

CORPORATE GOVERNANCE STATEMENT

Craig van der Laan
Chair



Dear Shareholder

2023 was a year of significant, transformational change across Capricorn. Significant challenges were faced head-on, and Capricorn has as a result been completely reshaped. The Company is now a much leaner organisation, focused on tight cost control, shareholder returns and maximising value from our Egypt portfolio.

There was during the year, and will continue to be, regular engagement with stakeholders, both within the organisation and in the wider, external environment. The Company's approach to stakeholder engagement during the year is set out on pages 10 and 11, which also includes a statement from our Directors in accordance with Section 172 of the Companies Act 2006.

Details of our strategy and key performance indicators (KPIs) can be found on pages 12 to 17. 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 40 to 48 and the internal control statement on pages 68 and 69 further describes these processes and controls.

During 2023, succession planning continued to be an important matter for the Board, particularly in light of the headcount reduction that took place throughout the year. The Nomination & Governance Committee and full Board kept a close eye on 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. Further information on our succession planning work can be found in the Nomination & Governance Committee Report on pages 77 to 79.

Given the challenges and uncertainties being faced as a result of the major restructuring during 2023, 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 2023. Following his appointment on 1 February 2023, Richard Herbert assumed the role of chair of the EVF. The EVF currently comprises three 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 impact or enhance 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 March and September 2023.

Compliance with the UK Corporate Governance Code

As a company incorporated in the United Kingdom with a Premium Listing on the London Stock Exchange, Capricorn is required to report against the UK Corporate Governance Code (as published by the Financial Reporting Council and available on its website at www.frc.org.uk) (the "Code"). This statement reports compliance with the version 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 of this year, there are new targets for listed companies to meet on a 'comply or explain' basis, requiring disclosure on gender and ethnic minority backgrounds on the Board. Save for this element of non-compliance (which is more particularly described on pages 78 and 79) and as noted below, it is the Board's view that the Company has complied with the 2018 version of the Code throughout 2023.

Period of non-compliance

As described in our Annual Report and Accounts for 2022, on 24 January 2023, 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. Keith Lough (Independent Non-Executive Director and Chair of Audit Committee) and James Smith (CFO) would remain in place until the general meeting to remove seven of the nine then Board members and appoint six new Directors (the "Requisitioned GM"). Catherine Krajicek 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Whilst the Company remained in compliance with the vast majority of the principles of 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 12, 24 and 32 of the Code, all of which relate 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 (about 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.

This explanation has been reviewed by the Financial Conduct Authority, who did not raise any additional concerns.

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 new Board, which was put in place this year with these objectives fully in mind, 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.

Board changes

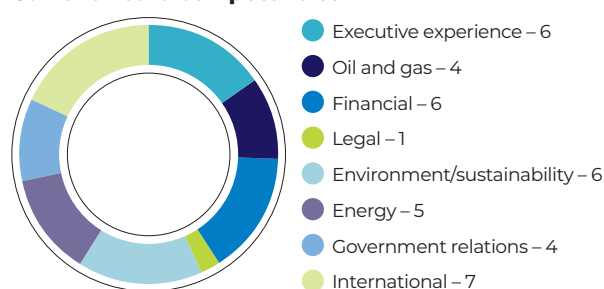
As noted previously, there was significant change at Board level during 2023 and this is described in more detail from pages 77 and 78.

The Board currently comprises one Executive Director and six Non-Executive Directors, including the Chair. The Directors of the Company as at the date of this statement are set out in the table on the right. Further biographical information about our Directors is also included in the Board of Directors section on pages 56 and 57.

Name	Role	Date of appointment (in current role)	Date of last re-election
Craig van der Laan	Non-Executive Chair	1 February 2023	26 June 2023
Randy Neely	Chief Executive	1 June 2023	26 June 2023
Maria Gordon	Non-Executive Director	1 February 2023	26 June 2023
Richard Herbert	Non-Executive Director	1 February 2023	26 June 2023
Hesham Mekawi	Deputy Chair	1 February 2023	26 June 2023
Patrice Merrin	Non-Executive Director	26 June 2023	N/A
Tom Pitts	Non-Executive Director	1 February 2023	26 June 2023

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 pages 77 to 79 and in the Strategic Report section of this Annual Report.

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

Directors' attendance at 2023 Board and committee meetings

The table below sets out the attendance record of each Director at scheduled Board and committee meetings during 2023.

Board	Board	Audit Committee	Remuneration Committee	Nomination & Governance Committee	Sustainability Committee
Meetings held during 2023 ¹	17	6	10	8	1
	Meetings attended /meetings held in 2023 during directorship	Meetings attended /meetings held in 2023 during membership	Meetings attended /meetings held in 2023 during membership	Meetings attended /meetings held in 2023 during membership	Meetings attended /meetings held in 2023 during membership
Current Directors					
Craig van der Laan (Chair)	13/13	–	–	8/8	–
Randy Neely (Chief Executive)	6/6	–	–	–	1/1
Richard Herbert (Senior Independent Director)	13/13	6/6	3/3	6/6	–
Hesham Mekawi (Deputy Chair)	13/13	–	–	5/8	1/1
Maria Gordon	13/13	6/6	8/8	8/8	–
Tom Pitts	13/13	6/6	8/8	–	–
Patrice Merrin	5/5	–	–	2/2	1/1
Former Directors					
Simon Thomson (former Chief Executive)	3/3	–	–	0/0	0/0
James Smith (former Chief Financial Officer)	4/4	–	–	–	0/0
Nicoletta Giadrossi (former Chair)	3/3	–	2/2	–	0/0
Peter Kallos (former Senior Independent Director)	3/3	–	2/2	0/0	0/0
Keith Lough	4/4	0/0	–	0/0	0/0
Alison Wood	3/3	0/0	2/2	–	0/0
Catherine Krajicek	11/12	3/3	–	2/6	0/0
Erik B. Daugbjerg	11/12	–	6/7	–	0/0
Luis Araujo	3/3	–	–	–	0/0
Chris Cox (former Interim Chief Executive)	6/7	–	–	–	–

Notes:

(1) During 2023, 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.

Board committees

Board committee structure during 2023



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 70 to 79) 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 80 to 107. Summary details of the composition of each committee at the end of 2023 are set out in the following table.

Remuneration Committee

Member	Date of appointment
M. Gordon (Chair)	1 February 2023
T. Pitts	1 February 2023
R. Herbert	26 June 2023

Audit Committee

Member	Date of appointment
T. Pitts (Chair)	1 February 2023
M. Gordon	1 February 2023
R. Herbert	1 February 2023

Nomination & Governance Committee

Member	Date of appointment
C. van der Laan (Chair)	1 February 2023
M. Gordon	1 February 2023
H. Mekawi	1 February 2023
P. Merrin	26 June 2023

Sustainability Committee

Member	Date of appointment
P. Merrin (Chair)	26 June 2023 (Chair)
H. Mekawi	1 February 2023
R. Neely	26 June 2023

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 109. 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.

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 2023, engagement with investors was of notably high importance following the strategic review and investor meetings were held either through virtual communications platforms or in person.

AGM details (2023 and 2024)	Overview
2023 AGM: held on Monday, 26 June 2023 at The Gallery, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh	<ul style="list-style-type: none"> – Full Director attendance other than Richard Herbert, who was out of the country on the date of the meeting – Twelve ordinary resolutions and five special resolutions passed by shareholders
2024 AGM: to be held on Thursday, 23 May 2024 at The Cellar Room, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh (full details in Notice of AGM)	<ul style="list-style-type: none"> – 15 ordinary resolutions and 4 special resolutions proposed for shareholder approval

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.

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.

Information pursuant to the Takeover Directive

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

Internal control

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

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

The Framework has been in place for the 2023 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 2023 and will ensure that a similar review is performed in 2024. 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 2023.

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 2023 to the following key controls, business processes and procedures:

- compliance certificates were completed by all staff members and contractors confirming compliance with the Group's Code of Ethics;
- several activities were completed to enhance our bribery and corruption controls across the business, including the completion of country-specific risk assessments for Egypt, 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 GDPR, the corporate criminal offence for the failure to prevent the facilitation of tax evasion, 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; 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 2023 to review the effectiveness of the system and the approach to be taken in 2024.

1. Strategic direction

The Company's strategy and business plan are debated by 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. 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 refreshes its work programme and budget on an annual basis in line with its overall strategy.

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 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.

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 Risk Management Committee; 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 2023, 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 2023 Group internal audit plan.

The Directors derived assurance from the following internal and external controls during 2023:

- 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 Risk Management Committee;
- 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

28 March 2024