use stakeholder engagement to help us identify and prioritise issues most material to the business.

Supporting Section 172

Section 172 of the Companies Act 2006 sets out that a director should have regard to stakeholder interests when discharging their duty to promote the success of the Company.

The Directors of Cairn, both individually and together, consider, in good faith, that they have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a)-(f) of the Companies Act 2006 (set out in the table below) in the decisions taken.

This approach ensures that all decision-making is adequately informed and is supportive of a Director's duty under Section 172.

Stakeholder	Why it is important to engage?	How management and/or Directors engaged	What were the key topics of engagement	Examples of the impact of such engagement and responses taken	COVID-19 considerations
Investors	<ul style="list-style-type: none"> Our strategic and operational decision-making is influenced by our investors' views We are dependent on access to funding We are accountable to our shareholders 	<ul style="list-style-type: none"> Comprehensive annual investor programme, which during 2020 was predominantly managed using virtual technologies, and included: <ul style="list-style-type: none"> Holding 164 investor meetings including one to ones and attending five roadshows or conferences. This number was lower than previous years due to the COVID-19 pandemic Conducting regular financial reporting Responding in a timely manner to investor and analyst enquiries As the AGM in 2020 was a closed meeting in accordance with measures put in place by the UK and Scottish Governments to help tackle the COVID-19 pandemic, shareholders were offered the opportunity to submit any questions by email in advance of the meeting 	<ul style="list-style-type: none"> Strategy and performance Corporate governance ESG matters including energy transition Board composition 	<ul style="list-style-type: none"> Presentation on 'ESG and the evolution of expectations from investors and the public' provided at the Board meeting in June 2020 (discussed on page 80 of our Annual Report) Board position changes (discussed on page 92 of our Annual Report) Regular reviews of corporate objectives 	Communication and transparency of our COVID-19 strategic response: capital and portfolio management and reassurance on business continuity
Governments	<ul style="list-style-type: none"> We are responsible to them for compliance with local and/or international laws Their permissions are required for us to access acreage and operate 	<ul style="list-style-type: none"> Meetings with Heads of State, UK and Country Ambassadors, Ministers and Civil Servants 	<ul style="list-style-type: none"> Legal Compliance Major accident prevention Investment and economic growth ESG matters 	<ul style="list-style-type: none"> Continued monitoring of responsible performance at Board meetings and annual review of CRMS and objective KPI setting KPIs include performance against leading and lagging indicators for health, safety and environmental protection and are reviewed at all Board meetings (discussed on pages 30 to 33 of our Annual Report) Reviewing feedback and commentary from government and regulatory bodies regarding performance expectation (see our responsible approach discussed on page 10 of our Annual Report) 	Building on our longstanding pandemic and crisis response plan, we deployed a nine-step plan in April 2020 to ensure all business-critical activities were unaffected, in line with the controls and advice set out by host governments in our operating locations and multi-national organisations such as the WHO. The pandemic steering group of Oil and Gas UK (advised by Health Protection Scotland) has also proved to be a useful source of industry-driven information and recommendations

WORKING WITH OUR SHAREHOLDERS

Stakeholder	Why it is important to engage?	How management and/or Directors engaged	What were the key topics of engagement	Examples of the impact of such engagement and responses taken	COVID-19 considerations
Business partners, peers and contractors	<ul style="list-style-type: none"> - Their performance directly impacts our financial, operational and responsible performance - We are reliant on viable partners in joint ventures - We are commercially responsible to contractors, suppliers and partners 	<ul style="list-style-type: none"> - For the majority of 2020, engagement was carried out using virtual technologies and included meetings with partners, peers and contractors with Board members and senior executives in addition to regular joint venture and operations planning meetings - Maintaining membership of industry bodies - Active management of key projects and assets (including alignment of project deliverables) 	<ul style="list-style-type: none"> - Policies and standards - Industry reputation - Investment opportunities for growth - Long-term relationships - ESG matters 	<ul style="list-style-type: none"> - Working with peers and partners by joining NECCUS, the alliance committed to driving the changes needed to reduce carbon emissions (discussed on page 37 of our Annual Report) - Careful selection of contractors (discussed on page 55 of our Annual Report) - Continued membership of IOGP Security Committee (performance against IOGP benchmarks discussed on page 54 of our Annual Report) - Ongoing close collaboration with JV partners to successfully deliver objectives (discussed on page 50 of our Annual Report in respect of operations on Kraken and Catcher) 	<p>With the help of local partners, all survey work and vessel inspections were managed remotely. We have also monitored how non-operating partners have conducted drilling campaigns during the pandemic, ensuring that best practice has been followed</p>
Local communities and interest groups	<ul style="list-style-type: none"> - We have an ethical responsibility to minimise impact on livelihoods and the environments in which we operate - They provide a diverse perspective leading to new understanding of situations and the mitigation of tensions 	<ul style="list-style-type: none"> - Community meetings - Social investment (discussed on page 60 of our Annual Report in respect of Suriname) - Senior management visits - Media monitoring 	<ul style="list-style-type: none"> - Protection of resources and livelihoods - Community development and social investment - Access to employment and business opportunities - Transparency of payments to government - Biodiversity 	<ul style="list-style-type: none"> - Community investment focus to include adaption to climate change (discussed on page 60 of our Annual Report in relation to Suriname) - Continued membership of the Extractive Industries Transparency Initiative (EITI) - Supporting Invest in Africa to build skills and capacity among SMEs in Senegal to increase their potential of being awarded contracts in the industry (discussed on page 61 of our Annual Report) 	<ul style="list-style-type: none"> - As part of our efforts to support the communities where we operate, we made several financial donations to increase social and economic benefits - In Senegal, we provided US\$50,000 through our joint venture to help the Ministry of Health combat the pandemic, while in Suriname we donated US\$50,000 to a national fund focused on the provision of vital intensive care equipment. An additional US\$50,000 donation went to Fundacion para la Salud (Funsalud), a healthcare not-for-profit organisation in Mexico, to support its comprehensive COVID-19 relief efforts
Employees	<ul style="list-style-type: none"> - We are dependent on employees' performance and that of the wider workforce - We have a legal and ethical responsibility to their well-being - They bring a diverse perspective to the identification of opportunities and ways of working 	<ul style="list-style-type: none"> - Regular staff meetings - Monthly pulse surveys - Twice-yearly Employee Voice Forum (EVF) meetings (discussed on page 76 of our Annual Report) - General Meetings - Exit interviews - Staff focus groups 	<ul style="list-style-type: none"> - Strategy - Ways of working - Lessons learned from projects - Internal communication - Collaboration across teams - Remuneration and benefits 	<ul style="list-style-type: none"> - Enhanced communication of our strategic priorities and performance - Team workshops held to heighten cross-functional collaboration - Health and well-being initiatives developed and delivered 	<ul style="list-style-type: none"> - We ensured our office-based workers had what they needed to operate efficiently from home and our CEO personally called every individual in the Company. When restrictions extended into 2021, he repeated this. Relevant policies were adapted, business travel restricted and COVID-19 safe office space inductions were provided to those unable to work from home, in line with government guidelines. Additionally, online channels were used to maintain dialogue and support good mental health. We established a Return to Office (RTO) Steering Committee to oversee the safe return for office-based employees, with risk assessments and new protocols regarding social distancing and deep cleaning implemented

ABOUT THIS REPORT

This document comprises Cairn Energy's full Corporate Responsibility (CR) Report 2020. It covers our CR strategy and performance from 1 January to 31 December 2020.

Reporting Standards

Cairn reports its CR information in accordance with a number of **frameworks and standards** (see page 15), including but not limited to:

- AccountAbility's **AA1000 Accountability Principles Standard**¹
- the **Global Reporting Initiative (GRI) Standards**² core option³;
- the **Sustainability Accounting Standards Board (SASB) Oil & Gas – Exploration & Production Index**; and
- the **Task Force on Climate-related Financial Disclosures (TCFD)**.

Scope and Boundaries

We report on an 'operational control' basis. This means that we report on those assets and activities over which we have control in terms of CR policies and practices during 2020, irrespective of the licensed operating party. We exclude data where we do not control operations, but we do consider the risks associated with our partners' position and control of such activities. In line with this, our 2020 CR information covers Cairn's head office in Edinburgh, its regional offices in the UK, Senegal and Mexico, and field operations in Mexico.

DATA AND PERFORMANCE INDICATORS

We measure our performance against Group-level key performance indicators (KPIs), which are aligned with the strategy and operational programme of the Company. These are reviewed annually. The KPIs in 2020 were based on strategic business objectives in the following categories:

- health, safety, environment and security, and corporate social responsibility;
- new ventures;
- exploration;
- development;
- production and cashflow; and
- funding.

Detailed CR Objectives and KPIs are included under the 'Maintain licence to operate' strategic objective. CR KPIs amounted to 15% of the total indicator score of performance across the Group in 2020, 12% of which covered 'leading'⁴ indicators. The remaining 3% covered 'lagging'⁵ indicators. In 2021, our CR Objectives will be strengthened, amounting to 17.5% of the total. An emphasis on health, safety and environment (HSE) and environmental, social and governance (ESG) objectives will include 8% that are specifically focused on climate and energy transition.

A wide variety of data is collected over a range of issues and topics grouped under the themes of People, Environment, Society and Governance. Our CR Objectives for 2020 will be used to direct our CR improvement programme for the year.

☐ See how the themes and structure of our reporting are informed by our **materiality assessment** on page 19.

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

Our incident and accident data is recorded in a separate incident reporting system. This stores all relevant details and emails defined individuals across the business, including senior managers, to keep them informed of progress. It can trigger an investigation into the incident, depending on its nature.

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

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

1 AccountAbility (www.accountability.org) is a global consulting and standards firm that works with governments and organisations to advance responsible business practices and improve long-term performance.

2 The GRI (www.globalreporting.org) helps businesses and governments understand and communicate their impact on critical sustainability issues through the GRI Standards.

3 Organisations can report in accordance with the GRI Standards at one of two levels (Core or Comprehensive), depending on the degree to which the Standards have been applied.

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

5 Lagging indicators are reactive measures of performance resulting from failures in risk management.



We update our methodologies on a regular basis, for example, when new methodologies are identified, best practice is improved or calculation factors are updated. Any factors used are reviewed annually. We will be reviewing the scope of data collection and the parameters we monitor in 2021, as well as the recording of selected equity information.

Baseline Data

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

Uncertainties and Estimates

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

Targets

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

We set lagging targets to exceed the industry norms published annually by the IOGP. Some parameters, such as GHG reduction targets, have proven to be less meaningful in our business because our levels of activity and production can vary substantially from year to year. We look at normalising GHG emissions against hours worked, but this too varies substantially with the type of equipment used in different locations and under differing environmental conditions.

Supporting Data

A full set of ESG data is available in our **Data Appendix**. This document includes methodology notes and KPI definitions, with a particular focus on KPIs from subject areas that were assessed in our materiality process to be of high importance to our business and our stakeholders.

External Assurance

An independent environmental data assurer, ITP Energised, verified our 2020 GHG emissions data, as stated in our **Annual Report and Accounts** and this report. Within the scope of the limited assurance engagement, the GHG statements made are found to be materially correct. ITP Energised found that Cairn's data collection process and the data reporting platform CR360 are robust, and provide consistent and accurate output data when tested. ITP Energised is satisfied the GHG data is reliable and has been prepared in accordance with Cairn's reporting methodology.

A full **assurance statement**, with details of the assurance scope, independence of the assurer and their recommendations, is available online.

GLOSSARY

3Rs	Cairn core values: Respect, Relationships and Responsibility	FPAL	First Point Assessment Limited	PhD	Doctor of Philosophy
ABC	anti-bribery and corruption	FRC	Financial Reporting Council	PPE	personal protective equipment
ALARP	As Low As Reasonably Practicable	GDPR	General Data Protection Regulation	PSC	Production Sharing Contract
AMEXHI	Association of Mexican Hydrocarbon Businesses	GHG	greenhouse gas	QA	quality assurance
APP	African Partner Pool	GRI	Global Reporting Initiative	QC	quality control
ASEA	Agencia de Seguridad, Energía y Ambiente (Mexican regulators)	HSE	health, safety and environment	RWDC	Restricted Workday Case
BAP	Biodiversity Action Plan	HSSE	health, safety, security and environment	Sangomar	Sangomar development, Senegal (formerly SNE)
BEIS	Department for Business, Energy and Industrial Strategy (UK)	HWU	Heriot-Watt University	SASB	Sustainability Accounting Standards Board
BOP	blowout preventer	IBP	Impact Benefit Plan	SASISOPA	Industrial Safety, Operational Safety and Environmental Protection Administration System
bopd	barrels of oil per day	IEA	International Energy Agency	SDS	Sustainable Development Scenario
BRINDEX	Association of British Independent Oil Exploration Companies	IFC	International Finance Corporation	SECE	Safety and Environmentally Critical Element
CCUS	carbon capture, utilisation and storage	IIA	Invest in Africa	SECR	Streamlined Energy and Carbon Reporting
CDT	Centre of Doctoral Training (Heriot-Watt University)	IMT	Incident Management Team	SENER	Department of Energy (Mexico)
CEO	Chief Executive Officer	INPG	National Institute for Oil and Gas (Senegal)	SIA	Social Impact Assessment
CERT	Crisis and Emergency Response Team	IOGP	International Association of Oil & Gas Producers	SMEs	small and medium-sized enterprises
CMAPP	Corporate Major Accident Prevention Policy	IP	investment proposal	SNE	see Sangomar
CNH	Comisión Nacional de Hidrocarburos (National Hydrocarbons Commission, Mexico)	IPIECA	International Petroleum Industry Environmental Conservation Association	TCFD	Task Force on Climate-related Financial Disclosures
CO ₂	carbon dioxide	IRT	Incident Response Team	TRIR	Total Recordable Injury Rate
CO ₂ e	carbon dioxide equivalent	IT	information technology	UDHR	Universal Declaration of Human Rights
COO	Chief Operating Officer	IUCN	International Union for Conservation of Nature	UK	United Kingdom
COS	Cairn Operating Standards	JV	joint venture	UKCS	United Kingdom Continental Shelf
CR	corporate responsibility	KPI	key performance indicator	UK ETS	United Kingdom Emissions Trading Scheme
CRMS	Corporate Responsibility Management System	LNG	liquefied natural gas	UN	United Nations
CSR	corporate social responsibility	LTIF	Lost Time Injury Frequency	UNAM	Universidad Nacional Autonoma de Mexico
EBS	Environmental Baseline Survey	MARPOL	International Convention for the Prevention of Pollution from Ships	UNEP	United Nations Environment Programme
EIA	Environmental Impact Assessment	MSA	Modern Slavery Act	UNESCO	United Nations Educational, Scientific and Cultural Organization
EITI	Extractive Industries Transparency Initiative	NATIN	Institute for Natural Resources and Engineering Studies (Suriname)	UNGC	United Nations Global Compact
ESG	environmental, social and governance	NDC	Nationally Determined Contribution	US\$	United States dollar
ESIA	Environmental and Social Impact Assessment	NGO	non-governmental organisation	UN SDGs	United Nations Sustainable Development Goals
EU	European Union	OPGEE	Oil Production Greenhouse Gas Emissions Estimator	VOCs	volatile organic compounds
EU ETS	European Union Emissions Trading Scheme	OSPAR	Oslo/Paris Convention (for the Protection of the Marine Environment of the North-east Atlantic)	VPSHR	Voluntary Principles on Security and Human Rights
ExCo	Executive Committee	OSRL	Oil Spill Response Limited	WCPMP	Well Construction Project Management Procedure
EY	Ernst & Young LLP	PDP	Project Delivery Process	WHO	World Health Organization
				Woodside	Woodside Energy Limited

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