

## Corporate Governance Statement



**Craig van der Laan**  
Chair

Dear Shareholder

The past few months have seen significant change in the organisation from a corporate governance perspective. Following the proposed combination with NewMed Energy Limited Partnership in late September 2022 (and preceding recommendation to shareholders in June 2022 to approve an all-share merger with Tullow Oil Plc), a shareholder notice to requisition a general meeting at which resolutions would be proposed to make changes to the Board, led to the appointment of six new Directors, including my appointment. Seven members of the Board in place during 2022 resigned from the Board in advance of the new Director appointments on 1 February 2023.

This Board, in place from 1 February 2023, believes that having strong corporate governance practices in place is a vital enabler for Capricorn and its Board to navigate its stated strategic review and the ongoing growth of the Company efficiently and appropriately. This belief, combined with the commitment of the Board to ensure that decisions are made responsibly and with consideration of the Company's many stakeholders, are values that each of the Directors are committed to demonstrating both within and outside of the organisation.

As has been the case for many years, key to the Company's successful future, is its people (see pages 25 to 27). The organisation faced considerable change during 2022, with long periods of uncertainty during that time. It is a testament to the people and the culture within Capricorn that individuals, teams and the business as a whole continued to promote the responsible, supportive and dedicated culture of the business. The Board works with integrity and in an honest and open environment and I have seen this, firsthand, reflected throughout the organisation.

As we continue to move through the energy transition, the formation of the Sustainability Committee of the Board in March 2022 has supported the Company's work in this area, demonstrating its commitment to environment-, social- and governance-related matters. More information on the work and membership of this committee can be found on pages 110 and 111.

Both 2022 and to date in 2023 have seen significant engagement with stakeholders, both internally to the organisation and in the wider, external environment. The strategic announcements made during the year were the main focus of those engagements with

employees and contractors. The Executive Directors and other Board members in place during the year engaged frequently with shareholders and interested parties as the proposed transactions proceeded. The Company's approach to stakeholder engagement during the year is set out on pages 40 and 41, which also includes a statement from our Directors in accordance with Section 172 of the Companies Act 2006. Some of the key issues, including the proposed transactions announced, that were engaged on during the year, are noted there.

Details on our strategy and key performance indicators can be found on pages 16 to 20. The Board regularly reviews and develops its framework of effective and prudent controls, which enables risks and opportunities to the execution of the strategy to be identified and addressed. The risk management section of this Annual Report is on pages 33 to 39 and the internal control statement on pages 63 to 65 further describes these processes and controls.

During 2022, succession planning continued to be an important matter for the Board. The Nomination & Governance Committee and full Board frequently considered the required competencies and skills at Board, executive and senior management levels, taking into account matters such as term in office, diversity and strategic goals. The Board considered this an area of particular importance given the corporate changes proposed during the year and the movements at Board and senior management levels that were announced alongside those changes. Change will continue for the organisation in 2023 as we progress the announced headcount reduction. Further information on our succession planning work can be found in the Nomination & Governance Committee Report on pages 72 and 73.

Given the challenges and uncertainties being faced as a result of the proposed corporate transactions during 2022, employee engagement remained a key focus of the Company and of the Board. The Employee Voice Forum (EVF), which is our formal workforce advisory panel, established in 2019 in line with the Financial Reporting Council's UK Corporate Governance Code, continued during 2022 under the chairmanship of Peter Kallos, then Senior Independent Director. Following his appointment on 1 February 2023, Richard Herbert assumed the role of chair of the EVF. The EVF currently comprises four employees from a range of functions and regions, and has a rotating membership. Members gather questions and areas of consideration from employees in their allocated departments and bring these to the forum for

discussion. These issues of importance to employees are then discussed with the Board, allowing Board members to gain a greater understanding and feel for the Company's culture and to identify any areas that may be impacting it or which are enhancing it. Appropriate consideration of matters raised to the Board through the forum can then be made in the context of the Board's decision-making. The EVF's scheduled meetings were in May and September 2022. An additional meeting was added to the schedule in Q1 2023, following the appointment of the current Board in February 2023, to introduce Richard as chair to the employee members and to allow questions to be raised with him. Given the period of change that the organisation is experiencing, further meetings of the EVF are proposed to be added to those already scheduled for 2023.

In advance of the EVF meetings, the employee members of the forum hold a pre-meeting, without the Chair present, to identify agenda items and topics for consideration by the EVF. Following a number of years during which the COVID-19 pandemic required that the meetings be held using video-conferencing, the meetings in 2022 were held in person. In the event that a member was based in another region to the location of the meeting, or was unable to be present at the meeting in person, video-conferencing technology was once again utilised to ensure full participation by members or their alternates. The results of employee engagement surveys (see page 26) are shared with the Board and summarised results of those surveys are provided to employee members of the EVF to allow them to further consider topics for prioritised discussion in the forum. Engagement levels were impacted by the proposed transactions announced during the year, and the employee voice forum assisted the Directors in understanding the variety of reasons for this and allowed them to discuss at Board level what steps could be taken to help address these matters, which included, for example, more frequent 'townhall' meetings with all staff to ensure they were kept updated appropriately on progress being made.

### 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. This statement reports compliance with the version 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 & Governance Committee Report, Sustainability 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. As explained in the 2020 Annual Report and Accounts, the pension contribution rates for Executive Directors and staff would be aligned at 12.5% with effect from 1 January 2023. Save for this element of non-compliance during 2022 (which has now been remedied), it is the Board's view that the Company has complied with the 2018 version of the Code throughout 2022.

### Period of non-compliance

On 24 January 2023, Capricorn announced that the Board, having continued to engage with its shareholders ahead of a 1 February 2023 general meeting to approve the proposed combination with NewMed Energy, had understood the concerns that had been raised in relation to the alignment of the general meeting to approve the merger with NewMed (the "GM") and the general meeting requisitioned by a shareholder to remove seven of the nine then Board members and appoint six new Directors (the "Requisitioned GM"), both then scheduled for 1 February 2023. The Board announced that it intended to adjourn the GM to 22 February. Alongside this, Nicoletta Giadrossi (Chair), Simon Thomson (CEO), Peter Kallos (SID), Alison Wood (independent

Non-Executive Director) and Luis Araujo (independent Non-Executive Director) announced they would be stepping down from the Board with immediate effect, with Keith Lough (independent Non-Executive Director and Chair of Audit Committee) and James Smith (CFO) remaining in place until the Requisitioned GM. Catherine Krajčec and Erik B. Daugbjerg would also remain on the Board and continue post the Requisitioned GM, with the aim of ensuring an orderly transition and an appropriate continuation of governance.

It was agreed by the Board that James and Keith's retention was key to ensure the ongoing good governance of the Company and allow for an effective handover of key processes including the annual reporting/audit to the new Directors following the Requisitioned GM. No other changes were made to the reporting or corporate governance structure of the Company. In the interim, work was undertaken to support the onboarding of the new Directors and to ensure that the Company would remain fully able to comply with its ongoing obligations as a Premium Listed issuer and to ensure that at all times a Board that had the information it needed to maintain orderly management and oversight of the Company.

Whilst the Company remained in compliance with the vast majority of the principles of the UK Corporate Governance Code (the "Code") during the period of its reduced membership ahead of the Requisitioned GM, there were some in respect of which it temporarily did not, most notably provisions 15, 25 and 32 of the Code, all of which related to the minimum membership of Board committees and/or the appointment of specific Board roles. Given the short and defined duration of this non-compliance (~ seven days), and the lack of any clearly required responsibilities for these committees/Board roles in that transitory period, the non-compliance did not have an impact on the standard of the Company's ongoing corporate governance. For example, there were no Directors' Remuneration Committee meetings scheduled for the interim period, nor did the Company expect there to be a significant risk that any meeting would need to be convened in the period prior to the Requisitioned GM.

Following the appointment of six new Directors to the Board and the appointment of reconstituted Board committees, those provisions of the Code were once again fully complied with.

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.

### The Board

It is important that the Capricorn Board has the required skills, experience and expertise to allow it to operate effectively and efficiently across a number of geographies and disciplines given the international nature of its business. The Board has, following the change in its membership in February 2023, considered the competencies of its Directors, which includes industry experience in addition to financial, regulatory, risk-management and sustainability experience, to ensure that it is fit-for-purpose in pursuing the strategy of the Company. The Board will continually review these competencies to ensure they are appropriate for the Company's requirements, taking into account the strategy of the organisation and the environment in which it operates. Board appointments, for both executive and non-executive positions, consider an individual's objectivity and integrity along with the abilities, skills, experience and diversity that they can bring to the Board. This process is applied below Board level in senior management and other appointments and such matters are taken into account when considering succession plans.

Independent and objective challenge from non-executive directors is encouraged at Capricorn and changes to the Board membership can support this. It is important that new perspectives are complemented with experience in the Company to provide continuity for the business and its stakeholders.

**Corporate Governance Statement** continued

**Board changes**

During the year, Luis Araujo joined the Capricorn Board as a Non-Executive Director with effect from 11 May 2022. Luis had many years' experience gained from working in Brazil and other countries, and brought his emerging market insights to matters considered by the Board during the year; his experience with energy transition issues was valuable, notably in his role on the Sustainability Committee. As noted, Luis stood down from the Board in late January 2023. For further detail, please see the Nomination & Governance Committee Report, set out on page 73.

The Board currently comprises one Executive Director and seven 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 pages 50 and 51.

| Name               | Role                    | Date of appointment (in current role) | Date of last re-election |
|--------------------|-------------------------|---------------------------------------|--------------------------|
| Chris Cox          | Interim Chief Executive | February 2023                         | -                        |
| Craig van der Laan | Non-Executive Chair     | February 2023                         | -                        |
| Catherine Krajicek | Non-Executive Director  | July 2019                             | May 2022                 |
| Erik B. Daugbjerg  | Non-Executive Director  | May 2020                              | May 2022                 |
| Maria Gordon       | Non-Executive Director  | February 2023                         | -                        |
| Richard Herbert    | Non-Executive Director  | February 2023                         | -                        |
| Hesham Mekawi      | Non-Executive Director  | February 2023                         | -                        |
| Tom Pitts          | Non-Executive Director  | February 2023                         | -                        |

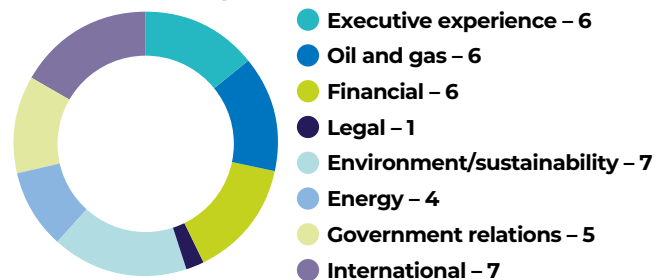
Diversity is a fundamental tenet of the Capricorn Board. This extends beyond gender to culture, experience, nationality, cognitive diversity and heritage. From 2019 to February 2023, there were three women on the Board, and, following Nicoletta's appointment to Chair on 1 January 2021, a women occupied a senior Board position. Following the change of the Board composition on 1 February 2023, we currently have two female Directors and a female, Clare Mawdsley, occupies the role of acting Chief Financial Officer. The Board demonstrates diversity in a broader sense in terms of UK and international experience. During 2022, the Board deepened this diversity following Luis' appointment in May of that year. Luis, with South American heritage and citizenship in Brazil, Portugal and the United Kingdom, joined Erik B. Daugbjerg and Catherine Krajicek (both from the USA) and Nicoletta Giadrossi, from Italy, as members of the Board from outside of the UK. Since February 2023, in addition to continuing members Erik and Catherine from the USA, I join the Board with Australian nationality, Hesham Mekawi is from Egypt, Tom Pitts from Canada, Maria Gordon has both British and Russian nationality and Richard Herbert and Chris Cox are from the UK. Following these Board changes, we remain compliant with the targets of the 2017 Parker Review.

Further information on the diversity within the Capricorn Board, including in terms of its wide range of experience and expertise across the industry, governance, technical and commercial arenas, is included in the Nomination & Governance Committee Report on page 74 and in the Strategic Report section of this Annual Report.

As announced on 11 April 2023, Erik B. Daugbjerg and Catherine Krajicek will not seek re-election at the AGM this year. We recognise that the Board composition following, in particular, Catherine's departure, falls short of our ambitions for a diverse membership and that of the FRC as announced in April 2022. We will be seeking to

add to the Board as soon as possible, focusing on the appointment of diverse candidates to address the imbalance. An update on progress will be provided at the AGM in June.

**Current Board Competencies**



**Division of responsibilities between the Chair and the 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**

During 2022, Peter Kallos was the Company's Senior Independent Non-Executive Director. Since his appointment on 1 February 2023, Richard Herbert has assumed the role of Senior Independent 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.

**Board performance evaluation**

The annual performance evaluation process is considered by the Board as an opportunity to improve its effectiveness and to enhance its processes and procedures where appropriate. As reported in the Company's Annual Report and Accounts 2021, the performance evaluation process in 2021 was externally facilitated by Gould Consulting, in line with the Code recommendation that this evaluation be conducted by an external party at least every three years. Previously 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 2021 externally facilitated performance evaluation process, and the progress made against these during 2022 are set out in the table below.

| Key action points (disclosed in last year's Corporate Governance Statement)              | Implementation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase Chair-led engagement with Non-Executive Directors individually between meetings | <p>Prior to each Board meeting, the Chair conducted informal dialogue with each Non-Executive Director to aid discussion at the relevant upcoming meetings and to discuss key agenda items in advance. In addition, the Senior Independent Director and Chair increased the frequency of their out-of-round discussions.</p> <p>In addition to the conversations held between the Chair and each Director in advance of Board meetings, there were a significant number of discussions held with Board members throughout the year to update and discuss with Non-Executive Directors the progress being made on the announced proposed corporate transactions.</p> |
| Ensure a smooth transition between the first and second days of Board meetings           | The Non-Executive Directors have time allocated in the Board meeting schedule, without executives or management present, at the end of day one to discuss matters raised and to determine if further discussion is required and a summary of discussions held is provided by the Chair at the start of the second day of each Board meeting.                                                                                                                                                                                                                                                                                                                        |
| Restructure of management presentations                                                  | Whilst continuing the advanced distribution of the management presentation to Board members, the management presentation itself has been further focused on the key issues for consideration by the Board, allowing more time for discussion amongst Board members and senior management, where relevant, on these key issues.                                                                                                                                                                                                                                                                                                                                      |

|                                               |                                                                                                                                                                                                                                        |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Refresh the Board strategy day                | Discussions were held amongst the Board in advance of the strategy focused Board meeting to determine the key issues to be discussed and what internal and external input and range of speakers would benefit the strategy discussion. |
| Board Committee Papers for wider distribution | In addition to the ongoing 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 previously noted, the 2021 performance evaluation was externally facilitated by Gould Consulting. That was the first evaluation of Capricorn's Board performance that Gould Consulting had undertaken and they had no other connection to the Board or to the Company.

It was agreed at the meeting of the Board in September 2022, that the Board performance evaluation for the year would be undertaken internally. The Company Secretary prepared a questionnaire to assist this process, which was reviewed and approved by the Chair and Senior Independent Director. Each Director was asked to complete the questionnaire and provide the responses to the Chair, save in respect of questions relating to the performance of the Chair, responses to which were submitted to the Senior Independent Director. A questionnaire was also sent to several members of senior management who have regular interaction with the Board. The responses to that questionnaire were submitted to the Company Secretary who then compiled the responses and, following anonymisation, sent a summary to the Chair to assist in the evaluation process. Each of the questionnaires sought views on the performance of the Board in relation to the corporate transaction activity that took place during 2022.

Following receipt of the questionnaires, meetings were held with the Chair and each of the Non-Executive Directors to discuss the questionnaire responses. The Senior Independent Director then met with the Directors, excluding the Chair, to discuss the responses to the chair performance questionnaire. The outcome and findings from the 2022 Board performance evaluation were then discussed in detail at the December 2022 meeting of the Board.

The main action points resulting from the 2022 Board performance evaluation are set out below.

| Key action points                 | Implementation                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Communication with staff          | During times of strategic change, ensure more regular communication from Board members in addition to those communications already given by the Executives on a regular basis.                                                                                                                                                                      |
| Management presentation structure | It was noted that the attendance at the management presentation from staff was beneficial for succession planning and business awareness purposes, and this would be developed with further streamlining of topics discussed to allow deeper discussion with relevant employees and amongst the Board, with Board feedback provided after meetings. |

## Corporate Governance Statement continued

Given the changes that took place to the membership of the Board on 1 February 2023, the Board intends to regularly review the format and planning of Board meetings to refine the proceedings, if required, throughout the year. The annual performance review that will take place in Q4 2023 will be a valuable tool to assist this process and Board performance into 2024.

Having undertaken the Board performance evaluation process in 2022, the Board and Board committees were satisfied that they were operating effectively and that each Director had performed in respect of their individual role on the Board and its committees.

The reconstituted Board believes that all of the Directors now in place are effective and that each demonstrates commitment to their role.

The performance of the Executive Directors is further reviewed by the Remuneration Committee against the Group KPIs which are set annually (further details of the KPIs and how achievement has been measured against them can be found on pages 16 to 20). The 2022 bonuses payable to the Executive Directors under the Company's discretionary cash bonus scheme (described in further detail in the Directors' Remuneration Report on pages 76 to 109) are linked directly to the Group's performance against these KPIs. The KPIs set out the Company's strategic objectives, ensuring that executive performance is directly linked to Group strategy.

In respect of the position of the interim Chief Executive, given the term of the appointment, shorter-term performance targets were put in place and the performance of the interim Chief Executive will be reviewed by the Remuneration Committee against these as appropriate, with disclosure made in the 2023 Annual Report and Accounts. For more information, see page 107 of the Directors' Remuneration Report.

### 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 believes 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 director(s) develop proposals on strategy; and
- Has no close ties or material relationships with the Company, either directly or indirectly.

Six of the eight Directors of the Board were nominated by a shareholder of the Company to be appointed as Directors from 1 February 2023. These Directors are independent in their appointment and have no relationship, other than by being nominated, with the nominating shareholder.

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 50 and 51.

None of our Non-Executive Directors 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.

### Re-election of Directors

In accordance with the Code, each of the Company's Directors are subject to annual re-election by shareholders. As such, each of the current Directors, save for Erik B. Daugbjerg and Catherine Krajicek, who, as announced on 11 April 2023, will not be standing for re-election at this year's AGM, will seek re-election at the AGM to be held on 20 June 2023.

### Induction and development

New Directors, including Luis Araujo following his appointment in May 2022 and each of Craig van der Laan, Richard Herbert, Maria Gordon, Hesham Mekawi, Tom Pitts and Chris Cox, following their appointment on 1 February 2023, received a full and appropriate induction on joining the Board. This involves a tailored programme of meetings with other Board members, senior management and the Company Secretary.

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

|                     |                                                                                                                                                                                                                                                                                                                                                           |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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, Group Corporate Responsibility Guiding Principles; Group Code of Ethics; Anti-Bribery-and-Corruption (ABC) Management System; Dealing Code; Insider Lists Process; Procedures, Systems and Controls for Compliance with the Market Abuse Regulation, the Listing Rules and the Disclosure Guidance and Transparency Rules. |
| <b>Organisation</b> | Organisational Structure, Group Structure Chart; latest Annual Report and Accounts.                                                                                                                                                                                                                                                                       |
| <b>Governance</b>   | UK Corporate Governance Code; supporting FRC Guidance on: Board Effectiveness; Audit Committees and audit tenders; and Risk Management Internal Controls and Related Financial Business.                                                                                                                                                                  |

**Legal/regulatory** Memorandum on continuing obligations of directors of premium listed companies; ICSA Guidance on Directors' General Duties; ICSA Guidance on Liability of Non-Executive Directors; Section 172 and Stakeholder Considerations.

**Insurance** Full details of Directors' and Officers' liability cover.

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

The Company provides, on an ongoing basis, the necessary resources for developing and updating its existing Directors' knowledge and capabilities. In particular, the Company is committed to the provision of continuing professional development training for its directors. In 2022, 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 or members of senior management, on subjects appropriate to the Company's business, including changes to legislation, regulation and market practice. During 2022, the subjects covered by these seminars included:

- Drilling on the UK Continental Shelf – presented by the Company's Drilling & Operations Manager and Risk & Compliance Manager;
- UK Takeover Code Obligations – presented by Company advisers;
- A presentation and discussion on updates in the governance environment – presented by the Company Secretary; and
- Biodiversity and its upcoming regulation – presented by the Company's Senior HSE Advisor and Energy Transition Director.

These seminars were incorporated into the schedule for the relevant Board meeting and were 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 UK Corporate Governance Code and related 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 pages 70 and 71.

### 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 2022 and 2023 to date were:

| Corporate                                                                                                                                                                                                                                                                                                                                                                                                           | Board/Directors                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| The Company's 2021 and 2022 Annual Report and Accounts and 2022 Half-Yearly Report                                                                                                                                                                                                                                                                                                                                  | Appointment of new Non-Executive Directors                                                                                            |
| The Company's 2022 AGM circular                                                                                                                                                                                                                                                                                                                                                                                     | Creation of the Sustainability Committee                                                                                              |
| The Company's Risk Appetite Statement                                                                                                                                                                                                                                                                                                                                                                               | Expansion of the Nomination & Governance Committee to include wider governance considerations                                         |
| Review of the Company's Corporate Responsibility Management System                                                                                                                                                                                                                                                                                                                                                  | Detailed review of talent management and of succession contingency planning                                                           |
| Financial/Operational                                                                                                                                                                                                                                                                                                                                                                                               | Legal/Regulatory                                                                                                                      |
| Approval to recommend the all-share merger with Tullow Oil plc and thereafter to withdraw that recommendation and recommend to shareholders to approve a combination with NewMed Energy. In February 2023, the reconstituted Board recommended to shareholders to vote against the NewMed transaction, which resulted in the mutual agreement with NewMed to terminate the relevant business combination agreement. | Oversight of the resolution of the Indian tax issue and subsequent return of value of US\$500m to shareholders by way of tender offer |
| The appropriateness of the Group going concern sign-off for the 2021 and 2022 full year accounts and 2022 half-year Financial Statements                                                                                                                                                                                                                                                                            | Approval of the Company's Modern Slavery Statement and its publication on the Company's website                                       |
| The Company's viability statement included in the 2021 and 2022 Annual Report and Accounts                                                                                                                                                                                                                                                                                                                          | Approval of the Group Tax Strategy and its publication on the Company's website                                                       |
| The Company's annual work programme and budget                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                       |

**Corporate Governance Statement** continued

| Financial/Operational                                                                                      | Legal/Regulatory |
|------------------------------------------------------------------------------------------------------------|------------------|
| Group Reserves and Resources                                                                               |                  |
| The acquisition of production and exploration assets in Egypt                                              |                  |
| The recommendation to shareholders to approve the cancellation of the share premium account of the Company |                  |

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), intensive strategy sessions, 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.

During 2022, the senior management structure beneath Board level comprised an Executive Committee (ExCo) and Management Team (MT), each which played a key role in supporting the Board.

**Board and management committee structure during 2022**



\* Further information on our Board committees is contained later in this statement on pages 61 to 63 and in the separate Audit Committee Report, Nomination & Governance Committee Report and Directors' Remuneration Report.

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

Key elements of the ExCo's role included 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 was chaired by the Chief Operating Officer and met 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 included 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 page 65.

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

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

**Board meetings**

During 2022, a total of 11 scheduled meetings of the Board were held. Five of these meetings were conducted over two consecutive days following the usual format for Board meetings, described below, with another six shorter meetings held to update the Board and/or to approve specific matters during 2022. In addition to these formal meetings, there were a large number of Board calls that took place to discuss, primarily, matters relating to the proposed transactions. As part of the strategic discussions taking place during the year, an M&A Committee of the Board, comprising independent Non-Executive Directors was formed to discuss progress and met regularly with the Executive Directors, senior management and advisors with weekly updates as appropriate sent to the full Board.

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 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 short meeting with the other Non-Executive Directors (without the Executive Directors).

Details of attendance at each of the Board meetings during 2022, and at meetings of each of the Board committees, are set out below. The Company has very successfully used its technological communication platforms to ensure that Directors who are unable to attend any meeting in person are still able 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 early to allow the Directors to plan their time accordingly. This process ensures that the Chair can be comfortable that each Director is able to devote sufficient time and resources to their role on the Board and, where relevant, its committees.

The formal agenda for each scheduled Board meeting is set by the Chair in consultation with the Chief Executive and the Company Secretary. The system for establishing agenda items means that

the 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. 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. This process was utilised when matters surrounding the transaction proposals in 2022/early 2023 required discussion and decision in short order.

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 2022 Board and Committee meetings

The table below sets out the attendance record of each Director at scheduled Board and Board committee meetings during 2022.

| Board                                      | Board             | Audit Committee    | Remuneration Committee | Nomination & Governance Committee | Sustainability Committee |
|--------------------------------------------|-------------------|--------------------|------------------------|-----------------------------------|--------------------------|
| Meetings held during 2022 <sup>(1)</sup>   | 11                | 4                  | 4                      | 4                                 | 2                        |
|                                            | Meetings Attended | Meetings Attended  | Meetings Attended      | Meetings Attended                 | Meetings Attended        |
| <b>Executive Directors</b>                 |                   |                    |                        |                                   |                          |
| Simon Thomson (Chief Executive)            | 11                | n/a <sup>(3)</sup> | n/a <sup>(3)</sup>     | 4                                 | 2                        |
| James Smith (Chief Financial Officer)      | 11                | n/a <sup>(4)</sup> | n/a                    | n/a                               | 2                        |
| <b>Non-Executive Directors</b>             |                   |                    |                        |                                   |                          |
| Nicoletta Giadrossi (Chair)                | 11                | n/a                | 4                      | 4                                 | 2                        |
| Peter Kallos (Senior Independent Director) | 11                | n/a                | 4                      | 4                                 | 2                        |
| Keith Lough                                | 11 <sup>(2)</sup> | 4                  | n/a                    | 4                                 | 2                        |
| Alison Wood                                | 11                | 4                  | 4                      | n/a                               | 2                        |
| Catherine Krajicek                         | 11                | 4                  | n/a                    | 2 <sup>(5)</sup>                  | 2                        |
| Erik B. Daugbjerg                          | 11                | n/a                | 4                      | n/a                               | 2                        |
| Luis Araujo                                | 8 <sup>(6)</sup>  | n/a                | n/a                    | n/a                               | 2                        |

Notes:

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

1 During 2022, certain Directors who were not committee members attended meetings of the Audit Committee, Remuneration Committee and Nomination & Governance Committee by invitation. These details have not been included in the table.

2 Keith Lough was unable to attend the second day of one of the two-day Board meetings due to illness.

3 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.

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

5 Catherine Krajicek attended both meetings of the Nomination & Governance Committee that were held following her appointment to the committee in March 2022.

6 Luis Araujo attended all meetings of the Board from his appointment in May 2022.



## Corporate Governance Statement continued

### Board committees

#### Board committee structure during 2022



Each of the Board committees is provided with all necessary resources to enable them to undertake their duties in an effective manner and has formal terms of reference approved by the Board. Copies of the terms of reference, which were reviewed and updated in line with the 2018 version of the Code and approved by the Board in March 2022, 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, Nomination & Governance and Sustainability Committees are presented as separate reports (on pages 66 to 111) 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 76 to 109. Summary details of the composition of each committee and meetings held during 2022 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 2022 and comprised 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 66 to 71.

#### 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 four times during 2022 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 remained a member of the committee. With effect from 1 January 2021, Alison Wood was appointed Chair of the committee and Erik B. Daugbjerg was appointed a member of the committee. The Chief Executive was not a member of the committee but attended its meetings by invitation. The committee's remuneration advisers during 2022 are also invited to attend the committee's meetings as required.

None of the members of the Remuneration Committee, nor the Chief Executive nor the Chair, participated in any meetings or discussions relating to their own remuneration. The committee has established a practice of meeting informally without any Executive Directors or advisers present after each Committee meeting to allow the Non-Executive Directors to discuss any

matter which has arisen in the meeting (or relating to the duties of the committee) which they believe would benefit from discussion in such a forum.

Further information on the role, responsibilities and work of the Remuneration Committee is included in the Directors' Remuneration Report on pages 76 to 109.

#### Nomination & Governance Committee

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

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

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

From 3 March 2022, the Nomination & Governance Committee 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 & Governance Committee's terms of reference also include the roles of:

- 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 & Governance Committee is included in the separate Nomination & Governance Committee Report on pages 72 to 74.

#### Changes to Board Committee structure during the year

##### Sustainability Committee

In addition to the expansion of the Nomination & Governance Committee's remit to include broader corporate governance matters, with effect from 3 March 2022, a new committee, the Sustainability Committee, was established. The Sustainability Committee met two times in 2022. Matters relating to 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 further embeds 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 during 2022 comprised the full Board, allows 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 114. 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 2022, engagement with investors was of notably high importance following the corporate transactions proposed and investor meetings were held either through virtual communications platforms or in person.

| AGM details (2022 and 2023)                                                                                                                                                                                                                      | Overview                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022 AGM: the first AGM since the 2019 meeting to be held as an open meeting since restrictions were put in place due to COVID-19 in 2020, was held on 11 May 2022 at The Galley, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh | <ul style="list-style-type: none"> <li>– Full Director attendance save for one Director who had taken ill the previous evening;</li> <li>– At least 54.52% of all issued shares voted by shareholders in each resolution</li> <li>– Highest votes in favour &gt;97% for 13 resolutions and all votes passed with at least 93.65% in favour</li> </ul> |
| 2023 AGM: to be held on Tuesday, 20 June 2023 at The Galley, 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 other than one Director who is expected to be out of the country on the date of the meeting</li> <li>– 12 ordinary resolutions and five 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. The Directors were pleased, therefore, that the 2022 meeting could be held in person following the lifting of COVID-19 related restrictions and that the 2023 meeting will also be held in person.

It is policy for all Directors to be present at the AGM, when possible, 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 invited to attend the AGM as the Directors recognise that this provides a valuable opportunity for workforce engagement with the Board.

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 20 June 2023 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 2022, the remuneration report received over 95% of votes in favour, following a lower vote in favour (65.13%) to approve the remuneration report in 2021. Following shareholder engagement, the 2021 Annual Report looked to address matters raised by stakeholders such as: the need for a more comprehensive explanation of the alignment between Company performance and bonus outcomes; and more detailed disclosure of the KPIs used in the annual bonus scheme. The 2021 Annual Report addressed these concerns and included significantly increased levels of disclosure.

### 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

## Corporate Governance Statement continued

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 2022 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 2022 and will ensure that a similar review is performed in 2023. In so doing, the Board and Audit Committee took into account the assurance provided by the year-end internal control report 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 2022.

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 2022 to the following key controls, business processes and procedures:

- The Capricorn Board incorporates an annual workshop into one of its Board meetings to consider and address a key risk to the business. The theme for this year's session was 'ESG- What lies ahead for Capricorn?'. The objective of the workshop was to give the Board further insight into the ESG macro environment and the potential risks and opportunities for Capricorn. The workshop was facilitated by the Energy Transition Director and Risk & Compliance Manager;
- 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;
- Compliance certificates were completed by all staff members and contractors confirming compliance with the Group's Code of Ethics;
- Capricorn commenced a project in 2022 to improve the business management system used throughout the Company. The management system structure follows that as recommended by the International Association of Oil & Gas Producers (IOGP), of which Capricorn is a member. It will deliver a single system applicable across the whole Company that is simple to describe to stakeholders, including contractors, other operators, and governments and provide a platform to access all organisational documentation which is consistent, connected and without duplication;
- The Group's Business Resilience Plan and Cyber Incident Response Plan were both revised and updated in 2022;
- 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 regulations (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;

- IT continued to progress the plan to implement the NIST Cyber Security Framework. Several initiatives were completed in 2022 and the Group is on course to deliver the three-year plan;
- EY, the Group's internal auditor in 2022, delivered the annual internal audit plan which consisted of several risk areas identified from the risk register. Topics covered in 2022 included culture, values and internal communications and Egypt operations. 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 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. Bespoke training was also provided to the Egypt and Mexico offices on bribery and corruption.

The following describes the key elements of the Framework and the processes used by the Board during 2022 to review the effectiveness of the system and the approach to be taken in 2023.

### 1. Strategic direction

The Company's strategy and business plan are proposed by the ExCo 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 ExCo. The Chief Executive is also responsible for implementing the decisions of the Board and its committees and driving performance measured against the Company's KPIs.

### 2. Operating management

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

In 2022, the Executive Directors continued to be supported by the ExCo as well as by the MT and ELT. 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 2022, 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 2022.

The RMC, which meets on a quarterly basis, was chaired by the Chief Financial Officer in 2022 and comprised 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 2022 to manage and facilitate the assessment and treatment of business risks that may affect the Company's ability to deliver its strategy.

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 2022 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 2022, 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 2022 Group internal audit plan.

The Directors derived assurance from the following internal and external controls during 2022:

- 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;
- 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.

### Craig van der Laan

Chair

27 April 2023