

## Corporate Governance Statement

Dear Shareholder

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

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

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

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

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

### Compliance with the UK Corporate Governance Code

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

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

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

During 2021, given the challenges that were being felt as a result of the ongoing global COVID-19 pandemic, a key focus of the Company remained on employee engagement. The Company's formal workforce advisory panel, established in early 2019 in line



**Nicoletta Giadrossi**  
Chair

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

with the Code, which we refer to as the Employee Voice Forum (EVF), continued with a new Chair, Peter Kallos, following my moving to Chair of the Company. The EVF, comprising seven employees who provide a broad representative mix of regions and functions across the business, provided a good opportunity for employees to discuss, with a Non-Executive Director, issues of importance to staff during the year. These matters were then discussed at Board level, enhancing the Board's understanding of the Company's culture.

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

### The Board

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

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

### Board Changes

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

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

The Chair succession and handover process that took place at the end of 2020 enabled an effective and seamless transition of the

leadership of the Board. Further information on Board succession planning is included in the Nomination Committee Report on page 103.

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

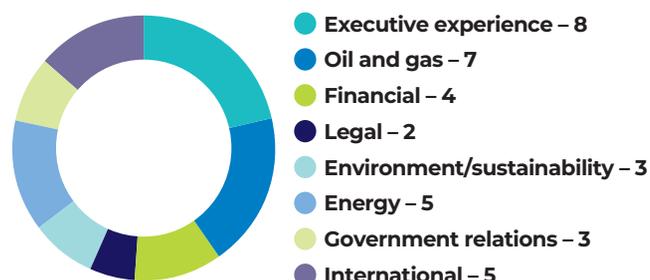
The Board currently comprises two Executive Directors and six Non-Executive Directors, including the Chair. The Directors of the Company as at the date of this statement are set out in the table below and further biographical information about our Directors is also included in the Board of Directors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

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

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

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

### Board Competencies



**Division of Responsibilities Between Chair and Chief Executive**

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

Chair: key responsibilities	Chief Executive: key responsibilities
<ul style="list-style-type: none"> <li>– Leading the Board in an ethical manner and promoting effective Board relationships.</li> <li>– Ensuring that the Board plays a full and constructive part in the determination and development of the Company's strategy.</li> <li>– Building a well-balanced Board, considering Board composition and Board succession.</li> <li>– Ensuring the effectiveness of the Board and individual Directors.</li> <li>– Overseeing the annual Board evaluation and acting on its results.</li> <li>– Ensuring appropriate induction and development programmes for Directors.</li> <li>– Setting the Board agenda, chairing Board meetings and overseeing implementation of the Board's decisions.</li> <li>– Engagement with shareholders and other stakeholders when appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>– Managing the business and proposing and developing the Company's strategy and overall objectives in consultation with the Board.</li> <li>– Driving the successful and efficient achievement of the Company's key performance indicators (KPIs) and strategic objectives.</li> <li>– Leading the Executive Team in ensuring the effective implementation of decisions of the Board and its committees.</li> <li>– Providing strong and coherent leadership of the Company and effectively communicating the Company's culture, values and behaviours internally and externally.</li> <li>– Engagement with shareholders and other stakeholders.</li> </ul>

**Senior Independent Director**

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

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

**Performance Evaluation**

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

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

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

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

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

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

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

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

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

### Independence of Non-Executive Directors

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

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

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

### Time Commitment of Non-Executive Directors

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

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

### Re-election of Directors

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

### Induction and Development

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

## Corporate Governance Statement continued

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

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

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

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

During 2021, the subjects covered by these seminars included:

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

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

### Information and Support

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

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

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

### Conflicts of Interest

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

### Whistleblowing

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

### Matters Reserved to the Board and Delegation of Authority

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

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

## Corporate

The Company's 2020 and 2021 Annual Report and Accounts and 2021 Half Yearly Report

The Company's 2021 AGM circular

The Company's Risk Appetite Statement

Review of the Company's Corporate Responsibility Management System

## Financial/Operational

The sale of the Company's interest in the Catcher and Kraken fields in the UK

The acquisition of production and exploration assets in Egypt

The appropriateness of the Group going concern sign-off for the 2020 and 2021 full year accounts and 2021 half year Financial Statements

The Company's viability statement

The Company's annual work programme and budget

Group Reserves and Resources

## Board/Directors

Appointment of new Non-Executive Director

Creation of the Sustainability Committee

Expansion of the Nomination Committee to include wider governance considerations

Detailed review of talent management and of succession contingency planning

## Legal/Regulatory

Oversight of the resolution of the Indian tax issue and proposed subsequent return of up to US\$700m to shareholders

Approval of the Company's Modern Slavery Statement and its publication on the Company's website

Approval of the Group Tax Strategy and its publication on the Company's website

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

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

## Board and Management Committee Structure During 2021



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

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

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

Key elements of the ExecCo's role include the following:

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

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

The key elements of the MT's role include the following:

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

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

The Exploration Leadership Team (ELT), which is chaired by the Director of Exploration, meets on a monthly basis to assist the Director of Exploration in delivering a robust exploration portfolio, with a particular focus on the following:

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

## Corporate Governance Statement continued

### Board Meetings

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

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

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

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

could continue to attend all scheduled Board and committee meetings and were also able to do so 'on camera'.

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

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

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

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

### Directors' Attendance at 2021 Board and Committee Meetings

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Meetings held during 2021<sup>(1)</sup></b>	7	4	3	3
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
<b>Executive Directors</b>				
Simon Thomson (Chief Executive)	7	N/A <sup>2</sup>	N/A <sup>2</sup>	3
James Smith (Chief Financial Officer)	7	N/A <sup>3</sup>	N/A	N/A
<b>Non-Executive Directors</b>				
Nicoletta Giadrossi (Chair)	7	N/A	3	3
Peter Kallos (Senior Independent Director)	7	N/A	3	3
Keith Lough	7	4	N/A	3
Alison Wood	7	4	3	N/A
Catherine Krajicek	7	4	N/A	N/A
Erik B. Daugbjerg	7	N/A	3	N/A

Notes:

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

- During 2021, certain Directors who were not committee members attended meetings of the Audit Committee, Remuneration Committee and Nomination Committee by invitation. These details have not been included in the table.
- Simon Thomson is not a member of the Remuneration Committee but attends its meetings by invitation (other than parts of meetings where he would be conflicted). Mr Thomson also attends Audit Committee meetings by invitation.
- James Smith is not a member of the Audit Committee but attends its meetings by invitation.

## Board Committees

### Board Committee Structure During 2021



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

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

#### Audit Committee

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

- Keith Lough (Chair);
- Catherine Krajicek; and
- Alison Wood.

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

#### Remuneration Committee

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

- Alison Wood (Chair);
- Nicoletta Giadrossi;
- Peter Kallos; and
- Erik B. Daugbjerg.

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

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

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

#### Nomination Committee

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

- Nicoletta Giadrossi (Chair);
- Simon Thomson;
- Keith Lough; and
- Peter Kallos.

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

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

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

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

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

#### Changes to Board Committee Structure

In addition to the expansion of the Nomination Committee's remit to include broader corporate governance matters, with effect from 3 March 2022, a new committee, the Sustainability Committee, has been established. Matters of the environment, safety, social responsibility and sustainability are considered within every Board decision and, therefore, are a key element of each Board meeting but establishing a committee dedicated to these matters will further embed the importance within the Board and wider organisation. The energy transition and Capricorn's role in it is of particular importance to the Board and the formation of this new committee, the membership of which comprises the full Board, will allow it further dedicated time. The terms of reference of this committee include:

- advising and supporting the board in the drafting of the Sustainability and Net Zero roadmap and assessing its progress and reviewing disclosures being made regarding the roadmap;
- reviewing the policies, practices and performance relating to sustainability and the disclosures and annual reporting on sustainability;
- reviewing the policies, practices and performance relating to safety, including in particular regarding the safe and responsible performance of the Group's operations;
- reviewing the policies, practices and performance relating to social responsibility; and
- reviewing the policies, practices and performance relating to environmental matters including, in particular, protection of the environment and disclosure of Greenhouse Gas emissions.

**Shareholders and the Annual General Meeting (AGM)**

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

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

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

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

AGM details (2021 and 2022)	Overview
2021 AGM: held as a closed meeting due to COVID-19 on Tuesday 11 May 2021 at the Company’s Head Office	<ul style="list-style-type: none"> <li>– At least 74% of all issued shares voted by shareholders in each resolution</li> <li>– Highest votes in favour &gt;98% for 11 resolutions</li> <li>– The Remuneration Report resolution was passed with 65.13% in favour. Details of the engagement process carried out with shareholders following that result are detailed on this page 92 and the following page 93</li> </ul>
2022 AGM: to be held on Wednesday, 11 May 2022 at The Gallery, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh (full details in Notice of AGM)	<ul style="list-style-type: none"> <li>– Full Director attendance expected</li> <li>– 13 ordinary resolutions and four special resolutions being proposed to shareholders</li> </ul>

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

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

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

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

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

At the AGM held on 11 May 2021, as noted above, Resolution 2 (Approval of the Remuneration Report) passed with 65.13% of votes in favour. Following this result, the Chair of the Remuneration Committee wrote to the Company’s major shareholders offering a meeting to discuss the outcome of that vote and to provide the opportunity to raise any concerns relating to the Remuneration Report. Engagement took place with several shareholders and proxy advisory bodies and the feedback received was that they would welcome:

- a more comprehensive explanation of the alignment between Company performance and bonus outcomes;
- more detailed disclosure of the KPIs used in the annual bonus scheme for both the reporting year and the year ahead; and
- in the future, if the Remuneration Committee is considering exercising any discretion in relation to the Company’s various incentive arrangements, earlier engagement, ideally at the time a decision is made.

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

### Information Pursuant to the Takeover Directive

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

### Internal Control

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

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

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

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

- the Board completed a risk workshop which focused on the Group Risk Appetite Statement and its alignment with the delivery of the Group's strategic objectives. The objective of the workshop was to confirm that the Group continued to deliver the strategy in alignment with the tolerance levels set within the Group Risk Appetite Statement;
- the rollout of the new risk management and incident management software solution continued throughout 2021.

The new solution is now fully embedded throughout the organisation and is being used to manage risks for all corporate, operational and project risks. The solution has facilitated improved reporting on all risks to the Group and has provided a more systematic process for the management of risks, controls and actions across the business;

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

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

### 1. Strategic Direction

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

### 2. Operating Management

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

## Corporate Governance Statement continued

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

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

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

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

### 3. Risk Management

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

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

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

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

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

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

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

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

### 4. Assurance

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

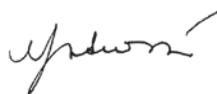
The integrated internal control and assurance framework document includes a description of the Company's business and assurance models and of its organisation and committee structure and defines the relevant roles and responsibilities. The framework defines the key policies and procedures which govern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

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

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

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

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



**Nicoletta Giadrossi**

Chair

8 March 2022

