



Sustainability Report 2023

Capricorn Energy PLC

A Responsible Approach to the Environment



During a year of major reorganisation at Capricorn Energy, our commitment to environmental protection has remained unchanged and this approach is fundamental to maintaining our licence to operate. We are committed to being a responsible energy producer and will play our part in supporting Egypt to achieve its accelerated and updated nationally determined contributions (NDCs) to reduce oil and gas emissions within the sector by 65% by 2030.

Our approach to protecting the planet includes making strenuous efforts to understand and reduce our overall impact on the environment, including climate change, biodiversity and consumption of freshwater resources.

Business principles

- We strive to prevent and minimise our impact on the environment, including no net loss of biodiversity.
- Commitment to World Banks Zero Routine Flaring by 2030.
- We will implement our pathway to net zero and report on our progress.

In 2023, the following environmental issues were treated as being of high materiality:

- Climate change and energy transition.
- Reduction of GHG emissions.
- Reduction of fossil fuel consumption.
- Protection of biodiversity and ecosystems.
- Discharges to air, sea, land and sound.
- Protection of fresh water resources.
- Circular approach – minimisation of waste.

📄 See our Materiality Matrix online: www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Recommitted to our climate and energy transition strategy.
- Developed short-, medium- and long-term sustainability objectives and targets.
- Integrated carbon pricing mechanisms and re-evaluated the resilience of our portfolio.
- Assessed physical risks of climate change on our portfolio.
- Improved our reporting against the TCFD, SASB requirements and GRI.
- Expanded Scope 3 emissions disclosures, including Capricorn's commuting emissions, business travel emissions and the use of our products.

- Undertook an environmental baseline survey, furthered knowledge of biodiversity and ecosystem services risks in our operated exploration in Egypt.
- Maintained environmental and social impact assessments for our operated exploration projects in Egypt.



📄 For more details, see our website: www.capricornenergy.com/working-responsibly



Capricorn's commitment to the environment has been approved by our Board and CEO and is aligned with Capricorn's Corporate Environmental and Climate Change Policy (CECP). CECP is directly implemented within our management system to continually improve our performance in accordance with international codes and standards.

In 2023, Capricorn made good progress in understanding and reducing our GHG footprint, as per our net zero commitment of equity Scope 1 and Scope 2 GHG emissions by 2040, with interim targets of 15% by 2025 and 30% by 2030, against a 2022 baseline. Capricorn reduced its equity Scope 1 and Scope 2 emissions against our 2022 baseline by 15.6% for 2023. This currently puts us ahead of our interim reduction targets of reducing our emissions by 15% by 2025.

Capricorn recognises the increasingly global threat of biodiversity loss and its interlinking with the physical risks of climate change. In 2022, Capricorn committed to No Net Loss of Biodiversity and will be aligning our reporting disclosures in 2025 to reflect New Task Force for Nature Disclosures (TNFD) recommendations.

During 2023, Capricorn undertook a comprehensive internal study to understand our freshwater resource consumption on an operational basis, including site activities and office-based use. The study focused on our Egypt office,

which is situated within a high-water stress area based on the Aqueduct Water Risk Atlas.

Climate change and the energy transition

In early 2023, Capricorn Energy went through a major refocusing of its activities, plans and goals. Although many aspects of the business now look very different, our commitment to achieving net zero and our climate obligations remains steadfast and uncompromised.

A central dynamic for Capricorn is to reduce our operational emissions as outlined within our net zero road map, whilst continuing to provide fossil fuels to the Egyptian domestic market.

Egypt is a developing economy, and therefore with oil and gas resources built into every scenario of the International Energy Agency (IEA), Capricorn will support Egypt's Just Transition by focusing on lower emissions-based production, while implementing multiple decarbonisation initiatives.

Actions first, offsets second

As part of our net zero roadmap, we are actively seeking ways to understand and address not only climate but environmental impacts as well.

Our primary goal is to earn our net zero status through measurable, tangible actions, with the secondary safety net of Capricorn's carbon offset portfolio.

In these pages we describe multiple decarbonisation and efficiency projects, improved behaviours and implementation of emerging technologies – such as thermal plasma electrolysis, which is an innovative technique that breaks down methane into hydrogen and carbon black.

An AAA year

In 2023, Capricorn Energy was uprated by Morgan Stanley Capital International (MSCI) from 'AA' to 'AAA' as a result of our ESG performance. Capricorn also upgraded its CDP climate change submission from B to A-.

The year also saw improved or sustained rankings from the key ESG analytics agencies, including Moody's, ISS and Sustainalytics.

2024 goals

We aim to:

- remain on track to achieve our interim emission reduction target of 15% by 2025 as part of our equity Scope 1 and Scope 2 CO₂ net zero emissions by 2040;
- continue the decarbonisation progress we have made with our JV partner;
- achieve a clear fugitive emission asset baseline and implement reduction initiatives with a specific methane focus; and
- continue to maintain and improve on our industry ratings and ranking.

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED

Reducing our GHG emissions

The reduction of GHG emissions sits at the heart of our strategy for sustainable operations. We address it directly through our net zero roadmap, which is underpinned by our equity Scope 1 and Scope 2 net zero by 2040 with interim reduction targets of 15% by 2025 and 30% by 2030.

Addressing our emissions footprint remains a key demand from our external stakeholders and is also seen as a significant business risk.

Capricorn's net zero roadmap is underpinned by clear operational principles: avoid, reduce, substitute, sequester and offset. In the short to medium term, our net zero strategy focuses on operational efficiencies, which we address on both an operated and non-operated basis.

Capricorn is now a non-operator of both its producing assets and exploration licences. Both our JV partner Chevron and JV company Bapetco have developed and published their own sustainability plans aligned to Egypt's NDCs, and share Capricorn's focus to optimise operations to reduce GHG emissions in every practicable way.

2023

During 2023, we worked with our partners to implement a range of decarbonisation initiatives to reduce our overall GHG footprint in our producing asset base.

Activities within our Bapetco JV included:

- **Flare gas recovery:** Implementation of flare reduction projects, including process optimisation activities, stripping gas reduction and smart infrastructure upgrades. These upgrades included replacing pre-existing heaters with gas-fired units fed from waste stream flare gas within the Barqa field.
- **Switching to gas:** We are migrating away from carbon-intensive diesel-powered generation, in favour of natural gas. Working with our JV partner, we completed the switch from diesel to gas generation in the North East Abu Gharadig (NEAG) JG block in August 2023, as well as increasing the clustering of wells within the Sitra and BED fields to increase operational efficiencies of the remaining diesel generators. This switch resulted in a total reduction in diesel consumption of around 7% when compared with consumption in 2022.
- **Power consolidation:** Where diesel generators are required, we are saving thousands of litres a day through power centralisation.
- **Fugitive emission focus:** The JV purchased a FLIR GFX320 fugitive emissions camera to address current and future fugitive leaks. This addition has enabled us to include fugitive screening within regular maintenance processes.

- **Hydrogen feasibility study:** In Q4 2023 the JV undertook a hydrogen feasibility study to understand the suitability of utilising remaining flare gas to produce hydrogen. The initial proof of concept phase of this study has been a success, and we have now progressed to an initial commercial screening study to understand the potential value chain and off-takers within the Egyptian market.
- **Carbon capture study:** In 2023, the JV completed a technical feasibility study to identify candidate subsurface storage sites for carbon dioxide at our BED and Obaiyed concessions, as well as a first look at surface facility configuration.

2024

We go into 2024 confident that our pipeline of decarbonisation initiatives will continue to deliver a reduction in our GHG footprint.

In addition to the 2023 projects, the JV will explore:

- **Hydrogen/diesel hybrid generators:** Pilot study to introduce hydrogen in diesel generators to reduce diesel consumption.
- **Fugitive screening:** Utilisation of ground level cameras to identify and remove fugitive emissions, as part of an enhanced asset integrity campaign.
- **Satellite monitoring:** Continue to monitor flaring and venting to provide quality control on emissions reporting data and offer opportunities for improved performance.

Reducing our fossil fuel consumption

Understanding and taking measurable action to reduce Capricorn's overall fossil fuel consumption is integrated into our broader net zero roadmap.

Fossil fuel consumption is the largest contributor to Capricorn's equity Scope 1 emissions and therefore offers a significant reduction opportunity. Our decarbonisation programmes approached fuel consumption on multiple fronts in 2023.

- **Clustering:** Where diesel generators are currently necessary, we have reduced consumption through power centralisation.
 - This has been achieved by increasing the clustering of wells within the Sitra and BED fields to increase operational efficiencies of the remaining diesel generators.
- **Electrification:** To further reduce diesel consumption, we are utilising the spare power generated at Badr El Din 3 (BED3) to cover the electrical needs of 20 wells.

- **Switching to gas:** We are migrating away from carbon-intensive diesel-powered generation in favour of gas. We will continue to work with our JV partner to continue the replacement of remaining diesel generators to gas in 2024.
- **Hydrogen/diesel hybrid generators:** Pilot study to introduce hydrogen in our diesel generators to reduce diesel consumption. Pre-pilot results suggest the addition of hydrogen could reduce diesel consumption by 30%.
- **Questions for contractors:** As part of our tendering process, we require contractors to estimate the fuel consumption of their vehicles and plant. Any outlier that is greater than 20% of the mean is automatically removed from the tender.

Protection of biodiversity and ecosystems

Protection of biodiversity and natural ecosystems ranks highly as a material issue for Capricorn and our stakeholders. We recognise the increasingly global threat to biodiversity and its link with the physical risks of climate change.

As outlined within our CRMS, our Biodiversity Framework, which has been strengthened and developed in recent years, provides a common cross-operational approach to mitigating potential impacts.

The framework unifies how we identify, assess and mitigate potential impacts. It measures biodiversity risk screening and environmental baseline surveys (EBSs) to benchmark conditions before operations commence, and environmental and social impact assessments (ESIAs) to evaluate the significance of potential impacts and to propose mitigation.

The framework is supported by our Guidance for Managing Biodiversity Risks and Opportunities, issued in February 2022. This document maps principles from the International Petroleum Industry Environmental Conservation Association (IPIECA); the IOGP Biodiversity and Ecosystem Services guidance; and the Cross Section Biodiversity Initiative's guide for implementing the mitigation hierarchy to our business processes and project delivery process.

Case study

Focus on fugitives

In Q4 2022, Capricorn and our JV partners undertook a full screen of the producing assets to comprehensively understand our fugitive emission position.

The study identified 148 fugitive points, of which 68 have since been rectified, the remaining 54% require maintenance shutdowns to enable access for repairs.

In Q4 2023, the JV partnership procured a light detection and ranging camera to integrate fugitive screening into routine maintenance. Field

operatives have now been trained to operate the equipment; a full facilities assessment is currently underway to provide an updated baseline fugitive position to inform our regular maintenance activities.

Capricorn is looking into ground level monitoring systems positioned at our non-operated assets, which offer

a 24/7 approach to identify leaks outside of maintenance cycles. We hope to position ourselves to be able to comprehensively monitor our fugitives from a point position, asset position and satellite position within 2024.

Protecting and screening biodiversity and sensitive areas

As nature and biodiversity risks are inherently location-specific, Capricorn undertakes detailed screening and consultation to identify protected areas and to prioritise locations for biodiversity conservation. As a matter of policy, we do not explore, develop or enter joint ventures located in UNESCO World Heritage sites or International Union for Conservation of Nature, categories 1a (strict nature reserves) and 1b (wilderness areas).

We are now regularly using an Integrated Biodiversity Assessment Tool, together with Capricorn's in-house Geographical Information Service biodiversity risk screening tool, developed with the United Nations Environment Programme's World Conservation Monitoring Centre (UNEP-WCMC). The tool is used as part of our new opportunity screening process and gives us a consistent methodology to examine and compare biodiversity risks.

Desert operations

Although not at high biodiversity risk, we make no distinction between Egypt's Western Desert and any other environment: we see the same priorities, and have local communities to answer to and support.

In 2023 we worked on a number of projects.

- **Improving performance:** A 2022 Environmental and Social Action Plan survey identified issues that fell below our standards. In the reporting year, we addressed:
 - collecting and cleaning up minor (tier 1 or 2) spills; and
 - enhancing processes to deal correctly with different wastes.

Discharges to air, sea, land and sound Introduction

Naturally, we seek to comply with the local regulation of our host country of Egypt, as well as international conventions such

as the international convention for the Prevention of Pollution from Ships and the Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic. Capricorn also seeks to comply with international industry best practice, such as the environmental management guidelines published by IPIECA and IOGP.

Discharges

Capricorn is broadly satisfied with our management of discharges throughout 2023. Our robust audit – which we carry out every six months – revealed certain discharge and waste handling issues, which we are addressing.

Examples of Capricorn's actions towards reducing impacts include the following:

Discharges to land: waste

- In 2023, operated activities included:
- Capricorn follows environmental law by appropriately disposing of waste created during exploration activities. This includes using septic tanks at the rig site to ensure appropriate disposal to the sewage treatment plant; and
 - Capricorn appropriately disposed of solid waste during exploration activities. Solid waste was collected and sent to approved landfill sites, for example oil-based mud cuttings were collected in boxes and transferred to landfill for treatment and final disposal.

Following completion of drilling at South Abu Sennan (SAS) and South East Horus (SEH) exploratory well sites, the locations were reinstated to their original condition, with all waste removed.

Non-operated:

- A new sewage treatment plant was successfully commissioned and is now operational in Alam El Shawish (AESW).

Discharges to land: water

Wastewater handling is a continued priority within our JV operations for 2023.

During the year, the JV upgraded the AESW evaporation ponds to ensure we continued to dispose of produced wastewater safely. Five new ponds were installed and tied into the drainage system for Bahga, Barq and Magd stations.

Discharges to air: flare reduction

In 2020, Capricorn joined World Bank's Zero Routine Flaring by 2030 initiative, which recognises that flaring is unsustainable from a resource management and environmental perspective. Capricorn does not currently have any operated producing assets and, therefore, has no operated flaring. However, non-operated flaring does take place and we are actively supporting our partner in reducing these activities.

Non-operated flare reduction projects implemented in 2023 included process optimisation activities, stripping gas reduction and smart infrastructure upgrades. The latter included replacing pre-existing heaters with gas-fired units fed from waste stream flare gas within the Barqa field.

Protection of freshwater resources

Access to clean, safe water for local communities is a fundamental human right that is enshrined in the UNSDGs.

We therefore take very seriously our responsibility for protecting and maintaining these resources. CECP outlines our commitment to efficient operations regarding water usage. It aims to protect water sources and water quality where we operate, promotes the efficient usage of water, and includes the need to engage with local communities to ensure environmental resources are conserved.

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED

Fresh water awareness and consumption

In 2022, Capricorn undertook a review of its assets and their vulnerability to the physical risk of climate change. As anticipated, our JV assets in the Egyptian Western Desert were highlighted as being within an area of high water-stress as per the Aqueduct Water Risk Atlas.

In response to these findings, we undertook a complete internal review in 2023 to understand our freshwater usage within our offices- and site-based activities, to improve our reporting disclosure on this critical resource.

As far as practicable, we only use fresh water to support the needs of people, both in our workforce and the contractors we use. Capricorn and our partners in Egypt only use saline water for industrial applications.

For this purpose, in 2023 we:

- drilled two saline water wells to supply the needs of water-based mud cutting within our exploratory wells; and
- installed new filter systems for the drilling rig camp during the year.

Fresh water support

As part of our corporate social responsibility in Egypt, Capricorn is supporting the neighbouring communities of Swani Samalos and Galala by building resilience around fresh-water shortages.

The communities are not served by reliable piped water supplies but through our contribution, we were able to enhance water provision by constructing 48 100m³ rainwater harvesting wells.

Circular approach and minimisation of waste

Capricorn regards minimisation of waste and the move towards the circular economy as a fundamental part of its sustainability commitments.

We align our processes with the accepted material management hierarchy of reduce, re-use, recycle and recover. Where reuse or recycling are not possible, we favour disposal routes such as waste to energy (where available), in preference to landfilling.

We seek to minimise waste wherever we can and ensure that any waste we do produce is systematically processed and disposed of according to agreed waste management plans. These were developed as part of our Environmental Impact Assessments for our Egyptian onshore exploration programmes and detail how Capricorn stays within the law.

During 2023, we:

- carried out, and gained approval for, environmental impact studies on exploratory wells;
- implemented a reinstatement plan for all well locations post-drilling; and

- followed up with contractors to ensure full compliance with waste handling and disposal, including auditing of receipts from waste management facilities.

Delivering on our promises

In 2023, we completed our drilling programmes with no violations or waste disposal infractions and we returned each location to how we found it.

During these desert operations, our controls averted a potential issue with a contractor who was burning waste on-site rather than taking it to the approved landfill facility 200km away. We took immediate steps to rectify this practice, and ensure no environmental impact was left behind.

During 2024, we will:

- continue to work with our partner to ensure alignment with all environmental legislation;
- monitor statistical reports every month;
- conduct audits as required; and
- target achieving another violation-free year.

GHG emissions from operated activities (SECR)

	Unit	2023	2022
Scope 1 (direct) emissions from fuel combustion, flaring and waste incineration	tCO ₂ e		
UK		113.64	3,659.41
Capricorn total		1,392.76*	7,862.61*
Scope 2 (indirect) emissions (location-based) from electricity consumption	tCO ₂ e		
UK		149.26	183.90
Capricorn total		181.84*	223.31*
Total gross Scope 1 and Scope 2 emissions	tCO ₂ e		
UK		262.90	3,843.31
Capricorn total		1,574.60	8,085.92
Total energy consumption kWh	tCO ₂ e		
UK		1,340,000	14,975,833
Capricorn total		1,419,444	32,990,000
GHG intensity ratio of Scope 1 and Scope 2 emissions to 1,000 hours worked tCO₂e/1,000 wh	tCO ₂ e		
UK		1.2	1.17
Capricorn total		4.2	3.12
Scope 3	tCO ₂ e		
Business travel – UK		576.20*	1,202.00*
Business travel – Capricorn Total		576.20*	1,202.00*
Commuting emissions – UK		66.90	393.00*
Commuting emissions – Capricorn Total		200.57*	393.00*

* Deloitte LLP have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ("ISAE 3000") and Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410") issued by the International Auditing and Assurance Standards Board ("IAASB") over selected metrics, identified with *, within Capricorn Energy's energy consumption and greenhouse gas (GHG) emission disclosure. Deloitte LLP's full unqualified assurance opinion, which includes details of the metrics assured, can be found on our website – www.capricornenergy.com/working-responsibly. Details about our corporate definitions, data and methodologies are outlined within our Basis of Reporting. Note: Figures do not include Scope 3 from the use of products.

TCFD reporting

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

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

Governance

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

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

During 2023, the Board discussions included:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED

TCFD REPORTING CONTINUED

Risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Strategy

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

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

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

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

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

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

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

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

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED
TCFD REPORTING CONTINUED

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

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

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

A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED
TCFD REPORTING CONTINUED

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

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

OUR NET ZERO COMMITMENT IN ACTION

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

Zero routine flaring

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

Portfolio resilience

Current portfolio creates value in stringent transition scenario testing.

Clear principles underpin target
Avoid, reduce and substitute

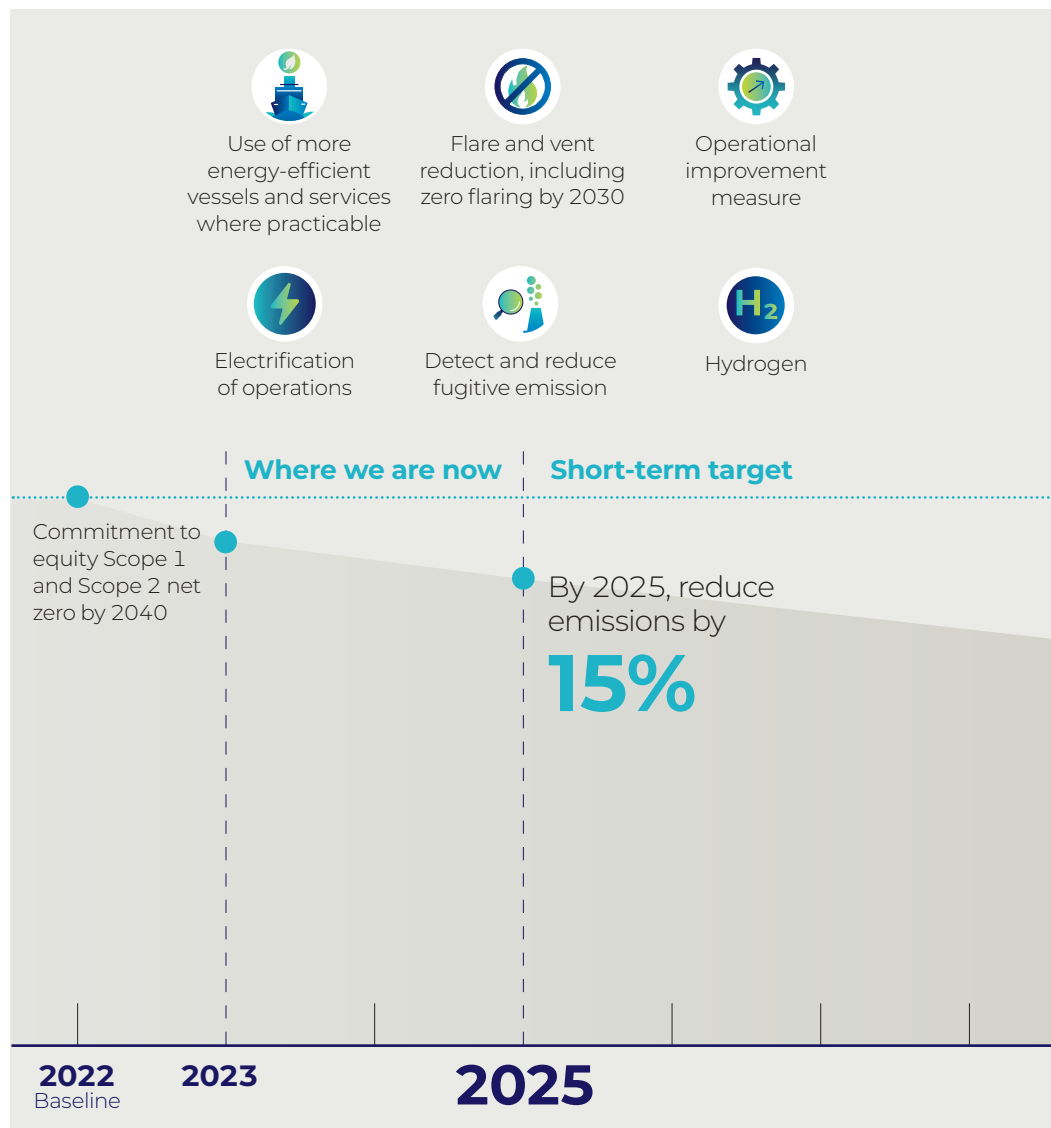
- Power generator rationalisation and fuel substitution of diesel for clean-burning gas progressing.
- Electrification of BED area with completion in 2024.
- Exploring feasibility for installation of waste heat recovery units at Obaiyed Central Processing Platform.
- Flare gas recovery and optimization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

Sequester

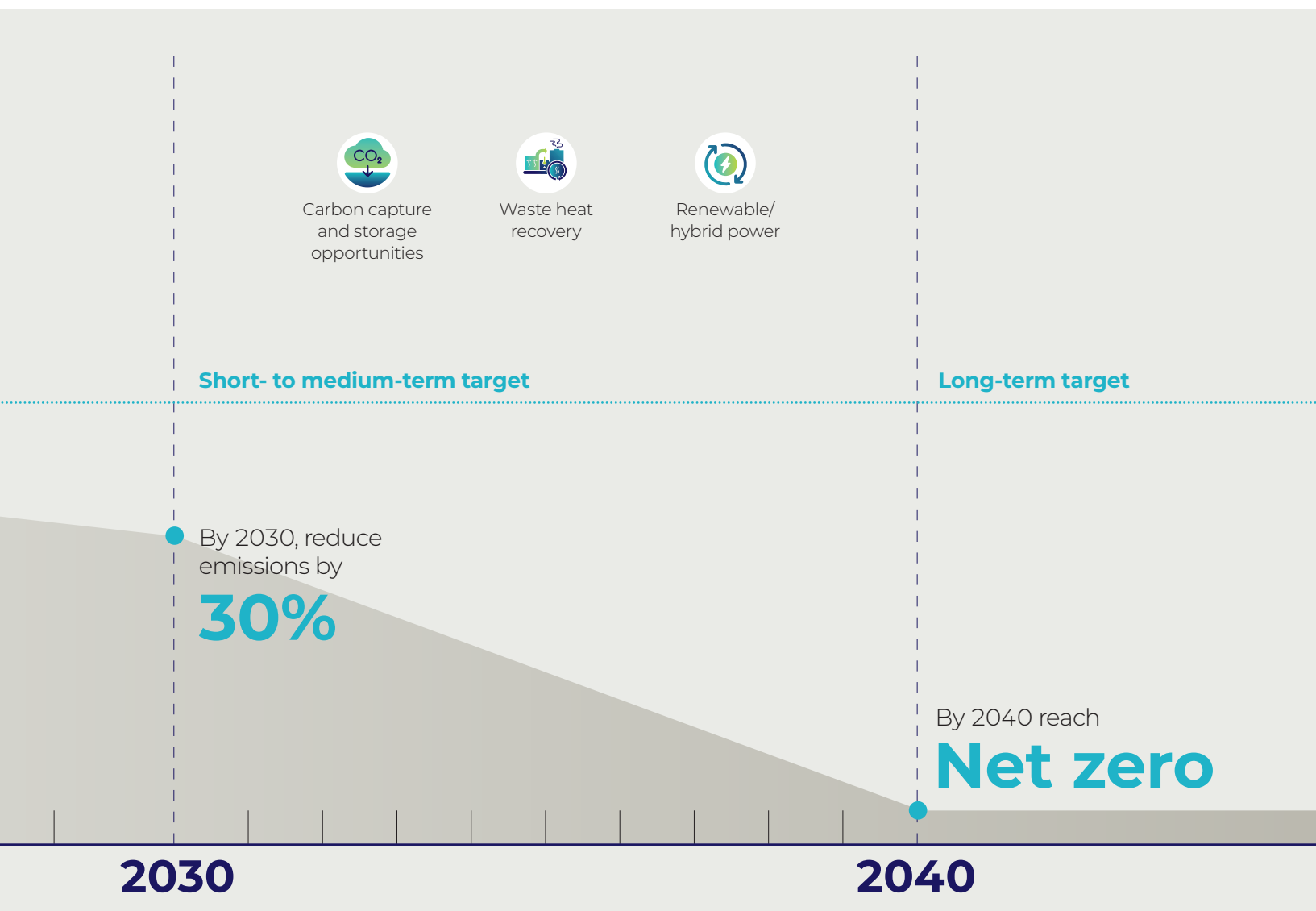
The JV completed a technical feasibility study to identify candidate subsurface storage sites at our BED and Obaiyed concessions.

Offset

Capricorn has a portfolio of high quality carbon offsets.



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



A RESPONSIBLE APPROACH TO THE ENVIRONMENT CONTINUED
TCFD REPORTING CONTINUED

Strategy continued

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

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

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

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

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

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

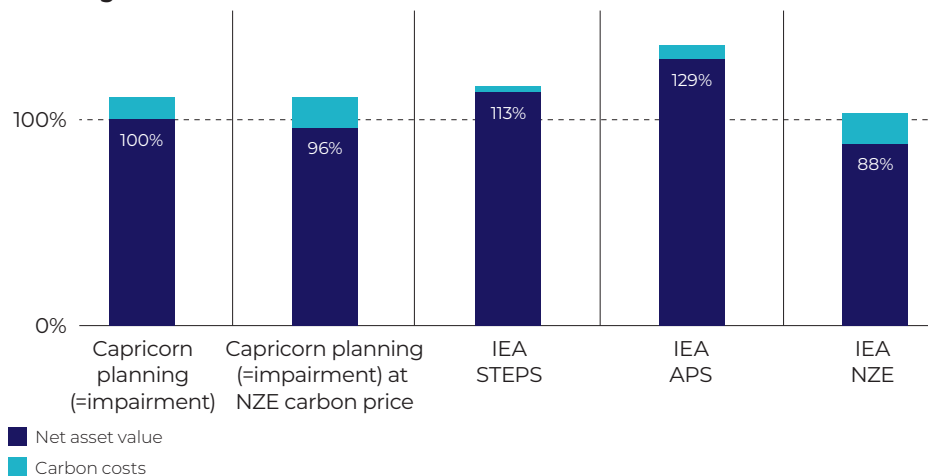
portfolio against IEA's STEPS, APS and NZE scenarios, showed that our assets will generate value in the most ambitious climate scenario, aligned with a 1.5 degree warming. This gives us confidence that our valuation and planning assumptions are robust and that we will continue to create value for all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

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

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

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

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



Metrics and targets

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

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

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

A Responsible Approach to People



The reporting year involved significant change at Capricorn Energy and, sadly, the need to make many roles redundant in order to right-size the business for the future.

Our primary concern was to extend all the support we could, both emotional and practical, to these people who were affected. We then set about instilling a sense of togetherness in our newly formed, right-sized enterprise, built on the priorities of health and safety, fairness, inclusion and opportunity.

Business principles

- We develop the potential of our people.
- We foster a workplace that respects personal dignity and rights, is non-discriminatory and provides fair rewards.
- We provide a healthy, safe and secure work environment.

In 2023, the following people issues were identified as being of high materiality:

- workplace safety and security;
- diversity, equality and inclusion;
- health and well-being;
- talent management; and
- learning and development.

See our Materiality Matrix online: www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Revised our project delivery process with improved integration of HSSE elements within the Wells Project Management Procedure.
- Implemented an HSSE management system roadmap for our in-country team in Cairo.
- Established a system to track social investment across the Group that helps deliver a positive impact on the communities with which we work.
- Implemented an enhanced incident reporting system across the Company and provided training to users.
- Reviewed our security guidelines against the latest ISO standard, assessed information sources and providers to identify potential improvements, and updated our Business Continuity Plan.
- Revised our technical competencies project and strengthened links to our Corporate Major Accident Prevention Policy.

- Reviewed and updated our corporate policies to ensure alignment with latest legislation and clarity of messaging.
- Revised our contractor assessment criteria in relation to emissions, energy efficiency objectives and our net zero targets.
- Set improved contractor HSSE leadership expectations, including revised KPIs.
- Aligned our scoring mechanism for contractor HSSE evaluations with IOGP methodologies and achieved our stretch target for 2023.



For more details, see our website: www.capricornenergy.com/working-responsibly

Workplace safety and security

Safety is a non-negotiable priority.

No practical or commercial consideration is ever permitted to override the safety and well-being of our people, our contractors or communities. We work to the highest international standards; indeed, our own safety requirements often exceed those that local law may demand.

Partners in safety

In 2023, as operator of three exploration blocks in the Western Desert, we safely drilled three exploration wells through our JV partner on the South Abu Sennan (SAS) and South East Horus (SEH) concessions.

We worked closely with our Partner to bridge HSSE documents and systems, and conducted a test emergency response exercise successfully. The well campaign was conducted safely, clocking more than 250,000 recordable hours on operations, with no lost time incidents. We provided 150 hours of training in the IOGP's Life Saving Rules to all contracted rig workers during our exploratory wells training, and 40 hours of first-aid training to staff based in our Egypt office.

Desert risks

In Egypt, where working in the Western Desert brings a particular set of issues to address, good communications, vital for safe operations and for crisis-readiness, are secured by satellite telephony.

Driver training is essential – indeed, the greatest safety risk we face isn't at our sites, but due to poor road/track conditions and variable road safety standards. The JV ensures that all professional drivers have received defensive driver training. All trips outside Cairo require an approved Journey Management Plan and there is a strict no night-driving policy. In addition, all off-road

journeys must be completed in a vehicle with roll-bars.

More widely, we perform risk assessments for staff when travelling on business, focusing on areas such as healthcare and any required inoculations, the safety of female travellers, security alerts and natural disasters. Our intranet provides a wealth of information for colleagues, drawn from long and first-hand experience.

Safety in 2023

With more than 377,000 man hours recorded throughout the year, zero restricted work day cases and zero lost time injuries in our operated assets, our occupational safety performance exceeded our target, which was set using the IOGP benchmarks. We recognise the significant contribution of our JV, Bapetco, in executing the drilling campaign on our behalf. Three exploration wells (Saqr-1 and Seman-1 in the SAS concession, and Sayadeya-1 in the SEH concession) were successfully completed with zero injuries or spills.

On 14 January 2024, a road traffic incident occurred which tragically resulted in the death of two employees of one of Bapetco's contractor companies. The incident occurred during transit to the BED-3 area. Capricorn offers its deepest sympathy to the family, friends and colleagues of the individuals. An investigation into the cause of the incident is ongoing.

2024

In 2024, Capricorn will continue its non-operator role across our Egypt asset base. Nevertheless, we will continue to:

- ensure HSE and zero harm is a priority for all our staff and contractors;
- advise, monitor and act on all aspects of in-country HSSE from our Cairo office;
- conduct monthly HSSE meetings with our partner, Cheiron;

- review all HSSE reports and discuss progress and concerns;
- address the challenges of aligning with IOGP requirements; and
- conduct half-yearly and annual audit and inspections against international safety standards for all operational sites.

Diversity, equality and inclusion (DE&I)

Our diversity and inclusion strategy aims to nurture an inclusive and sustainable culture. We encourage, embrace and recognise our differences as being key drivers of value for all our stakeholders. The Board is committed to ensuring that this inclusive culture is embedded in our organisation.

Our workforce is inherently culturally diverse, given that we are headquartered in Scotland and with a satellite office in Egypt. But more widely, we believe that a strong mix of backgrounds, genders, ages and lived experiences only enriches our business and makes Capricorn a better place to work.

Our commitment to DE&I also reaches beyond the physical boundaries of our business, respecting and contributing to, the Egyptian communities and societies where we are privileged to work. We reflect their values and perspectives in our social investment decisions and practices.

In 2023, the Company went through transformational changes and the challenging task of making a considerable number of our roles redundant. The process was conducted in full consultation with our Employee Representative Group, and we ensured that everyone affected could access support and counselling through our employee assistance and outplacement programmes.





Our DNA

Our business has three inherent characteristics that remain as constants in a period of flux and corporate change.

Our culture

We nurture a diverse and inclusive culture where everyone can uniquely contribute and thrive. It values and encourages individual differences, unleashes the potential of our talent and flourishes under the collective strength and value that diversity brings.

Our people

We celebrate our individual differences, which make us stronger, more insightful and better placed to succeed. We reach out across all our communities to attract, develop and retain the very best talent.

Our communities

Wherever we work, we are privileged to be there. We respect the values of our communities, seek to be good and thoughtful neighbours, and strive to contribute through our social investment decisions and actions.

Health and well-being

It has always been a priority to focus on the health and well-being of people at Capricorn. In 2023, with our transformation and redundancy programme, this became even more important.

We ran tailored support and communications throughout the reorganisation programme to support everyone's mental health and how to cope with change.

We also gave a greater emphasis and opportunities to socialise across the business, recognising the positive impact that social interaction and strong working relationships have on mental health.

Encouraging a sense of togetherness at a difficult time also led us to rethink our hybrid working patterns. We increased the frequency of attending the office in person to four days a week and found that colleagues recognised the need for this change and fully embraced it.

The new Edinburgh headquarters is also designed to play its part in this goal. With its open-plan layout and co-working atmosphere, it encourages collaboration and gives the sense of belonging to a tight-knit team.

In 2023, we also:

- paused our Health & Wellbeing and Have your Say programmes. Both were designed for the original business, but the needs they addressed will be met in newly developed ways in 2024; and
- restructured our EVF to represent the new leaner organisation across the UK and Egypt. The forum gives our people direct access to the Board: there are two meetings each year, chaired by a Non-Executive Director, at which we discuss colleagues' concerns, ideas and suggestions. The main themes explored in 2023 included the reorganisation and the short- and long-term strategy for the business.

Case study

Al Amal Graduate Programme – welcoming the next generation

The challenge

As in other industries, the oil and gas sector needs to find and train the next generation of talented professionals to ensure its future. Even so, it is a sector that is hard to access, with graduates pursuing a limited number of opportunities.

The Al Amal (from the Arabic word meaning 'hope') graduate training programme is an initiative developed by the Egyptian Petroleum Exploration Society and the Egyptian Geophysical Society. Targeted at Egypt's top Geoscience graduates – shortlisted based on performance under test/ interview conditions – the programme supports them to develop their technical knowledge and interpersonal skills, increasing their opportunities in a highly competitive industry.

Our contribution

Since Capricorn's initial involvement with Al Amal in 2021, the programme has helped more than 120 graduates to pursue a career in a sector that has a vital role to play. Capricorn is proud to be a top-level Platinum Sponsor of Al Amal, which entered its 15th round in 2023.

The programme adds an important practical dimension to the mainly theoretical nature of a degree through its hands-on and immersive approach, offering sector-specific courses and field trips to develop an understanding of the exploration/production cycle.

The programme enables graduates to:

- participate in field assignments, such as seismic programmes;
- explore AI applications, seismic interpretation, regional geology and much more; and
- take part in a lecture series delivered by oil and gas professionals.

Additionally, Capricorn offers an internship programme, creating a further opportunity for students to gain some real-world energy experience. In 2023 Capricorn welcomed two Al Amal graduates as interns in our Egypt office to work on exploration and development project evaluations.



Talent management

In 2023, our talent management strategy continued to focus on three overarching strands:

- growing our talent through active succession planning and mentoring;
- delivering leadership, management and development programmes; and
- providing support through annual objectives and development plans.

As part of restructuring the organisation, we promoted 13 colleagues into new or materially different roles and recruited 10 new colleagues to the business. Each successfully went through our robust onboarding process that highlights our expectations of them, and the available rewards and benefits opportunities.

Delivering on our strategy and achieving sustainable results are only possible thanks to the skills, experience and passion of our people. Our employee processes are underpinned by our values of building

respect, nurturing relationships and acting responsibly, as well as our high performing behaviours. We regard proactively managing and empowering people to reach their full potential as key to business success.

We have embarked on 2024, our first full year as the new right-sized organisation, by focusing on identifying any gaps, succession contingency planning, and embedding our new environment and culture to make our company a great place to work.

Learning and development

Providing our people with learning opportunities is essential to meeting the highest standards and making our business more successful.

We give each colleague a personal learning 'budget' to help them to fulfil their potential, deliver our objectives and meet the changing demands of our industry.

Typically, Capricorn offers development opportunities through e-learning and classroom training, as well as seminars and conferences.

However, due to the reorganisation during the year, training opportunities were limited to mandatory training courses such as Anti-bribery and Corruption (ABC) and Preventing the Facilitation of Tax Evasion, both delivered internally.

These gave our colleagues a better and essential understanding of our processes and procedures, as well as covering important governance, regulatory and security topics.

A Responsible Approach to Society



We seek to make a positive difference to society, investing in efforts to support economic and community development. We never forget that it is a privilege to work in any host country, and with its people and communities.

At the same time, we recognise that we must manage and mitigate any potential risks and impacts associated with our activities to support the communities that may be affected by our operations. Respecting and protecting human rights across our operations is a fundamental part of our integrated approach.

Business principles

- We seek to make a positive social impact in every area where we operate by working ethically and with integrity.
- We respect and promote the human rights of individuals, communities and indigenous peoples.
- We acknowledge the aspirations and concerns of the communities in which we work.

In 2023, the following societal issues were treated as being of high materiality:

- safeguarding human rights;
- supporting and safeguarding local communities; and
- investing in local skills, recruitment and procurement.

See our Materiality Matrix online: www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Applied human rights guidance in planned operations, including the availability of transparent grievance procedures.
- Implemented new social investment projects and carried out scoping for potential projects across the Group.
 - Supported and sponsored the Al Amal Graduate Programme to develop the skillsets of new graduates to better meet industry needs in addition to hosting two graduate internships.
 - Delivered a social investment project supporting local communities in Galala and Swani Samalos villages in the Matrouh Governorate in partnership with EGPC and the Al Orman Association, and supported by the Egyptian Ministry.
 - In Suriname, we continued to support the Natin Institute with building renovation and classroom equipment, as well as progressing the second phase of the mangrove rehabilitation programme in affiliation with the Anton de Kom University.



For more details, see our website: www.capricornenergy.com/working-responsibly



During 2023, respecting and protecting human rights across our operations remained a fundamental part of our approach.

We progressed our social investment projects in Suriname and launched our flagship CSR programme in collaboration with our partner and EGPC, supporting our neighbouring communities.

We also invest in young local talent, buy from local suppliers, and always ensure that workers' rights are respected and upheld.

Safeguarding human rights

In all our business dealings, hirings and practices, respect for human rights is an unshakable guiding principle.

We adhere to all internationally recognised human rights conventions and support the tenets of the Universal Declaration of Human Rights (UDHR).

Upholding these rights, and being alert to the risks that threaten them, demands both constant vigilance and effective communications to every colleague.

Moreover, we require that the same principles govern the actions of our suppliers and reserve the right to audit their policies and working practices.

Our Human Rights Guidelines

In addition to the UN UDHR, we take our guidance from:

- the UN Guiding Principles on Business and Human Rights;
- the International Finance Corporation Performance Standards; and
- the International Organization for Standardization ISO 26000 Guidance for Social Responsibility.

These bodies inform our own Human Rights Guidelines, which define how we identify, assess and manage potential issues. The guidelines include a five-step process, which has been incorporated into our Capricorn Management System. Our overall position on human and labour rights is summarised in our CSR policy and our Code of Ethics, both of which are published on our website.

Modern slavery

The Company has zero tolerance of any aspect of modern slavery and human trafficking. We forbid the employment of forced, bonded or child labour, and take every reasonable step to ensure these practices are non-existent anywhere along our supply chain.

For absolute clarity among our colleagues, partners and suppliers, we set out our position in our Modern Slavery Statement, published on our website¹. This content is also a compulsory component of the e-learning training modules of the Capricorn Learning Academy.

Our colleagues are the key line of defence of human rights when procuring or working with suppliers and JV partners. We equip them to know what to look for, what to ask and the steps to take in the event of any suspicion of wrongdoing.

We also gather intelligence from sources such as Human Rights Watch, the Global Slavery Index, the Corruption Perceptions Index and the US Trafficking Victims Protection Act.

(1) www.capricornenergy.com/services/modern-slavery-statement/

Supporting and safeguarding local communities

We are proud to support the people and communities in the Western Desert that live close to our assets.

In 2023, this took meaningful shape with our social impact project, which we launched in two villages close to our exploration operations. This flagship project, working alongside our partners EGPC and the Ministry of Petroleum, and backed by a \$240,000 investment, is the result of a detailed needs assessment of two local villages: Swani Samalos (population 6,000+) and Galala (population 17,000+).

Based on these findings, we were able to advance plans designed to deliver the maximum impact and value over five key areas:

- rainwater harvesting wells;
- medical convoys;
- veterinary convoys;
- income generation; and
- vocational training.

These initiatives are being rolled out in phases and we are exploring how to extend the programme's reach to a further village in 2024.

Case study

Supporting local communities in the Western Desert

The Western Desert is a remote and harsh environment, which presents challenges for communities who are mostly reliant on subsistence agriculture, do not have access to mains water supply and are without any local healthcare provision.

As part of Capricorn's CSR to support its operational activities in the Western Desert, Capricorn developed and implemented a Social Impact assessment study, Stakeholder Engagement Plan, and Social Needs Assessment for Communities, that have been identified as proximal to one of our operated concession areas.

Capricorn Egypt engaged with the identified local communities and their community elders over the course of several meetings to explore how best Capricorn could offer support. This deep engagement with the local communities led to the development of a comprehensive social investment plan with input and support from the Ministry of Petroleum, the EGPC, the Matrouh Governorate, and the Al Orman NGO Association.

What we've provided

In 2023, Capricorn Egypt embarked on a flagship CSR project, investing \$240,000 to implement the wide-ranging social investment plan focused on the two villages of Swani Samalous and Galala.

KPIs included funding 12 medical convoys to bring essential healthcare to the identified local communities. Medical convoys offered examinations, medication, radiology, blood tests and other essential services.

During 2023, medical care from these convoys was provided to more than 2,000 people from the Swani Samalos and Galal communities.

Furthermore, our funding enabled the construction of 100m³ rainwater harvesting wells, 30 in Galal and 18 in Swani Samalous to improve the community's drought and famine resilience.

The local communities of Galala and Swani Samalous are mostly supported by subsistence farming; therefore the developed social investment plan also included the donation of 50 livestock and the construction of 10 pigeoncotes, in addition to the provision of 12 veterinary convoys, providing an opportunity for locals to bring in their livestock to receive veterinary care and vaccinations.

To enhance the longer-term sustainability of the project, we give vocational training on how to maintain the donated rain harvest wells in addition to basic veterinary care for livestock.

Capricorn's CSR investment is aligned to the below UN SDGs as per the Paris Agreement.

The project continues to receive our support and we hope to extend the programme to a further village in 2024.



Investment in local skills, recruitment and procurement

At Capricorn Energy, we are benefitting from the talent of many professionals whose skills were first nurtured by others supporting the future of our sector.

In recent years, we have been proud to return the compliment: Capricorn is a Platinum Sponsor of the AI Amal Graduate Training Programme, a long-established and respected scheme run in Cairo that commenced its 15th round in 2023.

The programme is designed for Egyptian graduates in geosciences to bridge the gap between academic learning and industry experience, and to help students compete for jobs locally and globally within the oil and gas sector.

This is achieved through sector-specific courses and field trips to develop an understanding of the exploration/production cycle and by providing opportunities to develop more personal skills such as English and CV writing. It is also hands-on and immersive, adding an important practical dimension to the mainly theoretical nature of a degree.

As one of the corporate hosts of this nine-month programme, Capricorn's sponsorship enables graduates to:

- take part in a lecture series delivered by oil and gas professionals;
- participate in field assignments, such as seismic acquisition programmes; and
- explore AI applications, seismic interpretation, regional geology and more.

Additionally, Capricorn Egypt offers an internship programme for successful graduates of the AI Amal programme. In 2023, two graduates benefitted from internships in our subsurface team, where they assisted with evaluation projects on both exploration and development targets. At a time when graduates are pursuing a limited number of roles in the sector, we are glad to help a talented few gain real-world energy experience.

Case study

Our social contribution in Suriname 2023

NATIN Renovation project and asbestos removal

During 2023, Capricorn supported the urgent renovation works of a classroom block within the Institute for Natural Resource and Engineering Studies (NATIN), in Suriname. The proposed scope of work included an internal and external refurbishment of the classrooms, including the procurement of a new roof and guttering rainwater drainage system, the current being the cause of significant water ingress and damage.

Asbestos was identified by contractors sponsored by another oil and gas company, who are also supporting the redevelopment of the Natin Institute. The asbestos discovery triggered a full site assessment of the institute's buildings with a prioritised removal plan. Capricorn therefore opted to split its CSR contributions to prioritise the removal of asbestos from NATIN's premises. After completion of the asbestos removal, Capricorn's remaining CSR contributions will go towards part funding the renovation and replacement of the multi-storey classroom block.

NATIN equipment upgrade phase two

As part of Capricorn's ongoing support of NATIN, funding was also provided to allow the provision of up-to-date curricular material in addition to a range of classroom-based educational and health and safety equipment.

Mangrove rehabilitation phase two

For the last three years, we have worked with Suriname's Anton de Kom University on a major mangrove rehabilitation project. This is designed to protect a section of coastline just north of Paramaribo that is particularly at risk from rising sea levels and erosion.

We have been progressing a second phase of the project in collaboration with a local international oil company, with combined investment of around \$150,000. The project enables a hands-on case study for students to learn the concepts of hydrogeology and coastline ecosystems, in addition to experiencing the challenges and importance of protecting local communities and infrastructure from increasing sea levels and storm surges. We have also supported the project with remote sensing data and satellite imagery to monitor the rehabilitation over time, and to inform future mangrove planting.



A Responsible Approach to Governance



Delivering on our strategy, achieving our objectives and creating long-term value for our shareholders requires robust, transparent corporate governance. Good governance requires us to protect the business and our stakeholders by doing what is right.

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 CRMS.

Business principles

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

In 2023, the following governance issues were treated as being of high materiality:

- Managing a Just Transition
- Responsible supply chain
- Decommissioning closure and rehabilitation
- Ethics, transparency and regulatory compliance
- Anti-bribery and corruption practices
- Robust whistleblowing mechanisms
- Emergency preparedness and crisis management
- Data and cyber security
- Investment in clean technologies and business innovation
- Remuneration

📄 **See our Materiality Matrix online:**
www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Recommitted to our climate and energy transition strategy with an equity Scope 1 and Scope 2 net zero by 2040 with interim emissions reduction targets of 15% by 2025 and 30% by 2030.
- Integrated carbon pricing mechanisms and re-evaluated the resilience of our portfolio.
- Assessed physical risks of climate change on our portfolio.
- Improved our reporting against the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) requirements, and global reporting initiative (GRI).
- Expanded Scope 3 emissions disclosures, including Capricorn's commuting emissions, business travel emissions and the use of our products.
- Continued to communicate about climate change for the investment community and our wider stakeholders.



📄 **For more details, see our website:**
www.capricornenergy.com/working-responsibly

Ethics, transparency and regulatory compliance

Every aspect of how we conduct our business is rooted – at the minimum – in complying with the spirit and letter of all applicable laws and regulations.

From safety protocols and environmental performance to open and compliant financial conduct, we apply the standards of world-class companies.

With an ever-evolving compliance landscape, we implement continual training, checks and audits.

These standards are central to our approach to business. They inspire the trust of our employees, suppliers, lenders, investors and host countries.

Transparent reporting to industry standards

The 2023 Annual Report and Accounts has been prepared in line with UK-adopted IFRS and within the requirements of the Companies Act, the London Stock Exchange and the TCFD.

We also make relevant disclosures by our statutory public announcements, available in the Investors section of our website and through investor meetings and roadshows.

Tax and payments to governments

We also report tax and payments to governments in our 2023 Annual Report and Accounts, as required by EU legislation and the EITI.

The latter is a voluntary international coalition of governments, companies and civil society working to encourage the full disclosure of tax and other payments made by oil, gas and mining companies to governments. It also requires governments to publish receipts from Companies. All payments and receipts are independently verified.

As in previous years, our 2023 EITI disclosures include payments to governments such as corporate income tax, licence fees and withholding tax. We also report additional payments including VAT, payroll taxes and social security costs.

Whether in the UK or Egypt, we seek to comply with all local rules and regulations. We do not enter into artificial tax strategies, and only align tax planning with genuine commercial activity.

Lobbying and public policy

In the course of our business, we engage with stakeholders on legislation, regulation and new licence awards that affect our business or plans. We perform this ourselves; we do not use professional lobbyists, nor engage in party politics or make donations to political parties. The management team of our Egyptian assets engages openly with host governments and other stakeholders, as part of its local stakeholder engagement plan.

This includes discussion over licence agreements and regulatory requirements, and dialogue with a wide range of non-governmental stakeholders.

Training in 2023

Ethics and transparency training takes many forms, and among activities during the reporting year we:

- delivered compliance training in Cairo for our Egyptian team;
- launched a new Dealing Code for colleagues governing how and when they may/may not buy or sell shares in the Company; and
- delivered comprehensive expert review of updates on listing rules and market abuse regulation provided to all directors.

Anti-bribery and corruption practices

Bribery in any form is forbidden by Capricorn Energy.

It is outlawed by both the UK Bribery Act and the Egyptian Penal Code, and no employee may offer a bribe or accept one.

As well as the corrosive effect that bribery has on fair and proper business dealings, it may also raise safety and other issues if a relationship is found to be operating unethically or illegally.

For this reason, each year we require all staff to certify that they will adhere to the requirements set out in the Capricorn Group Code of Ethics. All Capricorn-appointed suppliers are also required to comply with the same Code.

Bribery takes many forms. Making or receiving illegal payments is clearly one, but inappropriate gifts, hospitality or favourable treatment designed to influence an outcome are all prohibited under our Code.

There are also cultural differences to address. Egypt is ranked as 'high risk' for bribery in Transparency International's Corruption Perceptions Index, and our objective is always to comply fully with the UK Bribery Act in all jurisdictions in which we operate.

Action in 2023

For any anti-bribery code to be effective it must be clear and unambiguous. In 2023, we delivered training at all levels in our business in the UK and Egypt. This included:

- in-person anti-bribery workshops in the Egypt office;
- a workshop, with external specialist support, delivered to the new Board;
- updating process documents in line with the rollout of the new Capricorn Management System; and
- e-learning training rolled out across the Group.

Robust whistleblowing mechanisms

The ability to raise a concern, without any fear of retribution, is central to our Code of Ethics.

If any colleague feels something is not right, they have a duty to report it. We encourage them to take the concern to their line manager in the first instance or, if they feel more comfortable, to the Head of HR.

Alternatively, if neither route is appropriate, they can talk to a specialist third party, Safecall, and do this anonymously if they prefer.

Every call or report, no matter how it is delivered, is taken seriously and handled in complete confidence. It may concern anything from the bullying of a colleague or themselves; to suspicions or evidence of safety concerns; to conflicts of interest, lawbreaking, bribery, fraud, drug use or modern slavery.

We are equally open to hear from external individuals such as suppliers, JV partners, local officials or community neighbours if they have serious concerns or suspicions relating to Capricorn.

We provide grievance mechanisms that are culturally appropriate, in local languages, and as accessibly as possible.

There was one whistleblowing report in 2023, which related to a behavioural performance issue that is typically dealt with by line management. The issue was investigated and no further action was taken.

During the year, we:

- launched a communications campaign in Egypt to raise awareness of whistleblowing and its ease and confidentiality;
- held a town hall meeting in Egypt dedicated to the subject; and
- delivered tailored training, both online and face to face.

Emergency preparedness and crisis management

During 2023, Capricorn Energy underwent a major reorganisation. This included a transfer of our exploration operations to our JV partner in Egypt.

Nevertheless, our priority of safety never wavers and we require our operating partners to work to the same standards we have always applied ourselves.

There can be no compromise. All oil and gas projects involve potential hazards that can impact people, neighbouring communities and the environment.

Our partners therefore continue to work to the ALARP principle of keeping risks 'as low as reasonably practicable'. This meets the demands of both UK and Egyptian safety legislation and aligns with industry best practice.

A RESPONSIBLE APPROACH TO GOVERNANCE CONTINUED

Preparedness of our partners

A core part of any safety strategy is to define, prepare, train for and rehearse the response to a given crisis. We therefore monitor the readiness of our partners to adopt Capricorn's Emergency Response Plan, which describes how they should manage any credible situation that might arise.

The plan follows widely adopted industry practice, such as International Association of Oil & Gas Producers (IOGP) guidance on incident management systems, including organisational elements, management structure, terminology and operating procedures. This model allows for a response organisation that is fit for purpose and scalable to accomplish all incident response objectives.

Data and cyber security

A successful cyber-attack on Capricorn could have grave consequences for the Company and knock-on effects within society.

Vigilance, intelligence, improvement

Capricorn Energy is never complacent about cyber security and 2023 brought the additional challenge of achieving the Company's reorganisation programme without compromising our digital defences.

Our in-house resources continued to be supported by specialist external providers to manage potential threats and keep us continuously abreast of emerging risks and technologies.

We also continued to be active participants of industry bodies, including the IOGP Security Committee, and to take guidance from the Information Commissioner's Office and the Government

Communications Headquarters' National Cyber Security Centre.

Similarly, we keep abreast of all data protection issues in order to comply with general data protection regulations (GDPR) legislation and internal risk governance.

In 2023:

- there were no malicious cyber security breaches of Capricorn's IT (2022: zero);
- there were no breaches of GDPR legislation (2022: zero);
- the Company began reconfiguring its cyber security to be fit for transition to the newly right-sized organisation; and
- we doubled our cyber security's maturity level score ahead of plan. This was independently assessed against the globally recognised Cyber Security Framework of National Institute of Standards and Training (NIST).

The NIST Cyber Security Framework assessment measures an organisation's readiness against the key criteria of identifying, protecting, detecting and responding to, and recovering from, cyber-incidents.

In 2024:

Cyber risk management is a journey with no end destination. Threats and technologies continuously evolve, and during the year we will:

- seek and assess the latest intelligence and guidance on the threat of AI-generated cyber-attacks; and
- continue to reconfigure cyber and data defences for the new size and nature of the business.

Decommissioning, closure and rehabilitation commitment

Capricorn Energy's production portfolio, whether non-operated or operated, is underpinned by a comprehensive approach to asset life cycle management.

Capricorn's business model means we have usually exited a project before the decommissioning stage begins. However, our management plan ensures that we follow best practices to enable sustainable decommissioning. This sets out that the process is managed in line with Capricorn's operating standards, which observe regulatory requirements.

In 2023, Capricorn developed an Operating Management System (OMS) based on the system of the IOGP. Capricorn's OMS was designed to address the Company's business model at the time. It therefore focuses on all phases of asset life cycle from exploration, production and into decommissioning.

A recurring imperative in our OMS is to maintain a sharp focus on sustainability and the accepted material management hierarchy of reduce, recycle and recover. It also places a heavy emphasis on working with due regard to both the environment and biodiversity surrounding the decommissioning asset.

Although Capricorn is now strictly a non-operator in its assets, we strive to instil a culture of safety and sustainability in these operations and promote alignment with the International Petroleum Industry Environmental Conservation Association (IPIECA). They state that: "The overall goals are the same: protecting the environment; minimising the impact on communities; and ensuring the safety of the workforce."



Building and maintaining a responsible supply chain

It is a guiding principle at Capricorn Energy that we only do business with suppliers who share our values.

Specifically, this means two things. They must be able to demonstrate to us that they act within the letter and spirit of all applicable laws, and we also expect that the work they perform for us, and any goods they use or supply, is executed or sourced in a sustainable way.

In 2023, we reviewed our processes in two main areas:

- **Procurement protocols:** we conducted a thorough review of our procurement processes to ensure they are fit for the future, following the Company's reorganisation in 2023.

As part of our due diligence of suppliers, we require evidence of systems and processes to address bribery, corruption, tax evasion, modern slavery and child labour through robust protocols.

- **Linking carbon to contracts:** we also reviewed how we incorporate environmental assessment considerations into our supplier evaluation process. One example is to examine tenders for expected fuel consumption of vessels, rigs and helicopters, and to eliminate those that fall outside an acceptable threshold.

We also require certain suppliers to submit monthly returns of actual fuel consumption, as well as other sustainability data we may request.

Currently, Capricorn does not have any operated projects, but we keep these evaluation systems updated and ready to come into play.

We apply a similar process when assessing potential JV partners to ensure their approach and ethos on ethical, safety and environmental risks are aligned with our own. Following our 2023 reorganisation, the number of our counterparties has reduced. Even so, we continue to monitor our active supply contracts, scoring them against evolving sustainability, due diligence and legal criteria depending on the nature of the service, value and risk.

Managing a Just Transition to net zero

Achieving a Just Transition enables all communities and parts of society to benefit from a net zero economy and leaves no groups or individuals behind or worse off in the process.

A Just Transition is also central to Capricorn Energy's overall sustainability commitment. It is implicit that we prepare the skills of our local workforces and communities for these future challenges and opportunities.

The IEA projects that the energy transition will create 14 million new jobs related to clean energy technologies and require the shift of around five million workers away from fossil fuel sectors.

In this decarbonising world, stakeholder engagement will be crucial in achieving a Just Transition. We envisage intensive collaboration between governments, industry participants, unions, communities, civil society and international agencies. It will require transformations and compromises in thinking and practices to develop equitable policy and action.

A central dynamic for Capricorn as part of managing a Just Transition to net zero is recognising its role in supporting Egypt as a developing economy. Egypt is a net importer of oil and gas, and with 100% of Capricorn's product used within the domestic market, Capricorn will continue to provide a high-quality product to Egypt whilst implementing increasingly efficient production initiatives.

We are committed to being a responsible energy producer and Capricorn will play its part in supporting Egypt to achieve its accelerated and updated nationally determined contributions (NDCs). These NDCs, as per the Paris Agreement, commit Egypt to reduce oil and gas emissions within the sector by 65% by 2030. This is in addition to increasing the renewables capacity within their energy mix to 42% by 2035.

The IPIECA is playing a leading role in supporting oil and gas companies to prepare and participate in the transition. Specific objectives which IPIECA endorses, and to which Capricorn subscribes, include:

- respecting the rights of communities and workforces, including in supply chains;
- addressing the impacts on those who currently depend on the oil and gas industry for jobs and energy;
- promoting long-term opportunities for decent work and sustainable livelihoods; and
- leaving no-one behind in a world aspiring to a net zero future.

Just Transition for the workforce

We continue to review decarbonisation technologies and energy diversification developments within the oil and gas sector.

We will look to identify and develop further education and training to support the roles of our employees as we look to match the long-term direction of the sector.

Just Transition for local communities

We strive to create collaborative relationships with our host communities. We will build on these relationships, contributing positively to local skills, training, and educational resources.

In 2023:

- we embarked on a speaking programme to local universities and colleges, addressing students for whom the transition will directly or indirectly affect their careers and lives;
- we have made grants totalling more than \$90,000 to sponsor students in Egypt and the UK, enabling them to study a range of degrees in public health and geosciences;
- Capricorn continued to support the Mangrove Rehabilitation Project in affiliation with the Anton de Kom University of Suriname. The programme supports local communities as they adapt to the physical consequences of climate change: specifically, coastal erosion and rising sea level. The programme provides an opportunity for students to be directly involved in coastal remediation projects; and
- Capricorn equipped the community hub in Totness, Coronie in 2022 with more than \$50,000 worth of computers, laptops and printers. In 2023, it continued to welcome schoolchildren and local adults to learn IT skills and carry out their own research and education projects.

Clean technologies and innovation

Investment in clean technologies and broader business innovation is important to our stakeholders, but also to achieve operational efficiencies within our medium-term net zero roadmap.

Capricorn's 2040 commitment remains unwavering. Our approach to achieving net zero combines a continuous search to harness new concepts and technologies, with improved industrial 'housekeeping' to increase the efficiencies of our operations, and ultimately decarbonise operations.

Egypt's hosting of COP27 in Sharm El-Sheikh was a huge success and the message of COP is still fresh in our minds. Capricorn is keen to support Egypt's ambition to continue COP's positive legacy.

We are proud of Egypt's updated NDCs aligned to the Paris Agreement. In June 2023, Egypt accelerated their low carbon development journey by committing to reduce oil and gas sector emissions by 65% by 2030. This is in addition to increasing the renewables capacity within their energy mix to 42% by 2035. Capricorn will support Egypt with achieving these goals through our ongoing decarbonisation activities in our Bapetco Joint Venture.

Case study

Methane Thermal Plasma Electrolysis

Hydrogen production, either using either thermal, catalytic, plasma pyrolysis or plasma splitting decomposition holds the potential to offer a promising route to decarbonise oil and gas operations by splitting methane (a potent greenhouse gas), into hydrogen and inert carbon black. Hydrogen produced in this manner can typically be viewed as low emission, with carbon black having many uses within industrial applications such as concrete, soil enhancement and water purification. Deployment of these processes could reduce flare gas emissions and reduce consumption of sales gas through the utilisation of hydrogen for power generation, providing significant opportunities to reduce operational emissions.

In 2023, Capricorn contracted HiiROC whose Thermal Plasma Electrolysis (TPE) technology was assessed in a laboratory-based feasibility study to understand the suitability of using Capricorn's non-operated gas waste streams to produce hydrogen and carbon black of commercial value. The initial proof of concept has been a success, and we have now progressed to an initial commercial screening study to identify favourable plant schemes and potential value chain off-takers within the Egyptian market. The schemes under consideration include flare mitigation, power generation from produced hydrogen, and the development of a hydrogen hub.



Progress in 2023

– **Clean technology:** Capricorn is actively exploring the potential of innovative clean technologies as they emerge from the lab and progress into the field. We recognise the importance of supporting innovative technologies at all levels of development to support the wider progress of decarbonisation and the energy transition.

Linking rewards to non-financial measures

Rewards for Executive Directors are linked to the key priorities of the Company. By extension, therefore, progress in achieving ESG- and HSSE-specific targets is a key component of bonus plans at Capricorn Energy.

In 2023, ESG and HSSE considerations comprised 15% of the Group-wide KPIs.

ESG- and HSSE-specific elements of the 2023 KPIs were split into the following areas:

– **HSSE:**

- **HSSE lagging indicators:** LTIF, TRIR, spills to the environment as reported for operated activity.
- **HSSE leading indicators:** Safety leadership.

– **ESG:**

- **Environmental:** GHG emissions reductions: demonstrating equity Scope 1 and Scope 2 GHG emissions reductions versus relevant baselines, incorporating (where appropriate) certified offsets. Reporting requirements: maintaining the Company's CDP rating and meeting TCFD, SASB, ISSB and GRI reporting requirements.
- **Governance:** Establishing the Company's strategy for optimising executive structure, improving strategic decision-making and enhancing the relationship between all groups of stakeholders.

The company performed strongly in the HSSE and ESG performance objectives, and more detail can be found on pages 12 and 13 of the 2023 Annual Report.

2023: striking the right balance

During the year, the Remuneration Committee considered carefully the rationale for rewarding achievement of ESG- and HSSE-related priorities of the business, while also taking into account feedback from a body of shareholders

more in favour of rewarding share value and financial performance.

As a result, the following decisions were made:

- together, the ESG and HSSE targets comprised 15% of weighting;
- a 40% weighting was attributed to production and joint venture governance in Egypt; 40% to financial performance; and 5% to exploration;
- the long-term incentive plan (LTIP) is 100% linked to the Company's absolute share price performance over a three-year period;
- the bonus has a 15% ESG and HSSE weighting; and
- the Company appointed Deloitte to advise the Remuneration Committee with independent and benchmarked guidance on decisions and priorities.

2024

- The Remuneration Committee will continue to consider the weighting of non-financial elements.

It will continue to receive independent advice from Deloitte in the context of wider market expectations.



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