Leadership and Governance

Board of Directors

Left to right:
Peter Kallos, Erik B. Daugbjerg, Nicoletta Giadrossi, Simon Thomson, James Smith, Catherine Krajicek, Keith Lough, Alison Wood

Committee membership key

■	Committee Chair	A	Audit Committee	R	Remuneration Committee	N	Nomination and Governance Committee
EC	Executive Committee	RM	Group Risk Management Committee	EV	Employee Voice Forum	SC	Sustainability Committee

Simon Thomson
Chief Executive (57)

Committee membership

EC RM N SC

Term of office

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

Independent

Not applicable

Skills and experience

- LLB (Hons), Aberdeen University
- Diploma in Legal Practice, Glasgow University

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

Key external appointments

Public companies:

None

Non-public companies:

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

Non-Executive Director of Graham's The Family Dairy Group Limited

Non-Executive Director of Edinburgh Art Festival

James Smith
Chief Financial Officer (45)

Committee membership

EC RM SC

Term of office

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

Independent

Not applicable

Skills and experience

- MA (Hons) in English, University of Oxford

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

Key external appointments

No external appointments

Nicoletta Giadrossi
Non-Executive Chair (55)

Committee membership

N R SC

Term of office

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

Independent

Yes

Skills and experience

- BA in Mathematics and Economics, Yale University
- MBA, Harvard Business School

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

Key external appointments

Public companies:

Non-Executive Director of Brembo S.p.A

Non-Executive Director of Koninklijke Vopak N.V.

Non-Executive Director of Falck Renewables

Non-public companies:

Non-Executive Director of TecHouse AS

Non-Executive Chair of Ferrovie dello Stato Italiane SpA

Keith Lough
Non-Executive Director (63)

Committee membership

A N SC

Term of office

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

Independent

Yes

Skills and experience

- MA Economics, University of Edinburgh
- MSc in Finance, London Business School

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

Key external appointments

Public companies:

Non-Executive Chairman of Southern Water

Non-Executive Chairman of Rockhopper Exploration PLC

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

Non-public companies:

None

Peter Kallos
Non-Executive Director (62)

Committee membership

R N EV SC

Term of office

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

Independent

Yes

Skills and experience

- BSc (Hons) Applied Physics, Strathclyde University
- MEng Petroleum Engineering, Heriot-Watt University

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

Key external appointments

Public companies:

Executive Chairman of Buried Hill Energy

Non-public companies:

None

Alison Wood
Non-Executive Director (58)

Committee membership

R A SC

Term of office

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

Independent

Yes

Skills and experience

- BA in Engineering, Economics and Management, Oxford University
- MBA, Harvard Business School

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

Key external appointments

Public companies:

Non-Executive Director of TT Electronics plc

Non-Executive Director of Oxford Instruments plc

Non-public companies:

Non-Executive Director of The British Standards Institution

Catherine Krajicek
Non-Executive Director (60)

Committee membership

A SC

Term of office

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

Independent

Yes

Skills and experience

- BSc and MSc in Petroleum Engineering, Colorado School of Mines

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

Key external appointments

Public companies:

None

Non-public companies:

None

Erik B. Daugbjerg
Non-Executive Director (52)

Committee membership

R SC

Term of office

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

Independent

Yes

Skills and experience

- BA in Business Administration, Southern Methodist University, Dallas

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

Key external appointments

Public companies:

Director of Kimbell Royalty Partners

Non-public companies:

Co-Founder of Pecos Operating Company, LLC

Responsible Governance

Delivering on our strategy, achieving our objectives and creating long-term value for our shareholders require robust, transparent corporate governance. We protect our business against existing and emerging risks through comprehensive policies and management systems, underpinned by our core values, Business Principles, Standard Operating Procedures and Corporate Responsibility Management System (CRMS).

BUSINESS PRINCIPLES

- We manage risk and seek to continually improve.
- We behave honestly, fairly, with integrity and in a sustainable manner.

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

5 Climate Change Policy and Planning (including Global Energy Transition)

10 Funding

11 Government ABC Practices

15 Management of Material Issues

18 Reserves Valuations and Capital Expenditure

See our Materiality Matrix on page 25

2021 PERFORMANCE AGAINST SUSTAINABILITY OBJECTIVES

- Strengthened our Climate and Energy Transition roadmap, committing to net zero by 2040 or earlier.
- Improved communication about climate change for the investment community and wider stakeholders.
- Revised our processes for ESG risk management and target setting with internal and external stakeholders.
- Recorded, tracked and reported our Scope 1 and 2 equity emissions, and demonstrated 'activity normalised' reductions in operated projects.
- Adopted carbon pricing as part of our revised portfolio resilience modelling against a variety of scenarios.
- Approved the migration of our current management systems to a single Operating Management System.
- Used a range of International Energy Agency (IEA) scenarios to analyse the robustness of our Group reserves under the ongoing energy transition.
- Reviewed and revised our Code of Ethics to reflect our Company strategy.
- Refreshed our Company risk profile and risk acceptance statement.
- Completed an internal audit to examine and improve sustainability reporting.
- Assessed bribery and corruption risk within our existing assets and performed due diligence on several other opportunities.
- Reviewed our CRMS against the revised Group strategy, and performed a CRMS audit in selected projects.

See our Sustainability Report for more information about our SDG performance

Working Responsibly

At Capricorn, working responsibly means striving to deliver value for all our stakeholders in a safe, secure, and environmentally and socially responsible manner. Our sustainability strategy spans efforts to:

– protect the environment and transition to more sustainable energy sources;
– support society by creating value for our stakeholders; and
– use social governance structures to ensure we conduct our business ethically and with integrity.

We have the right values, principles and policies in place to deliver this, and we make sure our people understand and uphold them. Our comprehensive systems and standards reinforce our culture, while externally, we support agreements and frameworks that promote responsible working practices and the resilience of our business.

Code of Ethics

Our Code of Ethics describes how we do business and outlines our core values, High Performing Behaviours and Business Principles. It sets out our position on environmental and social themes, and provides guidance on issues including conflicts of interest, bribery and corruption, political contributions, tax principles and anti-competitive behaviour. Our Code of Ethics applies to everyone who carries out work for or on behalf of, or provides services to, Capricorn.

We most recently reviewed the Code in November 2021 to ensure it meets future business needs. Amendments included updated Business Principles wording, explicit references to energy transition, more transparent linkages with the United Nations Sustainability and Development Goals (UNSDGs), improved social investment criteria and an extended commitment not to operate in International Union for Conservation of Nature (IUCN) Ia and Ib category locations to protect biodiversity.

Employees are encouraged to report any non-compliance with the Code, or other concerns surrounding ethical issues, by speaking directly to their line manager, using a confidential phone line or contacting the whistleblowing charity Protect. Where appropriate, independent investigations are conducted.

Anti-Bribery and Corruption (ABC) Practices

Maintaining transparent relationships, free from bribery, fraud and corruption, with governments, authorities, contractors and suppliers is a high priority for us. Our zero-tolerance position helps us to maintain our strong culture of ethics and compliance, and protects the Group's reputation.

All entries into new jurisdictions require an ABC risk assessment to highlight exposure to potential risks and ensure the necessary level of due diligence. New venture and business development activity spans a range of locations with varying risk profiles, so it is critical to identify the level of risk in locations where corruption could impact our operations and our reputation.

Through the Capricorn Academy, we provide annual staff training on bribery and corruption. Bespoke sessions to staff in higher risk roles were delivered during the year, including a workshop in Mexico in October 2021. The Management Team and the Board continue to receive ABC training.

Transparency and Reporting

As a listed public company, we report annually in line with UK regulations. In 2021, we responded to all queries associated with our Annual Report and Accounts, and to information requests from stakeholders including investor analysts and shareholder representatives. At the Company's AGM in May 2021, the Directors' Remuneration Report, while approved, received fewer than 80% of votes in favour. We undertook a stakeholder engagement exercise following the vote. See the Directors' Remuneration Report on pages 106 to 139 for more information.

CASE STUDY

TRANSITIONING TO EGYPT

The transitioning of our Egypt assets into the Capricorn business was a complex and large-scale process.

It involved a number of important elements such as joint venture (JV) partner governance, data transfer, IT system change-out projects, commercial agreement reviews, production and exploration asset management preparation, human resource planning and governmental consents.

As Capricorn did not have a presence in Egypt, a New Country Entry (NCE) Project was also commissioned as part of the overarching transition programme. We registered our local entity with the authorities, hiring an in-country team and establishing an office.

We worked closely with our partner Cheiron (the operator of the production assets) to ensure that the success factors were in place on the change-of-control day and the consortium started strongly.

Capricorn successfully took over the operatorship of a number of the exploration concessions and quickly picked up the planning for operations in early 2022. We ensured we had the right people in Cairo to manage our business, providing a strong foundation from which to support our participation in all of the assets included in the transaction.

Although many integration workstreams will run well into 2022, the operational aspects of the production and exploration assets have been handed over to the respective teams, and the Cairo-based team are effectively managing our Egypt business under the leadership of our in-country Managing Director.

Our Sustainability Report and accompanying Data Appendix (both of which are published on our website: www.capricornenergy.com/working-responsibly) provide investors, analysts and other interested parties with comprehensive information about our performance. We apply global standards to ensure our reporting is of the highest quality and aligns with our shareholders' preferences, as well as a number of established frameworks and standards. Relevant information and regular announcements are also provided via the investors section of our website (www.capricornenergy.com/investors) and through investor meetings, all of which were held remotely during 2021.

Climate change and energy transition are considered principal risks to our business. We continue to consider the specific challenges, risks and opportunities they represent to improve our understanding and response. We have revised and improved our Climate and Energy Transition roadmap and set a clear target for achieving our net zero commitment by 2040. This year, we have reported on an operated basis in general and, for the first time, on an equity basis for greenhouse gases (GHGs).

Payments to Governments

We are committed to financial transparency and compliance in the jurisdictions where we work, many of which are complex and uncertain from a legislative perspective. As in previous years, our 2021 disclosures included the payments to governments detailed in our Extractive Industries Transparency Initiative (EITI) reporting. We also report additional payments, including VAT, payroll taxes and social security costs.

Public Policy and Lobbying

While we do not engage in party politics or make donations to political parties, candidates or lobbyists, each of our assets are responsible for engaging with host governments as part of their local Stakeholder Engagement Plan. Our wider involvement in public policy development is conducted through industry bodies such as the International Association of Oil & Gas Producers (IOGP) and regional groups including Offshore Energies UK, BRINDEX and the Association of Mexican Hydrocarbon Businesses (AMEXHI)[1].

Economics and Funding

Expanding and diversifying our production base is a strategic imperative. It helps us to add value, fund our exploration and development activity, and generate returns for shareholders. In a challenging business environment impacted by falling oil prices and COVID-19, we actively manage our portfolio of assets and work with our JV partners to allocate capital and financial resources efficiently.

Creating and Distributing Value

In 2021, we began moving our portfolio towards production and made strategic, timely and financially prudent sales of several of our assets. Taken together, these steps have enabled us to continue creating value for our global shareholders. This included the divestment of assets in Senegal, as well as Catcher and Kraken in the UK North Sea.

The sale of assets allows us to distribute value to our shareholders and makes funds available for strategic investments. Funds from the sale of our Senegal operations were reinvested into production assets in Egypt. These are onshore operations with lower production costs, production and development growth opportunities, attractive exploration potential and longer-life reserves. The Egypt assets also offer the potential to reduce our GHG emissions.

In December 2020, the international arbitration tribunal considering Capricorn's claim against the Government of India over a tax dispute found in our favour. In August 2021, the Indian Government introduced the Taxation Laws (Amendment) Bill 2021, which proposed amendments to the retrospective taxation measures introduced by the Finance Act 2012. This resolution returned ~US$1.06 billion to Capricorn, of which up to US$700 million will be returned to shareholders. The remainder will be used to further expand our portfolio of low-cost, sustainable production assets.

1 Asociación Mexicana de Empresas de Hidrocarburos.

Corporate Governance Statement

Nicoletta Giadrossi
Chair

"Good governance, combined with our responsible culture, helps to ensure that the Company continually works in line with its purpose to the benefit of its many stakeholders."

Dear Shareholder

The Capricorn Board believes that strong corporate governance practices are fundamental to the successful delivery of our strategic purpose as a responsible and sustainable upstream energy company. Good governance, combined with our responsible culture, helps to ensure that the Company continually works in line with its purpose to the benefit of its many stakeholders and each of our Directors is committed to their role in promoting these at Capricorn. Working responsibly is at the core of what we do, and we strive to deliver value for stakeholders in a safe, secure, and environmentally and socially responsible manner.

As we move through the energy transition, the importance of our culture becomes ever stronger. The Board works with integrity at all times, in an open and honest environment, setting the tone for the culture throughout the organisation. Key to our success is our people and we are proud of the behaviours that they demonstrate in undertaking their work (see pages 60-63).

During 2021, we continued to consider ESG-related matters as a priority and, with effect from March 2022, have set up a Board Sustainability Committee to support that work. More information on this committee can be found on page 91. The Board focuses on ensuring that the Company has the necessary resources in place to meet its strategic objectives and this year Capricorn developed its energy transition team to assist with this. Information on our strategy and key performance indicators can be found on pages 12 and 37. The Board continues to review and develop its framework of prudent and effective controls, enabling opportunities and risks to the implementation of the strategy to be determined and addressed. These processes are further described in the risk management section (which includes the Company's viability statement on pages 46 to 55) and the internal control statement on pages 93 to 95.

The Board understands that it should ensure effective engagement and participation with stakeholders. Our approach to stakeholder engagement during the year is set out on pages 26 to 29, which also includes a statement from our Directors in accordance with section 172 of the Companies Act 2006. Some of the key issues that were engaged on during the year are noted there.

Succession planning continues to be a strong area of focus for the Board, and throughout the year, both the Board and Nomination Committee considered the required skills and competencies at our Board, executive and senior management levels. Further information on our succession planning work can be found in the Nomination Committee Report on page 103.

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

The information in this statement (together with the Strategic Report, Audit Committee Report, Nomination Committee Report, Directors' Remuneration Report, and Directors' Report) describes the manner in which the Company has applied the main principles of governance set out in the Code and complied with the individual Code provisions. It is the Board's view that the Company has complied with the 2018 version of the Code throughout 2021.

The Board recognises that reporting in some areas will continue to evolve in future years and will continue to monitor, review and develop its governance arrangements to ensure these are effective.

During 2021, given the challenges that were being felt as a result of the ongoing global COVID-19 pandemic, a key focus of the Company remained on employee engagement. The Company's formal workforce advisory panel, established in early 2019 in line with the Code, which we refer to as the Employee Voice Forum (EVF), continued with a new Chair, Peter Kallos, following my moving to Chair of the Company. The EVF, comprising seven employees who provide a broad representative mix of regions and functions across the business, provided a good opportunity for employees to discuss, with a Non-Executive Director, issues of importance to staff during the year. These matters were then discussed at Board level, enhancing the Board's understanding of the Company's culture.

The COVID-19 pandemic once again placed emphasis on the importance of the EVF (alongside our other employee engagement mechanisms) during 2021 given that most of our employees continued to work from home for the majority of the year, having done so since March 2020. The EVF met twice during the year with the first of these meetings taking place in May 2021, and a further meeting in December 2021. The employee members also hold a pre-meeting (without the Chair present) in advance of scheduled EVF meetings in order to identify agenda items and topics for discussion. Due to the Government guidance and restrictions in place for much of 2021, these meetings were mainly held remotely by video conferencing and all forum members, or their designated alternates, were present. Employee members are also provided with summarised outputs from the Company's employee engagement surveys to assist in stimulating discussion and to help identify any other matters for prioritisation and discussion at EVF meetings. In 2021, the EVF proved to be a helpful forum for the Board to understand employee views in relation to the trial hybrid working practice put in place in the second half of the year following the long period of staff working from home. Following each meeting, the Chair reports to the Board on the matters discussed by the EVF, thereby allowing for broader Board discussion of any topics or issues identified by the workforce and appropriate consideration of these in the context of the Board's decision making.

The Board

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

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

Board Changes

Following Erik B. Daugbjerg's appointment with effect from 14 May 2020 and my taking the role of Non-Executive Chair of the Company from 1 January 2021, the Board continues to consider the composition of its members and what skills or other attributes may require to be added to enhance the effectiveness of the Board.

As further detailed in the Nomination Committee Report, set out on pages 102 to 104, during its review of Board composition in 2021, the Nomination Committee, alongside the Board, determined that the Board would benefit from deepening the diversity of its membership. On 22 February 2022, the Company announced the appointment of Luis Araujo as a Non-Executive Director with effect from 11 May 2022. With many years' experience working in Brazil and other countries, Luis will bring excellent emerging market insights to the Board in addition to his other areas of expertise, including in relation to energy transition issues.

The Chair succession and handover process that took place at the end of 2020 enabled an effective and seamless transition of the leadership of the Board. Further information on Board succession planning is included in the Nomination Committee Report on page 103.

In line with Code recommendations, from 1 January 2021, I stepped down as Chair of the Remuneration Committee and retired as a member of the Audit Committee. Alison Wood was appointed Chair of the Remuneration Committee and has extensive experience in this area, having served on the Remuneration Committees of a number of other listed companies. In addition, Erik B. Daugbjerg was appointed a member of the Remuneration Committee and Catherine Krajicek was appointed a member of the Audit Committee. Further details composition of the various Board committees are detailed on pages 90-92.

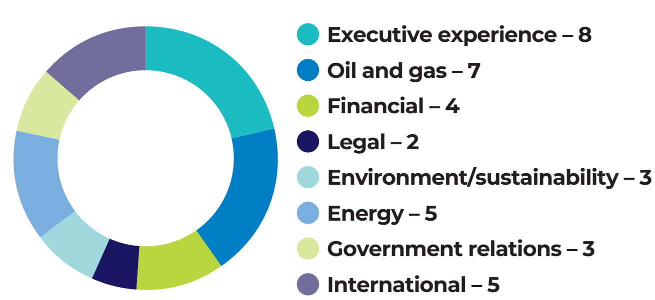
The Board currently comprises two Executive Directors and six Non-Executive Directors, including the Chair. The Directors of the Company as at the date of this statement are set out in the table below and further biographical information about our Directors is also included in the Board of Directors section on page 79.

Name	Role	Date of appointment (in current role)	Date of last re-election
Simon Thomson	Chief Executive	July 2011	11 May 2021
James Smith	Chief Financial Officer	May 2014	11 May 2021
Nicoletta Giadrossi	Non-Executive Chair	January 2021	11 May 2021
Keith Lough	Non-Executive Director	May 2015	11 May 2021
Peter Kallos	Non-Executive Director	September 2015	11 May 2021
Alison Wood	Non-Executive Director	July 2019	11 May 2021
Catherine Krajicek	Non-Executive Director	July 2019	11 May 2021
Erik B. Daugbjerg	Non-Executive Director	May 2020	11 May 2021

Diversity is a key element of the Capricorn Board, with emphasis placed not only on gender but also on culture, nationality, experience and cognitive diversity. Following the appointment of Alison Wood and Catherine Krajicek as Non-Executive Directors, the number of women on the Board increased from one to three with effect from 1 July 2019 and the position of Chair is also now occupied by a woman. The Board continues to demonstrate diversity in a wider sense, with Directors from Europe and the USA as well as the UK, bringing a range of domestic and international experience to the Board. This diversity will be deepened from May 2022 upon the appointment of Luis Araujo, who has South American heritage and citizenship in Brazil, Portugal and the U.K.

The Board's diverse range of experience and expertise covers not only a wealth of knowledge and practice of operating in the oil and gas industry but also extensive technical, operational, financial, governance, legal and commercial expertise. Further information on diversity within Capricorn is included in the Nomination Committee Report on pages 102 to 104 and in the Strategic Report section of this Annual Report.

Board Competencies



Division of Responsibilities Between Chair and Chief Executive

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

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

Senior Independent Director

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

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

Performance Evaluation

The Board continually strives to improve its effectiveness and recognises that the performance evaluation process represents an annual opportunity to enhance overall Board effectiveness. In line with the Code recommendation to conduct an externally facilitated Board evaluation at least every three years, the Board appointed Gould Consulting to facilitate its performance evaluation for 2021 (previous externally facilitated evaluations took place in 2018, 2015 and 2012, with evaluations conducted internally in the intervening years).

The main action points arising from the 2020 internal performance evaluation and progress made against these are set out in the table below.

Key action points/Implementation (disclosed in last year's Corporate Governance Statement)	Implementation
ESG reporting to the Board – The Board considered how best to optimise discussion on ESG matters and it was agreed that the Board should receive updates on a more formal basis in respect of such matters.	Throughout 2021, ESG has been a standing agenda item at each Board meeting and our Energy Transition Director has attended Board meetings since her appointment during the year to provide updates on ESG-related matters. With effect from 3 March 2022, a new Board committee, known as the Sustainability Committee, has been formed (more information can be found on pages 91 and 92).
Board meetings – the management presentation – The Board considered that the format, content and structure of the management presentation had been developed during the year and timely distribution ahead of meetings allowed the Board members sufficient time to understand the detail of the ongoing operations of the organisation. The Board considered that there was an opportunity to streamline the presentation itself to allow greater time for discussion around key areas.	Streamlining of the management presentation took place during 2021 and further work will continue in this area in 2022.
Communications between Board meetings – In addition to event driven updates provided by the Executive Directors between scheduled Board meetings, the Board considered how to further optimise communications amongst its members and there was to be a focus on regular updates from Executive Directors.	The CEO and CFO regularly updated the non-executive members of the Board between scheduled Board meetings, either by call or email update.
Risk discussion – The Board will continue to discuss risk at each meeting and will increase the time given to the risk discussion in a structured, extensive and formalised manner.	Risk is included in every management presentation to the Board for discussion and is reported on and discussed at each Board meeting, and a deep-dive risk review is undertaken annually.

As noted, in 2021, in line with the Code, an external Board performance evaluation was carried out, facilitated by Gould Consulting. This was the first performance evaluation undertaken by Gould Consulting, who had no other connection to the Board or to the Company. To facilitate their evaluation, Gould Consulting reviewed multiple sets of Board and committee Papers, including management presentations, had each Board member complete a pre-interview questionnaire, conducted one-to-one interviews with each Board member and the Company Secretary and facilitated a group discussion amongst several members of senior management including the Chief Operating Officer, the Exploration Director and other senior managers who have regular contact with the Board. Gould Consulting also attended the December 2021 Board and committee meetings as observers. During the year, the Senior Independent Non-Executive Director met with the Non-Executive Directors (excluding Nicoletta

Giadrossi), to discuss and appraise the performance of the Chair. The outcome and findings from the 2021 externally facilitated performance evaluation were discussed at the January 2022 Board call and subsequent March 2022 Board meeting. The main action points arising from the 2021 performance evaluation include the following:

Key action points	Implementation
Increase Chair-led engagement with Non-Executive Directors individually between meetings	The Chair will conduct informal dialogue with each Non-Executive Director between meetings to aid discussion at meetings and to discuss key agenda items in advance. In addition, the Senior Independent Director and Chair will increase the frequency of their out-of-round discussions.
Ensure smooth transition between the first and second days of Board meetings	The Non-Executive Directors will have time, without executives or management present, at the end of day one and at the start of day two to discuss matters raised and those to be discussed further.
Restructure of management presentations	Whilst continuing the advanced distribution of the management presentation to Board members, the management presentation itself will be further focused on the key issues for consideration by the Board.
Refresh the Board strategy day	Discussions to be held in advance of the strategy-focused Board meeting to determine the key issues to be discussed with input from an appropriate and diverse range of speakers.
Board Committee Papers for wider distribution	In addition to the previous process of providing reports to the Board from each committee chair and the distribution of committee minutes to all Board members, all Board Committee Papers are now sent to all members of the Board.

As explained above, some improvements have been identified and have already been implemented or will be addressed during 2022.

Following the Board performance evaluation process conducted in 2021, the Board and Board committees are satisfied that they are operating effectively and that each Director has performed well in respect of that Director's role on the Board and its committees. The Board believes that all of the Directors' performance continues to be effective and that they each demonstrate commitment to their role. The Nomination Committee has also reviewed the outcomes of the 2021 evaluation to consider how these influence or otherwise impact on Board composition.

The Executive Directors have their performance reviewed by the Remuneration Committee against the Group KPIs which are set annually (further details of the KPIs can be found on pages 34 to 37). The 2021 bonuses payable to the Executive Directors under the Company's discretionary cash bonus scheme (described further in the Directors' Remuneration Report on pages 106 to 139) are linked directly to the Group's performance against these KPIs. As the KPIs set out our strategic objectives, this ensures that executive performance is directly linked to Group strategy.

Independence of Non-Executive Directors

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

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

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

Time Commitment of Non-Executive Directors

The Board recognises its responsibility under the Code to take into account other demands on each Director's time, with a view to ensuring that its Directors (particularly those Non-Executive Directors who sit on other public company boards) have sufficient time to devote to their role on the Capricorn Board. Prior to appointment, each individual's other significant commitments are disclosed and there is also a policy in place to ensure that additional external appointments are not undertaken without prior consultation. The other directorships held by each Non-Executive Director (where applicable) are disclosed in the Board of Directors section on pages 78 and 79.

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

Re-election of Directors

In accordance with the Code, all of the Company's Directors are subject to annual re-election by shareholders. As such, each of the current Directors will seek re-election at the AGM to be held on 11 May 2022.

Induction and Development

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

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

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

The Company ensures that new Directors also receive additional induction support and training when assuming any additional responsibilities such as membership of Board committees. Where appropriate, the Company arranges for new Non-Executive Directors to receive additional briefings on key matters regularly discussed by the Board.

The Company provides, on an ongoing basis, the necessary resources for developing and updating its existing Directors' knowledge and capabilities. In particular, the Company is committed to the provision of continuing professional development training for its Directors. In 2021, the Company continued with its practice of providing a Directors' education programme consisting of a number of seminars for Board members, which are presented by the Company's external advisers/guest speakers/members of senior management, on subjects appropriate to the Company's business, including changes to legislation, regulation and market practice.

During 2021, the subjects covered by these seminars included:

Q1	A presentation from Goldman Sachs on the market environment
Q2	A pre-strategy session (on the same day as the Board's annual strategy session) including a presentation delivered by Wood Mackenzie on 'Upstream and Exploration outlook'
Q3	The Company Secretary led a presentation and discussion on updates in the governance environment
Q4	A presentation from the Company's Energy Transition Director: COP26 – what it means for the oil and gas industry and the impact on Capricorn's energy transition strategy

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

Information and Support

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

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

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

Conflicts of Interest

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

Whistleblowing

The Group has a robust Whistleblowing Policy in place through which the workforce can raise any matters of concern – further information on the Group's Whistleblowing Policy is included in the Audit Committee Report on page 97.

Matters Reserved to the Board and Delegation of Authority

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

By way of example, some of the matters which the Board considered and/or approved during 2021 and Q1 2022 were:

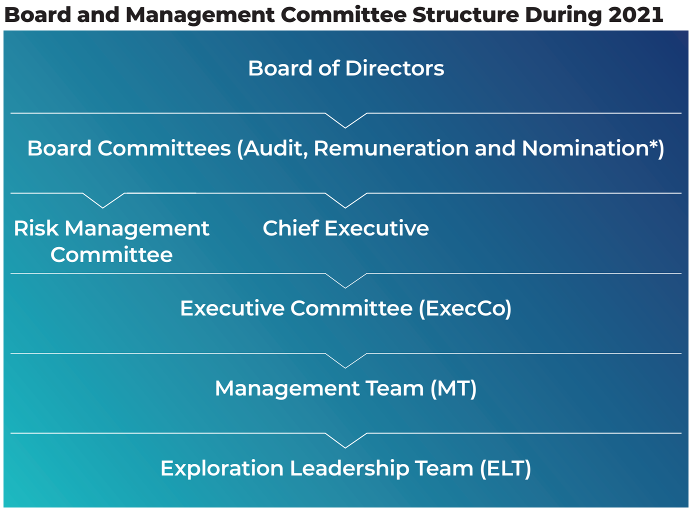
Corporate	Board/Directors
The Company's 2020 and 2021 Annual Report and Accounts and 2021 Half Yearly Report	Appointment of new Non-Executive Director
The Company's 2021 AGM circular	Creation of the Sustainability Committee
The Company's Risk Appetite Statement	Expansion of the Nomination Committee to include wider governance considerations
Review of the Company's Corporate Responsibility Management System	Detailed review of talent management and of succession contingency planning

Financial/Operational	Legal/Regulatory
The sale of the Company's interest in the Catcher and Kraken fields in the UK	Oversight of the resolution of the Indian tax issue and proposed subsequent return of up to US$700m to shareholders
The acquisition of production and exploration assets in Egypt	Approval of the Company's Modern Slavery Statement and its publication on the Company's website
The appropriateness of the Group going concern sign-off for the 2020 and 2021 full year accounts and 2021 half year Financial Statements	Approval of the Group Tax Strategy and its publication on the Company's website
The Company's viability statement	
The Company's annual work programme and budget	
Group Reserves and Resources	

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

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

Board and Management Committee Structure During 2021



* Further information on our Board committees is contained later in this statement on pages 91 and 92 and in the separate Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report.

The senior management structure beneath Board level comprises an Executive Committee (ExecCo) and Management Team (MT), each of which continues to play a key role in supporting the Board.

During the year, the ExecCo comprised the Executive Directors (the Chief Executive and the Chief Financial Officer), the Chief Operating Officer and the Director of Exploration. The ExecCo is chaired by the Chief Executive and meets approximately six times per year with those meetings scheduled in advance of Board meetings.

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

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

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

A number of members of the MT are also members of the RMC, which identifies and reviews key business risks – further information on the role of the RMC is contained in the Internal Control section of this statement on pages 93 to 95

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

Board Meetings

During 2021, a total of seven scheduled meetings of the Board were held. Due to the COVID-19 pandemic and related UK and Scottish government guidance and restrictions in place during early and then late 2021, one Board meeting was held virtually in early 2021 and the rest were held in person, unless travel restrictions required Directors from abroad to join virtually. Five of these meetings were conducted over two consecutive days following the usual format for Board meetings described below, with another two shorter meetings held to update the Board and/or to approve specific matters during 2021.

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

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

Details of attendance at each of the Board meetings during 2021, and at meetings of each of the Board committees, are set out below. As disclosed above, the COVID-19 pandemic and related restrictions have meant that not all meetings were able to be held in person. The Company has however very successfully used its technological communication platforms to ensure that Directors could continue to attend all scheduled Board and committee meetings and were also able to do so 'on camera'.

The annual timetable for Board and committee meetings is discussed at least 18 months prior to its commencement, allowing the Directors to plan their time accordingly. The Board and committees have agreed dates for all scheduled meetings in 2022 and 2023. This process ensures that the Chair can be comfortable that each Director is able to devote sufficient time and resources to their role on the Board and, where relevant, its committees.

Following the 2021 Board Performance Evaluation, in advance of the Board meetings, the Chair now has informal meetings with each Non-Executive Director to consider key issues for discussion at the meeting. The formal agenda for each scheduled Board meeting is set by the Chair in consultation with the Chief Executive and the Company Secretary. The system for establishing agenda items means that the Chair, the Board and each of the Board committees have the confidence that all required items are included on their agenda at the most appropriate time of the year and that there is sufficient time allocated for discussion, allowing the Directors to discharge their duties effectively.

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

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

Directors' Attendance at 2021 Board and Committee Meetings

The table below sets out the attendance record of each Director at scheduled Board and Board committee meetings during 2021.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Meetings held during 2021(1)	7	4	3	3
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Executive Directors				
Simon Thomson (Chief Executive)	7	N/A2	N/A2	3
James Smith (Chief Financial Officer)	7	N/A3	N/A	N/A
Non-Executive Directors				
Nicoletta Giadrossi (Chair)	7	N/A	3	3
Peter Kallos (Senior Independent Director)	7	N/A	3	3
Keith Lough	7	4	N/A	3
Alison Wood	7	4	3	N/A
Catherine Krajicek	7	4	N/A	N/A
Erik B. Daugbjerg	7	N/A	3	N/A

Notes:

N/A not applicable (where a Director is not a member of the committee).

1 During 2021, certain Directors who were not committee members attended meetings of the Audit Committee, Remuneration Committee and Nomination Committee by invitation. These details have not been included in the table.

2 Simon Thomson is not a member of the Remuneration Committee but attends its meetings by invitation (other than parts of meetings where he would be conflicted). Mr Thomson also attends Audit Committee meetings by invitation.

3 James Smith is not a member of the Audit Committee but attends its meetings by invitation.

Board Committees

Board Committee Structure During 2021

Each of the Board committees is provided with all necessary resources to enable its members to undertake their duties in an effective manner and has formal terms of reference approved by the Board. Copies of the terms of reference are available on the Company's website. The Company Secretary acts as secretary to the Board committees. The minutes of all committee meetings are circulated to all Directors.

In line with best practice, more detailed reports from the Audit and Nomination Committees are presented as separate reports (on pages 96 to 104) rather than including these in the Corporate Governance Statement. In addition, full details of the Company's remuneration policy are given in the separate Directors' Remuneration Report on pages 106 to 139. Summary details of the composition of each committee and meetings held during 2021 are set out below.

Audit Committee

The members of the Audit Committee during the year were as follows:
- Keith Lough (Chair);
- Catherine Krajicek; and
- Alison Wood.

The Audit Committee met four times during 2021 and currently comprises three independent Non-Executive Directors. In line with Code requirements and following her appointment as Chair of the Company, Nicoletta Giadrossi retired as a member of the committee with effect from 31 December 2020 and Catherine Krajicek was appointed a member of the committee with effect from 1 January 2021. The Chair of the Board is not a member of the committee but attends its meetings by invitation. Further information on the role, responsibilities and work of the Audit Committee is included in the Audit Committee Report on pages 96 to 101.

Remuneration Committee

The members of the Remuneration Committee during the year were as follows:
- Alison Wood (Chair);
- Nicoletta Giadrossi;
- Peter Kallos; and
- Erik B. Daugbjerg.

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

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

Further information on the role, responsibilities and work of the Remuneration Committee is included in the Directors' Remuneration Report on pages 106 to 139.

Nomination Committee

The members of the Nomination Committee during the year were as follows:
- Nicoletta Giadrossi (Chair);
- Simon Thomson;
- Keith Lough; and
- Peter Kallos.

The Nomination Committee met three times in 2021. Following her appointment as Chair of the Company, Nicoletta Giadrossi was appointed Chair of the committee with effect from 1 January 2021. As such, the current members of the committee include the new Chair and two of the Company's independent Non-Executive Directors. In addition, to ensure continuing executive input on nomination matters, the Chief Executive is also a member of the committee. With effect from 3 March 2022, Cathy Krajicek joined the membership of the Nomination Committee in addition to those members who sat in 2021.

From 3 March this year, the Nomination Committee has expanded its remit to include corporate governance in a broader sense. Whilst corporate governance is a key consideration at all times for the Board, including corporate governance within the committee's responsibilities demonstrates the commitment of Capricorn to good governance.

Following the decision to expand its remit, from March 2022, the Nomination and Governance Committee's role also includes:
- monitoring the operation of the UK Corporate Governance Code and its implementation and compliance by the Company;
- reviewing developments in corporate governance and advising the Board with respect to developments in the law and practice of corporate governance; and
- reviewing and approving changes to the Board's corporate governance practices and policies.

Further information on the role, responsibilities and work of the Nomination Committee is included in the separate Nomination Committee Report on pages 102 to 104.

Changes to Board Committee Structure

In addition to the expansion of the Nomination Committee's remit to include broader corporate governance matters, with effect from 3 March 2022, a new committee, the Sustainability Committee, has been established. Matters of the environment, safely, social responsibility and sustainability are considered within every Board decision and, therefore, are a key element of each Board meeting but establishing a committee dedicated to these matters will further embed the importance within the Board and wider organisation. The energy transition and Capricorn's role in it is of particular importance to the Board and the formation of this new committee, the membership of which comprises the full Board, will allow it further dedicated time. The terms of reference of this committee include:
- advising and supporting the board in the drafting of the Sustainability and Net Zero roadmap and assessing its progress and reviewing disclosures being made regarding the roadmap;
- reviewing the policies, practices and performance relating to sustainability and the disclosures and annual reporting on sustainability;
- reviewing the policies, practices and performance relating to safety, including in particular regarding the safe and responsible performance of the Group's operations;
- reviewing the policies, practices and performance relating to social responsibility; and
- reviewing the policies, practices and performance relating to environmental matters including, in particular, protection of the environment and disclosure of Greenhouse Gas emissions.

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

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

A list of the Company's major shareholders can be found in the Directors' Report on page 142. The Company recognises that the success of the comply-or-explain approach under the Code depends on an ongoing and open dialogue with shareholders, and remains committed to engaging with shareholders, as well as governance and proxy voting agencies, on any matter which they wish to discuss in relation to the Company's governance.

The Company has a rolling programme of investor roadshows to ensure that senior management are regularly engaging with current and potential investors. During the last 18 months, certain Directors have also engaged directly (either through meetings or by telephone/written correspondence) with specific investors, investor groups, and proxy advisory agencies on a range of matters including progress against strategic objectives, diversity and remuneration. During 2021, investor meetings were held either through virtual communications platforms or in person when safe to do so due the restrictions in place in response to the COVID-19 pandemic.

AGM details (2021 and 2022)	Overview
2021 AGM: held as a closed meeting due to COVID-19 on Tuesday 11 May 2021 at the Company's Head Office	– At least 74% of all issued shares voted by shareholders in each resolution – Highest votes in favour >98% for 11 resolutions – The Remuneration Report resolution was passed with 65.13% in favour. Details of the engagement process carried out with shareholders following that result are detailed on this page 92 and the following page 93
2022 AGM: to be held on Wednesday, 11 May 2022 at The Gallery, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh (full details in Notice of AGM)	– Full Director attendance expected – 13 ordinary resolutions and four special resolutions being proposed to shareholders

The Board uses the AGM to communicate with private and institutional investors and has always welcomed their participation in annual general meetings. However, as a result of the COVID-19 pandemic and the measures that the UK and Scottish governments had put in place restricting public gatherings, for the safety of our shareholders, our employees, our advisers and the general public, attendance at the 2021 AGM in person was unfortunately not possible and as such, just the Executive Directors were present, in order to constitute the quorum of two shareholders required for the Meeting to be held, and to deal with the formal business of the Meeting.

The Notice of AGM sent to shareholders on 30 March 2021, which was also published on the Company's website, fully explained these arrangements to shareholders and recommended that shareholders submit their votes on each of the resolutions being proposed by proxy in advance of the meeting, or to authorise the Chair of the meeting to vote on their behalf. The Company also enabled shareholders to submit any questions in advance of the meeting. These arrangements were implemented in line with regulatory guidance published in relation to holding AGMs during the COVID-19 pandemic, as well as the approach adopted by other FTSE companies in order to safely conduct their AGMs.

Under normal circumstances, it is policy for all Directors to be present at the AGM, with the Chair of each of the Board committees also expected to attend and be prepared to answer shareholder questions on areas within their remit. Our employees based in Edinburgh are also normally invited to attend the AGM as the Directors recognise that this provides a valuable opportunity for workforce engagement with the Board. In 2021, given employees were not able to attend the AGM, the Company held a virtual staff meeting immediately after the AGM.

As part of our commitment to transparency we look to involve shareholders fully in the affairs of the Company and to give them the opportunity at the AGM to ask questions about the Company's performance and activities. Details of resolutions to be proposed at the AGM on 11 May 2022 and an explanation of each resolution can be found in the separate Notice of AGM Circular accompanying this Annual Report and Accounts.

The proxy votes for and against each resolution, as well as abstentions, will be counted before the AGM and the results will be made available following the meeting after the shareholders have voted in a poll on each resolution. Both the Form of Proxy and the poll card for the AGM include a 'vote withheld' option in respect of each resolution, to enable shareholders to abstain on any particular resolution. It is explained on the Form of Proxy that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'for' or 'against' a resolution.

At the AGM held on 11 May 2021, as noted above, Resolution 2 (Approval of the Remuneration Report) passed with 65.13% of votes in favour. Following this result, the Chair of the Remuneration Committee wrote to the Company's major shareholders offering a meeting to discuss the outcome of that vote and to provide the opportunity to raise any concerns relating to the Remuneration Report. Engagement took place with several shareholders and proxy advisory bodies and the feedback received was that they would welcome:
– a more comprehensive explanation of the alignment between Company performance and bonus outcomes;
– more detailed disclosure of the KPIs used in the annual bonus scheme for both the reporting year and the year ahead; and
– in the future, if the Remuneration Committee is considering exercising any discretion in relation to the Company's various incentive arrangements, earlier engagement, ideally at the time a decision is made.

The Remuneration Committee would like to thank those shareholders that participated in the post-AGM engagement process and for the feedback that was provided to the Remuneration Committee Chair. As detailed in the Directors' Remuneration Report on pages 106 to 139, each of the considerations has been addressed with significantly increased levels of disclosure set out. The Company will continue to engage with shareholders and their respective proxy advisory bodies as we look forward to the 2022 AGM.

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

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

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

The Framework has been in place for the 2021 financial year and up to the date of approval of the Annual Report and Accounts. The Board, supported by the Audit Committee, has carried out a review of the effectiveness of the systems of internal control during 2021 and will ensure that a similar review is performed in 2022. In so doing, the Board and Audit Committee took into account the assurance provided by the Chief Executive in respect of the effectiveness of the Group's system of internal control. The Board is accordingly satisfied that effective controls are in place and that risks have been mitigated to a tolerable level across the Group in 2021.

Particular attention has been placed by the Company's management on ensuring that an effective system of internal control has been maintained during the year in relation to the key risks in the Company's business activities. Enhancements have been made during 2021 to the following key controls, business processes and procedures:

- the Board completed a risk workshop which focused on the Group Risk Appetite Statement and its alignment with the delivery of the Group's strategic objectives. The objective of the workshop was to confirm that the Group continued to deliver the strategy in alignment with the tolerance levels set within the Group Risk Appetite Statement;
- the rollout of the new risk management and incident management software solution continued throughout 2021. The new solution is now fully embedded throughout the organisation and is being used to manage risks for all corporate, operational and project risks. The solution has facilitated improved reporting on all risks to the Group and has provided a more systematic process for the management of risks, controls and actions across the business;
- the Management Team conducted a quarterly review of the risks, mitigations and actions identified on the Group risk register to ensure ownership for the risks, mitigations and actions were clearly assigned and implementation dates for actions were tracked;
- the Group Code of Ethics was reviewed and updated. An Arabic and French version was developed for our operations in Egypt and Mauritania. Compliance certificates were also completed by key staff members and contractors confirming compliance with the Group's Code of Ethics;
- several activities were completed to enhance our bribery and corruption controls across the business including the completion of country specific risk assessments for Egypt and Mauritania which supplemented the overarching Group risk assessment already in place;
- a compliance dashboard was maintained to assess compliance with several key regulations impacting the Group including the UK Bribery Act, the General Data Protection Regulation (GDPR), the corporate criminal offence for the failure to prevent the facilitation of tax evasion (CCO), the Group's corporate major accident prevention policy (CMAPP) and modern slavery. The dashboard was presented at each Risk Management Committee meeting and annually to the Audit Committee as part of the year end control assessment. There were no material weaknesses identified;
- The Audit Committee confirms that its has complied with the provisions of the Competition and Markets Authority's Order for the 2021 financial year;
- the IT department continued safeguarding its end user estate through the roll out of critical system and security patches to ensure any outsider threats were made known and home workers were protected. Additional security controls were also implemented to protect against any malicious COVID-19 SPAM and phishing attempts;
- EY, the Group's internal auditor, delivered the annual internal audit plan which consisted of several risk areas identified from the risk register. Topics covered in 2021 included cyber security, the risk and assurance process, ESG and sustainability reporting and mergers and acquisitions process. The Group has been working through the year to implement the identified improvements; and
- to ensure awareness, understanding and compliance on important governance, regulatory and security topics, mandatory e-learning was also implemented across the Group, which included comprehensive modules on bribery and corruption, CMAPP, CRMS, human rights, modern slavery, cyber security, cyber fraud, and tax evasion.

The following describes the key elements of the Framework and the processes used by the Board during 2021 to review the effectiveness of the system and the approach to be taken in 2022.

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

2. Operating Management
The Company operates two regional units covering different countries and assets and with multiple partners on both an operated and a non-operated basis. The assets within each region are the principal focus for our regional managers, who are tasked with delivering the strategic objectives for their particular region,

with a combination of operational and technical teams as well as functional departments providing support to each of the assets. The implementation of the Capricorn Operating Standards supports this process, providing assurance, standards and consistency in the delivery of our strategic objectives.

The Executive Directors continue to be supported by the ExecCo as well as by the MT and ELT. Further information on these teams and their remit can be found on page 89. There are also a number of functional department heads whose roles include providing expert input and challenge to the Company's work programmes, budgets and business plan; and supplying the Directors with full and accurate information with which to make statements on the adequacy of internal control.

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

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

3. Risk Management

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

The Risk Management Committee (RMC) continues to be responsible for the development of risk management strategy and processes within the Company and for overseeing the implementation of the requirements of this strategy. It does this by ensuring that the framework for the identification, assessment, mitigation and reporting on all areas of risk is fit for purpose and that appropriate assurance arrangements are in place in relation to these risks to bring them within the Risk Appetite Statement approved by the Board.

To supplement the role of the RMC, the Group Risk Management Process defines the steps through which Capricorn seeks to systematically identify, analyse, assess, treat and monitor the business risks faced by the Group. The Group Risk Management Process also identifies the risk management organisational structure through which business risks are managed and regularly reviewed at operating, asset, country and Company levels. Asset-level, project-level, country-level and functional-level risk registers are used to capture, assess, monitor and review risks before the principal risks are consolidated into the Group risk register.

In 2021, risk management updates were presented at each Board meeting and as part of an annual process, the Board undertook a strategic risk workshop in December 2021 (see page 48).

The RMC, which meets on a quarterly basis, is currently chaired by the Chief Executive and comprises the Executive Directors and senior functional management. The internal auditor also attends RMC meetings, in order to ensure integration of the Group's internal audit plan with the risk management process. Regular MT risk sessions were also held during 2021 to manage and facilitate the assessment and treatment of business risks that may affect the Company's ability to deliver its strategy.

Enhancements to our approach to risk management during 2021 included the following:

- The MT formally conducted a review of the risks, mitigations and actions identified on the Group risk register each quarter to ensure ownership for the risks. Mitigations and actions were clearly assigned and implementation dates for actions were tracked; and
- The RMC reviewed a gross to net risk assessment of principal risks, in order to gain a deeper understanding of high impact risks and identify any areas where there is a reliance on controls and mitigating actions; and
- The rollout of the new risk management and incident management software solution continued throughout the year. The new solution is now fully embedded throughout the organisation and is being used to manage risks for all corporate, operational and project risks. The solution has facilitated improved reporting on all risks to the Group and has provided a more systematic process for the management of risks, controls and actions across the business.

The RMC reports on the Company's risk profile to both the Audit Committee and the Board. Additionally, the Audit Committee and the Board receive internal reviews of the effectiveness of internal controls relative to the key risks. The conclusion of the Board following these reviews during 2021 is that the internal controls in respect of key risks are effective.

4. Assurance

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

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

During 2021, the Directors reviewed the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and high-level internal control arrangements through the completion of internal control self-assessment questionnaires. These questionnaires, which are tailored to each region or function, are designed to provide an internal assessment of the effectiveness of key controls for the Group's principal risks.

Additionally, assurance maps for principal risks are developed, which outline the key sources of assurance across the 'three lines of defence'. The 'three lines of defence model' is a method of assessing different sources of assurance the Group can rely on when analysing key risks and controls. Assurance is gained through the application of the business management system which directs the day-to-day running of the business (first line), the oversight functions within Capricorn which provide challenge to the risk and control environment (second line) and any third-party reviews the Group instructs to assess the status of a risk/control (third line). The assurance maps help identify potential areas of control weakness and/or ineffective use of assurance resources across the Group, which influenced the topics included in the 2021 Group internal audit plan.

The Directors derived assurance from the following internal and external controls during 2021:

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

Nicoletta Giadrossi
Chair

8 March 2022

Keith Lough
Chair of the Audit Committee

Members and Meetings in 2021

	Member since	Meetings attended
Keith Lough (Chair)	05/14	4
Catherine Krajicek	07/19	4
Alison Wood	07/19	4

While the Group's portfolio of assets has been refocused, the Audit Committee remain steadfast in ensuring that the Group's risk management process is robust and complete and that transactions completed during the year are recorded correctly and presented appropriately in the Group Financial Statements.

Dear Shareholder

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

Composition and Summary of Audit Committee Meetings During the Year
I served as Chair of the Audit Committee for the duration of the year, having been appointed Chair in 2018.

Serving with me on the Audit Committee during 2021 were two of my fellow Non-Executive Directors, Catherine Krajicek and Alison Wood. The members of the committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil these duties. Alison and I are qualified accountants with recent and relevant financial experience. Catherine brings comprehensive industry knowledge. Alison and Catherine are considered by the Board to be independent.

During 2021, Nicoletta Giadrossi also attended meetings in her capacity as Chair of the Board but was not a member of the committee.

At our request, the CFO, the Chief Executive (in his capacity as executive responsible for internal audit) and senior members of the Finance department and Risk and Compliance department attend each meeting. Additionally, both internal and external auditors attend. I also met privately with the external audit partner to discuss matters relevant to the Group throughout the year.

The Audit Committee met four times in 2021, with meetings arranged around the key external reporting dates. The first meeting in March 2021 focused on the 2020 year end external audit process (reported in the 2020 Annual Report and Accounts). Meetings in June and September both centred on the Group's half year reporting and a December meeting focused on planning for the 2021 year end and external audit process and the internal auditors work programme for 2022. Subsequent to the year end, a further meeting was held in March 2022 to conclude on the 2021 audit and significant issues.

Responsibilities and Activities During the Year
The terms of reference of the committee take into account the requirements of the UK Corporate Governance Code and are available for inspection on the Group's website. A summary of the committee's principal responsibilities and activities during the year are set out below.

	Principal responsibilities of the committee	Activities during the year	Key areas formally discussed
Financial Statements	– Monitoring the integrity of the Financial Statements of the Group and formal announcements relating to the Group's financial performance; – reviewing any significant financial reporting judgements; and – reviewing the appropriateness of accounting policies, their consistent application and disclosures in financial statements.	– March 2021: 2020 Financial Statements approval (included in 2020 Annual Report and Accounts). – June 2021: Half year key accounting issues, estimates and assumptions. – September 2021: Approval of half year financial statements. – December 2021: Year end key accounting issues, estimates and assumptions. – March 2022: Approval of 2021 year end financial statements.	– Going concern conclusions and linkage to the viability statement; and – significant accounting issues at the half year and year end (see below);
External audit	– Overseeing the Group's relationship with the external auditors, including: · making recommendations to the Board as to the appointment or reappointment of the external auditor; · reviewing their terms of engagement and engagement for non-audit services; and · monitoring the external auditor's independence, objectivity and effectiveness.	– At each meeting the committee receives an updated report from the external auditors which either explains their plans and scope for the forthcoming audit or review or contains the conclusions from their work performed.	– Reviewing the external auditor's scope and audit plan for the 2021 year end; – discussing the materiality levels set by the auditor; – approval of the auditor's remuneration; – consideration of the results of the external audit with the auditor and management; and – assessment of the effectiveness of the external audit (see overleaf).
Internal risk management and assurance	– Reviewing the Group's internal financial controls and internal control and Risk Management systems and oversight of the Group's Risk Management Committee; and – monitoring and reviewing the effectiveness of the Group's internal audit function.	– At each meeting, the Audit Committee receives: · an update from management on the latest Risk and Assurance Committee meetings and risk management process; and · a report from the internal auditors, tracking the progress of internal audits and their output and recommendations. – In December, the Audit Committee agreed on the proposed programme of internal audits for 2022.	– Reviewing the Group's corporate and operational risk register; – reviewing reports on the activities of the Risk Management Committee; – selection of internal audit work planned for 2021 and consideration for future years; and – assessment of key findings raised from internal audits conducted in the year.
Whistleblowing procedures	– Reviewing the Group's whistleblowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow-up action.	– The committee's annual review and approval of the Group's whistleblowing procedures was performed at the March 2022 meeting, incorporating updates for new branch locations in Egypt and Mauritania.	– Reviewing and approving of the Group's whistleblowing procedures.
Other matters	– Reviewing the Group's policy for approval of non-audit work to the Company's auditor; and – reviewing booking of Group reserves and resources.	– The committee's annual review and approval of the Group's policy for approval of non-audit work was undertaken at the December meeting.	– Review and approval of the Group policy for approval of non-audit work to the Company's auditor; and – classification of reserves and resources for disclosure in the Annual Report.

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

Financial Statements

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

The key issues identified at the December 2021 year end were the accounting for the sale of the Group's producing assets in the North Sea, accounting for the Egypt business combination, the impairment of intangible exploration/appraisal assets in Mexico and accounting for the India Tax Refund. As always, the assessment of the ability of the Group to continue to operate as a going concern and the viability statement is also considered by the Audit Committee.

2021 Year End Significant Accounting Issues:
Sale of Capricorn's Producing Assets in the UK North Sea

Capricorn announced that it had concluded the sale of its interests in the Catcher and Kraken producing assets to Waldorf in November 2021. The sale was announced by the Group in March 2021 with assets being reclassified as held-for-sale at that time which was reflected in the Group's half year financial statements where an impairment was recorded before recording a profit from discontinued operations in the full year results.

Audit Committee action	Audit Committee conclusions
The Audit Committee reviewed the initial accounting for the sale of the Group's interests of the Group's two UK producing assets at the half year in June and September 2021 and concluded on the accounting treatment for the sale of the assets on completion in November 2021. Key for the Audit Committee was ensuring that the value of the assets was correctly recorded, including the valuation of future earn-out consideration payable to the Group, mid-year impairment and the loss on disposal in the annual accounts was correctly computed and that presentation in the half year and year end financial statements was appropriate.	The Audit Committee reviewed the computations for the loss on disposal of the Group's UK producing assets. The committee focused on the accounting at the date the sale was announced, at the half-year reporting date and at the point the sale completed in November 2021. The committee concluded that the disclosures made by management were appropriate at each point in time. The committee also reviewed and agreed the appropriateness of the risk-weighting applied to market valuations for future earn-out consideration, confirming with the auditors that the recognition of this future income at the point of completion of the transaction was appropriate.

Business Combination: Acquisition of Egypt Western Desert Producing Assets

Capricorn completed the acquisition of exploration, development and producing assets in the Western Desert, Egypt from Shell in September 2021. The acquisition was determined to be a business combination.

Audit Committee action	Audit Committee conclusions
The Audit Committee reviewed managements calculation for the goodwill arising on completion of the transaction. The key assumptions for the accounting included Capricorn's fair value models used to determine the value of the assets on recognition in the Balance Sheet. The committee took time to understand those assumptions, including commodity pricing, cost assumptions, reserves and production forecasts and discount rates applied. The committee also reviewed the recognition of deferred tax liabilities required under IFRS 3 and the subsequent goodwill that arises. The committee challenged management as to the appropriateness of the cost assumptions used given ongoing discussions with the operator and sought explanations for the changes to valuations to incorporate increased inflation rates for costs forecast to be incurred in local currency.	The committee sought clarification on the Group's reserve and production forecast, understanding adjustments that had occurred since acquisition, and were updated on work performed to date by third-party reserve auditors engaged by the Company. The committee confirmed that the commodity prices used were appropriate and were satisfied that the assumptions provided a fair basis on which to value the assets acquired. The committee were satisfied that the inflation rates applied incorporated increase rates of inflation for local Egyptian costs. The committee agreed with managements' conclusion on the recognition of deferred tax liabilities (and non-recognition of potential deferred tax assets) and the goodwill computed on the acquisition.

Impairment of Intangible Exploration/Appraisal Asset

In Mexico, Capricorn completed the farm-in/farm-down with ENI swapping a 15% interest in Block 9 for a 15% interest in Block 10. After completion, the Saasken-2 appraisal well was drilled on Block 10, but the unsuccessful well also resulted in an impairment of remaining exploration/appraisal costs capitalised in Block 9.

Audit Committee action	Audit Committee conclusions
The Audit Committee noted the impairment charge if the year of US$19.6m recorded in the year and sought explanation from management as to the indicator that led to the impairment and the arising charge. The committee challenged management of the remaining costs held on Block 10 following the unsuccessful appraisal well.	The committee concluded that the impairment charge had been appropriately recorded and understood managements' reasoning for recording as an impairment rather than unsuccessful write-off, with no current plans to relinquish the licence. The committee agreed with managements conclusion for retaining the remaining costs on Block 10 associated with the original Saasken discovery.

Accounting for the Tax Refund Following the Award Under the Indian Tax Arbitration
In November 2021, Capricorn announced that it had entered into undertakings with the Government of India in order to participate in the scheme introduced by Indian legislation allowing the refund of taxes previously collected from the Group in India.

Audit Committee action	Audit Committee conclusions
The Audit Committee challenged management on the treatment of India Tax Refund and subsequent receipt of cash from India and its recognition in the Income Statement and Balance Sheet for and at the year end. The committee sought explanations from management as to the presentation of the exceptional income included in profit before tax, rather than a tax refund through the tax line.	The committee concluded that the income had been correctly recognised and recorded in the financial statements for the year ending 31 December 2021 and had been disclosed appropriately. The committee also noted the exchange rates used to record the initial recognition and subsequent exchange loss disclosed as a non-adjusting post balance sheet event.

Going Concern and Viability
At each reporting date, management considers the factors relevant to support a statement of going concern included in note 12 to the Financial Statements. The Audit Committee reviews and challenges management's conclusions so that we may, in turn, provide comfort to the Board that management's assessment has been considered, challenged and is appropriate.

The Audit Committee carefully reviewed management's going concern conclusion based on the Group's latest cash and debt position. Downside case assumptions were reviewed, run with sustained low oil prices, reduced production, cost increases and a reduction in available finance and default by joint venture partners. In all cases, the Group retained a significant funding surplus. This confirmed that the Group is fully funded to meet its work programme and firm commitments over the period of 12 months from the date of signing the Financial Statements. The Audit Committee subsequently recommended to the Board that the Group continue to use the going concern basis in preparing its Financial Statements.

The committee also reviews and challenges management on the sensitivity analysis performed to support the Group's viability statement, included in the Strategic Report on page 47. The viability statement review included assessing both the operational risks identified by management, including reserve downgrades and major emergency incidents and corporate risks identified, including volatile oil prices, failure to deliver the net zero 2040 roadmap, a failure to expand the production base and a failure to deliver exploration success. Following this challenge, the committee recommended approval of the viability statement to the Board.

External Audit
The current version of the UK Corporate Governance Code states that FTSE 350 companies should put the external audit contract out to tender at least every 10 years. Capricorn complied with this provision before it came into force and completed an external audit retendering process in 2013. PwC were subsequently appointed as external auditors of the Group, on the recommendation of the Audit Committee at that time. The 2021 year end audit therefore represents the ninth year of PwC's tenure as Group auditors. Capricorn will retender for the role of Group auditors during 2022 for appointment of the new auditors (or reappointment of PwC) at the AGM in 2023. This complies with the Competition and Markets Authority 2014 Order requiring a mandatory tender after 10 years.

As noted in last year's report, Bruce Collins replaced Lindsay Gardiner as PwC's lead audit partner on the Capricorn engagement following approval of the 2021 Annual Report and Accounts. Bruce, was previously Director on the Capricorn audit engagement between 2013 and 2015 but was not involved in the Capricorn audit between 2015 and 2020 and is therefore is not precluded from accepting the role of lead audit partner.

Assessment of External Audit Process
The committee has an established framework to assess the effectiveness of the external audit process. This comprises:

Audit Committee action	Audit Committee conclusion
An assessment of the independence of the auditors.	The Audit Committee consider PwC to be independent.
A review of the audit plan including the materiality level set by the auditors and the process they have adopted to identify Financial Statement risks and key areas of audit focus summarised in the Independent Auditors Report on pages 146 to 151.	The committee accepted the level of materiality set by the auditors.
A review of the Audit Quality Inspection ('AQI') report on our auditor, published by the FRC with particular emphasis on any key messages applicable to Capricorn.	There were no matters raised in the AQI report that caused concern for the Audit Committee.
A review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached.	The Audit Committee reviewed findings on the key audit issues identified. The committee was satisfied that appropriate challenge had been made of management and that the audit process was robust.
Regular communications through formal Papers submitted and presentations to the committee, including a review by the committee of the extent to which the auditors have challenged management.	The audit plan for the year ending 31 December 2021 was presented to the Audit Committee in September 2021 and is summarised in the Independent Auditor's Report on pages 146 to 151. Audit findings on significant matters are presented to the committee, together with the work performed by the auditors to challenge management's key estimates and assumptions.
Separate meetings between myself as Chair of the Audit Committee and the lead audit engagement partner.	Separate meetings were held in advance of all committee meetings during the year.
A formal questionnaire issued to all Audit Committee members and Capricorn senior management who are involved in the audit covering the robustness of the audit process, the quality of delivery, the quality of reporting, and the quality of the auditor's people and service.	No matters of significance were reported.

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

The Audit Committee noted the level of planned materiality and agreed on the levels of misstatements to be reported to the committee. The final audit report was presented to the Audit Committee in March 2022. The committee agreed with the conclusions reached by the auditors, noting the degree of judgement around areas of significant audit risk.

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

At the end of each annual reporting cycle, the Audit Committee reflect on the quality of the audit provided by the auditors. At each Audit Committee meeting, the auditor presents an update on their progress and, where appropriate, conclusions on their half year review and full year audit and how the audit has been conducted in relation to the plan presented to the Audit Committee, with the committee able to challenge the audit at any point. Following conclusion of the 2020 year end audit, the committee discussed the quality of the audit service provided, using the questionnaire responses as a basis for the discussion. Although there were no significant matters reported and the Audit Committee did conclude that the auditors had delivered an audit of appropriate quality, the committee believed that improvements to the audit process could be made, and this was communicated to the new engagement partner in our subsequent separate meetings.

Although the formal assessment of the 2021 audit has yet to be formally undertaken, provisional discussions held at the March 2022 Committee meeting did not identify any matter where the Audit Committee believed that the quality of the audit had regressed from previous years. The committee were satisfied that the process had improved over the 2020 year end audit.

Internal Risk Management and Assurance

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

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

Internal Audit

Following a competitive tender process, Ernst & Young LLP ('EY') was appointed as the Group's internal auditor with effect from July 2013. EY will continue in the role of internal auditor for at least the year ending 31 December 2022 and will therefore be excluded from the planned tender process for the Group's external audit.

Prior to the beginning of each year, an internal audit plan is developed by the internal auditors, in consultation with senior management, based on a review of the outcome of the previous year's internal audits, the outcome of the annual assessment of effectiveness of internal control (refer to pages 146 to 151), the results of historical audits of fundamental business processes and the significant risks in the Group Risk Matrix and identified mitigation measures. The plan is then presented to the Audit Committee for review and approval. The internal auditors also participate in meetings of the Group Risk Management Committee to maintain an understanding of the business activities and associated risks and to update the Group Risk Management Committee on the internal audit work plan. The Audit Committee also receives updates on the internal audit work plan on an ongoing basis. The external auditor does not place any reliance on the work undertaken by the Group's internal audit function due to the nature of the scope and the timing of their work. The external auditor does however, attend all Committee meetings where internal audit updates are given and meets separately with the internal auditor and the Audit Committee Chair to discuss areas of common focus in developing their audit plan.

During 2021, the Group's internal auditors conducted audits on cyber security, risk management and assurance, ESG reporting and the Group's project delivery process for mergers and acquisitions. No high risk findings were identified across the audits conducted.

Working Responsibly – Whistleblowing and Related Policies

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

As part of this, the Audit Committee is responsible for ensuring the Group has a robust Whistleblowing Policy in place and this policy is reviewed annually by the committee. The Group's current version of the policy was first presented to, and approved by, the Audit Committee at the March 2018 meeting and most recently re-approved at the March 2022 meeting.

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

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

Other Matters:

Provision of Non-Audit Services

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

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

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

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

A full analysis of remuneration paid to the Group's external auditor in respect of both audit and non-audit work is provided in note 7.5 to the Financial Statements.

Board and Committee Performance Evaluation

The Board retains overall responsibility for implementation of its annual performance evaluation and the process and outcomes of the 2021 externally conducted evaluation are described in the Corporate Governance Statement on pages 86 to 87. The process included a review of all Board committees and it was concluded that the relationship between the Board and its committees is functioning well, with all committees fully meeting their remit. The Audit Committee works together with the Board in seeking to address any performance evaluation outcomes relating to the work of the committee.

Keith Lough
Chair of the Audit Committee

8 March 2022

Nomination Committee Report

Nicoletta Giadrossi
Chair of the Nomination Committee

Members and Meetings in 2021

	Member since	Meetings attended
Nicoletta Giadrossi (Chair)	05/18	3
Keith Lough	05/15	3
Peter Kallos	09/15	3
Simon Thomson	03/13	3

Dear Shareholder

Role and Membership of the Committee

Capricorn's Nomination Committee, alongside the Board, plays a key role in ensuring that the composition of the Board is aligned with the Company's values, culture and strategy and that the Board has in its membership what is required to provide appropriate challenge and effective leadership for the business. To maintain the correct balance of skills and representation, Board succession planning is fundamental for the ongoing success of the Company and is a key focus of the Nomination Committee.

The membership of the committee during 2021 is set out in the table below and comprises a majority of independent Non-Executive Directors. The Chief Executive is also a member of the committee. With effect from 3 March 2022, the remit of the committee was expanded to include a greater focus on governance. In addition, and from the same date, independent Non-Executive Director, Catherine Krajicek, became an additional member of the newly-named Nomination and Governance Committee.

During 2021, the role of the Nomination Committee included:

– reviewing and evaluating the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board;
– giving full consideration to succession planning for Directors and other senior executives, ensuring plans are in place for orderly succession and taking into account the Company's strategy and the challenges and opportunities that it faces;
– overseeing the development of a diverse pipeline for succession; and
– ensuring that appointments made to the Board promote diversity of gender, social and ethnic backgrounds.

Following the decision to expand its remit, from March 2022, the Nomination and Governance Committee's role also includes:

– monitoring the operation of the UK Corporate Governance Code and its implementation and compliance by the Company;
– reviewing developments in corporate governance and advising the Board with respect to developments in the law and practice of corporate governance; and
– reviewing and approving changes to the Board's corporate governance practices and policies.

Board Changes

Whilst the Board membership was diverse in terms of the range of nationalities, culture and international experience represented, as a result of its ongoing review and evaluation of the composition of the Board during the year, the Nomination Committee recognised that the Board would benefit from further enhancing the diversity of its membership and commenced a search for an additional Non-Executive Director. On 22 February 2022, following a process assisted by Ridgeway Advisors, the Company announced the appointment of Luis Araujo as a Non-Executive Director with effect from 11 May 2022. With many years' experience working in Brazil and other countries, Luis will bring excellent emerging market insights to the Board, in addition to his other areas of expertise, including in relation to energy transition issues.

Chair Succession

On 1 January 2021, I took on the role of Chair, following a thorough and comprehensive succession process led by one of the Company's independent Non-Executive Directors. As disclosed in the Corporate Governance Statement on pages 84 to 95, the composition of the various Board Committees was refreshed with effect from 1 January 2021 in line with Code recommendations.

Succession Planning and Development of Executive Talent

In 2017, the Parker Review on ethnic diversity of UK Boards was published, with the target that no member company of the FTSE 250 lack a person of colour as a director on its board by 2024. The Board, and the Nomination Committee, recognised that ethnic diversity, and the benefits it brings, was missing amongst the Company's Board membership. In Q4 2021, we commenced a search for a new Non-Executive Director. As noted above, the Company instructed recruitment consultants, Ridgeway, in connection with this appointment. Apart from providing prior recruitment advice, Ridgway has no other connection with the Company or any of its individual Directors. The Board was therefore pleased to announce that its diversity will be deepened from May 2022 upon the appointment of Luis Araujo, who has South American heritage and citizenship in Brazil, Portugal and the UK. I am delighted that Luis is joining our Board. His skills and experience will bring a further level of challenge and new and diverse perspective to the Board.

On a regular basis, the Nomination Committee evaluates the combination of skills, experience, independence and knowledge of the Company whilst considering the length of service of members of the Board. Recommendations in terms of director membership are made to the Board accordingly. Diversity is an important principle of a well-functioning Board and encompasses multiple aspects including gender diversity, social and ethnic diversity, cognitive diversity to ensure the avoidance of groupthink, and personal strengths and experience. All appointments are made on merit and objective criteria, promoting the diversity principles.

Working together, the Board and Nomination Committee maintain a comprehensive succession plan for appointments to the Board ensuring there is an appropriate balance of skills and experience that continues to align with our strategic aims.

The Company's talent management strategy, for positions both on and out with the Board, continues to focus on growing talent through a number of measures including active succession planning and mentoring, programmes designed to aid leadership and management development; and annual objective and development plan setting.

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

Following the acquisition of the assets in Egypt and the sale of the UK Catcher and Kraken interests in 2021, a recruitment and reorganisation campaign was undertaken to ensure that the organisation was best set-up to support the new asset base and ensure successful implementation of the Company's strategy. Details of this recruitment and reorganisation were shared with the Board.

The Board has a deep understanding of the Company's talent management and succession planning, receiving regular updates from the Group HR Manager, as well as knowledge of the range of measures being used to continue to develop and recruit talented senior employees.

During 2021, our mentor programme, which commenced in May 2019, continued to provide invaluable support to colleagues whose ambitions are to grow and develop into senior roles within the business. With the initial cohort having had two years' of mentoring from senior management and Non-Executive Directors, a further group of individuals were identified as employees who would benefit from the mentoring programme and they started the programme in the middle of the year. These colleagues have been partnered with non-executive Board members as well as senior managers to gain knowledge and strategic understanding from their experience in these areas.

Diversity

As noted, the Nomination Committee very much values the benefits of building a diverse Board, not just in terms of gender and social and ethnic background, but also to promote diversity of cognitive and personal strengths. Following the retirement of Ian Tyler as Chair and my taking the position with effect from 1 January 2021, women represent 37.5% of the Board membership (being three women out of eight members). Following the appointment of Luis Araujo in May 2022, this percentage will be 33%. The Directors' range of knowledge and practice covers not only a wealth of experience of operating in the oil and gas industry but also extensive technical, operational, financial, governance, legal and commercial expertise. The Board remains diverse in terms of the range of nationalities, culture and international experience of its members but, as previously noted, recognised that it fell short in terms of ethnic diversity and the ambitions of the Parker Review. The committee will continue to monitor and consider diversity for all future Board appointments, whilst also continuing to recruit on merit.

At levels below the Board, we continue to think more broadly than gender diversity in all areas of our work, taking into account diversity in many dimensions. Our diversity and inclusion strategy aims to nurture an inclusive and sustainable culture, where differences are encouraged, embraced and recognised as key drivers of value to all our stakeholders. A diverse and inclusive culture, where everyone can uniquely contribute and thrive and which values and encourages individual differences is nurtured throughout Capricorn. The Board and Executive Committee are committed to ensuring such a culture is embedded in the organisation.

As noted in last year's Annual Report, following the internal reorganisation that took place in 2020, the Board decided to replace the Senior Leadership Team with a smaller, more focused Executive Committee comprising the two Executive Directors, the Chief Operating Officer and the Director of Exploration. This change took effect from 1 December 2020 and as such there are currently no women on the small Executive Team. There are a number of standing agenda items that encourage attendance from other employees in the organisation, many of whom are female. We are pleased that, at 31 December 2021, the number of female direct reports to the Executive Committee has increased significantly since the same time last year with six female direct reports to the Executive Committee and 14 male (2020: one female, 19 male). Of the value creating, enabling and protecting roles identified in our talent management programme, 26% of the talent pool are female. The gender split of our management population is two-thirds male to one-third female and looking at our broader talent pool, the gender diversity of our employee population is 47% female and 53% male.

As noted in the strategic review section of this report (pages 2 to 75), the Company has developed and shared with staff our strategic framework which is designed to cultivate D&I across the business. In recognition of our current diversity challenges within our management and executive populations, the first initiative, launched in 2021, was our Shadow4Success programme. The pilot programme aims to provide an opportunity for under-represented groups to gain a better understanding of how our Executive Team operates, with the intention of increasing the diversity of applications for more senior roles in Capricorn.

The Company has continued to participate fully in the annual submission of gender performance data as part of the FTSE Women Leaders Review (formerly the Davies Review and the Hampton-Alexander Review) aimed at improving the representation of women in leadership positions in the FTSE 350. The FTSE Women Leaders Review published in February 2022 noted our increased percentage of female direct reports to the Executive Committee but highlighted that this committee was all-male.

The Board and Nomination and Governance Committee, alongside the Capricorn organisation, will continue to promote diversity in its widest possible sense. Our strategies, polices and practices encourage this and seek to ensure the potential of our team can be met, driving the success of the individuals within it and the business as a whole.

Changes to the Committee Since Year-End
From 3 March this year, the committee has expanded its remit to include governance in a broader sense. Whilst corporate governance is a key consideration at all times for the Board, including governance within the committee's responsibilities demonstrates the commitment of Capricorn to good and responsible governance.

Board and Committee Performance Evaluation
The Board is committed to annual evaluations of its performance in order to assess and improve its effectiveness on an ongoing basis, with the individual Directors also evaluated to determine whether each director continues to contribute effectively. In line with the UK Corporate Governance Code, which provides that FTSE 350 companies should have an externally facilitated board evaluation process at least every three years, the Board appointed Gould Consulting to facilitate the 2021 Board performance evaluation (previous externally facilitated evaluations took place in 2018, 2015 and 2012, with internally run evaluations conducted in the intervening years). Gould Consulting had no prior connection to the Board or its Directors.

The Board retains overall responsibility for implementation of its annual performance evaluation and the process and outcomes of the 2021 externally conducted evaluation are described in the Corporate Governance Statement on pages 86 and 87. The process included a review of all Board committees and it was concluded that the relationship between the Board and its committees is functioning well, with all committees fully meeting their remit. The Nomination and Governance Committee works together with the Board in seeking to address any performance evaluation outcomes relating to Board composition and succession planning.

Nicoletta Giadrossi
Chair of the Nomination Committee

8 March 2022

Alison Wood
Chair of the Remuneration Committee

Members and Meetings in 2021

	Member since	Meetings attended
Alison Wood (Chair)	01/21	3
Erik B. Daugbjerg	01/21	3
Nicoletta Giadrossi	01/17	3
Peter Kallos	09/15	3

Part 1 – Annual Statement from the Chair of the Committee

Dear Shareholder

As the Chair of Capricorn's Remuneration Committee, I am pleased to present our Directors' Remuneration Report for 2021, a period during which we continued to apply the executive remuneration policy that was strongly supported at the 2020 AGM.

The committee remains of the view that this policy is still fit for purpose and it will, therefore, continue to be applied during 2022. As a result, shareholders will not be asked to approve a new Directors' Remuneration Policy until the expiry of the current policy at the AGM in 2023. However, for ease of reference, the substantive provisions of the existing policy are repeated in Part 3 of this report.

Part 2 of this report contains this year's Annual Report on Remuneration and explains how the provisions of the above policy were actually applied in 2021 and how they will be operated in 2022. The Annual Report on Remuneration will be subject to an advisory vote to be held at the AGM on 11 May 2022.

Shareholder Engagement Following the 2021 AGM
The committee was disappointed that the 2020 Annual Report on Remuneration received a 34.87% vote against at the 2021 AGM. Prior to the 2021 meeting, and in the months that followed, the committee sought to engage with our largest shareholders to understand their concerns. The conclusions reached from this consultation exercise (details of which were included in an update statement published on our website in November 2021) were that a number of shareholders and/or their proxy advisers:
– would like to see more detailed disclosure of the KPIs used in the annual bonus scheme (including, where possible, specific target ranges and payment scales);
– would welcome a more comprehensive explanation of the alignment between company performance and bonus outcomes; and
– would, in circumstances where the committee is considering exercising any discretion in relation to the Company's various incentive arrangements, prefer to be notified at the time the decision is made.

The committee wishes to thank those shareholders who engaged in the above exercise. We will continue to improve the transparency of our bonus scheme disclosures (while at the same time taking into account the Board's concerns around commercial sensitivity). In this report, we have also sought to provide greater clarity on the way in which the scheme is aligned to the interests of shareholders. The committee will continue to engage with investors on an ongoing basis to make sure their views are reflected appropriately in the committee's decisions.

Summary of 2021 Business Context and Key Remuneration Decisions
The work of the committee in 2021 was conducted against a backdrop of a year in which the Company progressed its key strategic initiatives, including portfolio management and retaining a resilient balance sheet, whilst striving to deliver value in a safe, sustainable, environmentally and socially responsible manner for all of our stakeholders. Particular highlights included the following:
– successful resolution of the Indian tax matter, with funds of ~US$1.06bn refunded to the Group in February 2022 and a proposed subsequent return to shareholders of up to US$700m announced;
– in March 2021, the Company announced the acquisition of a portfolio of upstream oil and gas production, development and exploration interests in Egypt and the sale of its declining production assets in the UK Catcher and Kraken fields, transactions which completed in September and November 2021 respectively; and

– following receipt of the necessary approvals at a General Meeting held on 8 January 2021, Capricorn successfully returned to shareholders approximately US$250 million from the proceeds of the sale to Woodside of all the Group's interests in Senegal.

Against this background, the key remuneration-related decisions made by the committee in 2021 are described in more detail in the Annual Report on Remuneration contained on pages 109 to 129 and can be summarised as follows:

– **Base salary increases**
  In accordance with its normal practice, the base salaries of the Company's Executive Directors (being Simon Thomson and James Smith) were reviewed by the committee at its meeting in December 2021 and it was agreed that an increase of 3% would be applied to both individuals with effect from 1 January 2022.

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

– **2021 annual bonus – overview and purpose**
  Capricorn's annual bonus arrangements are based on a balanced scorecard of measures directly aligned with our Group KPIs. These are, in turn, derived from the Company's overall strategy of creating, adding and delivering value for stakeholders by reinvesting cash flow from producing assets into value accretive exploration, appraisal, development and production assets which can be monetised at different stages of the life cycle in order to optimise the portfolio and create the opportunity for significant returns of value to be made to shareholders.

  In order to deliver this strategy, we maintain a balance sheet that is resilient to price shocks and volatility and invest to target resources that can be competitive and relevant through the energy transition. The goals that we set for the bonus scheme directly reflect these objectives and relate to:
  - maintaining a licence to operate;
  - delivering a sustainable business;
  - delivering exploration success;
  - production performance; and
  - balance sheet management.

  Like many similarly sized companies in our sector, our KPIs (and, therefore, our bonus arrangements) focus on a broad range of strategic measures that support our ability to create long-term superior shareholder returns, with short-term financial objectives forming a much less significant element of how we create value for our shareholders. This approach is, in part, driven by the fact that the financial results in any one year may be materially impacted by exploration/appraisal asset write-offs and may include costs associated with activity undertaken in several prior accounting periods. As a result, year-on-year financial results can be highly volatile and may not necessarily reflect activities undertaken in that period or long-term shareholder interests.

  Inevitably, the above balance between strategic and financial goals can lead to situations where the bonus outturn for a particular year appears at odds with a narrow analysis of the pure financial performance delivered during that time. The committee does, however, review each year's bonus awards to make sure they are appropriately reflective of the performance of the Company as a whole and fairly reward the achievements that will best drive shareholder returns in the longer term. The committee has a track record of exercising its discretion to reduce award levels where deemed appropriate.

– **2021 annual bonus – structure and outturn**
  The overall structure of the Executive Directors' bonus scheme for 2021 was unchanged from the prior year with the whole of the individuals' opportunity being dependent on the achievement of Group KPIs.

  Based on an assessment of the extent to which the relevant targets were achieved, awards made under the annual bonus scheme to the Executive Directors during the year (as a percentage of annual salary) were 75.63% for both Simon Thomson and James Smith. In accordance with its normal practice noted above, these award levels were reviewed by the committee in the context of the Company's overall performance during the year and it was concluded that resolution of the long-standing Indian tax dispute; high levels of achievement in respect of HSSE and ESG targets; and maintenance of a resilient balance sheet warranted good award levels in these areas. As detailed further on pages 114 to 119, scoring was significantly lower in the exploration and corporate projects categories.

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

  Further details of the way in which these awards were determined and paid are set out on pages 114 to 119 of the Annual Report on Remuneration.

– **Long-Term Incentive Plan (LTIP) – partial vesting of 2018 awards**
  The performance period applicable to the LTIP awards granted in 2018 came to an end during 2021. Over this period, the Company's Total Shareholder Return was sufficient to place it between the fourth and fifth positions in a group of 15 comparator companies with the result that:
  - the 'core' elements of these awards vested in respect of 84.6% of the shares over which they were granted; and
  - no part of the 'kicker' elements of these awards vested and they lapsed in full.

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

  The vested awards held by the Executive Directors are subject to a further two-year holding period during which they cannot normally be exercised and any shares that are ultimately acquired by them will constitute 'relevant shares' for the purposes of the post-employment shareholding requirement described on page 136.

– **LTIP – grant of 2021 awards**
  During 2021, the committee made the fifth annual grant under the Company's LTIP that was adopted at the 2017 AGM. Given that the COVID-19 related market uncertainty that had existed in 2020 (and which had led to the application of a reduction to the quantum of LTIP awards made in that year) no longer existed, the committee was of the view that there should be a return to the Company's standard approach. As a consequence, the Executive Directors' 2021 awards had a face value equal to the 2.5 x base salary level envisaged by the policy.

  Further details of the awards made to Executive Directors in 2021 are set out in the Annual Report on Remuneration.

– **Non-Executive Directors' fees and Chair's fee**
  During 2021, the committee reviewed the Chair's fees in the context of market and inflationary data and the time commitment of the role. Following this review, it was decided that the fee should be increased by 3% from £180,000 to £185,400, effective 1 January 2022.

The fees paid to Non-Executive Directors were also reviewed during the year by the Board (excluding the Non-Executive Directors). Following this review, it was determined that, with effect from 1 January 2022, the basic annual fee would also be increased by 3% from £75,500 to £77,765. No change was made to the additional fee payable for chairing the audit and/or remuneration committees.

– **Other decisions made, and discretions exercised, by the committee during 2021**
The only substantive discretions exercised by the committee during 2021 related to the operation of the Company's various share-based incentive schemes. In particular, the committee:
  - exercised its discretion to disapply 'dividend equivalent' rights attaching to 2017 LTIP awards in relation to the special dividend paid as part of the return of cash that was approved by shareholders in the early part of the year – further details around this issue were provided in last year's Directors' Remuneration Report;
  - decided to give participants in the Company's Share Incentive Plan (SIP) the ability, if they so wished, to reinvest the above noted special dividend that was paid in respect of their plan holding in further 'dividend shares'; and
  - made various decisions in relation to the treatment of a small number of leavers (none of whom were Executive Directors).

As disclosed at the time, in November 2021, the committee permitted James Smith to sell a proportion of his shareholding in the Company so he could manage his personal arrangements given the then anticipated special dividend arising from the receipt of the Indian tax refund. As a result of this disposal, Mr Smith's interest in the Company fell temporarily below the requirements of the 'in service' element of Capricorn's shareholding guidelines for Executive Directors but remained significant at approximately 122% of salary immediately following the disposal. Although his holding remained below the required level as at 31 December 2021, it is considered likely (based on current projections) that the vesting of his LTIP award originally granted on 13 March 2019 (which is scheduled to occur in mid-March 2022) will result in him once again being fully in compliance with the above requirements. To the extent that this does not prove to be the case, it is envisaged that, within a year of completion of the return of value (and in fulfilment of undertakings given at the time he originally received the permission), Mr Smith will take the steps necessary to ensure that he is once again in compliance with the director shareholding requirements. Further details surrounding this issue are set out on page 125 of the Annual Report on Remuneration.

– **Consideration of remuneration arrangements for the wider workforce during 2021**
In accordance with the terms of the Company's approved remuneration policy, the committee regularly reviewed the remuneration levels and incentive arrangements for employees below senior management level.

During the year, members of staff were also given the opportunity to raise issues on a variety of matters, including executive pay, via a number of mechanisms, including the Company's Employee Voice Forum which, throughout 2021, was chaired by Peter Kallos, who is a member of the committee.

Each of the committee's decisions described above was made in the context of the requirements of the 2018 UK Corporate Governance Code and, in particular, after considering the various factors set out in its Provision 40. For example, the committee's ongoing commitment to improve the level of disclosures around the annual bonus scheme is intended to enhance transparency and promote effective engagement with shareholders and the workforce. Similarly, the decision to disapply LTIP 'dividend equivalent' rights in connection with the return of cash reflected a desire to mitigate reputational and other risks from excessive rewards. The committee was satisfied that, during 2021, the approved remuneration policy operated as intended and delivered outcomes that fairly reflected the resilient nature of the business and its achievements over the year.

Applying the Policy in 2022
An overview of the way in which the current remuneration policy will be applied in 2022 is set out on pages 127 to 129 in the Annual Report on Remuneration. In summary:
- on 1 January 2022, the above noted increases to the base salaries of the Chief Executive and CFO came into effect;
- the Group KPI measures used for the annual bonus scheme (and their respective weightings and payment scales) have been reformulated for 2022 in order to ensure consistency with the Company's strategic priorities for the period. In particular, the selected KPIs reflect the Company's ongoing but increased focus on its business within the energy transition whilst delivering value for our shareholders. They also encourage delivery of a unique value proposition that is supported by financial management that is both resilient and responsible; and
- no material changes have been made to the manner in which the LTIP will operate in 2022.

Feedback on Directors' Remuneration Report
We welcome questions and feedback from all those interested on both the content and style of this report. We also look forward to receiving your support for the Directors' Remuneration Report at the AGM to be held on 11 May 2022.

Alison Wood

Alison Wood
Remuneration Committee Chair

8 March 2022

Part 2 – Annual Report on Remuneration

Introduction

This Annual Report on Remuneration provides details of the way in which the committee operated during the financial year to 31 December 2021 and explains how Capricorn's approved Directors' Remuneration Policy that is described on pages 130 to 139 was implemented during that period. It also summarises how that policy will be applied in 2022.

In accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "Regulations"), this part of the report will be subject to an advisory vote at the 2022 AGM.

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

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

Operation of the Remuneration Committee During 2021

Members of the Remuneration Committee

The members of the Remuneration Committee during the year were as follows:
- Alison Wood (joined the committee and became its Chair on 1 January 2021);
- Nicoletta Giadrossi (ceased to be Chair of the committee on 1 January 2021);
- Peter Kallos; and
- Erik B. Daugbjerg (joined the committee on 1 January 2021).

The individuals who served on the committee, each of whom is an independent Non-Executive Director of the Company, had no personal financial interest (other than as shareholders) in the matters decided, no potential conflicts of interest from cross-directorships and no day-to-day involvement in running the business. Prior to her appointment as Chair in January 2021, Alison Wood had served on the remuneration committees of other listed companies for more than 12 months.

Biographical information on the individuals who were committee members as at 31 December 2021 is shown on page 79 and details of attendance at the committee's meetings during 2021 are shown on page 90.

Internal Assistance Provided to the Committee

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

External Assistance Provided to the Committee

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

Adviser	Assistance provided to the committee during 2021	Fees for committee assistance in 2021[1]	Other services provided to the Company during 2021
Alvarez & Marsal Taxand UK LLP[2]	Appointed by the committee to give periodic advice on various aspects of the directors' remuneration packages. Also assisted with the preparation of the Directors' Remuneration Report and provided support on a number of miscellaneous remuneration related projects during the year, including in relation to the consultation process with shareholders that took place both before and after the 2021 AGM.	£22,910	Provided advice on various aspects of remuneration practice across the Group.
Deloitte LLP[2]	Appointed by the Company's Management Team but provided assistance to the committee in relation to preparation of the Directors' Remuneration Report and the consultation process with shareholders that took place before the 2021 AGM.	£1,568	Provided advice on various aspects of remuneration practice across the Group.
Ernst & Young LLP	Appointed by the Company to carry out an independent verification of its achievement against performance conditions applicable to the Company's LTIPs and share option schemes.	N/A – no advice provided to the committee	Internal auditor of the Company throughout the year.
Shepherd and Wedderburn LLP	Appointed by the Company to carry out regular calculations in relation to the LTIP performance conditions. Also assisted with the preparation of the Directors' Remuneration Report.	£24,463	General legal services to the Group throughout the year.

Notes:
1 The bases for charging the fees set out in the table were agreed by the committee at or around the time the particular services were provided and, in general, reflected the time spent by the adviser in question on the relevant matter.
2 Both of Alvarez & Marsal Taxand UK LLP and Deloitte LLP are members of the Remuneration Consultants Group and their work is governed by the Code of Conduct in relation to executive remuneration consulting in the UK.
3 The committee reviews the performance and independence of all its advisers on a continuous basis. No issues relating to performance or independence were noted by the committee during the year.

Statement of Shareholder Voting at General Meetings

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

Description of resolution	Date of general meeting	Number of votes 'For' and 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld'[1]
To approve the 2020 Directors' Remuneration Report	11 May 2021	246,776,576	65.13%	132,138,647	34.87%	378,915,223	48,842
To approve the 2020 Directors' Remuneration Policy	14 May 2020	417,923,175	93.01%	31,405,942	6.99%	449,329,117	26,501

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

The committee acknowledges the significant level of votes that were cast against last year's Directors' Remuneration Report. A summary of the reasons for those votes, as far as known to the committee, and details of the actions taken in response to those concerns are included in the Chair's Annual Statement on page 106.

Payments to Past Directors During 2021 (Audited)

During the year to 31 December 2021, there were no payments to past directors of the kind that require to be disclosed in terms of the Regulations.

Single Total Figure Table for 2021 (Audited)

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

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

Executive Directors

		Fixed Remuneration				Variable Remuneration				Totals		
						Annual bonus[4]…						
	Financial year	Salary and fees	Benefits[1]	Pension[2]	SIP[3]	…paid in cash	…deferred into shares	…total bonus	Long-term incentives[5]	Total remuneration	Total fixed remuneration	Total variable remuneration
Directors												
Simon Thomson	**2021**	**£592,517**	**£42,400**	**£88,878**	**£7,197**	**£448,091**	**£0**	**£448,091**	**£771,809**	**£1,950,892**	**£730,992**	**£1,219,900**
	2020	£586,650	£35,291	£87,998	£0	£549,984	£0	£549,984	£219,808	£1,479,731	£709,939	£769,792
James Smith	**2021**	**£385,377**	**£37,537**	**£57,807**	**£7,197**	**£291,441**	**£0**	**£291,441**	**£501,990**	**£1,281,349**	**£487,918**	**£793,431**
	2020	£381,561	£38,611	£57,234	£0	£357,713	£0	£357,713	£142,965	£978,084	£477,406	£500,678

Notes:
1 Taxable benefits available to the Executive Directors during 2021 were a company car/car allowance, private health insurance, death-in-service benefit and a gym and fitness allowance. This overall package of taxable benefits was largely unchanged from 2020, with the higher figure for Simon Thomson in 2021 primarily being attributable to increased charges for his company car.
2 Additional disclosures relating to the pension provision for the Executive Directors during 2021 are set out on pages 113 and 114.
3 This column shows the face value (at date of award) of matching and free shares provided to the Executive Directors under the SIP during the relevant period. Further details on the way in which the SIP was operated during 2021 are set out on page 125.
4 Under the Company's annual bonus scheme for 2020 and 2021, any sums awarded in excess of 100% of salary are delivered in the form of deferred share awards, which normally vest after a period of three years from grant. Further information in relation to the annual bonus scheme for 2021 is provided on pages 114 to 119. For the avoidance of doubt, the quantum of awards made under this arrangement is not attributable, either wholly or in part, to share price appreciation.
5 This column shows the value of shares that vested in respect of LTIP awards with performance conditions that ended during the period in question. Further details of the LTIP's operation during 2021, including how the level of award was determined, confirmation of the amount (if any) of the above vesting value that was attributable to share price appreciation and a summary of any discretions that were exercised, are provided on pages 120 to 124.
6 Following the end of the year to 31 December 2021, the committee considered whether there were any circumstances that could or should result in the recovery or withholding of any sums pursuant to the clawback arrangements contained within the Company's remuneration policy. The conclusion reached by the committee was that it was not aware of any such circumstances.

Non-Executive Directors

	Financial year	Fixed Remuneration: Salary and fees[1]	Benefits	Pension[2]	Variable Remuneration: Annual bonus[2]	Long-term incentives[2]	Totals: Total remuneration	Total fixed remuneration	Total variable remuneration
Directors									
Nicoletta Giadrossi[3]	**2021**	**£180,000**	**–**	**–**	**–**	**–**	**£180,000**	**£180,000**	**–**
	2020	£85,500	–	–	–	–	£85,500	£85,500	–
Keith Lough[4]	**2021**	**£85,500**	**–**	**–**	**–**	**–**	**£85,500**	**£85,500**	**–**
	2020	£85,500	–	–	–	–	£85,500	£85,500	–
Peter Kallos	**2021**	**£75,500**	**–**	**–**	**–**	**–**	**£75,500**	**£75,500**	**–**
	2020	£75,500	–	–	–	–	£75,500	£75,500	–
Alison Wood[5]	**2021**	**£85,500**	**–**	**–**	**–**	**–**	**£85,500**	**£85,500**	**–**
	2020	£75,500	–	–	–	–	£75,500	£75,500	–
Catherine Krajicek	**2021**	**£75,500**	**–**	**–**	**–**	**–**	**£75,500**	**£75,500**	**–**
	2020	£75,500	–	–	–	–	£75,500	£75,500	–
Erik B. Daugbjerg[6]	**2021**	**£75,500**	**–**	**–**	**–**	**–**	**£75,500**	**£75,500**	**–**
	2020	£47,527	–	–	–	–	£47,527	£47,527	–

Notes:
1 As disclosed in the 2020 Annual Report on Remuneration, the annual fee payable to the Company's Chair for 2021 was unchanged at £180,000. Similarly, the basic annual fee for Non-Executive Directors in 2021 remained at £75,500, being the same level paid in 2020.
2 The Non-Executive Directors do not participate in any of the Company's long-term incentive arrangements and are not entitled to a bonus or pension contributions.
3 Nicoletta Giadrossi was appointed as Chair of the Company on 1 January 2021 (prior to which she was a Non-Executive Director). During 2020, she received a further annual fee of £10,000 for her role as Chair of the Remuneration Committee.
4 A further annual fee of £10,000 was payable to Keith Lough for his role as Chair of the Audit Committee during 2020 and 2021.
5 A further annual fee of £10,000 was payable to Alison Wood for her role as Chair of the Remuneration Committee during 2021.
6 Erik B. Daugbjerg was appointed as a Non-Executive Director on 14 May 2020. His fees for 2020 reflect the period from that date to the year end.

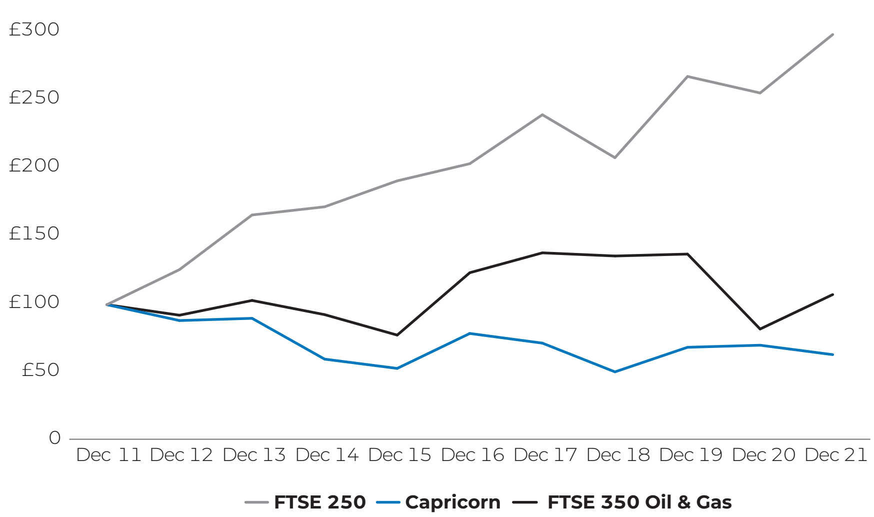
TSR Performance Graph and Further Information on Chief Executive Pay

Introduction

The following chart demonstrates the growth in value of a £100 investment in the Company and an investment of the same amount in both the FTSE 250 Index and the FTSE 350 Oil & Gas Producers Index over the last 10 years. These comparisons have been chosen on the basis that: Capricorn was a constituent member of the FTSE 250 Index for the whole of 2021; and the FTSE 350 Oil & Gas Producers Index comprises companies that are exposed to broadly similar risks and opportunities as Capricorn.

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

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



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

Financial year	Chief Executive	Total remuneration of Chief Executive[1]	Annual variable element award rates for Chief Executive (as % of max. opportunity)	Long-term incentive vesting rates for Chief Executive (as % of original award level)
2021	Simon Thomson	£1,950,892	60.5%	67.7%[2]
2020	Simon Thomson	£1,479,731	75%	27.4%
2019	Simon Thomson	£1,173,630	65%	0%
2018	Simon Thomson	£2,204,001	70%	56.7%
2017	Simon Thomson	£2,992,615	76.9%	90.8%
2016	Simon Thomson	£2,081,601	80.2%	81.7%
2015	Simon Thomson	£1,292,167	75%	23.4%
2014	Simon Thomson	£1,073,425	78.5%	0%
2013	Simon Thomson	£962,765	63%	0%
2012	Simon Thomson	£1,018,570	86%	0%

Notes:
1 The amounts disclosed in this column have been calculated using the same methodology prescribed by the Regulations for the purposes of preparing the single total figure table shown on page 110.
2 As explained on page 122, Simon Thomson's 2018 LTIP award vested in respect of 84.6% of its 'core' award (being the element granted over ordinary shares worth 2 x base salary). This represents 67.7% of the total award (i.e. 'core' plus 'kicker' awards) that was granted over shares worth 2.5 x salary.

Pay Ratio Information in Relation to Chief Executive's Remuneration

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

Although the above requirement does not technically apply to Capricorn (on the basis that it had fewer than 250 UK employees during 2021), the committee felt that it would be appropriate to include the relevant disclosures this year on an entirely voluntary basis as it helps to demonstrate the link between the Chief Executive's pay and the remuneration of the wider workforce. A similar decision was made for the last three years, with the result that the following table shows the relevant ratios for each of 2021, 2020, 2019 and 2018:

Year	Method of calculation adopted	25th percentile pay ratio (Chief Executive : UK employees)	Median pay ratio (Chief Executive : UK employees)	75th percentile pay ratio (Chief Executive : UK employees)
2021	**Option A**	**29 : 1**	**20 : 1**	**11 : 1**
2020	Option A	22 : 1	14 : 1	8 : 1
2019	Option A	19 : 1	12 : 1	7 : 1
2018	Option A	36 : 1	22 : 1	11 : 1

The median, 25th percentile and 75th percentile figures used to determine the above ratios were calculated by reference to the full-time equivalent annualised remuneration (comprising salary, benefits, pension, SIP, annual bonus and long-term incentives) of all UK-based employees of the Group as at 31 December 2021 (i.e. 'Option A' under the Regulations). The committee selected this calculation methodology as it was felt to produce the most statistically accurate result.

The committee considers that the median pay ratio for 2021 that is disclosed in the above table is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole. It reflects the fact that a greater proportion of Executive Director pay is linked to annual performance through a higher annual bonus opportunity (a percentage of which is subject to deferral into shares).

The committee notes that each of the pay ratios for 2021 is higher than in the immediately preceding year. This is largely attributable to the fact that the level of vestings during 2021 under the Company's various discretionary share incentive plans were significantly higher than those that occurred in the period of 12 months to 31 December 2020. Given that the Executive Directors receive a higher level of annual award (as a percentage of salary) under those arrangements than almost all other employees, this increased vesting had a greater proportionate impact on the total remuneration level of the Chief Executive. For the avoidance of doubt, the differences in the ratios between 2021 and 2020 are not attributable to any material change in the Company's employment models or the use of a different calculation methodology.

Pay details for the individuals whose 2021 remuneration is at the median, 25th percentile and 75th percentile amongst UK based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£592,517	£45,000	£66,512	£104,114
Total pay and benefits	£1,950,892	£67,584	£98,120	£180,278

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

The table below compares the percentage change in various elements of each Directors' remuneration between:
– 2020 and 2021; and
– 2019 and 2020,
and the percentage change in the same remuneration elements of all the Group's employees in respect of those same periods.

	Between 2020 and 2021			Between 2019 and 2020		
	% change in base salary/fees	% change in taxable benefits	% change in annual bonus	% change in base salary/fees	% change in taxable benefits	% change in annual bonus
All Group employees	2.0%[1]	(6.1)%[2]	(16.7)%	3.0%	(0.4)%	2.2%
Executive Directors						
Simon Thomson	1.0%	20.1%[3]	(18.5)%	1.7%	2.7%	17.3%
James Smith	1.0%	(2.8)%	(18.5)%	1.7%	5.0%	17.3%
Non-Executive Directors						
Nicoletta Giadrossi	110.5%[4]	0%	N/A	0%	0%	N/A
Keith Lough	0%	0%	N/A	0%	0%	N/A
Peter Kallos	0%	0%	N/A	0%	0%	N/A
Alison Wood	13.2%[5]	0%	N/A	100.0%	0%	N/A
Catherine Krajicek	0%	0%	N/A	100.0%	0%	N/A
Erik B. Daugbjerg	58.9%[6]	0%	N/A	N/A	0%	N/A

Notes:
1 The standard level of salary increase across the Group in 2021 was 1.0%. However, a small number of individuals received higher percentage increases which raised the average for all employees to 2%.
2 This fall in taxable benefits for all Group employees was largely attributable to a material decrease in the cost of private health insurance premiums.
3 As highlighted on page 110, this increase in the Chief Executive's taxable benefits was primarily attributable to higher charges for his company car.
4 Nicoletta Giadrossi was appointed as Chair of the Company on 1 January 2021 and, with effect from that date, her annual fee increased to £180,000.
5 Alison Wood was appointed as Chair of the Remuneration Committee on 1 January 2021 and, with effect from that date, became entitled to a further annual fee of £10,000.
6 Erik B. Daugbjerg was appointed as a Non-Executive Director on 14 May 2020.
7 The Non-Executive Directors are not eligible to participate In the annual bonus scheme.

Executive Directors' Base Salaries During 2021
Based on a review carried out in November 2020, the following salary increases for Executive Directors became effective on 1 January 2021:

2021 Annual Salary Details

	Job title	Annual salary as at 31 December 2020	**Annual salary as at 1 January 2021**	% increase with effect from 1 January 2021
Current directors				
Simon Thomson	Chief Executive	£586,650	**£592,517**	1.0%
James Smith	CFO	£381,561	**£385,377**	1.0%

The increases shown in the above table for both Simon Thomson and James Smith were consistent with the level of standard annual salary increase awarded to other employees on 1 January 2021.

Executive Directors' Pension Provision During 2021 (Audited)
In accordance with the terms of the Directors' Remuneration Policy described on pages 131 to 135, the Company operates a defined contribution, non-contributory Group personal pension plan which is open to all UK permanent employees. During 2021, the Company contributed 10% of basic annual salary (15% in respect of current Executive Directors) on behalf of all qualifying employees.

As explained in the Chair's Annual Statement that was contained in the Directors' Remuneration Report for the year ended 31 December 2020, the committee has decided that, with effect from 1 January 2023, the above contribution rates will be aligned so that all employees and Executive Directors will benefit from an annual Company pension contribution of 12.5% of basic salary.

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

James Smith is a member of the Company scheme and, during the year, received Company contributions up to his statutory annual allowance. The balance of his 15% of basic salary entitlement for the year ended 31 December 2021 was paid as additional salary.

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

Details of the actual amounts of pension contributions/additional salary that were paid to the Executive Directors during 2021 are set out in the 'pension' column of the single total figure table on page 110.

Annual Bonus – 2021 Structure and Outcome (Audited)
During 2021, Capricorn operated an annual bonus scheme for all employees and Executive Directors. Commentary on the overall structure and purpose of this arrangement (including an explanation of how it seeks to ensure a high degree of alignment with the Company's overall strategy and fairly reward the achievements that best drive the creation of shareholder value) is contained in the Chair's Annual Statement on page 107. The maximum level of bonus award for Executive Directors and certain PDMRs for the year was 125% of annual salary.

For all participants other than the Executive Directors, 2021 bonus awards were based on achievement against a mixture of personal objectives and Group-wide KPIs. When determining the level of award attributable to the personal performance element of these individuals' bonuses, consideration was also given to the extent to which they demonstrated the Company's 'high performance behaviours' during the period and also the level of their understanding, application and compliance with the Company's various standards and policies. The final level of all bonuses awarded to employees below Executive Director/PDMR level was reviewed and approved by the committee.

Consistent with the approach adopted in 2020, 100% of each Executive Director's bonus opportunity for the year to 31 December 2021 was determined by reference to the extent to which certain Group KPIs were achieved. Taking into account commercial sensitivities around disclosure, a summary of the relevant targets, ascribed weightings, payment scales and achievement levels is set out below.

2021 Annual Bonus Scheme – Group KPI Performance Conditions (100% Weighting) and Achievement Levels

KPI measures and performance achieved in 2021		
Purpose	2021 KPI	Measurement and payment scale
	ESG and HSSE	
Deliver value in a safe, secure and environmentally and socially responsible manner.	– Achieve lagging HSSE indicators measured against IOGP targets.	– A key focus for the business but given the lower levels of operated activity in 2021, a reduced weighting was allocated to this element of the ESG and HSSE KPI than in previous years with threshold, target and stretch goals identified at the start of the year.
	– Achieve a number of specified leading indicators that support Company policies and standards in relation to HSSE and corporate responsibility; focusing on matters identified in our materiality matrix, governance and people.	– Four projects were identified and KPI scoring metrics identified prior to commencement of the year: – Project 1: Deliver leadership programme for Major Accident Prevention; – Project 2: Define and document QA/QC requirements for projects; – Project 3: Establish and roll-out our Diversity and Inclusion Strategy and Plans; and – Project 4: Develop and deliver environmental and biodiversity protection programmes for our operated activities.
	– Develop our understanding of CCUS application and opportunity identification including required carbon pricing.	– Evaluate and demonstrate CCUS applications by year-end including technical, commercial, and financial considerations, setting out a roadmap for potential application in the portfolio and the pros/cons of investment.
	– Recording, tracking and reporting our Scope 1 and 2 emissions.	– Ensure equity (working interest) reporting of Scope 1 and 2 emissions for the 2021 Annual Report, with clear and consistent boundaries set, aligned with external benchmarks. Demonstrate 'activity normalised' emissions improvements in operated projects during 2021, with target and stretch goals of percentage improvements identified.

2021 performance	Weighting	Bonus awarded (as % of allocated proportion of maximum opportunity)	KPI Remuneration Committee decision
– Operated activities, including surveys, have resulted in zero incidents and spills. Multiple road transport trips in higher risk countries have been managed with zero injuries and high potential incidents through a full understanding of road risks. The stretch goal was, therefore, met. – Project 1: The requirements of the Corporate Major Accident Prevention Policy were re-emphasised to required persons and is included in HSSE inductions for new start employees and appropriate contractors. For a full score to have been achieved, further roll-out of major accident hazard leadership awareness would have been completed; – Project 2: Significant improvements were made in the application of the Capricorn Project Delivery Process (CPDP) to exploration projects; a register was developed detailing all ongoing capital and other projects, and for contracted services, inspections were made by Capricorn or specialised companies of all vessels, rigs and helicopters contracted to ensure they meet the required standards. A full score would have required documentation of QA/QC processes for all other operations. This is due to be completed in 2022; – Project 3: A D&I strategy was created and discussed within the organisation prior to formal presentation to staff during the year and launched prior to year end; and – Project 4: A biodiversity screening tool was applied to multiple NV projects as well as Egypt exploration; East Orkney and Diadem surveys, conducted in UK waters, were accompanied by assessments of the environment through standard UK studies and forms, with permits granted on time; detailed environmental studies were conducted in Mauritania to inform an early baseline survey that mobilised in January 2022 to inform the project on seabed/canyon bed locations. For a full score, further progress in the 'Assess' stage was required. – CCUS screening and application was matured during 2021 with a presentation given to the Board in December outlining possible options for participation in Egypt and the UKCS. The 'Identify' stage was therefore successfully completed and these projects are now in the 'Assess' stage. Scope 1 and 2 equity emissions were included in our Sustainability Report. – Energy efficiency and emissions clauses have been incorporated into all contract awards (including for operations at Diadem drilling in the UKCS). However, in 2021, it proved difficult to demonstrate emissions improvement in our operated projects as: (i) activity levels were very low; (ii) there was only one technically acceptable, available vessel for the East Orkney GeoTech survey; and (iii) there was only one commercially viable vessel in the required window for the Diadem site survey.	17.5%	15.75%	Substantially achieved

KPI measures and performance achieved in 2021

Purpose	2021 KPI	Measurement and payment scale
	ESG and HSSE continued	
	– Agree, establish and track social investment across the Group that helps deliver a positive impact on the communities with which we work.	– Further develop the framework, in line with the UN SDGs, for the social investment plans across the Group, including quantifying the overall impact of the programme(s).
	– Communicate our climate change performance and our processes for governance, risk management and target setting with internal and external stakeholders in a transparent and consistent manner.	– Threshold goal: Carbon disclosure project rating maintained or improved; target goal: threshold achieved plus TCFD reporting requirements met; stretch goal: target achieved plus SASB requirements met.
	Exploration and New Ventures	
Grow the reserves and resources base to provide a basis for future growth.	– Mature "Advantaged" prospects achieving commercial thresholds that can be considered for future exploration drilling.	– Addition of net mean unrisked resources with threshold (>10 mmboe (ILX opportunity) – zero score), target (>40 mmboe (several ILX or single high impact opportunities) – half score) and stretch (>80 mmboe (high impact opportunity) – full score) goals identified.
	– Conduct our operated and non-operated exploration and appraisal activities successfully, on time and on budget.	– Projects executed on plan with threshold (meet objectives – zero score); target (on time and budget – half score); and stretch (on time and 10% less than budget – full score) goals identified.
	– Add new commercial resources to replace reserves and grow value.	– Net 2C Contingent Resources added with threshold (0 net mmboe added – zero score), target (5 net mmboe added – half score) and stretch goals (10 net mmboe added – full score) identified.

2021 performance	Weighting (as % of allocated proportion of maximum opportunity)	Bonus awarded	KPI Remuneration Committee decision
– Investments were made in Mexico, Suriname and the UK that have resulted in environmental, medical and educational benefits to the communities and areas where we work. This has included a US$50,000 donation in each of Mexico and Suriname to help alleviate the challenges of the COVID-19 pandemic through the purchase of medical and test equipment for local hospitals, benefitting over 1,000 people. In our mangrove rehabilitation project, six sediment trapping units have been built and remote monitoring has been established using satellite images of mangrove sites. In Mexico, since 2020, the turtle conservation project has patrolled 6,000km of beaches and resulted in 80,896 hatchings in 2021. In the UK, we continue to support three PhD students as part of the Clean Energy scholarship and contribute to 27 research projects. – Our climate change score through the Carbon Disclosure Project (CDP) remained static at B- and discussions are planned to understand what further is required to improve the rating. We continue to work closely with partners on emission reduction projects as well as progressing clean energy projects and the purchase of the highest quality carbon offsets. – Water: for the first time, we participated in the CDP Water Security questionnaire. We continue to work with our partners and on our operated activities on water extraction and disposal, notably in Egypt where we are working on both exploration and production assets with our partners. We are aware of the criticality of water resources in water scarce regions and factor this into our exploration and operational plans. – TCFD: an EY internal audit showed that "Capricorn achieved an average coverage rating of 100% across the 11 recommended disclosures, with an average quality score of 56%. This compares to an average coverage score of 79% and average quality score of 49% across UK energy companies included in the tool." – SASB: 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.			
– Several prospects in South Abu Sennan, onshore Egypt, were matured in 2021 and classified as 'drill-ready'. They are anticipated to be drilled in H2 2022. Dauphin in Mauritania C7, was re-captured as Operator, and is of significant scale. The prospect would offer significant net potential resources well in excess of the target goal of 40 mmbbls. – All projects executed in 2021 met their original basis of design objectives. The Diadem site survey, East of Orkney GeoTech survey and UK MNSH 3D seismic survey (all operated) were delivered on time and budget. The Mexico Block 10 wells, Saasken and Sayulita (non-operated), were delivered on time and under budget. The Egypt onshore wells, TAMR-1 and NUMB-5 were delivered but over budget and, therefore, did not score. – No additional resources have been booked versus the 2021 opening position.	20%	7.5%	Partially achieved

KPI measures and performance achieved in 2021

Purpose	2021 KPI	Measurement and payment scale
	Production Performance	
Maximise revenues through efficient operations.	– Deliver net production within guidance targets.	– Assessed against the pre-agreed public production guidance outlined in early 2021 (16,000 to 19,000 bopd) from net production of the Kraken and Catcher assets with threshold (16,000 bopd – zero score), target (17,500 bopd – half score) and stretch (>19,000 bopd – full score) goals identified.
	– Deliver operating costs within guidance targets.	– Assessed against the 2021 budget values converted into an opex/boe guidance around the targeted or expected blended value across the Kraken and Catcher assets with threshold (US$25/boe – zero score), target (US$23/boe – half score) and stretch (<US$21/boe – full score) goals identified.
	– Convert resources to reserves.	– Measured according to the conversion of Contingent Resources to Reserves in existing and acquired assets with threshold (0 mmboe net 2P Reserves added – zero score), target (5 mmboe net 2P Reserves added – half score) and stretch (10 mmboe net 2P Reserves added – full score) goals identified.
	Financial Performance	
Manage resiliant balance sheet.	– Demonstrate balance sheet strength reflected in achievement of a pre-identified funding plan.	– Financial tests set to reflect targets of the funding plan incorporating a number of elements including minimum headroom levels and satisfaction of liquidity or similar tests.
	– India: recovery of proceeds.	– Measured by financial recovery of Indian proceeds.
	Corporate Projects	
Deliver a sustainable business.	– Develop and execute corporate projects to enhance the portfolio, consistent with the Group Risk Appetite Statement.	Measured against: – (a) the test of expansion and diversification of the production base; and – (b) creating value realisation options.

2021 performance	Weighting (as % of allocated proportion of maximum opportunity)	Bonus awarded	KPI Remuneration Committee decision
– Out-turn production for 2021 from these fields was approximately 18,300 bopd, significantly above the target of 17,500 bopd. Additionally, the out-turn production performance for the acquired Egyptian assets (36.5 kboepd WI in 2021) was within guidance issued to the market on announcement of the transaction (33-38 kboepd). – As our interests in Kraken and Catcher were sold in Q4, the operating costs were calculated on a 10+2 forecast basis and broadly resulted in the target scoring (US $22.8/bbl). – Reserves additions during 2021 were relatively modest, associated with infill wells planned at Catcher prior to sale and onshore Egypt. Scoring was above threshold (+1.3 mmbbls) but below target.	20%	11.75%	Partially achieved
– All financial tests set out as part of the funding plan were met and all liquidity and covenant tests were satisfied. – The Group initiated a number of enforcement proceedings in several jurisdictions during H1 2021 to expedite the recovery of the sums due under the December 2020 UK-India Bilateral Investment Treaty arbitration award made in the Group's favour on the tax issue. Subsequently, in H2 2021, the Government of India introduced the Taxation Laws (Amendment) Bill 2021, which allowed the refund to Capricorn of taxes previously collected in India. The Group's participation in the scheme introduced in this legislation resulted in resolution of the issue and the expected Indian tax refund of INR79 billion was paid and net proceeds of US$1.06 billion received by the Group in February 2022.	25%	20%	Substantially achieved
– No corporate projects were concluded as originally targeted and no score was achieved in this element of the corporate projects KPI. – Sale of the UK Kraken and Catcher assets was announced in March 2021 and concluded in Q4 with firm and uncapped contingent elements of consideration agreed, achieving a full score for this element of the corporate projects KPI.	17.5%	5.5%	Partially achieved
	100%	60.5%	

2021 Annual Bonus Scheme – Overview of Awards and Actual Payments Made

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

		Simon Thomson Group KPI measures	James Smith Group KPI measures
Award elements	Weighting (as % of max. bonus opportunity)	100%	100%
	x		
	Achievement level	60.5%	60.5%
	=		
	Award percentage (as % of max. bonus opportunity)	60.5%	60.5%
Award calculation	Max. bonus opportunity (as % of salary)	125%	125%
	x		
	Award percentage (as calculated above)	60.5%	60.5%
	=		
	Total award (as % of salary)	75.63%	75.63%
	Total award (as an amount)	£448,091	£291,441
Form of payment	Cash payment[1]	£448,091	£291,441
	Deferred share award[2]	£0	£0

Notes:
1 Cash payments due under the annual bonus scheme were paid to the relevant individuals shortly after completion of the assessment of the relevant performance measures and conditions.
2 Under the Company's annual bonus scheme for 2021, any amounts awarded in excess of 100% of salary would have been delivered in the form of share awards granted under the Company's Deferred Bonus Plan.

Before the above bonuses were finalised, the award levels produced by the application of the various targets were reviewed by the committee in the context of the Company's overall financial and operational performance during 2021. In particular, due consideration was given to the resolution of the long-standing Indian tax dispute, strong performance in respect of HSSE and ESG targets and maintenance of a resilient balance sheet whilst recognising the below target achievements in exploration and corporate projects. The conclusion reached was that the amounts to be paid to participants were appropriate in the circumstances and there was no requirement for the committee to make any adjustments pursuant to its overarching discretion under the annual bonus scheme, details of which are set out in the Directors' Remuneration Policy.

Long-Term Incentives During 2021

Introduction

During the year to 31 December 2021, the Executive Directors participated in the Company's 2017 LTIP (which was approved by shareholders at the AGM held on 19 May 2017).

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

Overview of Performance Conditions

For the awards granted to Executive Directors under the 2017 LTIP since its original adoption (including those granted in 2021), the performance conditions comprise two distinct elements, namely:

– **Conditions applicable to the 'core award'**
The first condition applies to that element of each award which is over ordinary shares normally worth 200% of the individual's salary (the 'core award') and involves an assessment of the Company's TSR performance over a three-year performance period (commencing on the date of grant) relative to the performance achieved by a predetermined comparator group of companies in the same sector (details of which are set out on page 124). Vesting will then take place as follows:

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

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

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

Summary of Vesting Terms, Holding Periods and Clawback Arrangements

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

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

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

All outstanding awards under 2017 LTIP have been granted on terms that participants will receive a payment (in cash and/or shares) on, or shortly following, the settlement of their awards of an amount equivalent to the dividends that would have been payable on the shares acquired between the date of grant and the expiry of any applicable holding period. Where required, the committee will decide the basis on which the value of such dividends shall be calculated, which may assume the reinvestment of dividends. The rules of the 2017 LTIP also give the committee the discretion to disapply these provisions in relation to all or part of any special dividend. As highlighted in the Chair's Annual Statement on page 108, this discretion was exercised by the committee in relation to the special dividend paid by the Company on 25 January 2021 on the basis that the economic position of participants in the 2017 LTIP was effectively preserved through the operation of the share consolidation that formed part of the return of cash mechanism.

LTIP Awards Granted During 2021 (Audited)

On 17 March 2021, the following awards under the 2017 LTIP were granted to Executive Directors:

	Description of award	Form of award	Basis of award granted	Share price at date of grant[3]	No. of shares over which award originally granted	Face value (£000) of shares over which award originally granted[4]	% of shares over which award originally granted that vest at threshold	Vesting determined by performance over
Directors								
Simon Thomson	Core award	Nil-cost option	2 x base salary of £592,517	£1.801	657,986	£1,185	25%	3 years until 16 March 2024
	Kicker award	Nil-cost option	0.5 x base salary of £592,517	£1.801	164,496	£296	100%	
James Smith	Core award	Nil-cost option	2 x base salary of £385,377	£1.801	427,958	£771	25%	3 years until 16 March 2024
	Kicker award	Nil-cost option	0.5 x base salary of £385,377	£1.801	106,989	£193	100%	

Notes:
1 Details of the performance conditions applicable to the awards granted in 2021 are provided on page 122.
2 No price is payable by participants for their shares on the exercise of a nil-cost option granted under the LTIP.
3 This figure represents the closing mid-market price of a share in the Company for the dealing day immediately preceding the date of grant. (The actual closing price on 17 March 2021 was £1.800).
4 The values shown in these columns have been calculated by multiplying the 'number of shares over which the award was originally granted" by the "share price at date of grant'.
5 In the period following the grant of the above awards, no change was made to their exercise price or the date on which they will become exercisable.

LTIP – Awards Vesting During the Year (Audited)

On 27 March 2021, the three-year performance period applicable to the awards granted under the 2017 LTIP on 28 March 2018 to various participants (including the Executive Directors) came to an end. Thereafter, the Remuneration Committee assessed the relevant performance conditions. The results of this assessment, which was completed on 31 March 2021, can be summarised as follows:

Award	Performance measure	% of award subject to measure	Performance achieved 2018-2021	% of award vested
Core award	Relative TSR performance against a comparator group of 15 companies.	100%	Capricorn's TSR over the period placed it between the fourth and fifth highest ranked companies in the comparator group. After a careful consideration of a variety of factors, the committee also concluded that there had been a sustained improvement in the overall performance of the Company over the three years in question.	84.60%
Kicker award	For any part of the kicker award to vest, (i) the Company must achieve at least an upper quartile ranking in the above comparator group; and (ii) the TSR actually achieved by the Company must be at least 100%.	100%	As Capricorn's ranking in the comparator group was below upper quartile, no part of the kicker award vested and it lapsed immediately on completion of the committee's above noted assessment.	0%

Notes:

1 Further details of the performance conditions that applied to the above awards are set out on pages 120 to 121.

2 At various points in the period 28 March 2018 to 27 March 2021, the committee was required to determine (in accordance with the approved remuneration policy in place at that time) the treatment of those comparator group companies that delisted. No other discretions relating to the vesting of the awards were exercised by the Remuneration Committee during or after the relevant performance period.

3 The TSR calculations used to inform the committee's determinations in relation to the above awards were independently verified by Ernst & Young LLP.

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

	Description of award	Form of award	Date of grant	No. of shares over which award originally granted	Date of vesting	% of award to vest as per performance condition assessment	No. of shares that vested[1]	Value of shares vesting[2]	Amount of vesting value attributable to share price appreciation[3]
Current director									
Simon Thomson	Core award	Nil-cost option	28/03/18	536,050	31/03/21	84.60%	453,472	£771,809	£0
	Kicker award	Nil-cost option	28/03/18	134,012	31/03/21	0%	0	£0	£0
James Smith	Core award	Nil-cost option	28/03/18	348,650	31/03/21	84.60%	294,941	£501,990	£0
	Kicker award	Nil-cost option	28/03/18	87,162	31/03/21	0%	0	£0	£0

Notes:

1 Following their vesting, the above awards became subject to a two-year holding period during which they cannot normally be exercised.

2 The values shown in this column (which are included in the single total figure table for 2021) have been calculated by multiplying the number of shares that vested by £1.702, being the closing mid-market price of a share in the Company on the day such vesting occurred.

3 On the basis that the price of an ordinary share was lower at the date of vesting of these awards (£1.702) than at their date of grant (£2.11), no part of the vesting value is attributable to share price appreciation.

4 No discretions were exercised in relation to the awards set out in the above table as a result of share price appreciation or depreciation.

LTIP – Awards Exercised During 2021 (Audited)

No LTIP awards were exercised by the Executive Directors during the year to 31 December 2021.

LTIP – Other Awards Held by Executive Directors During the Year

For the sake of completeness, and in order to allow comparisons to be made with the awards granted during 2021, set out below are details of the other unvested awards under the 2017 LTIP that were held by the Executive Directors during the year:

	Date of grant	Plan	Description of award	Form of award	Basis of award granted[2]	Share price at date of grant[3]	No. of shares over which award originally granted	Face value (£000) of shares over which award originally granted[4]	% of shares over which award originally granted that vest at threshold	Vesting determined by performance over three years until...
Directors										
Simon Thomson	13/03/19	2017 LTIP	Core award	Nil-cost option	2 x base salary of £576,844	£1.677	687,947	£1,154	25%	12/03/22
	13/03/19	2017 LTIP	Kicker award	Nil-cost option	0.5 x base salary of £576,844	£1.677	171,986	£288	100%	12/03/22
	28/07/20	2017 LTIP	Core award	Nil-cost option	1.6 x base salary of £586,650	£1.323	709,478	£939	25%	27/07/23
	28/07/20	2017 LTIP	Kicker award	Nil-cost option	0.4 x base salary of £586,650	£1.323	177,369	£235	100%	27/07/23
James Smith	13/03/19	2017 LTIP	Core award	Nil-cost option	2 x base salary of £375,183	£1.677	447,444	£750	25%	12/03/22
	13/03/19	2017 LTIP	Kicker award	Nil-cost option	0.5 x base salary of £375,183	£1.677	111,861	£188	100%	12/03/22
	28/07/20	2017 LTIP	Core award	Nil-cost option	1.6 x base salary of £381,561	£1.323	461,449	£611	25%	27/07/23
	28/07/20	2017 LTIP	Kicker award	Nil-cost option	0.4 x base salary of £381,561	£1.323	115,362	£153	100%	27/07/23

Notes:
1 Further details of the performance conditions that apply to these awards are set out on page 121.
2 Capricorn's normal practice is to grant awards on the basis of 2 x salary (in the case of the 'core' award) and 0.5 x salary (for the 'kicker' award). The reduced grant levels in 2020 reflected the fact that, at the time those awards were made, Capricorn had experienced a material fall in its share price (when compared to the pre-COVID-19 level). Further information on this issue was set out in last year's Directors' Remuneration Report.
3 This figure represents the closing mid-market price of a share in the Company for the dealing day immediately preceding the relevant date of grant.
4 The values shown in this column have been calculated by multiplying the relevant 'number of shares over which the award was originally granted' by the appropriate 'share price at date of grant'.
5 During 2021, no changes were made to the exercise prices of the above awards or the date on which they will become exercisable.

Comparator Group Companies Applicable to LTIP Awards

The table below provides details of the comparator groups applicable to each tranche of awards granted under the 2017 LTIP to Executive Directors that were outstanding during 2021.

	Comparator group applicable to LTIP awards granted on....			
Company	28/03/18	13/03/19	28/07/20	17/03/21
Africa Oil Corp.	✓	✓	✓	✓
Aker BP ASA	✓	✓	✓	✓
DNO ASA	✓	✓	✓	✓
Energean PLC (formerly named Energean Oil & Gas PLC)		✓	✓	✓
EnQuest PLC	✓	✓	✓	✓
Faroe Petroleum PLC*	✓			
Genel Energy PLC	✓	✓	✓	✓
Harbour Energy PLC (formerly named Premier Oil PLC)	✓	✓	✓	✓
Hurricane Energy PLC		✓	✓	✓
Kosmos Energy Limited	✓	✓	✓	✓
Lundin Energy AB (formerly named Lundin Petroleum AB)	✓	✓	✓	✓
Nostrum Oil & Gas PLC	✓	✓	✓	✓
Ophir Energy PLC*	✓			
Pharos Energy PLC (formerly named SOCO International PLC)	✓	✓	✓	✓
Rockhopper Exploration PLC	✓	✓	✓	✓
Santos Limited	✓	✓	✓	✓
Seplat Energy PLC (formerly named Seplat Petroleum Development Company PLC)	✓	✓	✓	✓
Sound Energy PLC	✓	✓	✓	✓
Tullow Oil PLC	✓	✓	✓	✓

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

Participation of Executive Directors in All-Employee Share Schemes During 2021

Introduction

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

- 'Partnership shares' – employees can authorise deductions of up to £1,800 per tax year from pre-tax salary, which are then used to acquire ordinary shares on their behalf.
- 'Matching shares' – the Company can award further free shares to all participants who acquire partnership shares on the basis of up to two matching shares for every one partnership share purchased. For the tax year 2021/2022, the Company awarded two matching shares for every one partnership share purchased and intends to continue using this award ratio for the tax year 2022/2023.
- 'Free shares' – employees can be given up to £3,600 worth of ordinary shares free in each tax year. On 15 April 2021, an award of free shares was made to employees.

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

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

Details of Executive Directors' SIP Participation in 2021

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

	Total SIP shares held at 01/01/21	Total SIP shares held following share capital consolidation on 11/01/21[1]	Dividend shares purchased on 02/02/21 at a price of £1.773 per share[2]	Free shares awarded on 15/04/21 at a price of £1.70 per share	Partnership shares awarded on 06/05/21 at a price of £1.734 per share	Matching shares awarded on 06/05/21 at a price of £1.734 per share	Total SIP shares held at 31/12/21
Directors							
Simon Thomson	34,536	29,222	6,233	2,116	1,038	2,076	40,685
James Smith	26,241	22,203	0	2,116	1,038	2,076	27,433

Notes:
1 All participants in the SIP (including the above Executive Directors) are the beneficial owners of the shares purchased by and awarded to them under the plan. As a consequence, they benefited from the return of cash (and were subject to the associated share capital consolidation) that was approved by the Company's shareholders at the general meeting held on 8 January 2021.
2 As highlighted in the Chair's Annual Statement on page 108, the committee decided to give participants in the SIP the ability, if they so wished, to reinvest the January 2021 special dividend that was paid in respect of their plan holding in further "dividend shares". Simon Thomson elected for this reinvestment approach whereas James Smith did not.

The total number of shares held by each of the current Executive Directors under the SIP is included in their beneficial shareholdings disclosed in the Directors' Report on page 140.

Shareholding Guidelines for Directors (Audited)

A formal share ownership policy for Executive Directors has been in place for a number of years under which they are required, during employment, to build up and maintain a target holding, currently equal to 200% of salary. In addition, and with effect from 14 May 2020, being the date the Directors' Remuneration Policy set out on pages 130 to 139 was approved by shareholders, Executive Directors (and certain other senior managers) are normally obliged to maintain a specified holding of shares for a period of two years following cessation of employment. Further details of the terms of this policy are set out on page 136.

The following table discloses the beneficial interest of each director in the ordinary shares of the Company as at 31 December 2021 (or date of cessation of directorship, if earlier). It also highlights the fact that, on 1 January 2022, the 'in service' element of the above shareholding requirements were satisfied by Simon Thomson, Chief Executive, but not by James Smith, CFO. As publicly announced at the time, James Smith was permitted to dispose of a total of 443,725 shares across 3 and 4 November 2021 as part of his personal arrangements given the then anticipated special dividend arising from the receipt of the Indian tax refund. Immediately prior to this disposal, the value of his holding for the purposes of the 'in service' requirement detailed above (which included the net-of-tax value of his vested but unexercised LTIP awards set out in the table below) was equal to approximately 346% of salary and immediately following it was approximately 122% of salary.

It is currently anticipated (based on the Company's most recent projections and valuing shares using the average share price for the period of 90 days up to and including 28 February 2022) that, following the vesting of Mr Smith's LTIP award originally granted on 13 March 2019 (which is scheduled to occur in mid-March 2022), his holding for the purposes of the "in service" requirement will increase to 206% of salary, thereby bringing him back into full compliance. To the extent that this does not prove to be the case, it is envisaged that, within a year of completion of the return of value (and in fulfilment of undertakings given at the time he originally received the permission), Mr Smith will take the steps necessary to ensure that he is once again in compliance with the director shareholding requirements.

	Shares held			Awards over shares under the LTIP			Compliance with shareholding requirements	
							In service requirement	Post cessation requirement
	Ordinary shares[2]	Ordinary shares held in the SIP[3]	Total holding of ordinary shares	Ordinary shares subject to vested but unexercised awards[4]	Ordinary shares subject to unvested awards[5]	Total interest in ordinary shares	Value of holding as a % of salary on 1 January 2021[6 7]	Value of holding as a % of salary on 1 January 2021[6 8]
Executive Directors								
Simon Thomson	1,109,634	40,685	1,150,319	629,600	2,569,262	4,349,181	454%	101%
James Smith	0	27,433	27,433	409,496	1,671,063	2,107,992	114%	101%
Non-Executive Directors								
Nicoletta Giadrossi	–	–	–	–	–	–	–	–
Peter Kallos	9,292	–	9,292	–	–	9,292	–	–
Keith Lough	–	–	–	–	–	–	–	–
Alison Wood	–	–	–	–	–	–	–	–
Catherine Krajicek	–	–	–	–	–	–	–	–
Erik B. Daugbjerg	–	–	–	–	–	–	–	–
	1,118,926	**68,118**	**1,187,044**	**1,039,096**	**4,240,325**	**6,466,465**		

Notes:
1 Details of the Company's share ownership policies for Executive Directors are set out on page 136.
2 Includes shares held by connected persons.
3 Under the rules of the SIP, certain shares awarded to participants must be retained in the plan for a specified 'holding period' of up to five years. The receipt of these shares is not subject to the satisfaction of performance conditions.
4 This column shows all vested but unexercised awards under the LTIP that were held by the director concerned as at 31 December 2021.
5 This column shows all unvested and outstanding awards under the LTIP that were held by the director concerned as at 31 December 2021 (i.e. including those granted during the year). Details of these entitlements, the vesting of which is subject to the satisfaction of performance conditions, are set out on pages 121 to 123.
6 Share price used is the average share price for the period of 90 days up to and including 31 December 2021.
7 This holding includes (i) all shares currently held by the individual; and (ii) the net-of-tax number of all shares subject to vested but unexercised LTIP awards.
8 This holding includes the net-of-tax number of all shares subject to vested but unexercised LTIP awards.

Dilution of Share Capital Pursuant to Share Plans During 2021

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

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

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

Board Appointments with Other Companies During 2021

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

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

Details of the non-executive positions with other companies that were held by Capricorn's Executive Directors during 2021, and the fees that were payable, are as follows:

	Position held	**Fees received for the year to 31/12/21**
Current directors		
Simon Thomson	Non-Executive Director, Graham's The Family Dairy Limited	**£35,000**
	Non-Executive Director, Edinburgh Art Festival	**£0**

Relative Importance of Spend on Pay

Set out below are details of the amounts of, and percentage change in, remuneration paid to or receivable by all Group employees and distributions to shareholders in the years ended 31 December 2020 and 2021.

	Financial Year 2020	**Financial Year 2021**	% change
Employee costs (US$m)	33.6	**36.1**	7.4%[1]
Distributions (US$m)[2]	0	**257.2**	N/A

Notes:

1 This rise in employee costs is largely attributable to the headcount increase that occurred within the business during 2021.

2 For the purposes of the above table, 'Distributions' include amounts distributed to shareholders by way of dividend and share buyback. The figure for 2021 represents the aggregate of (i) the return of cash that took place in January of that year; and (ii) the share-buybacks that occurred in the period.

Implementation of Remuneration Policy in 2022

The following table provides details of how the Company intends to implement the key elements of the current Directors' Remuneration Policy described in pages 131 to 135 during the year to 31 December 2022.

Remuneration element	Implementation during 2022
Base salary	Both of the Executive Directors received a 3% increase in base salary on 1 January 2022 – this was in line with the standard annual increase awarded to other employees on that date. After applying this increase, details of the base salaries payable to both the current Executive Directors for the year to 31 December 2022 are as follows: – Simon Thomson, Chief Executive – £610,293; and – James Smith, CFO – £396,938.
Benefits	Executive Directors will continue to receive the same benefits as in 2021.
Annual bonus	In accordance with the requirements of the policy, Executive Directors will be eligible to receive a bonus of up to 125% of base salary depending on the extent to which specified measures are satisfied over 2022. However, any bonus awarded to an Executive Director in excess of 100% of salary will be deferred into Capricorn shares for a period of three years. The whole of the Chief Executive's and CFO's 2022 bonus opportunity will be based on the Group KPIs outlined in the table on pages 128 and 129 (which also includes details of the relevant weightings and, where applicable, specific target ranges and payment scales). The overall categories and weightings for these KPIs were agreed by the Board, with the specific targets to be used for the purposes of the 2022 bonus scheme being set by the Remuneration Committee (which will also be responsible for their assessment at the end of the year). The choice of metrics for 2022 and their weightings reflects Capricorn's focus on the upstream stages of the oil and gas life cycle. In line with this focus, Capricorn does not utilise strict financial performance KPIs. Instead, relevant elements of financial performance are incorporated more broadly into the KPI structure, including our focus on retaining balance sheet strength, delivering efficient operations and maturing our developments. Some precise details of the targets and payment scale to be used for the 2022 plan are commercially sensitive and have not, therefore, been set out in the table on pages 127 and 128. However, appropriate disclosures will be included in next year's Annual Report on Remuneration.
LTIP	It is intended that, during the early part of 2022, the Executive Directors will be granted awards pursuant to the rules of the 2017 LTIP. These awards will, in aggregate, be over shares worth 250% of salary and will take the following forms: – a 'core award' over shares worth 200% of salary – the vesting of which will be dependent on relative TSR performance over a three year period versus a comparator group of peer companies (with 25% vesting for a median ranking rising on a straight-line basis to 100% vesting for upper quartile performance); and – a 'kicker award' over shares worth 50% of salary – vesting will be conditional on achieving both an upper quartile ranking in the comparator group and absolute TSR growth over the performance period of at least 100%. All shares that vest in relation to an award (whether 'core' or 'kicker') will be subject to an additional two-year holding period. It is anticipated that the comparator group against which the relative performance conditions are assessed will be the same as the one used for the purposes of the LTIP grants made in 2021, save that Serica Energy plc and Vår Energi will be added to the list for these new awards.
SIP	Executive Directors will be given the opportunity to participate in the SIP on the same terms as apply to all other eligible employees in the arrangement.
Pension	During 2022, the Company will continue to contribute 15% of basic salary on behalf of the current Executive Directors or pay them an equivalent amount of additional salary. Effective from 1 January 2023, this will reduce to 12.5%. In accordance with the policy, the rate of pension contributions for any new appointees to the Board will be capped at a level that is equal to the amount paid to the wider UK employee population.
Non-Executive Directors' fees	The annual Non-Executive Director fee for 2022 has been increased from £75,500 to £77,765. The additional annual fee for chairing the Audit and/or Remuneration Committees is unchanged at £10,000.
Chair's fees	The annual Chair's fee for 2022 has been increased from £180,000 to £185,400.

2022 Group KPIs

Category	KPI	Weighting	Milestone based	Target based	Scoring metric and payment scale
HSSE (8%)	**HSE Lagging Indicators** – Assessment of Lost time injury frequency (LTIF), Total recordable injury rate (TRIR) and spills to the environment across operated activities	4%		✓	Scoring is based on IOGP HSSE benchmarks across our operated portfolio of surveys and onshore and offshore wells
	HSE Leading Indicators – Safety Leadership Complete a number of Executive/ Management site visits during 2022 to embed, monitor and audit safety culture amongst our staff, contractors and joint ventures, particularly post COVID-19	4%		✓	**Threshold (0% score)** – 1 visit **Target (50% score)** – 2 or more visits **Stretch (100% score)** – 4 visits plus Group wide HSSE Day held
ESG (12%)	**Environmental** – Outline a roadmap and secure opportunities to deliver Scope 1 and 2 carbon neutrality in line with our short, medium and long-term net zero targets	5%		✓	**Threshold (0% score)** – Project(s) secured that contribute towards our 2040 target **Target (50% score)** – Project(s) secured that contributes to our 2040 target plus project(s) that contribute towards our 2030 target **Stretch (100% score)** – Project(s) secured that contribute to our 2040 target plus project(s) that contribute towards our 2030 target plus project(s) which helps to deliver improvements before 2025
	Social – Agree, establish and track social investment across the Group that helps to deliver a positive impact on the communities with which we work	3%	✓		Develop the existing framework, in line with the UN SDGs, for the social investment plans across the Group, including quantifying the overall impact of the programme(s)
	Governance – Communicate our climate change strategy, performance, and our processes for governance, risk management and target setting and carbon pricing	2%		✓	**Threshold (0% score)** – Carbon Disclosure Project (CDP) rating maintained or improved **Target (50% score)** – Carbon Disclosure Project (CDP) rating maintained or improved plus TCFD reporting requirements met **Stretch (100% score)** – Carbon Disclosure Project (CDP) rating maintained or improved plus TCFD reporting requirements met plus Sustainability Accounting Standards Board (SASB) requirements met
	Governance – Enhance our approach to Diversity & Inclusion Metric(s): (1) Complete an independent survey with staff which will provide a benchmark to D&I awareness in the oil and gas industry and the countries, where we participate; and (2) increase and further embed D&I into our culture at Board, Management and general staff levels	2%	✓		Complete the survey noted Increase and further embed D&I into our culture at Board, Management, and general staff levels

Category	KPI	Weighting	Milestone based	Target based	Scoring metric and payment scale
Exploration & New Ventures (20%)	**Prospect Maturation & Well Planning** – Mature our key exploration projects for planned drilling in 2022/23 in Egypt, UK and Mauritania	8%	✓		Gain approval from JV partners in Egypt for the Capricorn recommended prospects for drilling and the associated optimal timing (2%) Finalise prospect maturation and selection from new 3D seismic in the MNSH in UKCS, and secure approved budget funds from JV partner(s) for drilling operations in 2023 (2%) Secure a JV partner in Mauritania Block C7 with approved budget funds for drilling operations in 2023 (4%)
	Exploration Operations – Conduct our operated and non-operated exploration and appraisal activities (surveys and drilling) successfully, on time and on budget	6%		✓	**Threshold (0% score)** – Operations meet basis of design objectives **Target (50% score)** – Operations complete on time and on budget (+/- 10%) **Stretch (100% score)** – Operations complete on time and 10% less than budget
	Adding Resources – Add new commercial resources through E&A drilling, coupled with conceptual development studies	6%		✓	**Threshold (0% score)** – 0 mmboe added **Target (50% score)** – 15 mmboe added **Stretch (100% score)** – 30 mmboe added
Development and Production (20%)	**Reserves/Resource Conversion** Sanction incremental development investment to convert WI 2C Resources and 2P Undeveloped Reserves into WI 2P Producing Reserves. Metric based on net 2C Contingent Resources converted	5%		✓	**Threshold (0% score)** – 10 mmboe converted **Target (50% score)** – 15 mmboe converted **Stretch (100% score)** – 20 mmboe converted
	Delivering Production and Opex Targets – Deliver Net production targets within public market guidance issued in January 2022 in relation to Egypt (37,000 – 43,000 boepd)	10%		✓	**Threshold (0% score)** – Low end of Guidance **Target (50% score)** – Middle of Guidance **Stretch (100% score)** – At or above top end of guidance
	Deliver operating cost/boe targets within public market guidance in January 2022 in relation to Egypt (US$4.5 – US$5.5 per boe)	5%		✓	**Threshold (0% score)** – Low end of Guidance **Target (50% score)** – Middle of Guidance **Stretch (100% score)** – At or above top end of guidance
Financial Performance (20%)	Maintaining Financial Strength and flexibility	5%	✓		Maintaining a US$50m 'headroom' from existing sources of funds in all financial projections covering all currently committed and planned expenditure including capital funds for exploration, appraisal, incremental development and production opex
		5%	✓		Debt liquidity covenants or applicable facility tests met
		10%	✓		An executable funding plan presented and approved by the Board to effect the Company's strategy or as required in line with any approved acquisition.
Corporate Projects (20%)	Projects identified (including acquisitions & divestments) and agreed with the Board of strategic significance during the calendar year	20%	✓		Develop and execute plans to enhance the portfolio to: (i) increase the scale of operating cash flow (5%); (ii) diversify the cash flow generating base (5%); (iii) integrate new assets in a timely and effective manner, (5%) and (iv) achieve predetermined portfolio management projects (5%, commercially confidential)

Part 3 – Directors' Remuneration Policy

Introduction

At the AGM held on 14 May 2020, shareholders overwhelmingly approved a new Directors' Remuneration Policy for the Company. This policy, which specifies the various pay structures operated by the Company and summarises the approach that the committee will adopt in certain circumstances such as the recruitment of new directors and/or the making of any payments for loss of office, became effective immediately on receipt of that approval and was applied by the committee during 2021. This policy will also be operative throughout 2022.

Although not required by the Regulations, the substantive terms of the above Directors' Remuneration Policy are repeated in this Part 3 for ease of reference. However, any details that were specific to 2020 or earlier years (including, for example, any disclosures relating to the decision-making process that was followed for determining the new policy and the illustrative remuneration scenarios set out on pages 136 to 137) have, where applicable, been either omitted or updated to reflect the current position. The policy as originally approved by shareholders can be found on pages 97 to 106 of the 2019 Annual Report and Accounts, a copy of which is available on the Company website.

Purpose and Role of the Remuneration Committee

The Remuneration Committee determines and agrees with the Board the overall remuneration policy for the Executive Directors and the Group's PDMRs (Persons Discharging Managerial Responsibilities). Within the terms of this agreed policy, the committee is also responsible for:

- determining the total individual remuneration package for each Executive Director and the PDMRs;
- determining the level of awards made under the Company's LTIPs and employee share award schemes and the performance conditions which are to apply;
- determining the KPIs used to measure performance for the annual bonus scheme;
- determining the bonuses payable under the Company's annual bonus scheme;
- determining the vesting levels of awards under the Company's LTIPs and employee share award schemes; and
- determining the policy for pension arrangements, service agreements and termination payments for Executive Directors and PDMRs.

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

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

Consultation with Relevant Stakeholders

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

In the period before and after the 2021 AGM, the committee consulted extensively with a selection of the Company's larger institutional investors and a number of proxy agencies, in order to try and understand the reasons for the level of votes that had been cast at that meeting against the 2020 Annual Report on Remuneration. Details of the conclusions reached from this exercise, and the steps that the committee intends to take in order to address the identified concerns, are set out in the Chair's Annual Statement on page 106.

Historically, the committee has not undertaken a formal consultation exercise with employees in relation to the Group's policy on senior management remuneration. Members of staff are, however, regularly given the opportunity to raise issues on a variety of matters, including executive pay, via a number of mechanisms such as the Company's Employee Voice Forum (which is hosted by Peter Kallos, a member of the committee), the attendance of directors at team meetings and employee engagement surveys. The committee believes that this mechanism ensures that its obligations under Provision 41 of the 2018 UK Corporate Governance Code are met.

Overview of Current Remuneration Policy

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

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

Policy Table – Elements of Directors' Remuneration Package

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

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

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
2017 Long-Term Incentive Plan (or 2017 LTIP)	Incentivises Executive Directors to deliver long-term performance for the benefit of share-holders, thereby aligning the interests of the directors with those of the Company's investors.	The 2017 LTIP was established by the Company following receipt of the necessary shareholder approvals at the 2017 AGM. Awards will normally be made annually with vesting dependent on achievement of performance conditions chosen by the committee that are measured over a period of at least three years. Vesting of awards will generally take place on the third anniversary of grant or, if later, the date on which the performance conditions are assessed by the committee. All awards that vest will normally be subject to a holding period in terms of which the relevant shares will only be released/become exercisable after a further period of at least two years has expired from the vesting date. The committee reviews the quantum of awards annually, taking into account factors such as market rates and overall remuneration. The committee also retains the discretion to adjust award levels in circumstances where there has been a significant movement in the Company's share price. Under the rules of the 2017 LTIP, awards may be subject to malus and/or clawback provisions if certain events occur after their grant but before the expiry of the period of three years from the end of the relevant performance period. For awards vesting on or after 1 January 2020, these events include: – the committee becoming aware of a material misstatement of the Company's financial results; – the committee becoming aware of an error in the calculation of performance targets which, had it been known at the relevant time, would have reasonably been expected to have resulted in a lower award being made; – the relevant participant committing an act that has (or could have) resulted in summary dismissal by reason of gross misconduct; or – a corporate failure arising, due to the conduct of management, which has resulted in the appointment of a liquidator or administrator.	Normal total maximum % of salary: 250%.	Vesting of awards granted under the 2017 LTIP will be determined by the growth in Total Shareholder Return (TSR) of Capricorn over a performance period of at least three years. Awards up to 200% of salary (the 'core award') will be subject to TSR performance measured relative to a comparator group selected by the committee, with no more than 25% vesting at median and 100% for at least upper quartile performance. In order to focus on exploration success which leads to a material increase in the share price, once performance for the 'core award' has been fully achieved, an additional element of up to 50% of salary can be earned if absolute TSR growth over the same performance period equals or exceeds 100% (the 'kicker award'). The committee retains the discretion to reduce the vesting level produced by the formulaic operation of the TSR conditions in circumstances where, based on its independent judgement, it considers it appropriate to do so (e.g. where the outturn from the assessment of the prescribed targets is not, in the committee's view, a genuine reflection of the underlying performance of the Company). Although the committee's intention is that the above conditions will be applied to LTIP awards granted in 2022, it may decide to impose different (but equally challenging) conditions in future years. The committee will consult with major shareholders prior to making any such decision and will ensure that the vesting of at least 50% of all awards granted under the LTIP continues to be determined by reference to the Company's TSR performance.

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Share Incentive Plan (or SIP)	Encourages a broad range of employees to become long-term shareholders.	The Company established an HM Revenue and Customs approved share incentive plan in April 2010. It allows the Company to provide eligible employees, including the Executive Directors, with some or all of the following benefits: – partnership shares acquired using deductions from salary; – matching shares awarded to those employees who purchase partnership shares on the basis of a ratio specified by the Company; and – free shares. Matching and free shares awarded under the SIP must normally be held in the plan for a specified period.	Participation limits are those set by the UK tax authorities from time to time. These limits are currently as follows: – Partnership shares: up to £1,800 per tax year can be deducted from salary. – Matching shares: up to two matching shares for every one partnership share purchased. – Free shares: up to £3,600 worth in each tax year.	None
Pension	Rewards sustained contribution.	The Company operates a defined contribution group personal pension plan in the UK. The scheme is non-contributory and all UK permanent employees, including the Executive Directors, are eligible to participate. The Company contributes a specified percentage of basic annual salary for senior employees, including Executive Directors. Where an Executive Director has an individual personal pension plan (or overseas equivalent), the Company pays its contribution to that arrangement. If an Executive Director's pension arrangements are fully funded or applicable statutory limits are reached, an amount equal to the Company's contribution (or the balance thereof) is paid in the form of additional salary.	For current Executive Directors, the Company contributes 15% of basic salary on their behalf or pays them a cash equivalent. For any future appointees to the Board, the Company's pension contributions will be capped at a level that is equal to the amount paid to the wider UK employee population (currently 10% of basic salary).	None
Share ownership policy	Aligns Executive Director and shareholder interests and reinforces long-term decision making.	During their employment, Executive Directors are obliged to build up and maintain a target holding of shares worth 200% of salary. Executive Directors are also normally required to maintain a shareholding equal to 200% of final salary for a period of two years following cessation of employment. Further details relating to both the above requirements (including the particular shares to which they relate and the enforcement mechanisms that have been put in place) are set out on page 136.	Not applicable.	None

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

Notes:

1 A description of how the Company intends to implement the policy set out in this table during the financial year to 31 December 2022 is provided on pages 127 to 129.

2 The following differences exist between the Company's above policy for the remuneration of directors and its approach to the payment of employees generally:
- Participation in the LTIP is typically aimed at the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Employee Share Award Scheme (details of which are provided in section 4.4 of the notes to the financial statements on pages 182 to 184).
- Under the Company's defined contribution pension scheme, the Company contribution for all other employees (and any new Executive Directors appointed to the Board) is 10% of basic annual salary.
- A lower level of maximum annual bonus opportunity applies to employees other than the Executive Directors and certain PDMRs.
- Benefits offered to other employees generally comprise permanent health insurance, private health insurance, death-in-service benefit and gym and fitness allowance.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and PDMRs, a greater emphasis is placed on variable pay.

3 The TSR performance conditions applicable to the 2017 LTIP (further details of which are provided on pages 120 and 121) were selected by the committee on the basis that they improve shareholder alignment and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. Under the terms of these performance conditions, the committee can specify the basis on which TSR for any company is calculated and has the discretion to make adjustments to this methodology to take account of exceptional circumstances, including share capital variations. Where any company becomes unsuitable as a member of the comparator group as a result of, for example, a change of control or delisting, the committee has the discretion to treat that company in such manner as it deems appropriate (including replacing it with another organisation).

4 Where a nil-cost option award under the 2017 LTIP becomes exercisable, it will generally remain so until the 10th anniversary of the date on which it was granted.

5 The choice of the performance metrics applicable to the annual bonus scheme reflect the committee's belief that any incentive compensation should be tied to appropriately challenging measures of both the overall performance of the Company against its strategic KPIs and (where appropriate) those areas that the relevant individual can directly influence.

6 The legislation applicable to the SIP does not allow performance conditions to be applied in relation to partnership or matching shares and, given that the SIP is an 'all-employee' arrangement, the Company has decided that it is currently not appropriate to apply performance conditions to free shares awarded under it, although the committee retains the discretion to apply performance conditions to future awards.

Shareholding Policy for Executive Directors

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

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

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

Common Terms of Share Awards

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

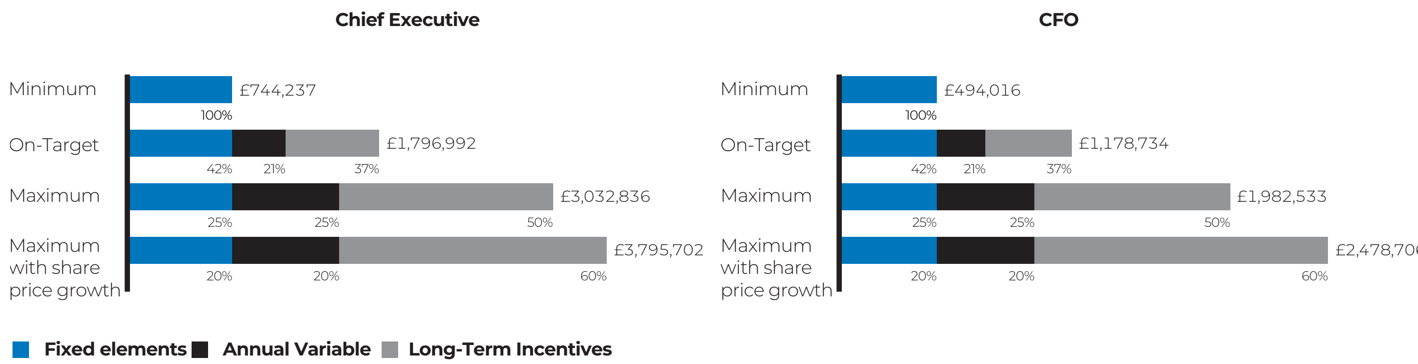
- be granted as conditional share awards or nil-cost options or in other such form that the committee determines has the same economic effect;
- have any performance conditions applicable to them amended or substituted by the committee if an event occurs which causes the committee to determine that an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

Legacy Awards

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

Remuneration Scenarios Relating to the Above Policy

Capricorn's pay policy seeks to ensure that the overall package of the Executive Directors is generally weighted more towards variable pay and, within such variable pay element, that greater emphasis is placed on the delivery of long-term performance through the award of long-term incentives. In the chart below, we show the make-up of remuneration of the current Executive Directors in 2022 under minimum, on-target and maximum scenarios. A further column has also been included which illustrates the impact on the figures contained in the maximum scenario of an assumed share price appreciation for the LTIP award of 50% over the relevant performance period.



In developing the above scenarios, the following assumptions have been made:

- The 'minimum' columns are intended to show the fixed level of remuneration to which the Executive Directors are entitled in 2022 irrespective of performance levels, namely base salary (at current rates), benefits (using the details set out in the 2021 single total figure table provided on page 110) and pension (calculated by applying the percentage entitlement for those individuals set out in the policy table against latest confirmed salary).
- The 'on-target' scenario seeks to illustrate the remuneration the Executive Directors would receive if performance was in line with expectation. In addition to the fixed elements summarised above, it assumes a specified level of payout/vesting under the annual bonus scheme and 2017 LTIP. In the case of the bonus scheme a 50% payout has been used. For on-target performance under the LTIP, the 'kicker' element of the award would not vest. Therefore, the illustration is based on 55% vesting of the 'core award' of 200% of salary. This vesting level is broadly equal to the percentage applied in determining the grant date 'fair value' of an LTIP award for the purposes of the Company's share-based payment charge.
- The 'maximum' columns demonstrate total remuneration levels in circumstances where the variable elements pay out in full, namely an annual bonus payment of 125% of salary (with 100% of salary paid in cash and the balance delivered in the form of a deferred share award) and 100% vesting of LTIP awards to be granted in 2022 over shares worth 250% of salary.
- For the 'maximum with share price growth' column, share price appreciation of 50% over the relevant performance period has been assumed for the LTIP awards. For all other columns, any post-grant share price movements have not been taken into account for the purposes of valuing LTIP and deferred bonus awards.
- The Executive Directors are entitled to participate in the SIP on the same basis as other employees. The value that may be received under this arrangement is subject to legislative limits and, for simplicity, has been excluded from the above chart.

Recruitment Policy

Base Salaries

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

Benefits

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

Variable Pay

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

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

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

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

Chair and Non-Executive Directors

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

Executive Directors' Service Contracts

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

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

Note:

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

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

Exit Payment Policy for Executive Directors

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

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

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

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

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

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

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

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

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

Non-Executive Directors' Letters of Appointment

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

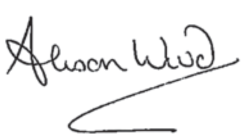
The following table sets out the dates of the letters of appointment for the Chair and each of the current Non-Executive Directors and specifies the dates on which those individuals are next subject to election or re-election:

Director	Date of original appointment	Date when next subject to election or re-election
Nicoletta Giadrossi	10 January 2017	11 May 2022
Peter Kallos	1 September 2015	11 May 2022
Keith Lough	14 May 2015	11 May 2022
Alison Wood	1 July 2019	11 May 2022
Catherine Krajicek	1 July 2019	11 May 2022
Erik B. Daugbjerg	14 May 2020	11 May 2022

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

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

The Directors' Remuneration Report was approved by the Board on 8 March 2022 and signed on its behalf by:



Alison Wood
Chair of the Remuneration Committee

8 March 2022

Directors' Report

The Directors of Capricorn Energy PLC (registered in Scotland with Company Number SC226712) present their Annual Report and Accounts for the year ended 31 December 2021 together with the audited consolidated Financial Statements of the Group and Company for the year. These will be laid before shareholders at the AGM to be held on 11 May 2022. The Directors' Report and the Strategic Report (which includes trends and factors likely to affect future development, performance and position of the business, our Section 172 Statement and a description of the principal risks and uncertainties of the Company's Group and can be found on pages 2 to 75 and is hereby incorporated by reference), collectively comprise the management report as required under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Results and Dividend
The Group made a profit after tax of US$894.5 million (2020: loss after tax of US$393.8 million).

Following completion of the sale of all of its interests in Senegal to Woodside, the Company paid a special dividend of approximately £188 million to shareholders in January 2021. The Directors do not recommend the payment of a dividend for the year ended 31 December 2021.

Strategic Report
Details of the Group's strategy and business model during the year and the information that fulfils the requirements of the Strategic Report can be found in the Strategic Report section on 2 to 75 of this document, which are deemed to form part of this report by reference.

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

Change of Control
All of the Company's share incentive plans contain provisions relating to a change of control and further details of these plans are provided in the Directors' Remuneration Report on pages 106 to 140. Generally, outstanding options and awards will vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

On a change of control of the Company resulting in the termination of his employment, current Chief Executive is entitled to compensation pursuant to his service contract. Further details of the relevant provisions are set out in the Directors' Remuneration Report on pages 138 to 139. There are no agreements providing for compensation to the Chief Financial Officer or to employees on a change of control and no such provision will be included in the contracts of other future appointees to the Board.

Other than in respect of the US$325m senior debt facility agreement entered into by Capricorn Egypt Limited and its partner Cheiron with Société Générale and other syndicated banks dated 24 June 2021 and the US$80m junior debt facility agreement entered into by Capricorn Egypt Limited and its partner Cheiron with Trafigura Ventures V B.V. and Deutsche Bank AG. dated 24 June 2021 (together the "Egypt Facility Agreements"), there are no significant agreements to which the Company or a member of the Group is a party that take effect, alter or terminate in the event of a change of control of the Company. In terms of each of the Egypt Facility Agreements, if there is a change of control of the Company, the majority lenders may cancel the commitments and all outstanding amounts will become immediately due and payable.

Corporate Governance
The Company's Corporate Governance Statement is set out on pages 84 to 95 and is deemed to form part of this report by reference.

Directors
The names and biographical details of the current Directors of the Company are given in the Board of Directors section on page 79. The beneficial interests of the Directors in the ordinary shares of the Company are shown below:

	As at 31 December 2020 Number of shares[1]	As at 31 December 2021 Number of shares[2]	As at 3 March 2022 Number of shares[2]
Simon Thomson	1,345,992	1,150,319	1,150,319
James Smith	550,644	27,433	27,433
Nicoletta Giadrossi	0	0	0
Keith Lough	0	0	0
Peter Kallos	10,982	9,292	9,292
Alison Wood	0	0	0
Catherine Krajicek	0	0	0
Erik B. Daugbjerg	0	0	0

Notes:
1 This number of shares reflects the shareholding of the Director prior to the 11 for 13 ordinary share capital consolidation that took place with effect from 11 January 2021 and represents ordinary shares of 231/169 pence each that were in issue at the date noted.
2 This number of shares reflects the 11 for 13 ordinary share capital consolidation that took place with effect from 11 January 2021 and represents ordinary shares of 21/13 pence each currently in issue.

Details of outstanding awards over ordinary shares in the Company held by the Directors (or any members of their families) are set out in the Directors' Remuneration Report on pages 121 to 123.

None of the Directors has a material interest in any contract, other than a service contract, with the Company or any of its subsidiary undertakings. Details of the Directors' service contracts are set out in the Directors' Remuneration Report on page 138.

Share Capital
The issued share capital of the Company is shown in section 7.1 of the notes to the Financial Statements. As at 3 March 2022, 495,518,171 ordinary shares of 21/13 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange. The rights attaching to the ordinary shares are set out in the Company's Articles of Association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

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

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

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

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

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

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

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

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

Major Interests in Share Capital

As at 31 December 2021 and 25 February 2022 (being the latest practicable date prior to the date of this report), the Company had received notification that shareholdings of 3% and over were as set out in the table below.

	As at 31 December 2021*	% Share Capital	As at 25 February 2022*	% Share Capital
MFS Investment Management	68,948,282	13.86	68,184,132	13.78
BlackRock	47,349,227	9.95	46,895,888	9.48
abrdn	25,888,418	5.20	27,481,042	5.55
Vanguard Group	22,288,866	4.48	17,389,093	3.51

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

Political Donations

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

Greenhouse Gas Emissions

Details of the Group's greenhouse gas emissions can be found in the Strategic Report section on pages 56 and 57, which are deemed to form part of this report by reference. Our response to the Streamline Energy and Carbon Reporting (SECR) framework has been provided on page 57 of this Annual Report and Accounts and is also deemed to form part of this report by reference.

Employee and Stakeholder Engagement

Details of the Company's engagement with employees and external stakeholder are noted in the Strategic Report on page 61 and in our Section 172 Statement on pages 26-29, which are hereby incorporated in this report by reference.

Financial Instruments

The financial risk management objectives and policies of the Company are detailed in Section 3.11 of the Financial Statements.

Acquisition of Own Shares

Capricorn intends to distribute up to US$700 million of the India tax refund proceeds to shareholders. Of this sum, and subject to shareholder approval, US$500 million will be returned by way of tender offer, whereby shareholders will be invited to tender some or all of their shareholding for purchase on terms that will be set out in a Circular to be posted to shareholders, and up to US$200 million will be returned by way of an ongoing share buyback programme to provide a continuing value-accretive return of capital to shareholders.

In November 2021, the Company commenced a share buyback programme of an initial amount of up to £20 million out of the planned US$200 million programme, to be purchased for cancellation. Capricorn entered into an agreement with its brokers, Morgan Stanley, to repurchase for cancellation ordinary shares in the capital of the Company on the Company's behalf and within certain pre-set parameters. As at 31 December 2021, 2,666,227 ordinary shares have been repurchased which represents approximately 0.54% of the issued share capital of the Company as at that date. The nominal value of the shares purchased as at that date is £43,069.82 and the aggregate amount of consideration paid by the Company (excluding dealing and associated costs) for those shares is £4,958,679.35.

Appointment and Replacement of Directors

The Company's articles of association provide that directors can be appointed by the Company by ordinary resolution, or by the Board. The Nomination Committee makes recommendations to the Board on the appointment and replacement of directors. Further details of the rules governing the appointment and replacement of directors are set out in the Corporate Governance Statement on page 87 and in the Company's articles of association.

Directors' Indemnities

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

Powers of the Directors

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

Articles of Association

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company Financial Statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group Financial Statements in accordance with international financial reporting standards adopted by the UK. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these Financial Statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, UK-adopted international financial reporting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
– prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Following careful review and consideration of the Capricorn Energy PLC Annual Report and Accounts 2021 (the 'Accounts'), the Directors consider that the Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section on page 79, confirm that, to the best of their knowledge:

– the Group Financial Statements, which have been prepared in accordance with UK-adopted IFRS, give a true and fair view of the assets, liabilities, financial position, and loss of the Group and loss of the Company; and
– the Strategic Report section on pages 2 to 75 of this document includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Disclosure of Information to Auditors
Each of the Directors of the Company as at 8 March 2022, being the date this report is approved, confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the Directors have taken appropriate steps to make themselves aware of the relevant audit information and to establish that the Company's auditors are aware of this information.

AGM 2022
The AGM of the Company will be held at The Gallery, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh EH2 4HQ 12.00 noon on Wednesday, 11 May 2022. The resolutions to be proposed at the AGM are set out and fully explained in the Notice of AGM which has been posted to shareholders together with this Annual Report and Accounts. Full details are included in the Notice of AGM.

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

This Annual Report was approved by the Board of Directors and authorised for issue on 8 March 2022.

By order of the Board

Anne McSherry
Company Secretary

8 March 2022