



Capricorn

CAPRICORN ENERGY PLC
Sustainability Report 2021

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Overview

Capricorn Energy PLC is one of Europe's leading independent upstream energy companies, headquartered in Edinburgh, UK.

Historically, we have discovered, developed and produced oil and gas in multiple settings throughout the world. Today, our focus is on growing our current gas and liquids production base through development and exploration, with an ambition to use our strong balance sheet to expand that production base into other attractive markets and to commercialise exploration resources.

We adhere to high sustainability standards, we invest to ensure our portfolio remains competitive through stringent energy transition scenarios and we are committed to net zero carbon emissions by 2040.



A Responsible Business

Capricorn has a long history of responsible business practice. We continue to understand changing legislation, standards and societal norms, helping us to improve the way we work to protect our legacy and address future challenges. This means environmental, social and governance (ESG) issues have been, and continue to be, at the heart of our business as our portfolio evolves and grows.

Our Operations

Capricorn's role is to produce hydrocarbons responsibly for the foreseeable future while playing a meaningful role in energy transition and limiting the rise in global temperatures. We currently hold a balanced portfolio of exploration, development and production assets with interests in six countries – the UK, Mexico, Suriname, Egypt, Mauritania and Israel – but aim to increase our production base in a responsible manner.

Capricorn has its headquarters in Edinburgh, Scotland, supported by operational offices in London, Mexico, Egypt and Mauritania.

➔ See our [Annual Report and Accounts](#) and our [website](#) for more information.



Exploration

We hold exploration acreage in the UK North Sea, onshore Egypt, and offshore Suriname, Mexico, Mauritania and Israel.



Development

Over the next four years, we aim to grow production in Egypt, extending field life and increasing recovery rates.



Production

With our partner Cheiron, we acquired production interests in onshore Egypt's Western Desert in September 2021.



Major Changes in Our Portfolio

Egypt

Alongside our consortium partner Cheiron Petroleum Corporation, we have acquired a portfolio of onshore oil and gas production, development and exploration interests from Shell in the Western Desert, Egypt. Capricorn Egypt, a wholly owned subsidiary, acquired 50% of the assets in September 2021.

This addition to our portfolio is an important step in expanding and diversifying our production base. It adds significant gas production volume and provides attractive potential for development and exploration of both oil and gas. Our entry into Egypt provides access to a prolific hydrocarbon basin with low production costs.

While these assets are operated to high standards, we have identified opportunities to improve performance in environmental protection, water management and energy transition, and are working alongside our partners to implement them.

UK

In March 2021, we entered into an agreement to sell our interests in the Catcher and Kraken fields in the UK North Sea to Waldorf Production Limited. The transaction completed in November 2021. With the fields entering natural decline, divesting at this time has enabled us to focus on accessing opportunities that match our production growth aspirations.

In addition, Capricorn is now the operator of five licences in the UK Southern North Sea, following completion of a farm-out agreement with Deltic Energy PLC. Initial 3D seismic data work has already commenced.

Mexico

We completed a 2020 drilling programme in Mexico in Q1 with an oil discovery on the non-operated Saasken-1 exploration well in Block 10.

Drilling of a second exploration well by the operator Eni concluded in July 2021. Oil was found at the Sayulita prospect in Block 10, close to the 2020 Saasken oil discovery.

Mauritania

We signed a Production Sharing Contract (PSC) in May 2021 with the Government of Mauritania for the offshore Block C7. The initial activity focus comprises an Environmental Baseline Survey (EBS) and a geophysical and geotechnical site survey, which will inform future exploration decisions.



Our Sustainability Report

About This Report

This document comprises Capricorn Energy's full Sustainability Report 2021. It covers our sustainability strategy and performance from 1 January to 31 December 2021, across all assets and activities, but with a focus on those over which we have operational control.

For the first time, we have included equity Scope 1 and 2 greenhouse gas (GHG) emissions and energy use in our 2021 reporting, accepting the limitations associated with access and verification. We are implementing a two-year improvement programme to improve the quality of this data as we look to use 2022 as a baseline year on our journey to net zero.

→ See **About This Report** (page 65) for more information about scope and boundaries.

Content Structure

Based on our material issues, the content in this report is considered under four main themes: **Environment** (page 18), **People** (page 28), **Society** (page 43) and **Governance** (page 53). We also outline our overall approach under **Our Sustainability Strategy** (page 10).

→ See **Prioritising Issues** (page 17) for details of our materiality process.

Third-Party Assurance

We have commissioned Deloitte to provide independent third-party assurance of our operated GHG emissions data, and have commissioned a study on next steps to be able to assure a wider set of data, including equity GHGs.

→ A limited **Assurance Statement** is available online.

Our Corporate Responsibility Management System (CRMS)

Our **evolving company strategy**, with an increased focus on sustainability, has prompted several activities that have led us to update the Group CRMS. A number of internal assessments were initiated in 2021 as part of our annual CRMS management review, as we prepare the ground for improvement in 2022.

The reviews undertaken included:

- a high-level review of the CRMS;
- a comparative review of peer company approaches to Task Force on Climate-related Financial Disclosures (TCFD) reporting;
- a workshop to examine key elements for future reporting and resourcing;
- an agreement for a carbon removal hierarchy; and
- an examination of investor and analyst questionnaires to understand rating methods and, where possible, identify ways to improve our position and responses.

An external audit conducted in August 2021 examined the CRMS's application in well planning for the UK and Mauritania, and assurance of our non-operated wells in Mexico.

An internal audit by EY, to assess the transition from corporate responsibility reporting to sustainability reporting, was also completed in October 2021.

2021 Highlights

Financial and Operational

Net working interest oil and gas production averaged (boepd¹): **-36,500**

Egypt oil and gas sales revenue: **US\$56m¹**

Capital expenditure: **US\$66m**

Year-end Group cash reserves: **US\$314m**

→ Read more about our **Financial performance** in our [Annual Report and Accounts](#).

Environment

Emissions: **1,469 tCO₂e**
Total operated Scope 1, 2 and 3 carbon emissions

146,686 tCO₂e
Total equity Scope 1 and 2 carbon emissions

Energy: **14,298 GJ**
Total operated energy consumption

Waste: **39 tonnes**
Total operated hazardous and non-hazardous waste

Water: **1,132m³**
Total operated water consumption, including fresh and seawater

Spills: **Zero**
Spills of oil or chemicals to the environment from operated activities

→ Read more about our **Environmental performance** on pages 18–27.

People

Health and safety: **Zero**
Lost Time Incidents and Recordable Incidents across the Group

Training: **31 hours**
Training per employee

Diversity and inclusion: We established our D&I strategy and developed tools and methods to embed D&I in the way we work.

Engagement: In December 2021, our final monthly pulse survey of the year recorded an employee engagement score of 8.3 out of 10, 0.7 above the industry benchmark.

→ Read more about our **People performance** on pages 28–42.

Social

Human rights: **94%**
Personnel completed refresher training in human rights and modern slavery

Social and economic benefits: **US\$0.6m**
Group social investment

→ Read more about our **Social performance** on pages 43–52.

Governance

Policies: Updated the company Environment policy to encompass climate change.

Energy transition: Strengthened our Climate and Energy Transition roadmap, committing to net zero by 2040 or earlier.

Frameworks and standards: We maintained a **B-** rating for our annual carbon disclosure submission to the CDP, and scored a **B-** on our first full CDP Water Security questionnaire.

→ Read more about our **Governance** arrangements on pages 53–64.

¹ Egypt production from completion of acquisition to 31 December 2021

CEO Letter



Operating against the ongoing backdrop of COVID-19, Capricorn continued to deliver effectively on its strategy in 2021 while prioritising the safety and health of our people, contractors and partners. I would like to take this moment to thank everyone for their constant effort and commitment.

Amid the challenges posed by the ongoing pandemic, we have made significant progress in creating sustainable value for our shareholders. While we recognise the continued importance of hydrocarbons as a source of energy for the foreseeable future, we are also evolving our operations to support the role we want to play in the transition to lower-carbon energy. We have set our accelerated commitment to produce net zero emissions by 2040 at the latest, 10 years ahead of the globally accepted deadline.

Net zero is critical to Capricorn's business strategy, but it is just one aspect of the increasing focus we are placing on sustainability issues. In 2021, we developed our strategic ambition for diversity and inclusion to nurture an inclusive and sustainable culture. We also focused on strengthening the governance structures that keep us accountable, transparent and responsible. Importantly, as a signatory to the United Nations Global Compact (UNGC), we uphold our commitment to align with universally accepted principles in human rights, labour, the environment and anti-corruption.

Throughout the year, we continued to identify ways we can invest in our people and local communities for social impact while protecting human rights, revising the criteria for selecting and assessing the success of social investment projects. In reframing this report as a sustainability report, we are highlighting our holistic sustainability approach and our desire to deepen positive impacts and reduce negative impacts, both now and over the long term.

2021 has been another year of uncertainty and challenge for people, society and business. At Capricorn, we have worked hard to actively manage our portfolio without ever losing sight of the need to continually realise value for our shareholders, people and communities. Our commitment to sustainability, our net zero ambition and our expanded focus on production will enable a strong, stable and long-term future for our business as we continue to take steps to reduce the impact of our operations, and deliver wider social and economic benefits from our activities.

Simon Thomson
Chief Executive Officer



Industry Context

2021 saw a major international focus on climate change, carbon emissions and energy transition at COP26 in Glasgow in November. While international commitments still fall short of those deemed by scientific consensus to be required to limit global warming to 1.5°C compared to pre-industrial levels, the conference delivered several important policy developments, which are likely to have significant implications for the energy industry.

Methane pledges, a ramp-up in national defined contributions and a further push to remove fossil fuel subsidies will all have a strong impact on oil and gas companies' strategies. Furthermore, investor momentum for energy transition will be bolstered by the Glasgow Financial Alliance for Net Zero (GFANZ) commitment to invest more than US\$130 trillion of private capital to support the transformation of the global economy for net zero.

Capricorn's commitments to deliver net zero by 2040 at the latest and to eliminate flaring by 2030 are well aligned with the targets and ambitions embedded in the COP26 pledges. Our portfolio is resilient and will continue to generate shareholder value even in the IEA's Net Zero 1.5°C scenario. We trust that our investments will generate returns exceeding a 10% internal rate of return (IRR) using commodity and carbon price assumptions below those associated with IEA's Net Zero scenario, as described in our TCFD reporting.

The path to a reliable and affordable decarbonised energy system is likely to be far more complex than many simple current analyses imply, with significant geopolitical and socio-economic implications. Capricorn makes its investment decisions mindful of the long-term megatrends, but we are also conscious that for many nations, energy security is of paramount concern and that reliable energy provision is a prerequisite to the economic development necessary for decarbonisation.

The thesis that recent upstream capacity underinvestment will limit supply, which we described in our 2020 overview, has proved valid and has dominated hydrocarbon commodity prices throughout 2021.

The combination of industry players making amends for earlier procyclical misallocation of capital and the reduction of equity capital supply to the upstream industry has seen non-Organization of the Petroleum Exporting Countries (OPEC) supply failing to meet recovering demand levels. Pricing behaviour should elicit an oil and gas supply-side response; however, thus far there is little evidence for this.

Some forecasters are aligning around a view that the market clearing oil price to provide meaningful new non-OPEC supply will be closer to US\$80/bbl than to US\$60/bbl and that the underinvestment thesis is now set to dominate the mid-part of the decade^{2,3,4}. Certain forecasters also question OPEC's ability to respond, citing several members' failure to meet current quotas as evidence for mid-term oil prices rising above US\$100/bbl⁵. These price forecasts, coupled with record coal pricing seen in 2021, demonstrate the scale of the challenge to decarbonise and the time required to develop viable alternatives.

As well as the requirement to scale up capture of renewable energy sources, we believe that the debate is maturing around the role of the responsible production of hydrocarbons. Investors and stakeholders increasingly recognise that the transition will require hydrocarbon-derived energy and capital, and thus recognise the critical role of responsible operators in ensuring that these resources are produced as efficiently as possible. Rystad recently claimed that 10 mmbpd production by 2030 will be required from new field sanctions within a net zero 2050 scenario⁶. The Oxford Energy Institute's favoured 1.5°C scenario sees a huge ramp-up in renewable capacity, but also a significant expansion in global gas supply, particularly in markets like Asia which currently rely on coal for 50% of power provision⁷.

As outlined elsewhere in this report, Capricorn is taking steps to increase energy production from our upstream operations in Egypt but, at the same time, reduce the associated emissions both on an absolute and an emissions intensity basis. Investigations are also ongoing to use renewable power sources for both upstream operations and for provision of energy to local markets. We see numerous other opportunities to acquire high-quality upstream assets from legacy operators, where there are opportunities to create material stakeholder value, while preferentially producing lower-emission resources, electrifying upstream operations, and capturing and sequestering emissions.

Delivering safe and reliable operations in non-Organisation for Economic Co-operation and Development (OECD) jurisdictions will be a critical enabler to the development of future renewable energy sources. At present, the cost of capital for energy investments in many emerging economies limits the large-scale development of renewable resources. Indeed, the majority of 2020 global renewable energy investment was targeted at OECD economies⁸, yet to achieve a decarbonised energy system in line with a 1.5°C global warming scenario, rapid growth in renewable capacity in emerging economies will be critical. Responsible operators that can deliver reliable returns from non-OECD upstream energy investments will be key enablers to reducing the effective cost of capital for non-OECD renewable investments. Working with lenders, initiatives such as GFANZ or leveraging OECD sovereign balance sheets to underpin non-OECD Power Purchase Agreements, companies with the licence to operate responsibly will be a critical component of delivering climate ambitions.

The industry context for Capricorn has rarely been so exciting. We are faced with an array of attractive investment opportunities in responsible upstream energy and in emerging new energies. At the same time, we see large numbers of asset divestments and relatively few companies able and willing to deliver the challenges of energy security and decarbonisation.

2 Bernstein Energy: When will we see a supply response?

An outlook for medium term oil prices; 2 December 2021

3 Bloomberg; consensus price forecasts

4 Wood Mackenzie; Macro Oils long-term 2021 to 2050

5 J.P. Morgan, The J.P. Morgan Global Energy Outlook; 9 December 2021

6 Rystad Energy; Net Zero by 2050, what will it take?

7 Oxford Energy Institute: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2021/07/Energy-Transition-Modelling-the-Impact-on-Natural-Gas-NG-169.pdf>

8 Bloomberg New Energy Finance; Climatescope; 14 December 2021

Our Response to COVID-19

With the ongoing COVID-19 pandemic, the safety and well-being of our people across all locations remain a key business priority. During 2021, we saw restrictions starting to ease across our business locations, albeit at different rates. We maintained our cautious approach, but at the end of the year, we started to reopen our offices more widely while maintaining COVID-19-safe restrictions and closely monitoring national guidelines for compliance. As restrictions eased, an ability to travel made it easier to interact face to face with key stakeholders.

Pandemic Management

Our ongoing management of the pandemic ranged from the heavy restrictions experienced at the beginning of the year through to substantial easing in late Q3, in line with government regulations and our own pandemic guidance. This transition from the alert phase of the pandemic to more recovery-focused management was overseen by our Return to Office (RtO) Steering Committee. The Committee ensured risks were understood and managed, and that our people were kept informed through effective communication, despite office closures and travel restrictions.

The protection of our staff and contractors working with us in Mexico, Egypt and Mauritania was also a priority as the year progressed. By the end of the year, our Mexico office was still closed, in line with official guidance and the continued prevalence of cases there.

We remain vigilant in respect of the progress of the disease, its variants and any potential reintroduction of restrictions across our business locations, which were required in December 2021.

Employee Engagement

Given the number of people working remotely, employee engagement has remained particularly important for communicating progress and restrictions as well as supporting health and well-being.

Updates from the RtO Steering Committee on risks, office-related issues and critical business travel restrictions included videos and documentation circulated via internal social media and posted on our intranet. Regular health and well-being activities continued from both a physical and mental health perspective, and our employee satisfaction pulse surveys remained an essential tool for engaging with our people.

Safe Return to Work

In September 2021, employees began returning to our UK offices. Protocols regarding social distancing and deep cleaning were reviewed and updated as necessary, along with contingency arrangements in the event of positive cases.

A consultation exercise, completed before the return, included a working group and four staff focus groups and looked at offering greater flexibility to work from home – consistent with the Scottish Government's advice in this area. Following agreement by the Board, we began trialling more flexible working patterns over an initial six-month period.

Restrictions in the Mexico office were retained for longer, due to the local progress of the disease.



Our Sustainability Strategy

Our overarching strategy is to deliver value for stakeholders from our primary business: the production of energy through the oil and gas life cycle. We believe we have a role to play in meeting global energy demand and the expectations of society, while achieving net zero emissions by 2040 or earlier and making meaningful contributions to the UN Sustainable Development Goals (SDGs).



Our Strategy

Capricorn’s role is to produce hydrocarbons responsibly for the foreseeable future while playing a meaningful role in energy transition and limiting the rise in global temperatures. We continually explore opportunities – increasingly through production – that offer a relatively rapid return on investment, increase portfolio resilience and reduce operational emissions.

Our Board and Executive Committee (ExCo) examined our business model in the context of energy transition and the UK’s commitment to reach net zero to ensure our business proposition is attractive, sustainable and resilient. Targeting responsible hydrocarbon projects that contribute to multiple UN SDGs will ensure we manage climate-related resilience while creating value for shareholders and stakeholders.

An Increased Focus on Production

With the recent acquisition of onshore assets in Egypt, we have taken the first step towards our goal of diversifying and prolonging our production base. The assets provide short cycle development and significant exploration potential and, as well as oil, add significant gas production volume to our portfolio. The production base provides the sustainable cash flow to fund further production growth and scale, in addition to advantaged resource-exploration activities. We are pursuing a robust strategy to decarbonise our Egyptian assets over time as part of our **Climate and Energy Transition strategy** (page 54) and net zero targets.

Working Responsibly

Our commitment to working responsibly is an integral part of how Capricorn works. Our principles and values are embedded in our management systems, **Code of Ethics** (page 56) and **High Performing Behaviours** (page 13). The **UN SDGs** (page 15) present a framework against which

to measure efforts to manage our impacts and benefit society, and are now core to our business and decision-making processes.

An Integrated Approach to Sustainability

Decarbonising our business to reach net zero emissions by 2040 at the latest is a key focus, and one we are embedding in the way we work. But this is only one part of our integrated sustainability approach. We are also prioritising the health, safety, security and well-being of our people, contractors and partners, and we have developed a new diversity and inclusion (D&I) strategy. Having reviewed and revised the criteria for selecting and assessing the success of social investment projects, we are also positioned to create even greater positive and sustainable impact in the communities where we operate.

Towards Net Zero

In 2021, we reshaped and enhanced our Health, Safety and Environment (HSE) and Sustainability Teams to enable us to meet future sustainability challenges. Key to this was the appointment of an Energy Transition Director to lead on our net zero commitment.

Recognising that reaching net zero will require a combination of options, we have adopted a hierarchy of actions in this area. Our highest priority has been the avoidance and reduction of emissions through improved technology and operations, followed by sequestration such as carbon capture, and finally offsetting. We are actively exploring clean energy technologies as part of our transition work.

We also engage in initiatives that support our efforts, including participating in global programmes like the World Bank’s Zero Routine Flaring by 2030 initiative and reporting against the Task Force on Climate-related Financial Disclosures (TCFD). For TCFD, we are performing resilience modelling to understand the impact energy transition could have on our assets under different scenarios. Our scenario modelling, based on what we’re doing today, applies the International Energy Agency’s (IEA) Sustainable Development Scenario (SDS) for limiting temperature rises to 1.7°C and its Net Zero Emission scenario of 1.5°C.

[→](#) Read our **TCFD response** on page 54.

Our Business Principles

Our Business Principles outline how we work, manage risks, and behave ethically and responsibly to people, society and the environment. They are integrated into our systems and processes, including our Corporate Responsibility Management System (CRMS), Capricorn Operating Standards (COS), Group Risk Management System and People Management Manual.

Responsible Governance

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



Behaving Responsibly Towards the Environment

- We take a precautionary approach to our effect on the environment.
- We strive to prevent and minimise our impact on the environment, including no net impact on biodiversity.
- We will implement our pathway to net zero carbon emissions and report on our progress.



Behaving Responsibly to People

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



Behaving Responsibly to Society

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



Frameworks and Standards

We commit to complying with the regulations set by the authorities in the countries where we operate, and continue to seek meaningful contributions to the UN SDGs. Our culture of working responsibly is reinforced by global management frameworks and standards that promote good working practices and responsible corporate behaviour, as outlined on this page.



Environment

- Our CRMS is aligned with the international environmental management systems standard **ISO 14001** and verified against **OSPAR¹ 2003/5**, the management system requirement issued under the Convention for the Protection of the Marine Environment of the North-East Atlantic.
- We do not operate in **UN World Heritage Sites** or **International Union for Conservation of Nature (IUCN)** Ia (Strict Nature Reserve) and Ib (Wilderness Area) category locations.
- We maintained a B- rating for our annual carbon disclosure submission to the **CDP**, and scored a B- on our first full CDP Water Security questionnaire.



People

- Our CRMS is aligned with **ISO 45001:2018**, the international standard for occupational health and safety management systems.
- We operate in accordance with the **UK Modern Slavery Act** and in line with international labour standards – see our **Modern Slavery Statement**.



Society

- We support the principles contained within the **Universal Declaration of Human Rights (UDHR)** and meet the requirements of the **Voluntary Principles on Security and Human Rights (VPSHR)**.
- Our CRMS is aligned with **ISO 26000** guidance on operating in a socially responsible way.
- The **UN SDGs** (page 15) guide us in minimising our negative impacts and maximising the social, economic and environmental benefits of our activities.



Governance

- We use the latest guidance from the **Financial Reporting Council (FRC)** and the **International Petroleum Industry Environmental Conservation Association (IPIECA)** to inform our **stakeholder engagement** (page 62) and **materiality** (page 17) processes.
- We assess our reporting of climate-related risks and opportunities against the **TCFD** recommendations (page 54).
- We report our sustainability information in accordance with the **Global Reporting Initiative (GRI)** Standards (Core option)² – see our **GRI Content Index**.
- Our reporting is aligned with the **Sustainability Accounting Standards Board (SASB)** Oil & Gas – Exploration & Production Standard and **ISAE 3000/3410**.
- We are a member of the **Extractive Industries Transparency Initiative (EITI)**, a coalition that promotes payment transparency in the oil, gas and mining sector.
- We work to the **International Finance Corporation (IFC)**³ Performance Standards on Environmental and Social Sustainability.
- We align our CRMS with international best practice, including the **International Association of Oil & Gas Producers (IOGP)** standards and guidance. Our CRMS is based on the IOGP/IPIECA Operating Management System Framework⁴.
- As a signatory to the **United Nations Global Compact (UNGC)**, we have integrated universally accepted principles on human rights, labour, the environment and anti-corruption into our policies and Code of Ethics – see our **UNGC Index**.

¹ Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic.

² Organisations can report in accordance with the GRI Standards at one of two levels (Core or Comprehensive), depending on the degree to which the Standards have been applied. The Standards were updated in 2021 for adoption by companies by January 2023. From FY22, Capricorn will adopt these new requirements and transition to fully reporting against them by 2023.

³ The IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

⁴ IOGP/IPIECA, 2014: Operating Management System Framework for controlling risk and delivering high performance in the oil and gas industry, IOGP Report 510.



Our Values: The 3Rs

Delivering value in a safe, secure, environmentally and socially responsible manner for our stakeholders is a key part of our strategy and ensures we maintain our licence to operate. Our long-standing values, known as the '3Rs', form the centre of our culture.

Building Respect

We act with respect for people, communities with whom we interact, the environment, human rights and the law.

Nurturing Relationships

We act honestly, transparently and with integrity to develop strong and lasting relationships with our stakeholders.

Acting Responsibly

We behave fairly and ethically, and are accountable for our actions.

We believe in, and act on, our responsibility to care for people, society and the environment.

High Performing Behaviours

The behaviours that define how we work every day are based on the 3Rs. These High Performing Behaviours are communicated across the organisation and embedded in our culture through annual performance reviews and objective setting, so that everyone can contribute to our success.

- Be safe.
- Be entrepreneurial.
- Be focused.
- Be a leader.
- Be collaborative.
- Be open.
- Be empowered.

Energy Transition and Net Zero Commitment

Climate change and energy transition is considered both a principal risk and an opportunity to our business. We continue to consider the specific challenges, risks and opportunities it represents to improve our understanding and response. We have revised and improved our Climate and Energy Transition strategy, and have set a clear roadmap for achieving our net zero commitment by 2040 or earlier. This will assist in future-proofing our business while maintaining a strong business proposition.

→ See the **Climate Risk and Energy Transition** section (page 54) for more information.

Measuring Our Sustainability Performance

Our strategic business objectives and key performance indicators (KPIs) set our business direction for any given year against the bigger picture of our long-term Group strategy. These are approved by the Board and used to develop specific Sustainability Objectives, based on our material issues and business priorities.

Sustainability Objectives and Key Performance Indicators

Our Sustainability Objectives and associated targets are integral to our annual Group KPIs, which are cascaded through the business and to individuals for action and performance tracking. Summaries of progress against our 2021 Sustainability Objectives, as well as brief details of our new 2022 Sustainability Objectives, can be found throughout this report.

→ For information about how sustainability is linked to executive pay, see the Directors' Remuneration Report in our [Annual Report and Accounts](#).

Our Sustainability Objectives are collectively regarded as 'maintaining our licence to operate'. Through them, we are able to assess our ability to deliver social, environmental and economic benefits in a safe, secure and responsible way.

We have maintained this focus for many years but in 2021, we strengthened our efforts to improve transparency through the monitoring of sustainability performance and our contributions to the **UN SDGs** (page 15).

Understanding Our Key Risks

To work responsibly, we need to identify and manage the most significant risks and opportunities our business faces. By continuing to identify, review, understand and mitigate these risks, we provide greater protection to our people, society, the environment and our assets.

We regularly review how our most significant risks are managed and record them in a risk register. We have also developed an environmental, social and governance (ESG) risk register, which was informed by input from participants at a workshop in October 2021. The risk register and stakeholder feedback are the two primary sources of information we use when **prioritising material issues** (see page 17).

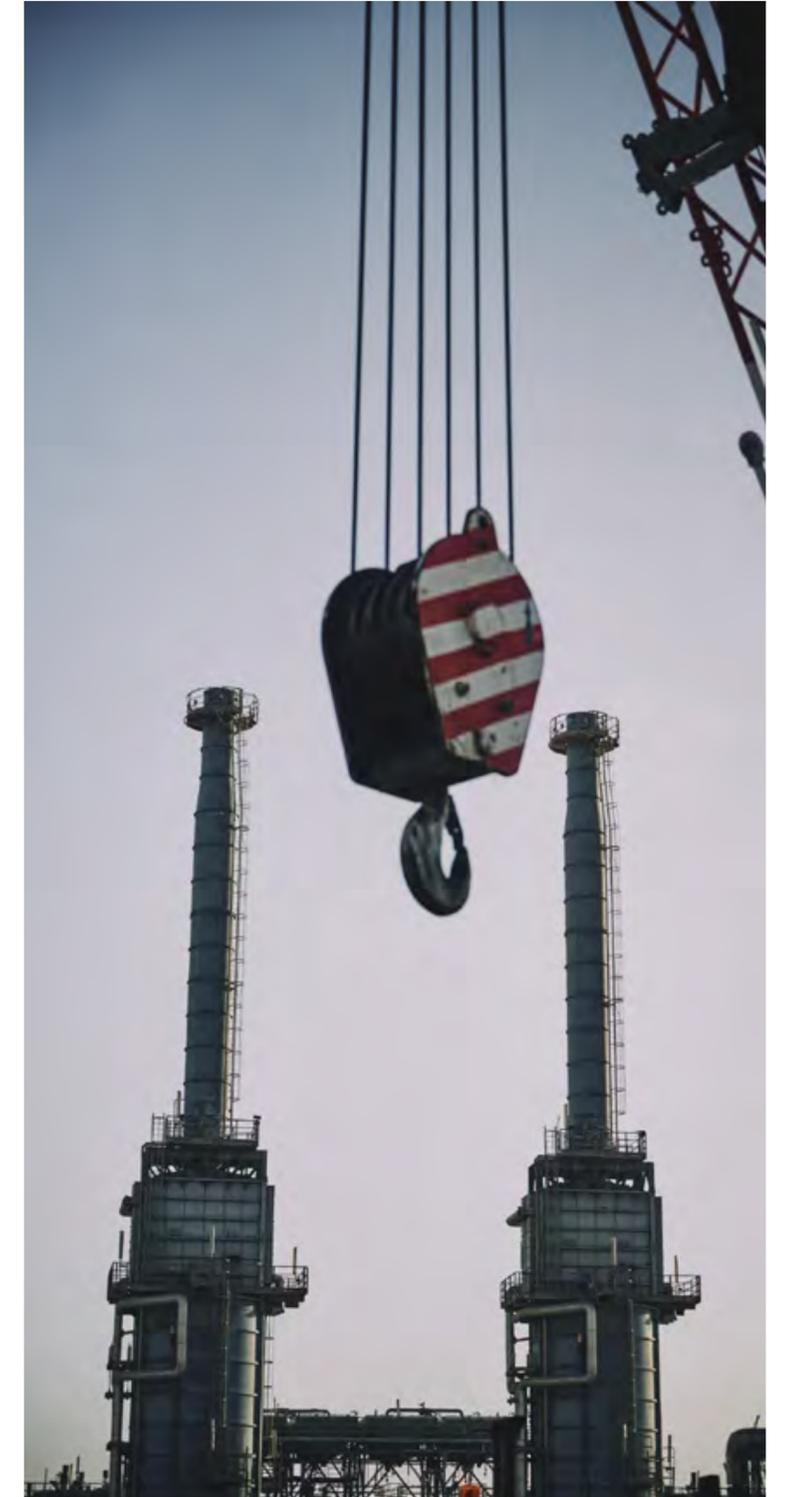
During the year, we continued to monitor our overall exposure to risk. Project risks are reviewed monthly and at specific points in the Project Delivery Process, while operational and corporate risks are assessed at least quarterly by a team that includes a member of the ExCo. Although our operational activities were limited in 2021, we continued to manage risks associated with such issues as COVID-19; climate change and energy transition; surveys in the UK, Mexico and Mauritania; Egypt operations and country set-up; business continuity; and potential new ventures.

Sustainability Roadmaps

Sustainability roadmaps enable us to benchmark our performance in relation to changes in stakeholder expectations and industry standards, requirements and practices. They also help us to determine priorities for managing risks, and support the development of our Sustainability Objectives, in relation to our material issues and our standards. These roadmaps are updated annually, informed by peer reviews, industry standards and guidelines, and input from stakeholder engagement.

Aligned with our annual materiality exercise and commitment to contribute to the UN SDGs, these roadmaps help us to manage risks over the short (2022–25), medium (2026–30) and long term (2030–50). We use a scale ranging from a basic (compliance) level, through an expected (good practice) level, to a desirable level of best practice.

In August 2021, we again updated the roadmap to better align with our Business Principles, the four areas of our sustainability strategy (Environment, People, Society and Governance) and the UN SDGs.



The UN Sustainable Development Goals

We consider how our activities contribute to the United Nations' 17 SDGs, a framework for the business community to assess the impact and increase the value of its activities.

Many of our activities contribute positively towards the SDGs. These include providing energy to meet demand and supporting communities through targeted social investments. We also look to minimise or mitigate any potentially negative impacts on both society and the environment, such as driving down the emissions intensity of our operations and conducting robust Environmental and Social Impact Assessments (ESIAs).

Aligning our efforts with the SDGs helps to inform the development of **Impact Benefit Plans** (page 47), which we now draft for each major project. These plans evolve over time as we evaluate the net value our activities bring.

Our contributions to the SDGs that are applicable to our business in 2021 are summarised here and on the following page.

Minimise Negative Impacts	SDG	Maximise Positive Impacts
<ul style="list-style-type: none"> Enhanced employee travel health and security risk management in general, and in support of new business locations (page 36). Continued to apply our CRMS to protect the health and safety of workers, including major accident hazard assessments in planned projects (page 33). Minimised the impact of COVID-19 on our people by maintaining working from home until restrictions eased, enabling a safe return to the office (page 9). Restricted travel to business-critical visits, complying with all international travel restrictions (page 34). 		<ul style="list-style-type: none"> Continued to make contractual payments to host governments throughout our operations (page 58). Donated to UK charity Rowan Alba to help alleviate homelessness in Scotland.
<ul style="list-style-type: none"> Continued to monitor gender equality among staff and contractors across the Capricorn Group (pages 30–31). 		<ul style="list-style-type: none"> Continued to offer employee health benefits across the organisation (page 34). Continued to provide support for mental health and well-being (page 34). Developed and delivered health and well-being initiatives against the backdrop of COVID-19 (pages 9 and 34). Gave financial support for national COVID-19 response in Mexico (page 64). Donated to UK charities, including the Alzheimer's Society, Lothian Autistic Society, Scottish Huntington's Association and Anthony Nolan, to support health and well-being, and to the Polar Academy and Edinburgh Young Carers to support young people.
<ul style="list-style-type: none"> Introduced a policy to promote the efficient use of energy (page 19). Influenced partners to reduce the carbon intensity of projects (page 54). Introduced the need for contractors to declare energy efficiency as part of tender evaluations (page 41). 		<ul style="list-style-type: none"> Donated to UK charities Winning Scotland Foundation (page 49) and IntoUniversity to support young people through education. Delivered a technology training programme on petroleum systems in partnership with a Mexican university (page 49).
<ul style="list-style-type: none"> Continued to monitor gender equality among staff and contractors across the Capricorn Group (pages 30–31). 		<ul style="list-style-type: none"> Maintained a robust D&I policy and practices (page 30). Developed and launched a new D&I strategy (page 30).
<ul style="list-style-type: none"> Introduced a policy to promote the efficient use of energy (page 19). Influenced partners to reduce the carbon intensity of projects (page 54). Introduced the need for contractors to declare energy efficiency as part of tender evaluations (page 41). 		<ul style="list-style-type: none"> Set out a clear roadmap to reduce equity emissions by 2030 by stopping flaring, shifting from diesel to gas for power generation, and evaluating carbon capture, utilisation and storage opportunities in Egypt (pages 19–20). Contributed to energy security for host nations (page 50). Hired an Energy Transition Director and an adviser to spearhead our energy transition and engage in dialogue to support net zero in our operations (page 54). Gathered and reported equity GHG emissions and intensity (page 20). Provided funding to Heriot-Watt University in Edinburgh to support clean energy research (page 47).
		<ul style="list-style-type: none"> Continued to implement policies for local procurement and supplier development (page 50). Provided funding for IT equipment and office supplies to a community hub in Suriname (page 48).
		<ul style="list-style-type: none"> Maintained a robust D&I policy and practices (page 30). Developed and launched a new D&I strategy (page 30). Continued to support the EITI in promoting transparent payments to governments and fair distribution of benefits in host nations (page 58).



The UN Sustainable Development Goals

Minimise Negative Impacts	SDG	Maximise Positive Impacts
<ul style="list-style-type: none"> Continued to apply robust waste and chemical management plans throughout our operations (page 26). 		<ul style="list-style-type: none"> Promoted human rights, environmental and safety standards through contracts and audits (page 41).
<ul style="list-style-type: none"> Announced carbon emission reduction targets to achieve net zero by no later than 2040, committing to a 25% reduction by 2030 from our Scope 1 and 2 equity emissions (page 19). Benchmarked the energy efficiency of projects and developed mechanisms for improving and promoting energy efficiency in operated projects (page 20). Developed carbon intensity methodologies to support our commitment to reducing emissions (pages 19–20). Endorsed the World Bank’s Zero Routine Flaring by 2030 initiative and committed to avoiding associated emissions in our operated and non-operated projects (page 20). Continued to challenge partners to reduce emissions, avoid flaring and assess opportunities to reduce fuel use (page 41). Integrated carbon pricing into the resilience assessment of assets across our portfolio (page 54). 		<ul style="list-style-type: none"> Contributed to climate change adaptation through social investment projects, such as a mangrove rehabilitation project in Suriname (page 48). Actively involved in voluntary carbon markets.
<ul style="list-style-type: none"> Conducted Environmental Impact Assessments (EIAs) and environmental management measures in line with our CRMS and Corporate Environmental and Climate Change Policy (pages 21 and 26). Implemented robust programmes for accident prevention, preparedness and response (pages 37–39). 		<ul style="list-style-type: none"> Supported protection of endangered sea turtles in Mexico (page 24). Contributed to coastal ecosystem protection through social investment projects, such as a mangrove rehabilitation project in Suriname (page 48).
<ul style="list-style-type: none"> Strengthened biodiversity protection in the Corporate Environmental and Climate Change Policy, including avoidance of IUCN Ia and Ib category areas, striving for no net loss to biodiversity (page 22). Improved biodiversity risk screening of potential new opportunities with data and tools through the Proteus Partnership (page 23). Commissioned EIAs for the operated exploration concessions in the Egypt Western Desert, in preparation for seismic activity in early 2022 (page 21). 		<ul style="list-style-type: none"> Worked in close coordination with our operating partners on agreed environmental improvements in the Egypt Western Desert non-operated fields (page 21). Actively contributed to industry groups, such as the Proteus Partnership, and other companies and biodiversity experts (page 23).
<ul style="list-style-type: none"> Continued to adhere to our robust policies to ensure human rights and modern slavery violations do not occur in our supply chain (pages 42, 44 and 46). Maintained robust anti-bribery and corruption (ABC) management policies and procedures (page 56). Held human rights awareness training (page 44). Established grievance mechanism to support activity in Mauritania (page 52). 		<ul style="list-style-type: none"> Undertook EITI reporting in participating countries (page 58).
		<ul style="list-style-type: none"> Continued to support the UNGC and the EITI (page 12). Supported the development, dissemination and analysis of global data on protected areas, threatened species, and critical marine and coastal ecosystems through our membership of the Proteus Partnership (page 23).

Prioritising Issues

To manage risk effectively and maintain the support of our stakeholders, we need to understand the issues that matter to them, as well as those of most significance to our own operations. We do this by conducting an annual assessment of sustainability-related issues, which also identifies the priority topics to be covered in our reporting.

How We Assess Material Issues

Our assessment considers relevant issues, determined from international reporting requirements including IPIECA⁵, GRI⁶, SASB⁷ and TCFD⁸ (see page 12), and compares our approach with that of peer companies. We then classify these issues to indicate their importance to Capricorn (based on risk) and their importance to stakeholders (based on stakeholder and investor engagement, and media scanning). The results of this assessment are presented to the Board every year for detailed review.

We assess scores for ‘importance to stakeholders’ across five different stakeholder groups (partner organisations, industry associations, suppliers, peer companies and NGOs), while ‘importance to Capricorn’ is assessed through quarterly risk reviews. We track each issue deemed to be material so that we can manage and address any associated impacts.

Every two years, we engage representatives from our main stakeholder groups to gain feedback on the issues we identify as being material to the business. In 2021, internal and external stakeholders were engaged on 61 material issues – those listed in last year’s report and a new issue, ‘Decommissioning’ – in terms of significance to Capricorn’s economic, environmental and social impact.

In alternate years, we undertake a thorough review of our materiality process and assessment, which is externally assured.

Reporting on Key Issues

The issues identified as material to both stakeholders and Capricorn were discussed and agreed at a workshop in October 2021, and are presented in the following materiality matrix.

We report on the issues identified as being of ‘high’, ‘significant’ or ‘medium’ materiality under four themes, as reflected by the **Environment** (page 18), **People** (page 28), **Society** (page 43) and **Governance** (page 53) sections of this report.

→ Issues of high material importance are also covered in our [Annual Report and Accounts](#).

Key Changes in 2021

- Thirteen issues increased in significance this year, while 12 reduced.
- ‘Corporate Responsibility’ (CR) was changed to ‘Sustainability’, since the issue definition of CR was considered to be too narrow.
- ‘Global Energy Transition’ and ‘Climate Change Policy’ were combined and their scores averaged, making a total list of 60 issues.
- ‘Decommissioning’ was added as a new issue, and considered to have a low impact for our current portfolio.

5 IPIECA Oil and Gas Industry Voluntary Guidance on Sustainability Reporting, 3rd edition, 2016 – https://www.ipieca.org/media/2849/og_industry_guidance_on_voluntary_sustainability_reportnig_3rd_ed_2016.pdf
 6 Global Reporting Initiative – www.globalreporting.org
 7 Sustainability Accounting Standards Board – www.sasb.org
 8 Task Force on Climate-related Financial Disclosures – www.fsb-tcfd.org

Materiality Matrix

Governance

- Advocacy and Lobbying
- Anti-Competitive Behaviour
- Business Partners’ Alignment on Sustainability Issues
- Capricorn ABC Practices
- Climate Change Policy and Planning (including Global Energy Transition)
- Contractors’ and Suppliers’ ABC Practices
- Data protection
- Decommissioning
- Fines and Prosecution
- Funding
- Government ABC Practices
- Ineffective Whistleblowing
- Investment (Home and Overseas)
- JV Partners and Funding
- Management of Material Issues
- Operations in Sensitive and Complex Locations
- Remuneration
- Reserves Valuations and Capital Expenditure
- Sustainability Governance
- Tax and Payments to Governments

Environment

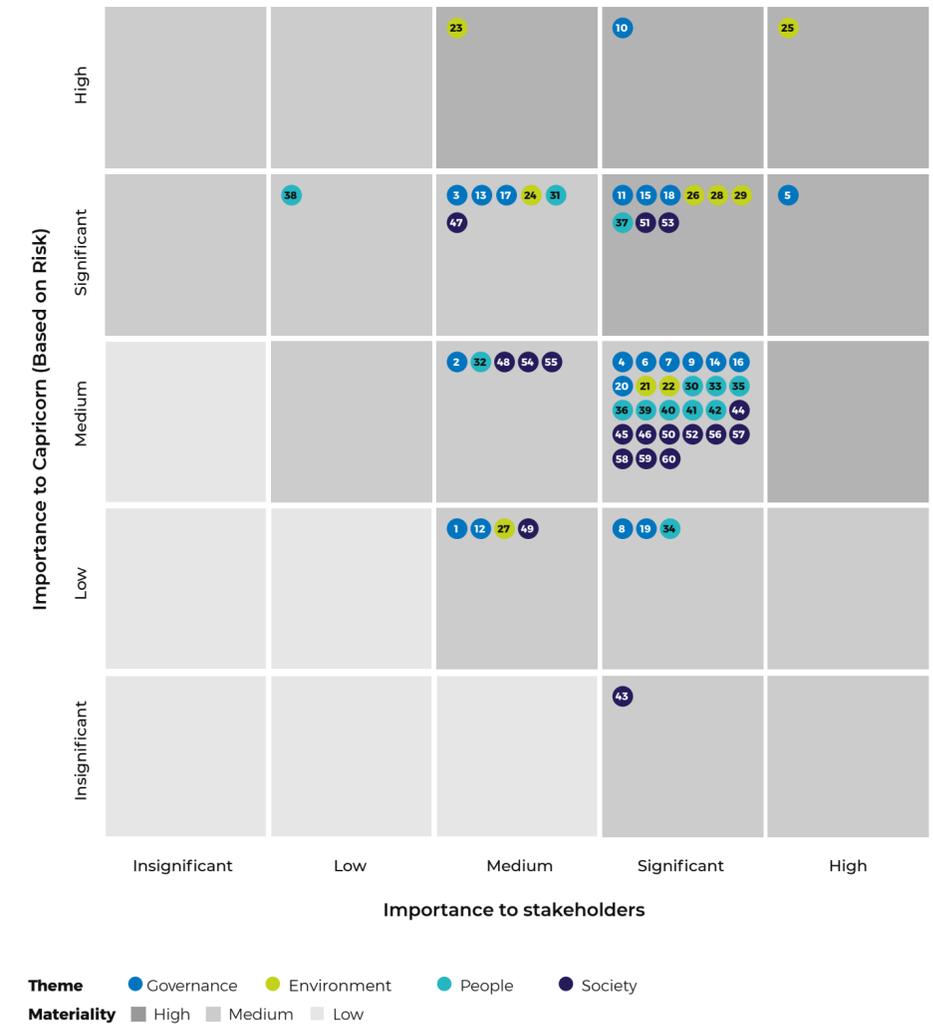
- Biodiversity and Sensitive Areas
- Discharges to Air, Sea, Land and Sound
- Energy Use and Alternative Sources
- Freshwater Use
- GHG Emissions (including Venting and Flaring)
- Materials Use
- Product Stewardship
- Reuse, Recycle and Waste Management
- Use of Local Resources

People

- Anti-Discrimination
- Assets Security
- Contractor Selection, Capacity and Leadership
- Cyber Security
- Equal Pay, Equal Opportunity
- Human Capital Development
- Infectious Diseases
- Major Accident Prevention
- Office Security
- Personnel Security and Travel
- Talent Attraction
- Workplace Health and Well-Being
- Workplace Safety

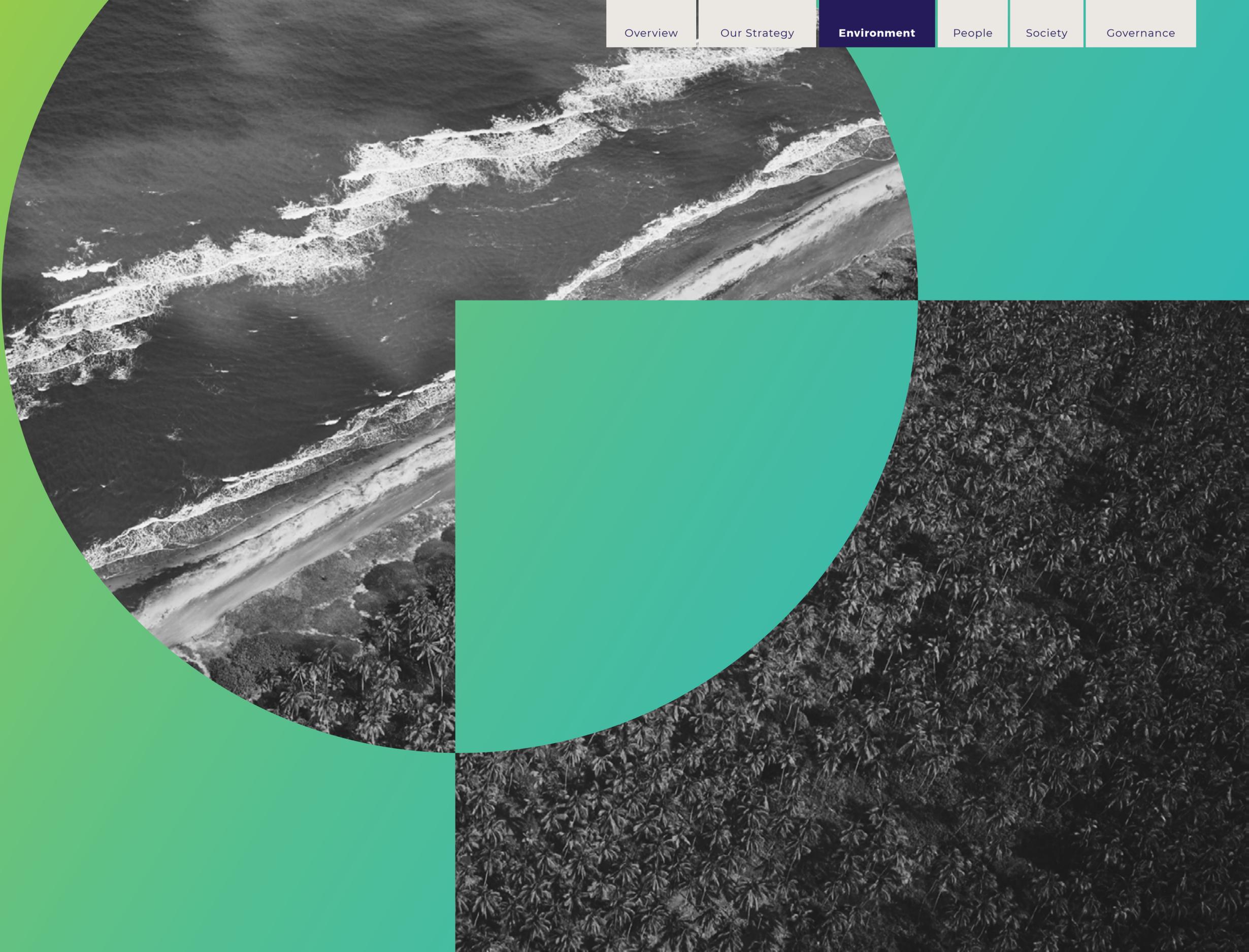
Society

- Anti-Discrimination (Beyond Employees)
- Community Health
- Cultural Heritage
- Demonstrating Value Created
- Economic or Physical Displacement
- Freedom of Association
- Grievances and Grievance Mechanisms
- Human Rights Management
- Indigenous Peoples’ Rights
- Local Community Stakeholders
- Local Content and Local Procurement
- Local Energy Access
- Local Hiring Practices
- Local Workforce Development
- Modern Slavery
- Security and Human Rights
- Social Investment
- Working Conditions/T&Cs



Environment

Environmental protection is fundamental to how Capricorn operates. Recognising the global challenges of climate change, biodiversity loss and the need to protect water resources, we are deepening our commitment and action, refocusing our efforts on net zero emissions by 2040 or earlier and strengthening our approach to biodiversity and water management. We take a precautionary approach, with rigorous risk assessments and robust working methods that help us to minimise our environmental impacts without affecting our commitment to safety. At the same time, we are finding ways to decarbonise our operations and play our role in the transition to clean energy.



Energy and Greenhouse Gas Emissions

With growing populations, urbanisation and increasing consumption in developing economies, global energy demand is rising. Even as Capricorn – and society more broadly – transitions to net zero emissions, we believe efficient hydrocarbon fuel use for energy and other applications will remain necessary for the foreseeable future.



Strategic Objectives

- Maintain licence to operate.
- Transition to net zero.

Principal Risks

- Future challenges and costs to achieving pathway to net zero by 2040.
- Inability to achieve emissions targets through non-operated assets.

Material Issues

High materiality:

- GHG Emissions (including Venting and Flaring)
- Energy Use and Alternative Sources

2021 Performance Against Sustainability Objectives

- Revised our Climate and Energy Transition strategy.
- Developed short-, medium- and long-term Sustainability Objectives and targets.
- Integrated carbon pricing mechanisms and re-evaluated the resilience of our portfolio.
- Developed our understanding of carbon capture utilisation and storage applications and opportunities.
- Improved our reporting against Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) requirements.
- Began disclosing Scope 3 emissions from the use of our products.

2022 Sustainability Objectives

- Establish an auditable 2022 baseline emissions figure for our activity in Egypt.
- Start to implement carbon emissions reduction initiatives at our operations in Egypt.
- Develop and implement our corporate carbon offset strategy.
- Develop our diversification strategy, including investment in clean energy generation.
- Improve reporting of Scope 3 emissions from our supply chain.
- Improve our understanding of the physical risks of climate change to our portfolio, in line with TCFD principles.

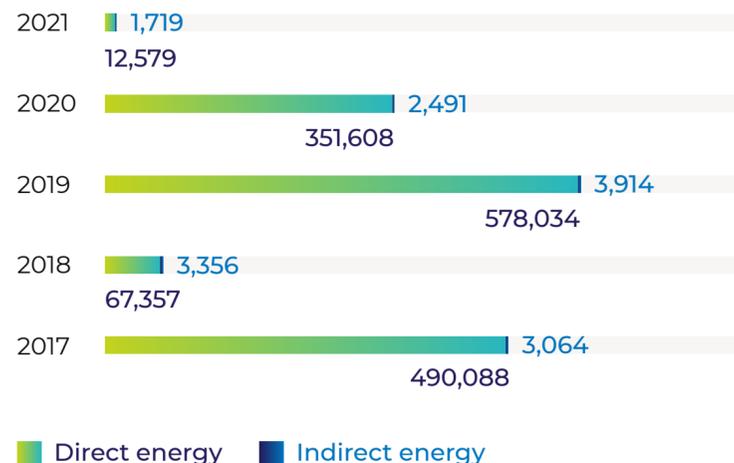
→ Detailed performance data on **Emissions, Energy, Water, Waste, Chemicals** and **Biodiversity** is available in our [Data Appendix](#).

Energy Use

As our operational programmes vary annually, so too does our energy consumption. Direct energy use from operated assets mainly comprises diesel fuel combustion in field operations, with some minor electricity consumption in our offices. Heating, cooling and electricity use in 2021 was 1,719 GJ less than 2020, with variation during the year largely associated with local weather conditions.

Our indirect energy consumption in 2021, at 1,719 GJ, was lower than 2020 owing to COVID-19 restrictions.

Total Direct and Indirect Energy Consumption (GJ)



■ Direct energy ■ Indirect energy

Energy Efficiency

Through our [Environmental and Climate Change Policy](#), we are promoting efficient energy use to conserve natural resources, reduce atmospheric emissions and mitigate the impacts of our activities.

We examine energy-efficiency benchmarks where available, and seek continual improvement in the selection and performance of operating assets. We continue to identify and implement measures to reduce operational energy use, in line with UK Government aspirations.

To minimise the energy used in drilling operations and associated activities without compromising safety or cost, we assess the fuel consumption of rigs, vessels and helicopters as part of the tender process. Lower energy consumption – and therefore emissions – could provide a point of differentiation if all other technical and commercial considerations are equal. In 2021, we added fuel efficiency to our selection criteria for health, safety and environment (HSE) assessments of tenders for operational programmes, and have already trialled this approach when tendering vessels for geophysical and geotechnical survey work in the UK and Mauritania.

We will strive to align our supply chain products and services with our own emissions reduction target of net zero by 2040 at the latest.

Greenhouse Gas (GHG) Emissions

During COVID-19 restrictions, global GHG emissions dropped and interest in clean energy increased. However, as society reopens, demand for oil and gas has recovered to pre-pandemic levels. While we recognise the current ongoing need for hydrocarbon fuels, as part of our integrated approach to sustainability, we are looking to contribute to a global clean energy transition. Initially, we are implementing measures to ensure responsible production of hydrocarbons across various operations.

We have set ourselves deliverable and responsible science-based emissions reduction targets. We are committed to delivering net zero across our portfolio from Scope 1 and 2 emissions by 2040, with a 25% reduction achieved by 2030. Our targets relate to our equity emissions, reflecting our commitment to reducing carbon emissions beyond our operational control.

Through our new Climate and Energy Transition strategy, we are using a hierarchy of options for avoiding, reducing, substituting and offsetting GHG emissions. We are currently focusing on replacing diesel power with gas and solar energy, as well as eliminating flaring from our operations in Egypt.

Our carbon sequestration strategy includes the deployment of both engineered and nature-based carbon sinks. We are actively pursuing opportunities in carbon capture, utilisation and storage (CCUS) in Egypt and other jurisdictions, and we have invested in the **NECCUS project**, which is examining industrial carbon capture projects in Scotland.

Our other carbon avoidance investments are focused on preventing the emission of highly polluting refrigerants in developing countries, including Ghana, Dominican Republic and Honduras, and a landfill-to-gas project in Brazil.

→ See the **TCFD Reporting** section (page 54) for more information.

Our 2021 Performance

In absolute terms, our annual GHG emissions vary with the duration and nature of projects and, from an operated perspective, have historically arisen largely from exploration and appraisal activities. Currently, GHG emissions from our activities – primarily combustion of fuels such as marine diesel by rigs and transport vessels – account for a relatively modest share of our operational footprint. We monitor and manage our GHG emissions, disclosing them in accordance with industry requirements, methodologies and standards.

→ Read more about carbon intensity in the **Governance** section (page 54) and more about contractor selection in the **People** section (page 41).

2021 was another year of low operational activity for Capricorn, with no drilling of operated wells and three surveys to support planned projects in the North Sea. In line with this limited activity, total operated GHG emissions remained low – at 1,469 tonnes CO₂e – while normalised emissions totalled 4 tonnes CO₂e per 1,000 hours worked.

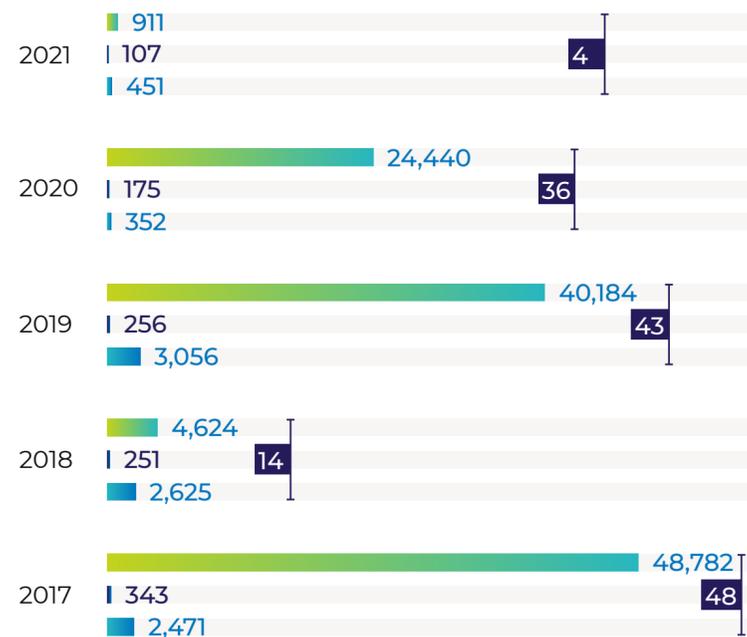
Energy and Greenhouse Gas Emissions

Our indirect (Scope 3) emissions, arising largely from travel in support of our operations and new venture activities, were limited to 451 tonnes CO₂e due to COVID-19 restrictions.

We make annual carbon disclosure submissions to the CDP. In 2021, we submitted the Climate Change questionnaire and received a rating of B-, which falls within the 'management band'.

Total and Normalised Operated GHG Emissions (tonnes CO₂e)

Scopes 1, 2 and 3



■ Scope 1 ■ Scope 2 (location-based) ■ Scope 3*
 Tonnes CO₂e per 1,000 hours worked

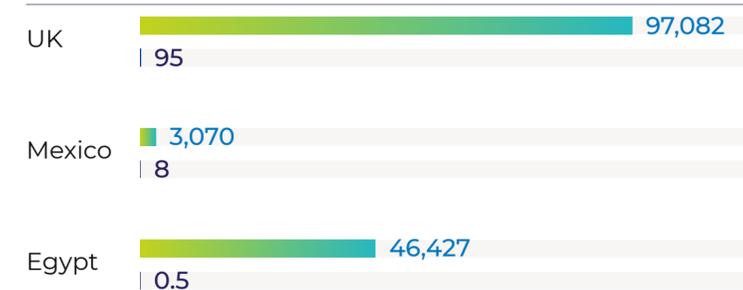
* Scope 3 (emissions from business travel only)

Equity Emissions Reporting

We are working closely with partners on emission controls from our non-operated assets in the North Sea, Mexico and Egypt. We started to report emissions on an equity basis for the first time in 2021, improving our GHG-related metrics in line with TCFD and SASB requirements. We are also disclosing our Scope 3 emissions from the use of products, in accordance with TCFD principles.

In 2022, we will increase our accurate understanding of the emissions from our Egypt non-operated assets by conducting a full inventory of emission sources.

Capricorn Equity GHG Emissions Scope 1 and 2 (tonnes CO₂e) (2021)



→ Further details about our **GHG emissions data, methodology notes and calculations** can be found in our **Data Appendix**.

■ Scope 1 ■ Scope 2

Flared Gas

Oil production and refining operations can use flaring to dispose of associated or excess gas when it becomes uneconomical to process and sell. Flaring is also used to manage gas during non-routine process upset events.

The industry has continued to reduce the amount of natural gas that is flared, and Capricorn has endorsed the World Bank's Zero Routine Flaring by 2030 initiative.

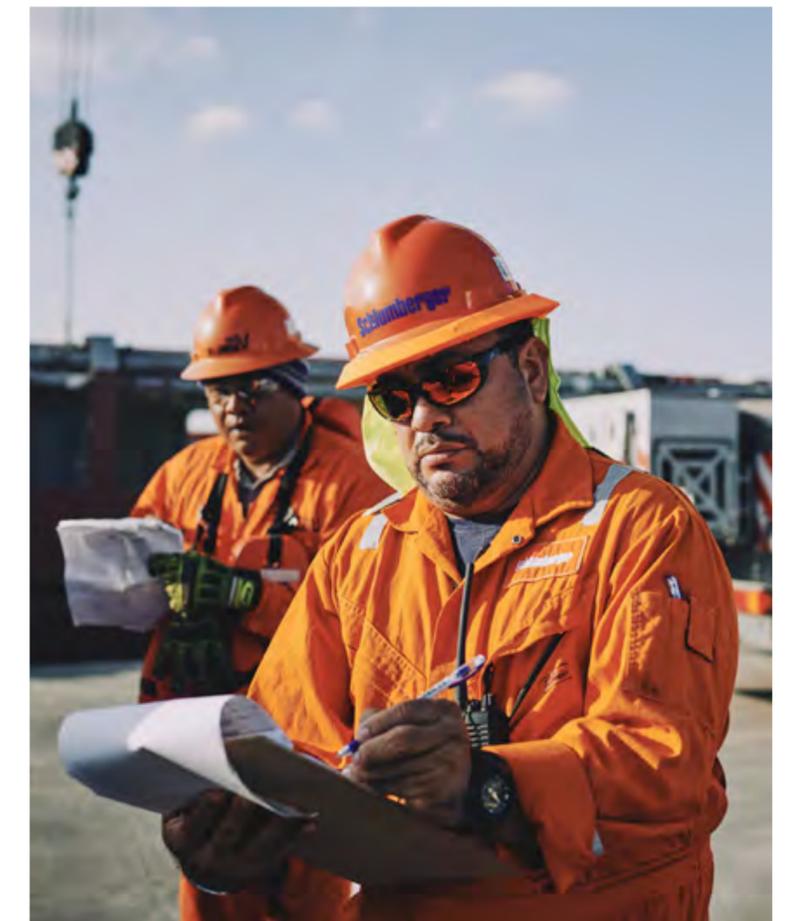
We had no operated flaring in 2021. Before the divestment of the assets, we worked with our Catcher and Kraken operating partners on opportunities to reduce emissions generally – by running generators with less diesel and using more of the associated gas for fuelling engines and boilers – and to seek means to reduce flaring specifically.

This included assessing the potential to use imported gas over diesel fuel on Kraken as part of a re-permitting exercise and minimising flaring well below permitted levels at both assets.

The only non-operated production assets in our portfolio for 2022 are located in Egypt, where we will work with the operator to eliminate routine flaring and cut Scope 1 emissions.

Other Emissions

We monitor and report on other emissions to air connected with our activities. These include nitrogen oxides, sulphur dioxide, volatile organic compounds (VOCs) and particulate matter. As with GHGs, these figures are influenced by our level of operated activity and remained low in 2021.



Case Study

Environmental Management in Egypt

Alongside our partner Cheiron, Capricorn completed the purchase of Shell's Western Desert, Egypt assets in September 2021. Ahead of this acquisition, due diligence was undertaken based on International Finance Corporation (IFC) Performance Standards and Good International Industry Practice references.

The process concluded that the assets have been managed well, with a focus on integrity, major hazard management, and health and safety. We will work with Cheiron, the Egyptian General Petroleum Corporation (EGPC) and other partners to ensure the safety culture established by BADR Petroleum Company (Bapetco) is built upon.

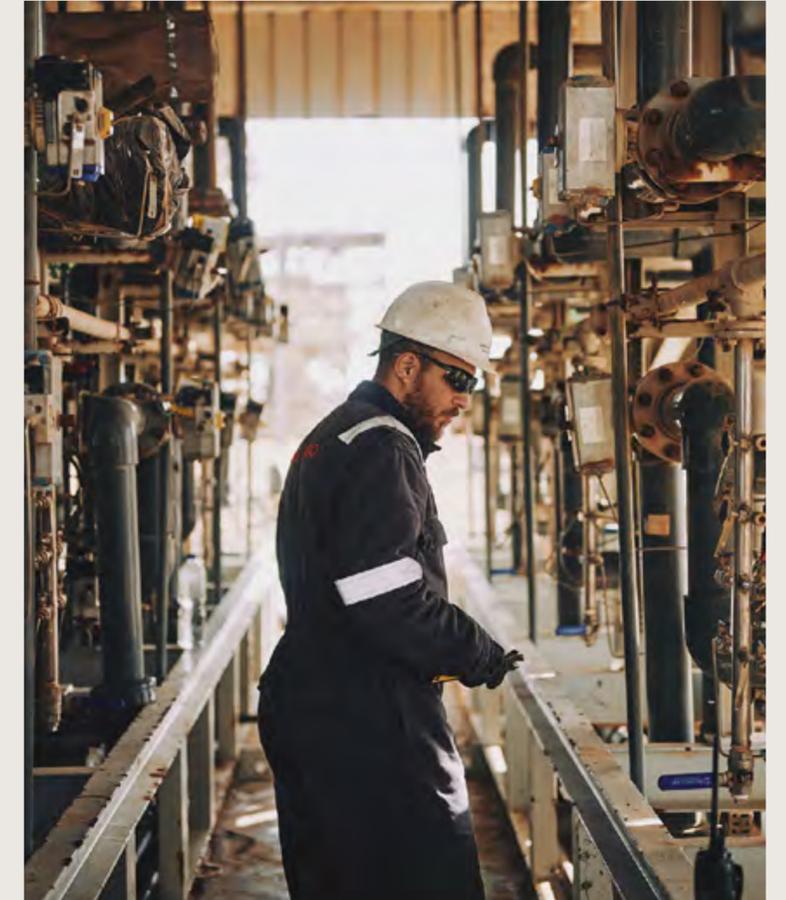
Reducing Emissions

Alongside Cheiron and Bapetco, we undertook a baseline study to assess our GHG emissions impact and identify reduction opportunities. The audit, conducted in late 2021, was the start of our baselining activity for these assets, with a detailed inventory of emissions planned for early 2022. The audit reviewed the accuracy of reporting in the Western Desert operating fields, the protocols used for reporting and any areas of uncertainty that need closing in 2022.

Committed to the World Bank's Zero Routine Flaring by 2030 initiative, we are working towards eliminating routine flaring from our operations by the end of this decade. Flare-reduction projects are progressing well and additional opportunities have been identified. We are also replacing diesel generators with cleaner-burning gas equipment, and integrating solar power to reduce our reliance on diesel and gas. We will explore other options, including carbon capture and storage and the wider application of renewable power.

Managing Water

Managing water risks effectively is important in the Western Desert, an area of considerable water scarcity. We will focus on using freshwater efficiently and managing water discharge responsibly. This will involve enhanced understanding of water demand; quality and availability of sources; users and stakeholder vulnerabilities; environmental linkages; and discharges or abstractions affecting water resources to inform improvements.



Biodiversity

Recognising the global threats to biodiversity and its links with climate change, we have strengthened our commitments to protecting and preserving habitats, ecosystems and species where we operate. We have increased the use of biodiversity data, made available through our membership of the Proteus Partnership, to strengthen our management capacity, and are monitoring the development of the post-2020 global biodiversity framework action targets and related initiatives, such as the Taskforce on Nature-related Financial Disclosures (TNFD).

Strategic Objectives

- Maintain licence to operate.

Principal Risks

- Lack of adherence to health, safety, environment and security policies.

Material Issues

High materiality:

- Use of Local Resources

Medium materiality:

- Biodiversity and Sensitive Areas

2021 Performance Against Sustainability Objectives

- Began preparatory work for 2022 and 2023 drilling programmes.
- Improved biodiversity assessment tools and disclosure of biodiversity issues.
- Began identifying and managing biodiversity and ecosystem services risks in Mauritania.

2022 Sustainability Objectives

- Apply the agreed Environmental and Climate Change Policy changes for all activity planning for 2022 and 2023.
- Apply advanced biodiversity screening to all prospects.

→ Detailed performance data on **Biodiversity** is available in our [Data Appendix](#).

Our Biodiversity Framework

As outlined in our Corporate Responsibility Management System (CRMS), our Biodiversity Framework provides a common, cross-operational approach to mitigating potential impacts. Measures include biodiversity risk screening, **Environmental Baseline Surveys (EBSs)** (see page 24) to benchmark conditions before operations commence, and Environmental Management Plans for our operations, as well as Biodiversity Action Plans (BAPs) in specific locations. The Framework is implemented locally in accordance with our Project Delivery Process (PDP).

In 2021, we revised our Guidance on Managing Biodiversity Risks and Opportunities. The guidance maps the International Petroleum Industry Environmental Conservation Association (IPIECA) and International Association of Oil & Gas Producers' (IOGP) framework for the management of biodiversity and ecosystem services¹ to the CRMS, PDP and other business processes. The new document also integrates the principles from the CSBI's² cross-sector guide for implementing the mitigation hierarchy, and provides guidance and references to additional resources for effective biodiversity management.

Protecting Biodiversity and Sensitive Areas

We appreciate the potential impact of our activities on biodiversity and adopt a precautionary approach, taking cost-effective preventative measures where threats of serious or irreversible damage may exist, even if not scientifically proven. Prior to entering new areas, we undertake screening to identify protected areas and priority areas for biodiversity conservation.

We do not explore, develop or enter into joint ventures in UNESCO World Heritage sites³, and recently extended this commitment to include International Union for Conservation of Nature (IUCN) categories Ia (Strict Nature Reserves) and Ib (Wilderness Areas). In 2021, we updated our **Code of Ethics** (see page 56) to reflect this and extended our **Environmental and Climate Change Policy** to include no net loss to biodiversity from our operations.

In 2021, Capricorn reviewed several new locations, targeted by our New Ventures Team, with substantial potential to contain protected and priority areas for biodiversity in blocks of interest. The 'high' biodiversity risk in some areas informed the decision not to progress investment, while in others, recommendations were made to allocate additional resources for biodiversity management.

¹ IPIECA and IOGP 2016. IOGP Report 554. Biodiversity and ecosystem services fundamentals. Guidance document for the oil and gas industry.

² Cross-Sector Biodiversity Initiative (CSBI) 2015. A cross-sector guide for implementing the mitigation hierarchy.

³ The United Nations Educational, Scientific and Cultural Organization Convention concerning the Protection of the World Cultural and Natural Heritage covers sites that may be buildings, monuments or natural features of national or international importance.

Case Study

The Proteus Partnership



2021 marked Capricorn's first full year as a member of the [Proteus Partnership](#), a cross-sector collaboration convened through the United Nations Environment Programme's World Conservation Monitoring Centre (UNEP-WCMC). The Partnership supports companies to manage their impacts on biodiversity and contribute to the Sustainable Development Goals (SDGs) by providing access to biodiversity data, knowledge and tools, including global data on protected areas, threatened species, and critical marine and coastal ecosystems.

UNEP-WCMC supported the development of a geographic information system (GIS)-based screening tool to improve our data use. Based on the Biodiversity Indicators for Site-based Impacts (BISI) methodology – developed by UNEP-WCMC, Fauna and Flora International, and Conservation International – the tool will help us to rank assets by level of biodiversity exposure. We plan to launch it across our portfolio and report results in 2022.

We continue to develop our biodiversity management capacity and have benefited from Proteus-delivered horizon-scanning webinars, technical forums and briefing notes. We delivered biodiversity awareness training for our HSE, GIS and Exploration Teams, and have scheduled additional training by UNEP-WCMC, with a focus on the development and implementation of no net loss commitments, for 2022.

Case Study

Environmental Baseline Survey in Mauritania



In 2021, we planned a combined EBS and geophysical and geotechnical site survey of the Dauphin prospect, Block C7, off the coast of Mauritania. The survey commenced in January 2022.

The Dauphin prospect is located in deep water on the edge of the continental shelf and is intersected by subsea canyon systems. Previous surveys identified the presence of cold-water corals and other sensitive seabed-dwelling species. Undertaking an EBS before starting any work will inform future exploration decisions and help to mitigate potential impacts to this ecosystem.

The site lies 25 km from the marine boundary of the Parc National du Banc d'Arguin, a UNESCO World Heritage Site. As an important first stage to understanding sensitivities and concerns, we have engaged with key stakeholders including government officials, UNESCO, non-governmental organisations (NGOs) such as Nature Mauritanie, and local fishing communities.

The EBS in Mauritania will also be the first in which we have used environmental DNA (eDNA) analysis – the genomic study of organisms in the environment – of sediment and water samples. We believe that using eDNA has the potential to be cheaper and faster, and to provide more complete biodiversity data, than conventional methods. It will form a cornerstone of future baseline surveys.

Environmental Baseline Surveys

EBSs define existing conditions near our activities, using techniques such as seabed sampling, high-definition video and photography. As well as providing data for assessing potential impacts and supporting mitigation and BAPs, an EBS helps to determine the extent of existing damage from the previous activities of others. Repeating these surveys when exiting a location delineates our impact and avoids liability for the impacts of others.

In 2021, we undertook an EBS in our Woodstock licence areas in the UK, in preparation for drilling the Diadem exploration well in 2022, and commenced survey work offshore Mauritania in January 2022 (see case study on page 23).

Assessing Our Biodiversity Impacts

Investment proposals consider key biodiversity issues before approval. This helps us to define potential risks, including the presence of sensitive sites and species, long before entry into a new licence or location. It also helps us to avoid any liability that may arise from pre-existing conditions.

As a minimum, we perform environmental risk and impact assessments before starting any project, considering potential direct, indirect and cumulative impacts of our operations and supply chain. Although extent varies with location, we assess potential biodiversity impacts as early as possible, repeating this throughout the oil and gas life cycle.

For planned activities in all existing and potential locations that could affect Critical Habitats, protected areas or the welfare of local communities reliant on ecosystem services, we undertake extensive Environmental and Social Impact Assessments (ESIAs). We then work with technical specialists, government departments, NGOs and other local stakeholders on developing mitigation activities.

We follow IFC Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources)⁴ requirements, appropriate national legislation and internationally accepted good practice. In projects where significant potential impacts are identified, additional studies and a formal assessment are performed to demonstrate proposed management.

In locations where there is significant biodiversity risk or a clear benefit for targeted conservation, specific BAPs may be developed. We commission external independent consultants to develop our ESIAs or risk assessments and, if required, to support risk and impact management.

Other Biodiversity Activities

In 2021, we continued our support of a **mangrove rehabilitation project in Suriname** (page 48), which will improve biodiversity, support local livelihoods and help local communities to adapt to climate change. Phase 2 of this work will continue in 2022 with funding for additional site equipment to facilitate the rehabilitation of a larger area. We are also undertaking a rehabilitation success monitoring project, based on the analysis of satellite imagery of the project area since its inception in 2016.

→ For further information, please see the **Biodiversity** section of the [Data Appendix](#).

Case Study

Turtle Conservation Support in Mexico

Total hatchlings released in 2021 (all species): 80,896
(2020: 93,193)

Kemp's Ridley turtles	2021	2020
Total nests	728	759
Nests protected	728	759
Eggs protected	71,344	74,493
Hatchlings released	67,367	69,493



In 2020, we carried out a Critical Habitat Assessment and a Biodiversity Impact Assessment for Block 9 offshore Mexico. This identified that the project is located within an area assessed to be Critical Habitat for the endangered Kemp's Ridley sea turtle.

Although our activities were judged to have no impact on the species, we looked to achieve a 'net gain' by contributing to the efforts of a local turtle conservation group, Vida Milenaria, based in Tecolutla on the Gulf coast. We donated US\$12,000 to fund the purchase of an all-terrain vehicle (ATV) and fuel for one year, to support its beach patrols to protect turtle nests and observe hatchings. During the 2021 season, the ATV covered around 6,000 km while patrolling the beaches.

The 2021 nesting season, which ran from March to September, was affected by hydrocarbons appearing on local beaches in April and Hurricane Grace hitting the region in August. Vida Milenaria helped to alert the authorities to the hydrocarbons' appearance, which occurred during the nesting season, and was heavily involved in the subsequent clean-up efforts. Hurricane Grace made landfall in Tecolutla itself, causing severe damage. Again, the NGO supported the local community in the aftermath, helping to distribute provisions and coordinate donations to ensure they reached those most affected.

Vida Milenaria continued its important conservation work in the face of these difficulties, recording protected nests, protected eggs and hatchlings of the Kemp's Ridley, green sea and hawksbill turtle species released to the sea. Overall numbers in 2021 were lower than 2020, due to the impact of these unexpected events, but the Kemp's Ridley turtle fared better than other species, as its nesting season finished before the hurricane struck.

We continue to engage with Vida Milenaria and monitor its important work.

Water, Effluents and Pollution

We are committed to minimising the environmental impact of our operations. Part of this means optimising water use, limiting discharges and reducing waste. While the variable nature of our activities makes setting specific reduction targets challenging, we are dedicated to improving our resource efficiency and reducing impacts wherever we can.



Strategic Objectives

- Maintain licence to operate.
- Minimise the environmental impact of our operated and non-operated activities.

Principal Risks

- Lack of adherence to Health, Safety and Security Policy, Environmental and Climate Change Policy, and Major Accident Prevention Policy.

Material Issues

High materiality:

- Materials Use
- Reuse, Recycle and Waste Management

Medium materiality:

- Discharges to Sea, Land and Sound
- Freshwater Use
- Product Stewardship

2021 Performance Against Sustainability Objectives

- Improved our standard water data collection and assessments.
- Improved water resilience and stress ranking and reporting.

2022 Sustainability Objectives

- Enhance assurance from auditors on environmental data, with a focus on freshwater extraction and discharges to environment, notably in areas of water scarcity.
- Focus on minimising freshwater extraction and risks to surface water sources.

→ Detailed performance data on **Water, Waste and Chemicals** is available in our [Data Appendix](#).

Freshwater Use

Water resilience and water use are areas of increasing focus for our industry, and include transparency around use in areas of water stress⁵. We appreciate that our business both impacts, and depends on, water resources close to our operations. We also respect that access to clean, safe water is a fundamental human right and is one of the UN SDGs with importance to local communities and the environment. Therefore, our water resource strategy covers:

- assessing the need for using and abstracting freshwater;
- exploring ways to manage freshwater more efficiently;
- identifying and implementing ways to reduce our operational impacts on freshwater; and
- enhancing our reporting of freshwater resource management.

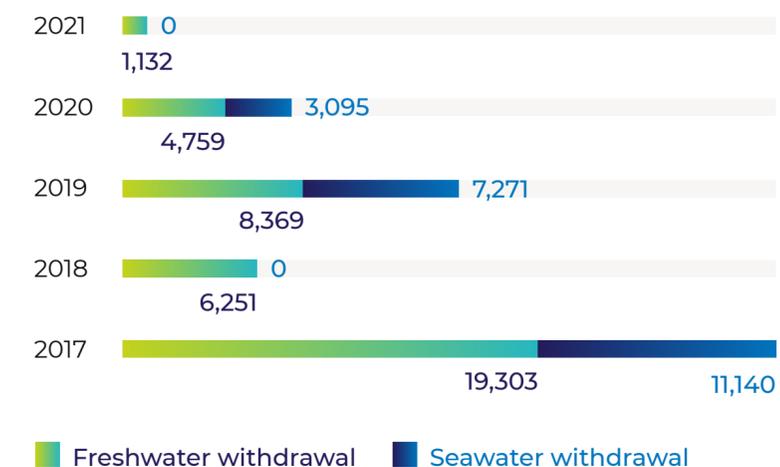
Having completed CDP's Water Security basic questionnaire in 2020, we completed the full questionnaire in 2021. Earning a score of B-, our submission improved our level of transparency on water abstraction and protection, quality management and discharge parameters, and included considerations of water stress and resilience.

At the start of 2021, we revised the HSE criteria on our investment proposal checklist to reference the World Resources Institute's Aqueduct Water Risk Atlas. This online water risk mapping tool helps companies, investors, governments and other users to understand where and how water risks and opportunities are emerging worldwide, and has helped us to analyse water stress when considering possible new venture activities.

⁵ World Resources Institute: Aqueduct Water Risk Atlas – Baseline water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies.

During the year, our use of freshwater remained low, primarily as a result of the level of operational activity we undertook. In 2021, 100% of our water withdrawal (1,132m³) was freshwater.

Total Water Withdrawal (m³)



Discharges to Sea and Land

Our discharges in 2021 were largely limited to domestic sources from office premises and vessels undertaking offshore survey work in the North Sea. Discharges from vessels contracted to do work on our behalf are managed, through HSE contract requirements, in line with local and international standards, such as the International Convention for the Prevention of Pollution from Ships (MARPOL).

Waste Management

Our waste management approach aligns with internationally accepted best practice, legal requirements and duty of care standards. We use the accepted waste management hierarchy in our practices.

Our activities generate different volumes and types of waste, including oil-contaminated waste, chemical waste, non-hazardous waste, domestic waste and clinical waste from medical facilities offshore. For all projects, we ensure that:

- waste management options in-country are understood ahead of starting operations;
- local facilities and service providers have been audited, and gaps identified and addressed;
- Waste Management Plans are informed by the findings from in-country reviews and audits;
- waste is transferred to approved facilities, which may require specific licences or permits;

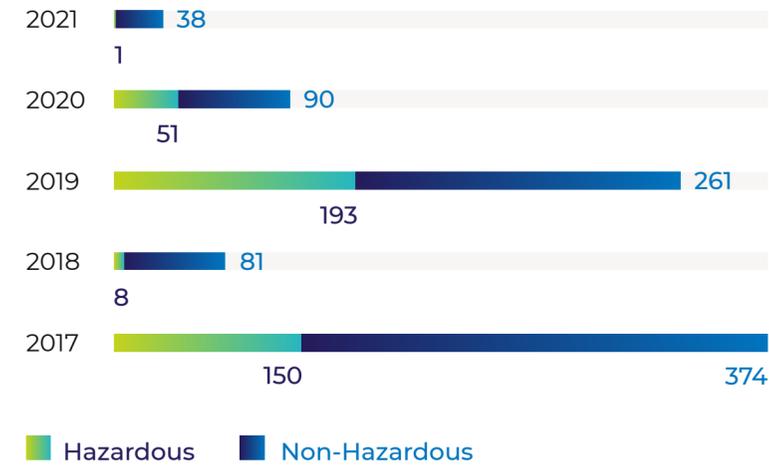
- waste management activities are supervised for the duration of operations for each waste stream by approved professionals;
- hazardous waste that cannot be treated locally is transferred to suitable treatment and disposal facilities in full compliance with international law, including the Basel Convention⁶; and
- waste transfer, treatment and disposal records are maintained in accordance with legislation and internal requirements.

We dispose of our discharge in the following instances, where reuse and recycling are not options:

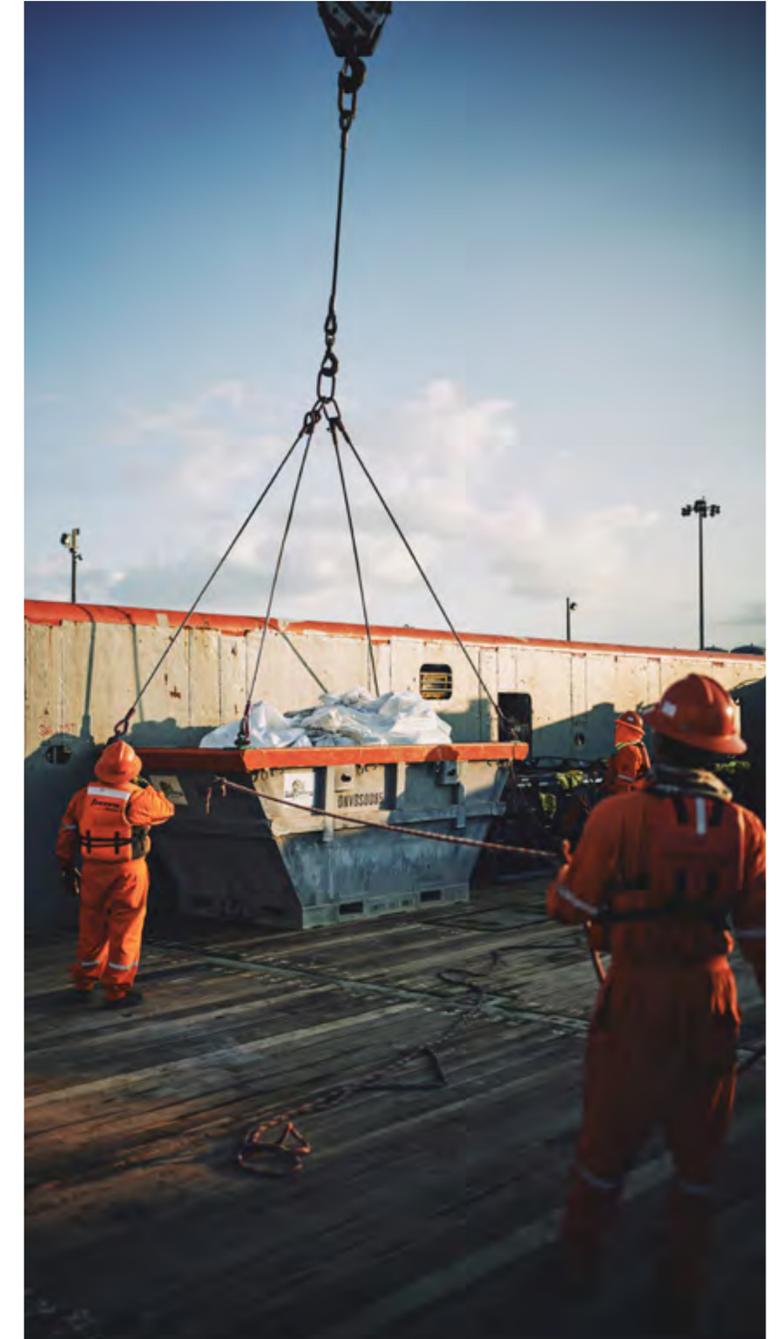
- Water-based waste drilling fluids are discharged to sea when they have met the OSPAR⁷ Convention conditions or principles and been approved by the national regulator.
- Oil-based drilling fluids and associated cuttings are taken to shore for processing and licensed disposal as approved by the regulator.
- Waste generated during offshore support operations (excluding drilling), such as domestic use on vessels and offshore rigs, is managed in accordance with MARPOL⁸ requirements.
- Any waste that cannot be discharged at sea or incinerated offshore is segregated and transferred for further treatment and disposal onshore.
- Wastewater generated by our offices is treated through municipal sewage and wastewater systems.

Our Environmental Impact Assessments (EIAs) for onshore activity in exploration blocks in Egypt during 2022 will include Waste Management Plans for minimising waste and disposing of it responsibly in regulated disposal sites.

Total Hazardous and Non-Hazardous Waste (tonnes)



Waste is largely limited to domestic sources from office premises and vessels undertaking offshore survey work. Waste volumes during the year were low, reflecting that no operated drilling activities were undertaken, and no waste streams were transferred under the Basel Convention in 2021.



⁶ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, adopted by 53 nations worldwide.

⁷ Decision 2000/2 of the OSPAR Convention for the Protection of the Marine Environment of the North-East Atlantic (as amended by OSPAR Decision 2005/1).

⁸ International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) under the auspices of the International Maritime Organization, which has 174 member nations worldwide.

Materials Use

Although we have limited direct exposure to chemicals and other potentially hazardous materials, we still have robust requirements for chemical management in our CRMS.

We identify and assess their potential risks and impacts as part of our routine approach to planning operations, and select liquid and solid chemicals, such as drilling fluids for exploration, that are both fit for purpose and that minimise any impact on human health or the environment. In most locations, they are submitted for approval by the regulatory authority.

We also use ESIA's to determine the potential impact of emissions and discharges from planned operations on local environments. This takes into account local environmental resources and their use by others.

UK

In the UK, our chemical management fully complies with regulatory requirements from OSPAR detailing the approach to the selection of chemicals for use and discharge in offshore activities. In addition to requiring the comprehensive testing of chemicals, the legislation demands the pre-screening, ranking, hazard assessment and risk management of chemicals, as well as the replacement of certain chemicals with less hazardous alternatives.

During 2021, there were no operational activities completed in the UK other than routine submissions to the Department for Business, Energy and Industrial Strategy. We continue to plan for our 2022 Diadem well drilling, including chemical selection in accordance with OSPAR requirements. Likewise, non-operated activities in the UK are required to conform with OSPAR.

Mexico

There were no operational activities in Mexico in 2021. However, our non-operating partner for the Saasken well was required to conform with the requirements of the SASISOPA⁹, which are similar to those in the UK.

Sound

The environmental impact of the sound used with our seismic and drilling activities is assessed through the ESIA's we undertake ahead of all operations. Environmental Management Plans and control measures for these operations are in line with recognised industry guidelines¹⁰; these include the use of marine mammal observers and passive acoustic monitoring, pre-shooting searches, soft starts and stopping the firing of air guns.

In the North Sea, survey work in 2021 for East Orkney was brought forward to avoid herring spawning timings.

⁹ Sistema de Administración de Seguridad Industrial, Seguridad Operativa y Protección del Medio Ambiente (Industrial Safety, Operational Safety and Environmental Protection Administration System).

¹⁰ Joint Nature Conservation Committee (JNCC) guidelines for minimising the risk of injury to marine mammals from geophysical surveys, 2017.

Product Stewardship

The crude oil from our production assets – our non-operated assets in Egypt and our now-divested Kraken and Catcher wells – is sold to buyers who blend or refine it into fuels, lubricants and chemicals for use in many everyday items. It is our responsibility to ensure all production operations and transportation to buyers comply with regulatory requirements, as well as our own Code of Ethics and our Environmental and Climate Change Policy.

We continue to engage our partners to ensure proper stewardship is in place via routine Operator Committee and Technical Committee meetings. Hydrocarbon sales are carried out by marketing agents on our behalf.



People

At Capricorn, our people are the key to our success. Led by the Executive Committee (ExCo) and implemented through the Management Team and every member of our workforce, our employees' well-being, safety and security is one of the core values that underpins how we do business and the behaviours we expect. Our culture promotes honesty and openness, and we have programmes in place that prioritise health, safety, inclusion, well-being and security.



Employees

Delivering on our strategy and achieving sustainable business results are only possible thanks to the skills, experience and passion of our people. To support everyone, our employee processes are guided by our High Performing Behaviours and underpinned by our values of Building Respect, Nurturing Relationships and Acting Responsibly.

Strategic Objectives

- Maintain licence to operate.
- Retain and develop a competent and motivated workforce.

Principal Risks

- Lack of adherence to our Code of Ethics and People policies.

Material Issues

Medium materiality:

- Anti-Discrimination
- Equal Pay, Equal Opportunity
- Human Capital Development
- Talent Attraction

2021 Performance Against Sustainability Objectives

- Established our diversity and inclusion (D&I) strategy and committee, and developed tools and methods to embed D&I in the way we work.
- Delivered the next phase of our talent management programme and completed our technical competencies project, as we shift to a more production-based strategy.

2022 Sustainability Objectives

- Embed our D&I strategy into the way we work through work groups, and include in the Operating Management System (OMS).
- Initiate a mentoring programme for female employees with access to EXCo members.
- Initiate the phased introduction of a technical competence management and assurance system.

→ Detailed performance data on **Employees** is available in our [Data Appendix](#).

People Engagement

Our people are the foundation on which our success is built. We aim to create a positive, collaborative work environment that enables colleagues to fulfil their potential. We respect personal dignity and rights, and want everyone to feel involved and valued by their colleagues, managers and senior leaders.

Measuring Engagement: Pulse Surveys

We have conducted monthly 'Have your say' pulse surveys across the Group since 2018. These short, regular snapshots continue to attract consistently high participation rates of around 92%, 5% above the industry average. This year's surveys continued to include questions about the initiatives and support we provided in response to COVID-19.

Focusing on 11 key areas that enable us to compare our results with our industry peers, we have tracked favourably against the energy and utilities sector on overall employee engagement over the last year. We finished the year with an employee engagement score of 8.2, which is 0.7 above the industry benchmark.

From the feedback, key areas for improvement are identified and progress is sponsored by a senior team member.

Employee Voice Forum

Our Employee Voice Forum gives our people direct access to the Board. There are two meetings each year, chaired by a Non-Executive Director, at which colleagues' material concerns, ideas and suggestions are discussed. As with last year, the main themes explored in 2021 spanned future working practices, such as flexible or hybrid working, and plans for returning to the office.

Having followed government guidance and as part of the phased return to office working, we engaged with our employees through a series of facilitated focus groups before starting a six-month trial period of hybrid working for all UK-based employees in September 2021. Offices in Mexico and Egypt will undergo a similar exercise once their own government restrictions are eased.

→ Read about staff engagement during the pandemic in [Our Response to COVID-19](#) on page 9.

Rewards and Benefits

Every year, we benchmark salaries against other oil and gas companies and the general market. This helps us to continue to offer a competitive package to attract and retain employees.

Employees also receive an annual Total Reward Statement to demonstrate the total value of their compensation and benefits, which we believe is highly competitive.

Case Study

My HR

To support the reduction of printed paper and positively improve the environmental footprint in our offices, we have created a new portal for employees. My HR was rolled out across the company in September 2021.

The portal provides a more secure environment in which to keep important employee information such as performance reviews and total reward statements. In addition, we have moved our annual salary review and bonus processes onto My HR, reducing the need to share documents via email with people managers.



Diversity and Inclusion

We recognise that our success depends on a diverse range of talented people with the necessary skills and passion, and acknowledge diversity in all its dimensions: national origin, age, race and ethnicity, religion and belief, gender, sexual orientation and marital status. We welcome people from varied circumstances, including socio-economic background, education, training, sector experience and organisational tenure, personality type and cognitive diversity.

Our Group People Management Policy guides us in building D&I into all aspects of recruitment, learning and development, and remuneration and benefits. We also have policies on disability, equality and diversity, fixed-term employees, part-time employees, flexible working and harassment.

To elevate our existing practices, during 2021 we developed and implemented our strategic ambition for D&I:

“To nurture an inclusive and sustainable culture, where differences are encouraged, embraced and recognised as key drivers of value to all stakeholders.”

We are focusing this ambition in three distinct areas:



Our Culture

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



Our People

We will focus our outreach across a breadth of communities to support a more diverse talent pool, as we strive to attract, develop and retain the very best talent.



Our Communities

Our commitment to D&I reaches beyond the boundaries of our business to incorporate the diverse values and perspectives of the communities and societies of the countries within which we are privileged to work.

We will continue to reflect these values and perspectives in our social investment decisions and practices in all countries in which we operate.

As part of our strategy, we have developed and communicated our strategic framework, which is designed to cultivate D&I across the business.

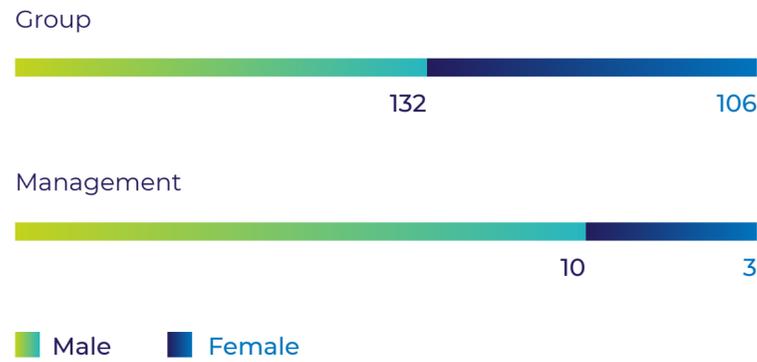
In recognition of the current diversity challenges within our management and executive populations, the first initiative we launched in 2021 was our Shadow4Success programme. The pilot programme provides an opportunity for under-represented groups to gain a better understanding of how our Executive Team operates, with the intention of increasing the diversity of applications for more senior roles in Capricorn.

In 2022, we will roll out a programme of activities that link back to each point on the framework.

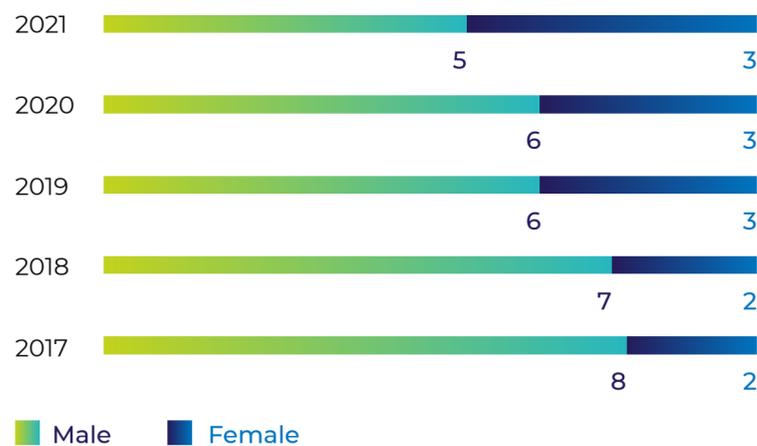
To measure the success of our elevated focus on D&I, we have engaged an independent partner to conduct a baseline study in Q1 2022. This will allow us to measure our progress and provide a comparative benchmark to our industry peers.



Gender split



Board members by gender



Staff by employment type



Employees

Talent Attraction

We attract excellent people from a breadth of communities and deploy them where their skills and experience add business value, while providing job satisfaction and career development opportunities.

To secure future talent, our people managers follow a robust selection process in collaboration with Human Resources (HR) staff and our sourcing partners. We attract and employ people with diverse insights, perspectives and backgrounds, and our recruitment partners aim to provide an equal split of candidates for each vacancy based on gender.

Capricorn Workforce

238

This includes Capricorn employees and other time-writing personnel who have been contracted for more than three months to an organisational position (direct contractors).

132
Men

106
Women

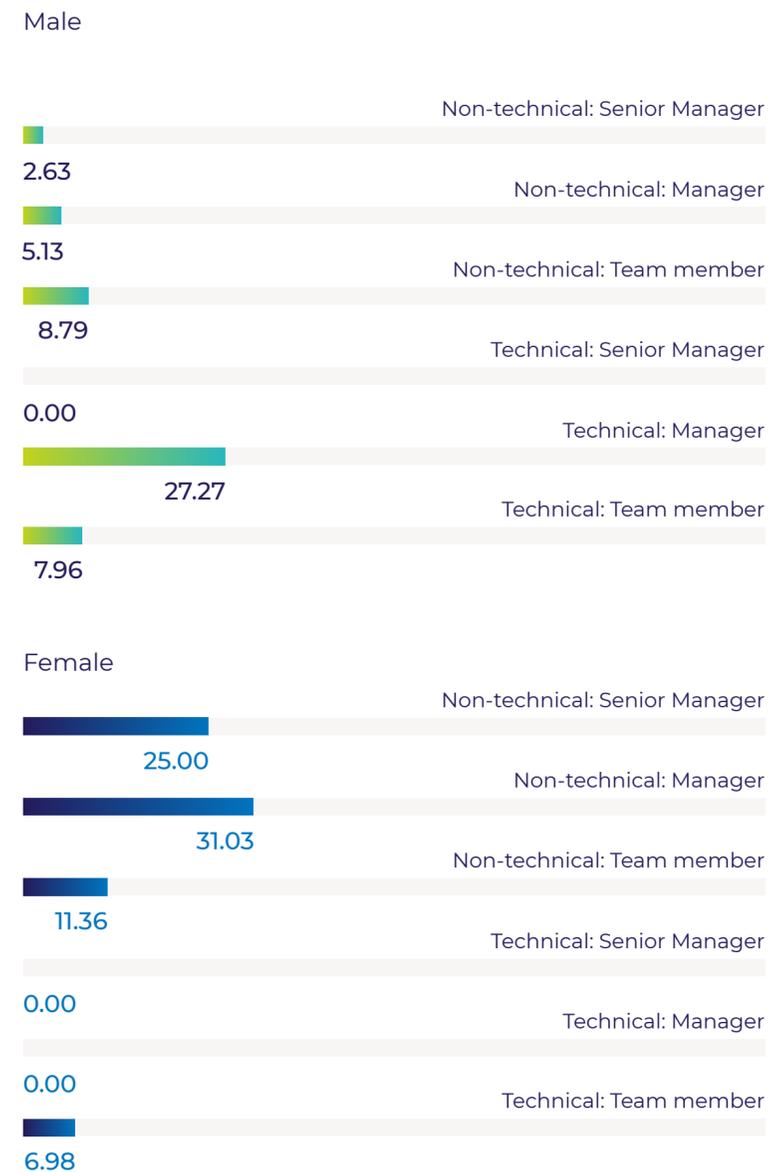
33

Third party contractors

During 2021, we welcomed 53 new colleagues to the business, all of whom were successfully onboarded virtually.

As always, our contractor numbers fluctuate with the level of activity, which was relatively low in 2021 compared to previous years.

2021 success by gender, role type, number of applications (%)



Talent Management

Our talent management strategy continues to focus on three overarching strands:

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

Managing the development of all colleagues is always a priority. In 2021, we promoted 15 colleagues into new or materially different roles, and all six mentees from Cohort 1 of our mentoring programme secured new roles. Cohort 2 was launched in September 2021, with very positive feedback from all participants.

As we transition towards a more production-based business model, we anticipate a potential impact on the skills, competencies and technical knowledge required, so we have already brought in people with the necessary production-related skills. We are also developing a secure, user-friendly app that allows more real-time updates for assessing capabilities across our business.

Our Nomination Committee regularly evaluates our Board members' skills, experience, independence and company knowledge, making recommendations where appropriate. This ensures appointments and succession plans are based on merit and objective criteria, and promote diversity in all its forms, including gender, ethnic backgrounds, and cognitive and personal strengths.

➔ Read more about succession planning and Board appointments in the **Nomination Committee Report** section of our [Annual Report](#).

Learning and Development

Group-Wide Learning Opportunities

Providing learning opportunities for our people is essential to operating to the highest standards and making our business more efficient, effective and successful. We invest in developing our people, and each colleague has a personal learning 'budget', helping them to fulfil their potential, deliver our objectives and meet the changing demands of our industry.

Typically, opportunities are provided through e-learning modules, traditional classroom training, 'lunch and learn' sessions, workshops, seminars, conferences and field trips. We also have people on overseas secondments as part of their development. Due to the challenges associated with COVID-19, in 2021 most of our in-person training opportunities migrated to online delivery and some were postponed until we were able to safely return to the office.

Leadership and Management Development

To support our senior leaders in 2021, we developed a partnership with a local provider to work with each person on a one-to-one basis. The sessions provided coaching and insights on strengths and characteristics, and looked at resilience, managing relationships, emotional intelligence, inclusive leadership and succession planning. Each individual also benefited from a robust development plan with short-, medium- and long-term actions.

For current and aspiring people managers, we have added the TalentBuilder® programme to our Management Bootcamp programme, while a Career Focus module is now available for all staff.

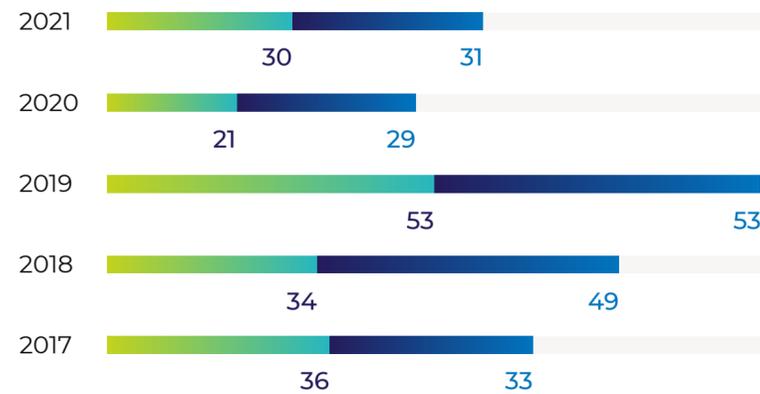
Capricorn Academy

The Capricorn Academy, established in 2019, enables colleagues to undertake mandatory compliance learning online to improve their understanding of important governance, regulatory and security topics as well as our key processes and procedures. A revised version of the Capricorn Academy portal was launched in August 2020 following a change of provider, and we are planning a second development phase in 2022.

Each month, two or three mandatory modules are released, as well as other self-help topics and sessions on health and well-being.

Total management and non-management training

(Average hours per employee)



■ Management grade employees
■ Non-management grade employees

Training on Anti-Bribery and Corruption Practices

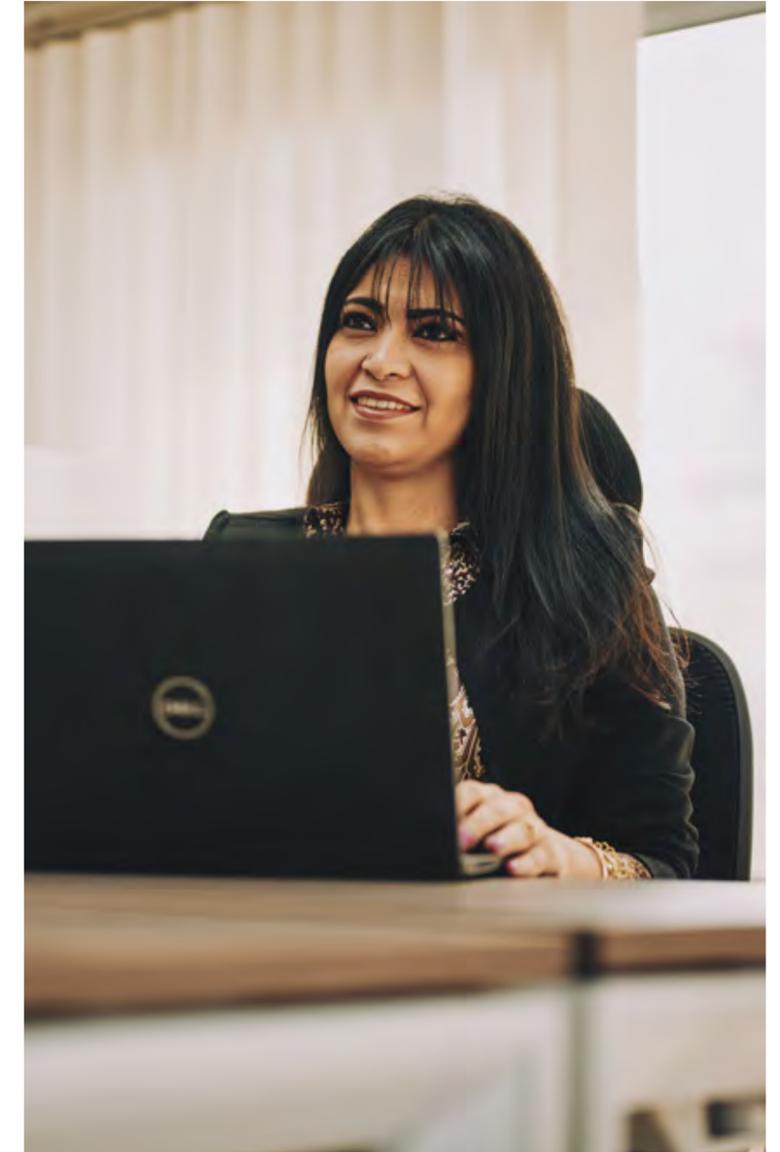
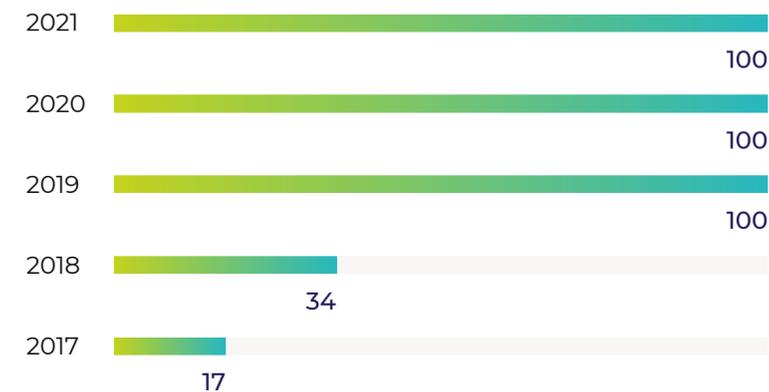
All employees are trained in Capricorn's anti-bribery and corruption (ABC) policies and procedures. Through the Academy, we provide annual training on our Code of Ethics and our ABC management system, as well as tax evasion, data protection, human rights and modern slavery, our Corporate Responsibility Management System (CRMS) and our Corporate Major Accident Prevention Policy (CMAPP).

Where we perceive a heightened threat of ABC risks in a new venture, the staff involved must complete further training. Bespoke e-learning sessions for staff in higher-risk roles were delivered during the year, including a workshop in Mexico in October 2021.

ABC training continues to be given to the Management Team and the Board.

→ Read more about ABC practices and new ventures in the **Governance** section on page 56.

Employees trained in Capricorn's anti-corruption policies and procedures (%)



Health, Safety and Well-Being

We have a responsibility to provide a safe and healthy working environment. Maintaining people's safety, health and well-being is of paramount importance to Capricorn.



Strategic Objectives

- Maintain licence to operate.
- Provide a safe and healthy working environment.

Principal Risks

- Lack of adherence to policies: Health, Safety and Security, Environmental and Climate Change, Social Responsibility, Major Accident Prevention, and People.

Material Issues

Medium materiality:

- Infectious Diseases
- Workplace Health and Well-Being
- Workplace Safety

2021 Performance Against Sustainability Objectives

- Continued to support staff on COVID-19 and facilitated a return to office working.
- Revised our Project Delivery Process (PDP) with improved integration of health, safety and environment (HSE) elements.
- Completed an audit of our Corporate Responsibility Management System (CRMS) and closed out all findings.
- Implemented an enhanced incident reporting system across the company.

2022 Sustainability Objectives

- Benchmark our operated activities against International Oil and Gas Producers (IOGP) data for injuries and spills to the environment.
- Management Teams to visit operated and non-operated sites to reinforce our HSE culture and ensure they meet expected standards.
- Replace our existing suite of management systems with an OMS, to help prepare for a portfolio covering a greater part of the hydrocarbon life cycle.

→ Detailed performance data on **Health and well-being** is available in our [Data Appendix](#).

Workplace Safety

Providing a safe working environment is a core corporate responsibility, and minimising risks to people and the environment is of paramount importance to us.

Managing safety risks involves applying risk assessment techniques and, where such risks cannot be avoided, we apply the principle of managing them to 'as low as reasonably practicable' (ALARP). Mitigation measures include engineering controls, safe working practices and the competence of our people, while leadership activities include audits, site visits and reviews of performance at a project, asset and Group level by the Management Team, ExCo and the Board. We actively engage with contractors to ensure they have effective systems in place, and we apply strict assurance processes to assess them at the tendering stage and during activities.

We have identified road safety as a major safety risk in Egypt and developed travel risk assessment and management plans for our people living in and visiting the country.

Overall accountability for working safely and responsibly remains with the Board, while applying these controls across our operations falls to the Management Team. Asset managers are responsible for ensuring that operations adhere to our CRMS, including HSE standards and procedures, and that plans are in place to manage risks. Our robust management process ensures incidents are recorded and investigated, and lessons learned. Performance updates are reported to the Board. In 2021, we implemented our improved accident and incident reporting software and rolled out revised training for users.

Managing operational safety hazards involves several mechanisms to promote safe working procedures but largely falls under the systems of our contractors wherever they operate key activities such as drill rigs. Clear oversight is provided by our own personnel, and procedures are bridged where necessary to ensure responsibilities are understood. Our operating partners apply their own safety management systems and we engage with them to understand and improve performance on a routine basis, promoting good industry practice and applying the lessons learned in the event of an accident.

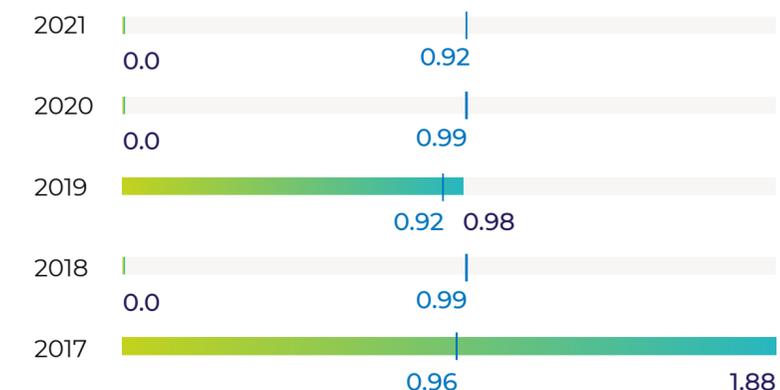
Our 2021 Performance

With zero recordable injuries in our operated assets, our overall occupational safety performance was better than our target; this was set using IOGP benchmarks, which we use as lagging key performance indicators (KPIs). We recognise that our operational activity in 2021 was limited to survey and environmental work in Mexico, East Orkney and, in early January 2022, Mauritania. Despite our low levels of operational activity, this is a significant achievement given the survey work we did undertake, the return to office working and the road safety risks in Egypt.

For 2022, we have reviewed our KPI weightings to reflect the greater level of field activities that will take place in 2022 across the portfolio.

Total Recordable Injury Rate (TRIR)

(Total recordable injuries per million hours worked)



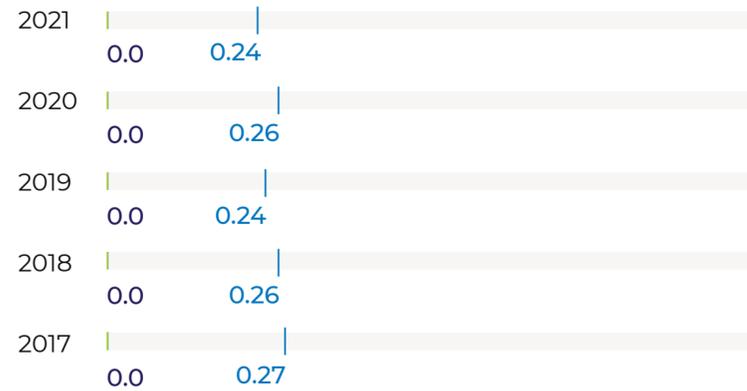
■ Capricorn total (employees and contractors)
| IOGP benchmark

We have included overall IOGP benchmark figures (average of onshore and offshore for employees and contractors). IOGP benchmark figures for 2021 are not yet available.

Capricorn TRIR and LTIF statistics can be higher than the IOGP benchmark after only one incident or a small number of incidents. This is because our exploration activities are often short in duration, meaning there are relatively few hours worked compared with ongoing production and other long-term operations.

Lost Time Injury Frequency (LTIF)

(Lost time injuries per million hours worked)



■ Capricorn total (employees and contractors)
 | IOGP benchmark

We have included overall IOGP benchmark figures (average of onshore and offshore for employees and contractors). IOGP benchmark figures for 2021 are not yet available.

Capricorn TRIR and LTIF statistics can be higher than the IOGP benchmark after only one incident or a small number of incidents. This is because our exploration activities are often short in duration, meaning there are relatively few hours worked compared with ongoing production and other long-term operations.

Health, Safety and Well-Being

Workplace Health and Well-Being

Staff health and well-being plays an important role across our business, and during COVID-19 lockdowns, it was essential to support our people throughout this most difficult time. We ran specific programmes and communications on COVID-19 and to support people’s mental health.

In general, our health and well-being programme in the UK helps staff to understand how their lifestyle can affect their health and well-being, explore their values and attitudes and, where appropriate, change their behaviour. Now in its third year, activities have been rolled out globally, with a focus on three areas: Getting Healthy, Maintaining Health and Regaining Health.

We also extended the programme to include financial health and gender-specific health sessions delivered by a local general practitioner. We continue to offer the popular option of an annual assessment for all members of staff, as well as flu vaccinations and other medical, travel and dental benefits. In addition, our HR staff have completed mental health first aid training to strengthen the support we provide.

Recognising the impact of social interaction and strong working relationships on mental health, we provide staff with opportunities to socialise at a team, functional and Group level. To promote well-being and good mental health during COVID-19 lockdowns, we ran various exercise and yoga sessions, walking challenges, and virtual walks and tours. In addition, a wide variety of workshops, webinars and online sessions were delivered, covering meditation, anxiety, resilience, stress management, financial well-being, understanding change and healthy eating.

Exposure to Hazardous Materials

Due to the limited nature of our operational activities in 2021 – mainly environmental assessments and baseline surveys, and the recovery of a wellhead – the potential for exposure to hazardous materials has been low. Nonetheless, we maintain robust requirements for the management of materials hazardous to health and waste in our CRMS, to protect human health and the environment. These requirements include: selecting the least damaging materials wherever possible; conducting risk assessments; providing suitable storage facilities; applying safe handling procedures and training; and ensuring personal protective equipment is used where necessary. Ahead of the Diadem well drilling in 2022, chemicals management planning has already been undertaken alongside the rig contractor.

We take rigorous steps to ensure our contractors have compatible processes and systems to protect their own people. These range from having appropriate exposure detection and protection arrangements in place to running emergency drills. In addition, we require our contractors and other facilities to provide suitable water supplies and wastewater disposal facilities to prevent infection and illness from water-borne or other pathogens, in accordance with our CRMS.



Managing and Minimising Health Risks

We support all staff who may be exposed to health risks through their work, minimising the risks through the application of procedures and good industry practice. The main threat remains the risk of exposure to infectious diseases, either where we have assets or during travel to prospective business destinations. In operational locations where endemic diseases such as malaria are prevalent, we have mechanisms in place to minimise the risk. We remain vigilant to any new or re-emerging epidemics, and continue to remain prepared in the event of a change in the COVID-19 pandemic.

As part of our Journey Management System, we perform risk assessments to identify and reduce health risks before international travel. This includes inoculation and specific country briefings, as well as general advice on basic travel health, natural disasters, security alerts and female traveller security. Our Traveller Health and Security intranet site provides all personnel with safety and security advice and travel management procedures for our countries of operation. Our ongoing efforts to support employees include a travel risk policy, last revised in 2020.

We continued to restrict travel to business-critical trips for the majority of 2021. Despite the COVID-19 pandemic restrictions, we supported trips to Mauritania, Egypt and Suriname. Virtual meetings were used where possible during the restrictions, especially when working with the Red List of countries or where restrictions would require compulsory quarantine. Our enhanced risk assessment and mitigation procedures covered pre-, mid- and post-travel scenarios, and included PCR tests for COVID-19 and provisions for emergency evacuation. No infectious cases were recorded as a result of business travel during the year.

➔ See **Our Response to COVID-19** on page 9 and **Security** on page 35 for further information about how we’ve kept our people safe.

Security

We have a duty of care to our people, assets, investments, reputation and data across our operational areas. We need to remain vigilant to emerging threats and offer support, advice and training as necessary.



Strategic Objectives

- Maintain licence to operate.
- Minimise the risk to our workforce from security-related threats.

Principal Risks

- Lack of adherence to our Health, Safety and Security Policy and standards.

Material Issues

Medium materiality:

- Assets Security
- Cyber Security
- Office Security
- Personnel Security and Travel

2021 Performance Against Sustainability Objectives

- Reviewed our security guidelines against the latest ISO standard, and assessed information sources and providers to identify potential improvements.
- Performed a cyber security audit and held a cyber security breach emergency response exercise.

2022 Sustainability Objectives

- Include security management in a suite of resilience processes and controls, in recognition of the need to integrate the security of our personnel, assets and IT infrastructure.
- Embed a revised travel security, health and emergency response contracted service.

→ Detailed performance data on **Security** is available in our [Data Appendix](#).

Keeping Our People Safe

Our security measures are balanced with human rights considerations and our corporate responsibility, and executed in accordance with international standards, local laws and good industry practice. We ensure strict compliance with the Voluntary Principle on Security and Human Rights (VPSHR).

As a member of the IOGP Security Committee, we remain vigilant to emerging threats, act on intelligence from embassies, civil authorities and contractors in both active locations and potential countries of interest, and offer support, advice and training as necessary.

Updating Our Approach

Security risk assessment is conducted at the earliest possible stage of any new venture or proposed project. Security processes and risk controls are based on a robust analysis of threats and risks informed by multiple sources, including on-the-ground personnel.

Travelling employees can access our Journey Management System and traveller guides before they travel and while they are away. In operational locations that are deemed to be of medium and high risk, we develop and implement Security Management Plans. These may involve ground security teams to provide safe transit to hotels, airports and meetings or to support access to field locations. In 2021, although no one was injured, a failure to follow proper travel procedure in Egypt led to an investigation, after which we improved new starter briefings.

We reported no security incidents affecting our staff in 2021. However, we did report one incident involving the theft of laptops from our Mexico office. This was thoroughly investigated and additional controls were put in place. In Egypt, we have hired a Health, Safety, Security and Environment (HSSE) Manager and a Security and Emergency Adviser. Both have worked with the Edinburgh team to establish programmes, such as safe driving practices, that ensure the well-being, safety and security of our people. Two emergency exercises were conducted, simulating road traffic accidents involving Capricorn personnel, to ensure the emergency teams know what measures to take.

Total security incidents (number)



* Theft of laptops from our Mexico office

** Break-in at staff apartment

Personal Security and Travel

With the impact of COVID-19, we have reviewed and revised our travel risk processes and procedures. As a result, we currently conduct meetings via video conference in preference to travelling. However, we recognise the importance of maintaining face-to-face relationships where possible. As the UK Red List of countries under COVID-19 restrictions was reduced, strict travel risk assessments and controls enabled us to conduct multiple trips to Egypt to assist with setting up our Egypt office and recruiting staff. Our global risk management system provides daily safety alerts, allows us to track travellers and provides them with SOS capability should they get into distress.

Asset and Office Security

Acknowledging that we are the only oil and gas company headquartered in Edinburgh, we constantly review our building security procedures and remind staff of our security housekeeping rules to mitigate the potential threats from groups opposed to the oil and gas industry. We have recently updated our Business Impact Analysis for each department, in both Edinburgh and London, and our UK Business Resilience Plan for communicating across the business. This overall Business Recovery Plan will be extended to cover Mexico and Egypt in 2022.

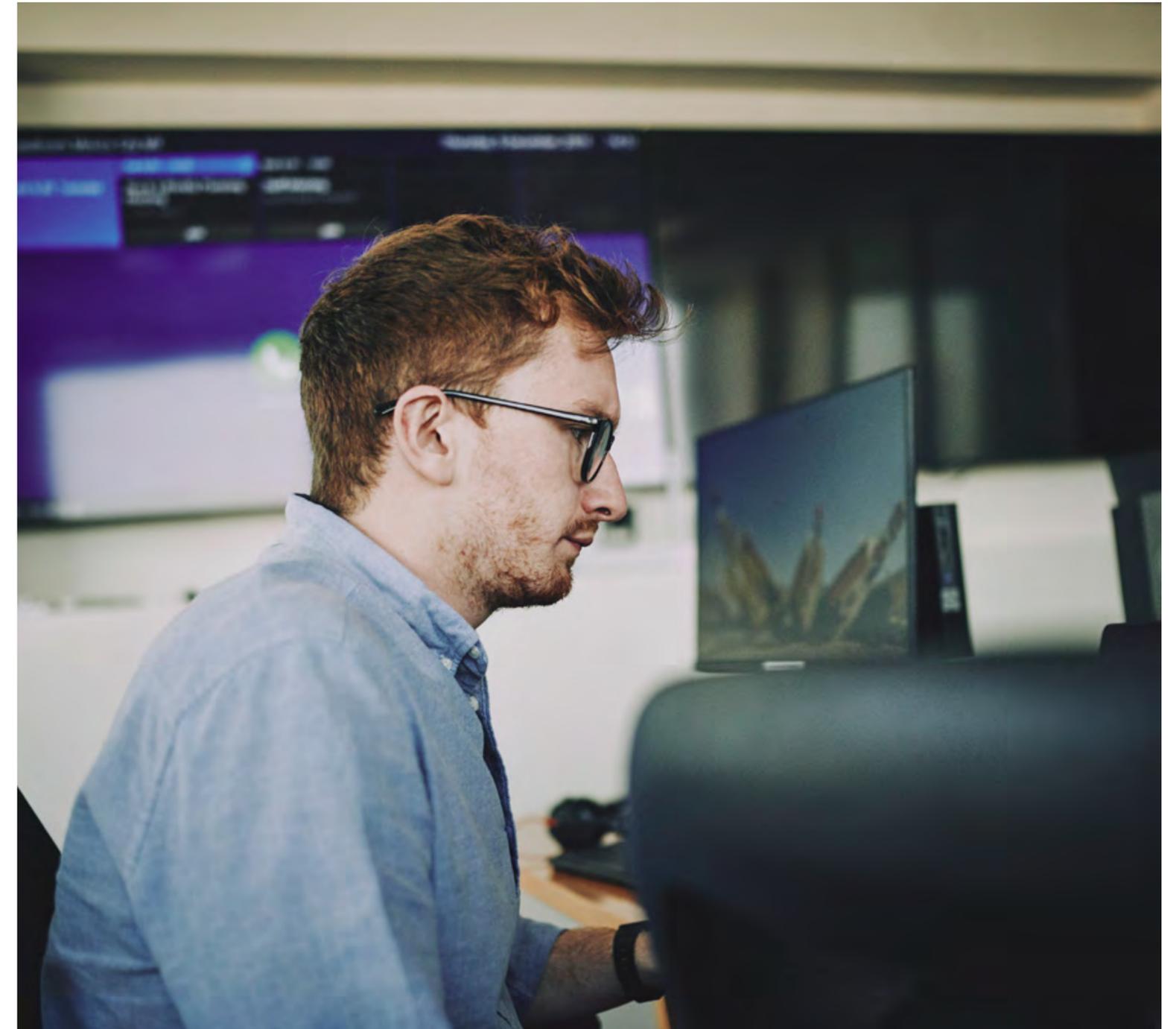
Cyber Security

Although we experienced no cyber security breaches of Capricorn systems during 2021, we regularly review our arrangements to ensure our IT infrastructure remains protected from such incidents. We continue to communicate threats, strategies and improvement plans to maintain a holistic and collaborative approach throughout the Group, and we have a dedicated cyber security manager and a 24/7 service partner that continually assess and manage current threats and risks.

Keeping up with potential threats and taking the necessary measures to prevent security breaches and data loss, we continually work with our partners to test our internal and exterior environment. Our IT Security Team has undertaken a number of National Institute of Standards and Technology (NIST) gap analysis workshops to help us to maintain a high level of cyber security. This is regularly monitored and updated. As part of the gap analysis, we are now embarking on a three-year plan to implement the NIST Cybersecurity Framework, starting in 2022. This will be reviewed and assured annually by a third party.

To increase awareness and stay on top of security trends, we actively participate in several industry bodies, including the IOGP Security Committee, and take guidance from the Information Commissioner's Office and the GCHQ-run National Cyber Security Centre.

We also conducted a cyber security and response tabletop exercise to build awareness of cyber security capability and response measures and requirements, held a briefing and focused discussion, and shared the lessons learned.



Major Accident Prevention

To minimise risks to people and the environment, we have put extensive safety measures and procedures in place to avoid accidents across every phase of our activities.

Strategic Objectives

- Maintain licence to operate.
- Avoid or control all major accident risks to ALARP.

Principal Risks

- Lack of adherence to policies: Health, Safety and Security, Environmental and Climate Change, Major Accident Prevention (CMAPP), and People.

Material Issues

High materiality:

- Major Accident Prevention

Medium materiality:

- Decommissioning

2021 Performance Against Sustainability Objectives

- Reviewed and updated our competency procedures in relation to HSE and major accident safety.
- Introduced Crisis Incident Management (CIM) emergency incident software and held simulation exercises to evaluate its effectiveness.

2022 Sustainability Objectives

- Support our CMAPP with the implementation of an OMS, bringing all controls of major accident hazards under one management system.
- Management visits to operating sites to include major accident management where relevant.
- Continue to focus on major accident hazard management in operated activities and influencing partners in non-operated activities.
- Adopt and implement an industry-leading competence management and assurance system for critical competencies.



Detailed performance data on **Accident prevention and safety** is available in our [Data Appendix](#).

Preventing Major Accidents

Operated Assets

Our industry faces major accident hazards and it is important we avoid the risks arising from these hazards, or manage them to a level that is ALARP. This underpins legislation in the UK Continental Shelf (UKCS) and many other jurisdictions, as well as aligning with industry good practice.

Our CMAPP captures our position and the arrangements we have in place across the Group to address these risks. The mechanisms of control or legislative equivalents it describes are applied to our operated activities around the world. Strengthening our commitment to mitigate the risks and emergency response capability, it is required under the UK Offshore Installations (Offshore Safety Directive) (Safety Case etc) Regulations 2015.

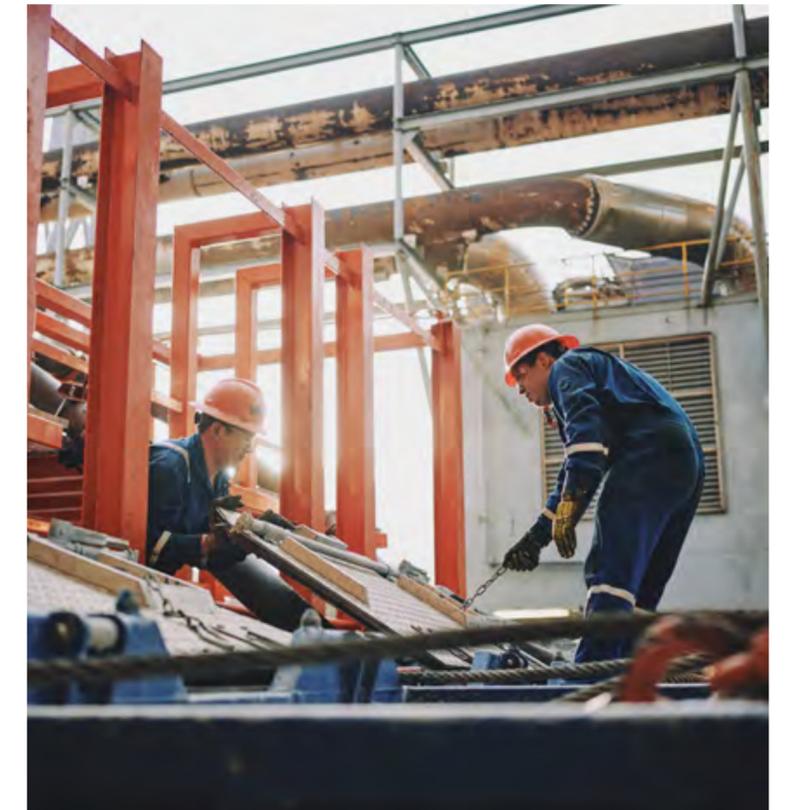
The CMAPP remained unchanged in 2021 but, as we move towards operated production, we will undertake a detailed review of our CMAPP and resource base in 2022 to meet the needs for major accident prevention competency. As part of planning for the Diadem well in 2022, we also reviewed and refreshed the UK Safety and Environmental Management System.

A CMAPP training module is a fundamental part of our training requirement and has been incorporated into our internal training portal, the **Capricorn Academy** (page 32).

Non-Operated Assets

Depending on the activity, our equity share of the asset and the regulatory framework under which we operate, we seek to influence our joint venture partners through Operating Committee, Technical Committee and Board meetings. Our ability to influence also hinges on our ongoing collaborative and trusted relationship with partners.

In 2021, we continued to support our partners in preventing major accidents on our non-operated assets, primarily in the UK and Egypt. We are also working to increase the level of data provided to us as a non-operating partner, to enable greater scrutiny and reporting in the areas of energy efficiency, emissions, objectives and targets towards net zero.



What CMAPP Focuses On

- Safety leadership and the safety culture within our organisation.
- Our governance and management of major accident hazards, including safety and environmental protection.
- How our contractors manage and maintain their equipment, and prevent major incidents through robust control and maintenance mechanisms.
- Demonstrating and verifying the competency required among our staff and contractors.
- Conducting appropriate training and succession planning to maintain that capability.
- Transparent, independent assurance processes covering document control, data management and storage.

Life Cycle Management

Capricorn has established controls for activities across the oil and gas life cycle. We recognise that, as we move to incorporate a greater level of production into our portfolio, and with the potential to acquire operated production, we will need to adapt our resources and processes to meet this challenge.

In parallel to our strategy of increasing our production base, we have reviewed our management systems, which are currently focused on exploration activities. In 2022, we will develop an Operating Management System (OMS), based on the IOGP OMS model, that will ensure our management systems focus equally on all phases of the asset life cycle from exploration, through production and onto decommissioning.

In 2021, we performed a gap analysis against the IOGP's OMS and identified ways to improve coverage in the areas of production and decommissioning. This was presented to the Board and ExCo, and the way forward was agreed.

Well Engineering Controls and Management

Our reputation for responsible exploration is underpinned by a rigorous approach to incident prevention. All our wells adhere to the highest industry standards and international good practice, which require us to use appropriate materials, installation methods and drilling fluids wherever we operate. These enhance drilling performance while ensuring we meet safety demands and minimise our impact on the environment.

To prevent major accidents arising from well engineering and construction, we have built effective design criteria and safety barriers into our programmes and management systems. These are verified through internal and external assurance processes, including the independent assurance of planned well designs. We apply management-of-change procedures for modifications, which may impact the design or operation of a well to ensure we maintain its integrity.

Our wells are designed to comply fully with the requirements of our Well Engineering Management System and our CRMS, and are assured beyond the requirements for the expected geological conditions.

As part of our major accident controls, we ensure that wells are managed throughout the oil and gas life cycle, spanning design, drilling, workover and abandonment.

Design, Commissioning and Production

With production lasting 40 years or more, safety considerations need to take into account many elements from initial design through to the point at which production completes.

Design criteria must consider inherent accident risks, requiring the selection of equipment to manage risk to ALARP and to identify the Safety and Environmentally Critical Elements (SECEs) and their operational parameters. Where we are involved in design, we apply these principles irrespective of location. Considerations include the safety and operability of equipment, the commissioning of new plant for handover to operating personnel, establishing operating limits and enabling production to commence.

Normal operations require installations to be maintained, and critical maintenance of SECEs and their performance is paramount. Robust preventative maintenance mechanisms are essential to avoid the loss of containment and to maintain safety and environmental protection. As installations age, the risk profiles relating to equipment and their operation change; such maintenance programmes provide vital controls to keep people safe.

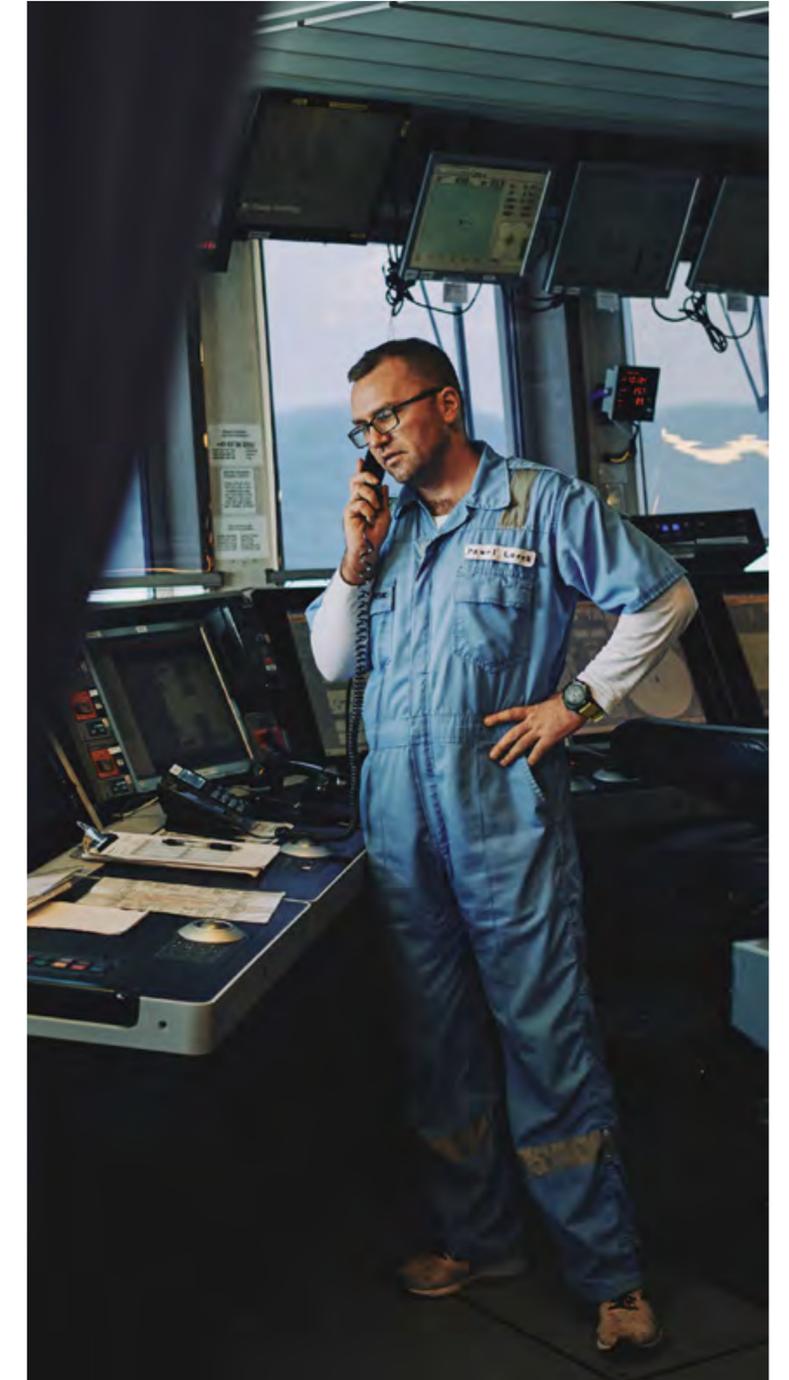
It is also important to recognise that seeking to acquire operations often means that asset age, design standard, maintenance level and operational safety level will be variable or uncertain. As part of Capricorn's due diligence process, effectively assessing these risks is central to understanding the viability of such acquisitions, and we use specialists to perform risk assessments. This was the case in late 2020 and 2021 when assessing the acquisition of the Egypt Western Desert assets from Shell.

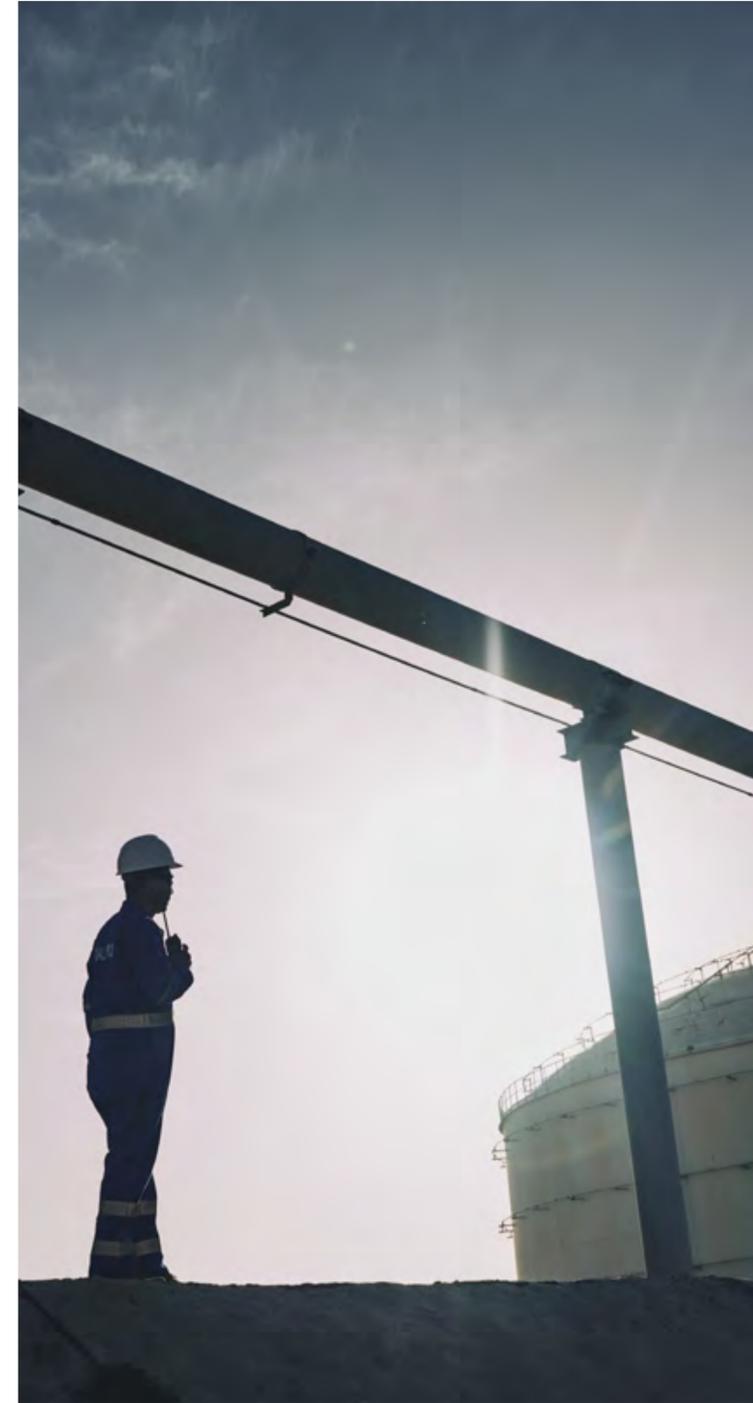
Developing an OMS in 2022, and embedding it in 2023, will strengthen our management systems in the area of design, engineering and production operations, as well as decommissioning.

Decommissioning

At the end of the oil and gas life cycle, decommissioning represents a set of safety risks that relate to reverse engineering and making equipment and installations safe. This may also take place in active fields where plant or equipment is replaced or obsolete.

Safety management in these circumstances is no less important than when the installation was operational. It is important to recognise that several simultaneous operations may require compound risks to be assessed, and engineering and operation controls to be implemented in sequence to ensure safety is maintained.





Crisis Management and Emergency Response

We focus on prevention but, in the unlikely event a significant accident or incident does occur, we maintain a three-tiered crisis and emergency response arrangement that is capable of supporting our activities.

For a quick and effective tactical response, trained local Incident Management Teams (IMTs) are in place in all operational locations. These are supported by Incident Response Teams (IRTs) in our field assets, normally provided by our contractors.

Depending on local capability, our Crisis and Emergency Response Team (CERT) provides strategic and, where required, tactical support to ensure response, recovery and continuity. The CERT Leader can muster on-call specialists to advise key personnel, assist in crisis and emergency management, and prevent escalation in accordance with the priority issues of People, Environment, Assets and Reputation (the PEAR principle).

Due to COVID-19 restrictions, we were unable to use our physical emergency response rooms for much of 2021. However, CERT members have remained ready to respond virtually and still received weekly training and operational briefings covering security, travel, health and emergency response scenarios.

In September 2021, we switched to a hybrid working model – a combination of remote and in-person provision – as we began trialling a return to office working, but continue to maintain a seamless emergency response service.

Ongoing Training

We continued to use an independent crisis and emergency management specialist to develop our scenario-based exercises. Depending on the scenario and scope, these test our readiness to respond to field incidents and assess if the different tiers are able to respond appropriately and effectively should such incidents escalate. The exercises were designed to build knowledge of emergency

scenarios, test the understanding of our primary response mechanisms and enhance organisational resilience by testing communication routes, facilities and equipment, contingency plans and assumptions.

During 2021, we held four emergency response exercises using our incident management software and other tools. These simulations tested our responses to scenarios such as road traffic accidents and injuries in Egypt, and a cyber security attack on Capricorn.

We also implemented our new crisis and emergency management software, CIM, which is ISO accredited and widely regarded as being best practice in our industry. We conducted remote training to all roles within our CERT ahead of launching CIM in Q1 2021, and its use in simulation exercises has demonstrated its value in managing and recording accident and emergency information more efficiently.

Managing Oil Spills

We prepare our operations for the low probability of a high-impact event and have robust plans in place to manage such incidents. Oil spill risk is of high concern to stakeholders (see **Prioritising Issues** on page 17), and we remain committed to applying the IPIECA–IOGP Joint Industry Project¹. We continue to maintain our preparedness in relation to understanding local country spill management capabilities, developing oil spill plans, making logistical arrangements for equipment, conducting deployment planning and identifying the capabilities of contractors.

We remain an associate member of Oil Spill Response Limited (OSRL), a specialist organisation that assists operators in responding effectively to oil spills. We also invest heavily in other OSRL memberships to access specialist response equipment and techniques for containment, dispersal and surveillance, including capping systems and their dispersant stockpile.

Measuring Performance

Zero

spills to sea in 2021



Planning Ahead

We continue to plan for drilling relief wells and deploying caps (where applicable) as options to address a major well-related event. These depend on a range of factors relating to logistics and effectiveness.

In 2021, we had limited operations, but we continue to look ahead towards new programmes. This has included assessing capabilities in locations or entities under our new business and new venture initiatives.

¹ The IPIECA–IOGP Oil Spill Response Joint Industry Project (OSR–JIP) was set up to implement learning opportunities in respect of oil spill preparedness and response following the April 2010 well control incident in the Gulf of Mexico. As part of this effort, the OSR–JIP has produced more than 20 good practice guides. IPIECA is the global oil and gas industry association for environmental and social issues.

Contractors and Supply Chain

A significant proportion of our workforce is made up of high-quality contractors, who play a critical role in our business activities. Building strong working relationships with contractors who share and deliver on the principles and standards we support is crucial to our ongoing success.



Strategic Objectives

- Maintain licence to operate.
- Ensure delivery of Capricorn standards for all services and goods we procure.

Principal Risks

- Lack of adherence to all Capricorn policies and standards.

Material Issues

Medium materiality:

- Contractor Selection, Capacity and Leadership

2021 Performance Against Sustainability Objectives

- Revised our contractor assessment criteria in relation to emissions, energy efficiency objectives and our net zero targets.
- Set improved contractor HSE leadership expectations, including revised KPIs for forthcoming projects.
- Aligned our scoring mechanism for contractor HSE evaluations with IOGP methodologies.

2022 Sustainability Objectives

- Review the HSSE and energy efficiency of our contractor tendering and management processes.
- Visit contractor-managed sites to address safety culture and practices.

→ Detailed performance data on **Contractors** is available in our [Data Appendix](#).

Employees and Contractors

To support the delivery of our operational projects, we supplement our core staff resources with experienced consultants and contractors, and continue to employ a contract accountable manager for every contract.

Capricorn procures a substantial amount of goods and services from employee contractors and third-party contractors, so our relationships with them are fundamental to our success, including the responsible delivery of projects. We continue to rely on high-quality and competitively priced suppliers for much of the technical expertise, equipment and services needed to maintain our operational capability.

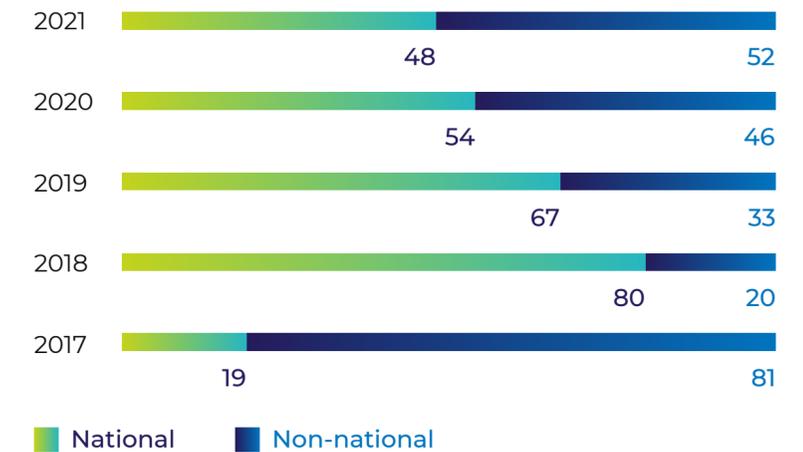
As part of a wider assessment of Capricorn Operating Standards (COS) and processes, we undertook a review of our contracting and tendering process. While we made no significant changes, we did enhance certain areas such as how we assess national content and **energy efficiency in our tender process** (see page 41).

The annual average number of field contractors in 2021 was 33 people, which is 12% of the total workforce and 5% of hours worked. Our use of contractors during the year focused on:

- exploration and site survey work, as well as securing rig equipment and procuring drilling services, in support of drilling the Diadem exploration well in the North Sea in Q2 2022;
- geophysical and geotechnical surveys in the East Orkney basin;
- assessing contract tenders for seismic reprocessing and environmental baseline survey work for Block C7 in Mauritania; and
- establishing an office in Egypt; contracting for seismic surveys and well drilling will start by early 2022 as activities ramp up.

Operationally, some of this work was impacted by logistic challenges caused by COVID-19 restrictions, with testing and self-isolation needed in some instances to adhere to the rules and procedures of vessel owners in various jurisdictions. However, all activities planned in 2021 were conducted successfully without incident.

Total national and non-national third party contractors (%)



The roll-out of IR35, the off-payroll rules on tax and National Insurance contributions that apply to UK contractors, was delayed until April 2021 due to COVID-19. However, Capricorn was compliant with the increased regulations when they were introduced, as we already use a managed engagement service and an assessment tool to determine the status of each consultancy and contractor company.

Contractor Selection

Contractor performance impacts our licence to operate, so effective selection, strong working relationships and good performance are essential.

All contractors are selected on their experience, service capability, competence and competitiveness. When evaluating tenders, we require them to use management systems and ways of working that meet our Code of Ethics, policies, procedures, principles and standards, where applicable.

We have improved our scrutiny of key equipment providers in terms of environmental performance as part of the tendering process. We implemented the assessment of the energy efficiency of vessels, rigs and helicopters, fuel use management and overall project footprints as differentiators in our selection process during 2021. We will also be considering ways of managing them during operational drilling to help us to reduce overall emissions from the perspective of both project design and operational implementation. We will compare projected to actual emissions and seek improvements as part of our 'lessons learned' approach.

→ See page 19 for more information on **Energy Efficiency**.

→ Read about how we address requirements for using **local and national contractors** on page 50.

Pre-Qualification Tools

We use specialist pre-qualification services in some jurisdictions to identify pre-approved vendors and examine their performance prior to tendering.

For many UK projects, we use the Achilles Oil and Gas Europe platform to get performance data about potential contractors across the European oil and gas market. With a new well in the North Sea scheduled for 2022, we have started the long-lead tendering process and contracting for pre-work.

We helped the non-profit organisation Invest in Africa (IIA) to develop a similar system – the African Partner Pool – in Senegal, through which local SMEs can tender for oil and gas industry projects, and promote their goods and services. In 2021, we started discussions with IIA about supporting our need to source contractors in Mauritania, where IIA also operates.

The Tender Process

When we initiate a tender for our operated activities, we engage with contractors we believe have the appropriate technical, HSE and sustainability credentials. As well as preparing invitation-to-tender documents, prospective contractors must conform with our **Code of Ethics** and complete an HSE sustainability questionnaire on working together in a contract environment. Based on IOGP recommendations, the questionnaire is tailored to the project and services required.

All selected contractors must demonstrate a minimum level of competence in all aspects of HSE management. Those not meeting these requirements, even after follow-up requests, are eliminated from the evaluation process.

The scores, along with any supporting documentation, inform the scope of any follow-up activities required, including acceptance and assurance audits of project-critical vendors. This information may highlight areas to address when setting up bridging arrangements prior to commencing work.

We reviewed the environmental element of our HSE sustainability questionnaire in 2021 to further improve the energy-efficiency performance of drilling rigs, marine vessels and aviation. Energy efficiency and emissions are increasingly important as a point of differentiation, and are now included in the tender evaluation process for site surveys, well testing and site vessels. We also consider a 'carbon cost of ownership' in our overall project assessments, although not specifically as part of the tendering process.

Integrated Contractor Audit Plans

So that all our activities conform to our management systems, our COS and the CRMS, we use an integrated contractor and supply chain audit plan. This identifies corporate and operational risks, and helps us to develop an assurance and audit programme to demonstrate that effective controls are in place across systems and processes, as well as on individual rigs and vessels.

We use independent audits for some critical steps, including the management of major accident hazards. Improvements in quality assurance (QA) and quality control (QC) measures have been implemented, including strengthening QA/QC plans early in the project as part of our updated PDP. We have also established and rolled out a set of KPIs to support discussions with long-lead contractors.

No formal audits were necessary for contract management on operated projects during 2021, but we continue to assess HSE as part of our tender evaluations.

Case Study

Contractor Selection and Energy Efficiency

In reviewing our HSE tendering processes in 2021, one strategic goal was to drive energy efficiency and reduced emissions throughout the supply chain, with an initial focus on operated activities. We included energy efficiency and emissions as a differentiating factor in selecting contractors for drilling, marine and aviation services.

Average greenhouse gas (GHG) emissions were calculated for the activity to be undertaken, based on data supplied by contractors, and those with emissions greater than 10% above the average were removed from the tendering process. As well as numerical criteria, contractors are now also asked for their energy transition strategies as part of all tenders.

This method was used when contracting vessels for the geotechnical and geophysical surveys for both the Diadem and East Orkney basin projects. It was also used in selecting the drilling contractor and aviation service provider for the Diadem project.

We will continue to drive down our own emissions towards our net zero target, as well as sending a strong message to our supply chain that we expect the same from our contractors. In 2022, we will enhance our GHG emissions reporting to Scope 3 emissions from our contracted activities.

Managing Contractors and Suppliers

As we move into higher-risk countries in terms of human rights and modern slavery, as well as bribery and corruption, the need to undertake a more in-depth approach to due diligence increases. This is not just among our direct suppliers but also further down our supply chain.

Ethics and Anti-Bribery and Corruption (ABC)

We need our contractors and suppliers to share our commitments as they appear in the Code of Ethics and to work in a manner that meets our standards. This helps to protect people, communities, the environment and our reputation.

Our approach to evaluating contractor tenders includes an anti-bribery assessment, and we conduct risk-based due diligence when selecting contractors. During our 2021 activities, we continued to undertake these assessments of suppliers as part of the contracting process.

Human Rights and Forced Labour

Under the provision of the UK Modern Slavery Act, we scrutinise our supply chain to avoid modern slavery. We have added appropriate clauses on modern slavery into all our vendor contracts to ensure contractors understand their legal obligations and our requirements.

We challenge our contractors to demonstrate that appropriate measures are in place, and we audited the application of these measures in our PDP for selected projects in 2021. The key finding was to deepen the modern slavery auditing of our principal contractors in 2022.

→ See our [Modern Slavery Statement](#) online.

Data Protection

In compliance with EU General Data Protection Regulation (GDPR) legislation, we document the processing of personal data, by both Capricorn and third parties on our behalf, and publish revised privacy notices for greater transparency. In addition, mandatory training has been delivered through the Capricorn Academy, while a Data Privacy Coordinator supports the Group in complying with GDPR and internal risk governance.

In our COS, we set out in detail the process through which data privacy assessments are undertaken. If the service being procured involves the processing of personal data by a contractor on our behalf, robust due diligence must be undertaken to ensure compliance with relevant data protection legislation, such as GDPR and the UK Data Protection Act 2018. Data protection requirements should be included in the invitation to tender, with a review conducted by the Data Privacy Coordinator. A full Data Protection Impact Assessment and Cyber Assessment, as well as a site visit, may be required prior to contracts being finalised to confirm the contractor can meet their data protection obligations.

In addition, GDPR introduced a legal requirement that a written contract containing several mandatory contractual clauses must be in place before a third party undertakes any processing of personal data on Capricorn's behalf. These bespoke clauses, which set out the responsibilities and liabilities of both parties and ensure the rights of individuals whose personal data is being processed, are incorporated into every contract.



Society

We seek to make a positive difference to society, investing in efforts to support economic and community development. At the same time, we recognise that we must manage and mitigate any potential risks and impacts associated with our activities to support the communities that may be affected by our operations. Respecting and protecting human rights across our operations is a fundamental part of our integrated approach.



Protecting Human Rights

We respect everyone who works for or with us, as well as those whose lives we impact, in accordance with internationally recognised standards such as the United Nations Universal Declaration of Human Rights. We are committed to providing safe working conditions, equal treatment and fair reward for the efforts of our workforce, and have processes in place to maintain effective relationships with employees, communities and other stakeholders.

Strategic Objectives

- Maintain licence to operate.
- Demonstrate respect to all who work for and with us.

Principal Risks

- Lack of adherence to policies: Code of Ethics; People; Social Responsibility; Environmental and Climate Change; Health, Safety and Security; Major Accident Prevention.

Material Issues

Medium materiality:

- Anti-Discrimination (Beyond Employees)
- Freedom of Association
- Grievances and Grievance Mechanisms
- Human Rights Management
- Modern Slavery
- Security and Human Rights
- Working Conditions/T&Cs

2021 Performance Against Sustainability Objectives

- Applied human rights guidance in planned operations, including the availability of transparent grievance procedures.
- Delivered a specialist-run, in-house human rights 'lunch and learn' session for all staff.
- Rolled out human rights and modern slavery training to employees.
- Audited the application of modern slavery prevention requirements in selected projects.

2022 Sustainability Objectives

- Demonstrate human rights guidance application across operated activity.



Detailed performance data on **Human rights** is available in our [Data Appendix](#).

Identifying and Assessing Human Rights Issues

Respecting human rights is a fundamental part of our commitment to protect both our business and our stakeholders. We seek to ensure that we are not complicit in human rights abuses by identifying, assessing and managing human rights risks within our sphere of influence. We have also put mechanisms in place for raising and addressing grievances. Furthermore, we include human rights requirements in contracts and look at vulnerabilities including modern slavery across our supply chain.

To ensure human rights are respected and promoted in our relationship with contractors, communities and other stakeholders, we seek to fully comply with international standards such as the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights across our business.

Measuring Performance

94%

of employees trained on human rights policies and procedures

Our Human Rights Policies and Guidelines

Our Human Rights Guidelines define how we identify, assess and manage potential issues at key project stages. This document adopts a 'rights aware' approach, which means we recognise the human rights of the people we affect and are affected by, and manage them appropriately.

Our five-step process for identifying and assessing human rights issues at all levels of the business has been incorporated into our **Corporate Responsibility Management System (CRMS)** documentation (see page 60).

Meanwhile, our position on human and labour rights is integrated into our Corporate Social Responsibility (CSR) Policy and our **Code of Ethics** (see page 56), both of which were revised in late 2021. This was informed by the UN Guiding Principles, the International Finance Corporation (IFC) Performance Standards and the ISO 26000 Guidance for Social Responsibility, as well as the UN Voluntary Principles on Security and Human Rights and their implementation guidelines.

Human Rights Training

We updated our training and rolled out revised e-learning modules through the Capricorn Academy in November 2021. The human rights and modern slavery modules were completed by 198 people by the end of the year.

In January 2022, we held a human rights 'lunch and learn' session, delayed from 2020 due to COVID-19 considerations. Run by specialists from the Institute of Human Rights and Business, the session informed participants – both employees and consultants – about the human rights situation across the industry, and included country case studies and how they could be applied by Capricorn.

Modern Slavery

We have a zero-tolerance approach to modern slavery and human trafficking, which has become a significant global issue. We do not employ forced, bonded or child labour, and take all reasonable steps to ensure that slavery, in all its different forms, does not exist in any part of our business or supply chain. We have published and updated our [Modern Slavery Statement](#), and rolled out refresher training to employees and contractors as an e-learning module.

Our procedure for selecting service providers incorporates modern slavery assessments. Using an approach similar to that of our **anti-bribery and corruption (ABC) management system** (page 56), we have assessed our supply chain to identify potential risks and vulnerabilities to modern slavery. We tend to use specialist international and local contractors, with well-developed employment practices, that understand our requirements and standards. However, our suppliers often have subcontractors of their own so, while our influence diminishes down the supply chain, we use our leverage to advocate good employment practices, address non-discriminatory behaviour and prevent child labour.

Our tender process includes specific questions about whether potential contractors, vendors and suppliers have modern slavery policies and procedures. These assessments form part of our health, safety and environment (HSE) start-up audits, with checks conducted at a local and corporate level.

The standard terms and conditions (T&Cs) within our contracts specify zero tolerance of modern slavery among suppliers and subcontracting parties, and include our right to audit. All tenderers receive our Code of Ethics and must agree to abide by it. Our CSR Policy, which is included in all contracts, encompasses our human rights commitments.

During 2021, we engaged with contractors operating in the UK, Egypt and Mauritania on our behalf and found no significant risks of forced or compulsory labour in our supply chain. We also assessed our modern slavery processes as part of our CRMS application audit in selected projects, and will start a programme of audits of principal contractors in 2022 to address this finding.

➔ Read about our **new risk management software** on page 61.



Security and Human Rights

Operating in complex and challenging security environments, we recognise the need to maintain safe and secure operations, using an operating framework that ensures respect for people's human rights while recognising the duties of governments to protect them.

As standard, 100% of our operations are subject to human rights reviews in tenders, and we perform human rights and modern slavery risk assessments across the life cycle of our activities. Where we employ security contractors under our control (including subcontractors), they are assessed on their adherence to our requirements; this includes their application of the Voluntary Principles on Security and Human Rights and good industry practice. We also adhere to the International Association of Oil & Gas Producers (IOGP) standards on guard forces. Effective selection of security contractors, strong working relationships and good performance protect people and communities, helping us to maintain good stakeholder relations and our licence to operate.

Before we enter a new country as an operator, we apply human rights screening as part of our due diligence process. We review key indicators under international classification indices, such as the Global Slavery Index and the US Trafficking in Persons Report, as well as researching the risk arising using specialist geopolitical advisers. We assess potential impacts through Environmental and Social Impact Assessments (ESIAs) and, where necessary, undertake Human Rights Impact Assessments as part of our 'rights aware' approach. If any current or potential issues are identified, we engage with those affected to consider how best to manage them.

Prior to proceeding with a non-operated joint venture, we check any human rights issues and identify any risks that may require management by the operator.

Working Conditions

We require a positive working environment that respects an individual's personal dignity and rights, and that is free from discrimination, harassment and bullying.

Our People Management Manual contains our Group People Policy and all employee-related policies and procedures. It outlines our requirements for recruitment and selection, diversity and inclusion, health and well-being, work-life balance, training and benefits. We expect our contractors to have similar arrangements in place.

Freedom of Association

We continue to consult our people on organisational and performance issues, and respect contracted employees and their membership of unions. We have identified specific risks and requirements in relation to unions in certain locations, such as Mexico, and deal transparently in this area, respecting their right to freedom of association and collective bargaining.

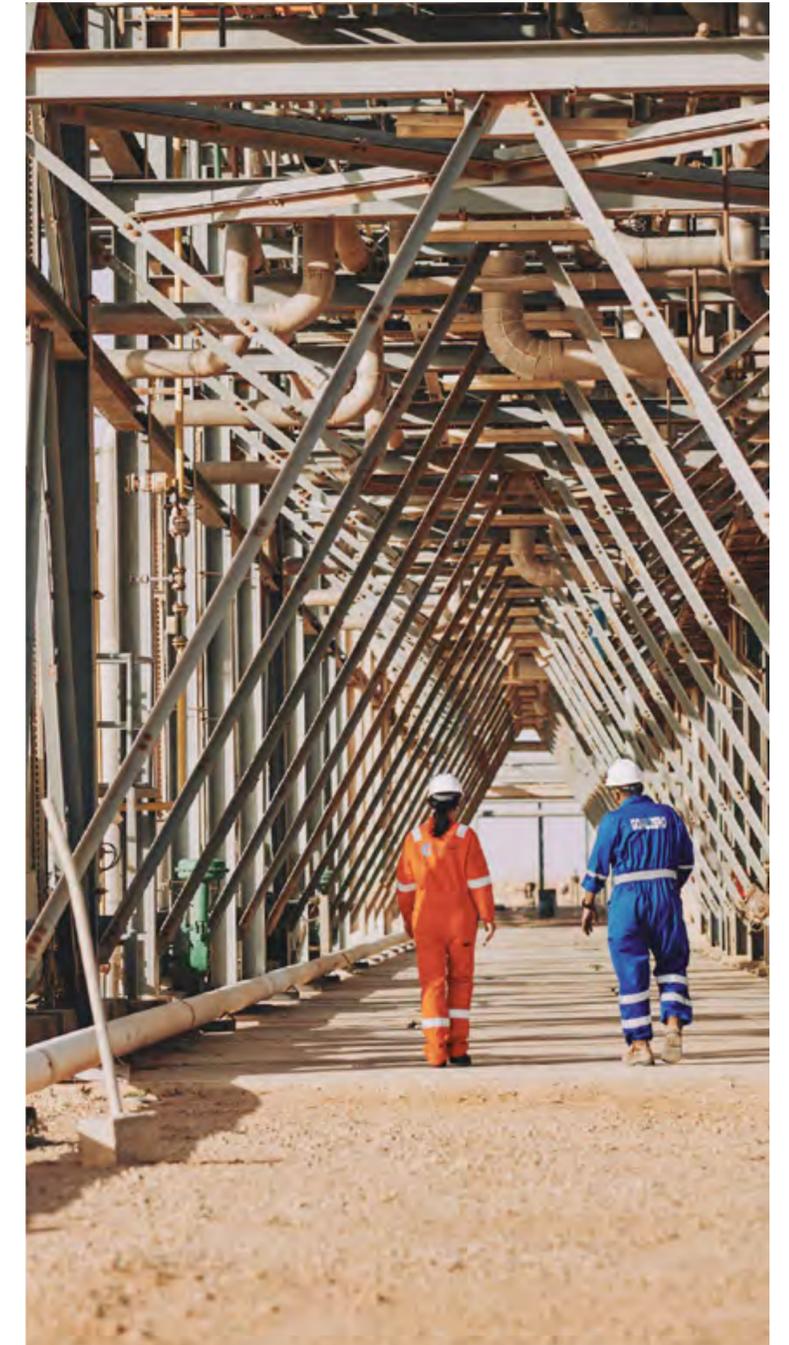
→ See **People** on page 34 for more information about our response to COVID-19, and read more about our **Contractors and Supply Chain** on page 40.

Grievances and Grievance Mechanisms

We take grievances from employees or external stakeholders very seriously. During operational activities, grievance mechanisms enable external individuals and community representatives to address any concerns or report non-compliance with legal requirements and company policy, including modern slavery issues. We provide grievance mechanisms in local languages, and tailor them to ensure they are culturally appropriate and accessible, depending on the location of operation. Feedback from grievances can be important in informing future stakeholder engagement and Social Management Plans (SMPs). In preparation for our **Environmental Baseline Survey in Mauritania** (see page 23), we established a grievance mechanism and communicated it to local stakeholders.

For employees, our Group Whistleblowing Procedure covers our responsibilities, the safeguards we have in place, the mechanisms for raising concerns and the investigation process, and is supported by training. External mechanisms for reporting concerns are also available, such as the **Protect** advice service, the **Gangmasters & Labour Abuse Authority** and the **Modern Slavery & Exploitation Helpline** – all in the UK.

In 2021 we received one grievance relating to our survey operations offshore UK. This was received in December 2021, and rejected and closed in January 2022.



Delivering Social and Economic Benefits

We want our operations to have a positive impact on society and take a long-term approach to social investment (SI). We promote good practice, support a range of international agreements and standards, support capacity building in the communities where we operate and seek to contribute to the UN Sustainable Development Goals (SDGs).

Strategic Objectives

- Maintain licence to operate.

Principal Risks

- Lack of adherence to health, safety, environment and security policies.

Material Issues

High materiality:

- Local Content and Local Procurement

Medium materiality:

- Demonstrating Value Created
- Local Energy Access
- Local Hiring Practices
- Local Workforce Development
- Social Investment

2021 Performance Against Sustainability Objectives

- Agreed, established and tracked social investment across the Group to positively impact the communities with which we work.
- Reviewed and revised the criteria for selecting and assessing social investment projects, improved alignment to the UN SDGs and developed an assessment tool.

2022 Sustainability Objectives

- Screen all social investment projects against Capricorn SI criteria using an assessment tool.
- Further develop the Group SI framework and guidance.

→ Detailed performance data on **Social and economic benefit** is available in our [Data Appendix](#).

Social Investment

To deliver value from our operations, make a positive social impact wherever we work and minimise any negative impacts associated with our activities, we support the development of local community programmes in consultation with governments, the public and other stakeholders. As well as **stakeholder engagement at a community level** (page 51), our social investment strategy is informed by targeted Social Needs Assessments where appropriate.

We have recently updated our approach and, in particular, the criteria under which we select social investment projects. We identified four priority areas, informed by the IPIECA¹ roadmap for the oil and gas sector:

- community health;
- community economic and environmental benefit;
- community protection and climate adaptation; and
- education and innovation.

As well as underpinning the priorities in our sustainability strategy, the criteria are aligned with the **UN SDGs** (page 15). These provide an additional framework for understanding environmental, social and governance (ESG) risks and opportunities, and for developing Impact Benefit Plans – which contain social investment plans – for each major project.

We use a comparative assessment tool for screening potential projects. This looks at a number of significant elements beyond community benefit, such as linkages to climate-related issues (potential offsetting, water stress prevention); the potential for greater scale and impact through partnerships; and the financial sustainability of the project in question.

We also use a range of KPIs for each priority area to demonstrate:

- inputs (e.g. financial value of community investments, cash and in-kind contributions, hours of employee volunteering, etc);
- initial outputs (e.g. people trained or reached, organisations supported, hectares restored, etc); and

- longer-term outcomes (e.g. greater access to energy or clean water, improved food security, higher incomes, etc).

Capricorn has a long history of supporting local communities through social investment initiatives. In India, our **rural development programme in Rajasthan** (see page 50) contributed to improvements in infrastructure, health, education and trading prospects, while in Senegal, our US\$1.1 million social investment expenditure supported local entrepreneurship, capacity building in the emerging oil and gas industry, and social and economic development in coastal fishing villages.

Supporting Research Into Clean Energy

Capricorn has pledged £300,000 over three years to a scholarship programme at Edinburgh's Heriot-Watt University (HWU), to promote geoscience training and research into the transition to low-carbon energy. For the 2021–22 academic year, a second cohort of three students on the Master of Science (MSc) in Subsurface Energy Systems (SES) programme – Jamal Gill, Nikki Morris and Wonu Olanrewaju – received scholarships. A final intake of scholarship recipients will begin in September 2022.

In addition, the Capricorn Clean Energy Prize goes to the student with the best clean energy-focused geoscience project, from any part of the university. In 2021, the £500 prize was awarded to Bryan Magwood, whose winning MSc dissertation researched the deep geothermal potential of Northern Ireland.

Capricorn has also provided £160,000 of support for the Centre of Doctoral Training's (CDT's) GeoNetZero programme. The CDT is an HWU-led partnership of 12 UK universities undertaking PhD research into the role geoscience plays in the transition to low-carbon energy and net zero emissions. This follows previous donations of £240,000, which helped to develop and deliver the training programme established for the Natural Environment Research Council (NERC) CDT in Oil & Gas.

→ Read more about our **energy transition strategy** on page 54.

¹ IPIECA/WBCSD 2021, Accelerating action: An SDG Roadmap for the oil and gas sector.

Social Investment Projects

Country	Category	Primary UN SDGs	Project	2021 Investment	Partnerships
Suriname	Community economic and environmental benefit Education and innovation		Funding for IT equipment and office supplies	US\$56,000	Community Hub, Coronie
Suriname	Community protection and climate adaptation Education and innovation		Mangrove rehabilitation project	US\$150,000	Anton de Kom University of Suriname
Mexico	Community health		Donation to NGO dedicated to improving health in Mexico	US\$50,000	Fundación Mexicana para la Salud (FUNSALUD)
Mexico	Community economic and environmental benefit Education and innovation		Donation of vehicle and associated fuel to support turtle conservation project	US\$12,000	Vida Milenaria
Mexico	Education and innovation		Delivery of a training module at national university in Mexico City as part of annual technology transfer programme	US\$30,000	Universidad Nacional Autónoma de México
UK	Education and innovation		Scholarship programme with Edinburgh-based university focused on clean energy	£100,000	Heriot-Watt University
UK	Multiple		Donations to charitable institutions in Scotland	£250,000	Multiple charities and NGOs

In Egypt, we are looking to establish social investment plans that support local and national priorities. These include Egypt Vision 2030, a national sustainable development strategy targeting a better life for all Egyptians by the end of the decade. In October 2021, we held an Egypt social investment workshop alongside our consortium partner Cheiron and Shell, from whom we purchased our Egyptian assets. The aim of the workshop was to gain an understanding of local context and current and historic social investment in the areas surrounding our concessions. The outcomes of this session have been invaluable in our SI planning in Egypt.

We have also commissioned two Social Needs Assessments (SNAs) across our two operated blocks, West El Fayoum and South East Horus, which will see our first operated activity in Egypt. These SNAs will help to inform our social investment strategies.

Delivering Social and Economic Benefits

Case Study

Social Investment in Suriname



In Suriname, we support a number of social investment projects, in conjunction with the state oil company Staatsolie. Under a Production Sharing Contract (PSC), we have committed to spend US\$100,000 per calendar year on local social responsibility, community investment programmes or training for each phase of the project.

Having previously invested in much-needed IT and office equipment at the Institute for Natural Resources and Engineering Studies in the capital, Paramaribo, we are now assisting a community hub in the district of Coronie in the same way. The hub provides local students with a place to study, complete homework and improve their IT skills. Delivery of the equipment is scheduled for March 2022.

Through an agreement with Suriname’s Anton de Kom University, we are engaged in the second phase of a mangrove rehabilitation project, designed to protect a section of coastline just north of Paramaribo that is particularly at risk from rising sea levels and erosion. Semi-permeable sediment trapping units (STUs) enable mangroves to be re-established, further stabilising coastal land and supporting biodiversity. The first phase of the project, completed towards the end of 2021, involved the provision of STUs and the development of the site’s nursery facilities.

The second phase of this work with the university is being conducted in collaboration with an in-country international oil company. Together, we have committed to invest around US\$150,000 over the next two years. The construction of further STUs is planned for this phase. The first instalment of phase 2, made in January 2022, will fund an air boat to move the building materials from the shore to the water, making STU construction more efficient. We will also support the project with remote sensing data and satellite imagery to monitor the rehabilitation over time, and help inform decisions about future mangrove planting.

Both projects were visited by a small team from Capricorn in December 2021.

Social Management

In accordance with our CRMS, we evaluate the potential social benefits, risks and impacts of any major activity. The scope and nature of such Social Impact Assessments (SIAs) depend on local context and regulations. An SIA usually forms part of an ESIA given the environmental and social interdependencies. These are sometimes separated as a legislative requirement.

In 2021, we commissioned two SIAs across two of our operated blocks in Egypt in which we are due to conduct seismic surveys in 2022. Working with an Egyptian social management consultancy, these assessments will help us to understand local community concerns, needs and opportunities to support them. We are also undertaking early preparatory work for a potential ESIA in Mauritania in 2022.

As part of the SIA process, we develop an SMP for each project to avoid or mitigate any negative impacts and enhance the positive benefits identified. In this way, we can assess and track the benefits and impacts together, with the aim of providing a positive overall benefit. Monitoring implementation of SMPs is an important part of these plans.

In Mexico, we are required to report annually to the Secretaría de Energía (SENER), the Mexican Department of Energy, to demonstrate the implementation of our SMP. Due to its closure at the start of the pandemic, our 2019 and 2020 reports could only be submitted when SENER reopened in late 2021.

Local Workforce Development

Wherever we work, we seek to maximise employment opportunities for the national and regional population.

Our PSC in Mexico specifies that we must undertake a technology transfer programme. As part of that, in August 2021, we offered a one-week intensive course on the petroleum system at the Universidad Nacional Autónoma de México in Mexico City. This was delivered remotely to 25 students by Professors Andrew Aplin and Andrew Pepper. Plans to offer an additional module next year are being explored.

Case Study

Investing in Scotland's Children



In 2006, Capricorn's founder created Winning Scotland, a charity dedicated to building young people's confidence by working with those who have the greatest everyday influence: teachers, parents and caregivers. Capricorn is proud to continue with this support.

Winning Scotland works with schools to encourage a growth mindset, where people believe success is determined by effort and skills development rather than innate talent. The Mindset Teams initiative supports teachers to embed this approach over a 12-month period. Around 500 teachers were supported in 2021, with 97% believing it will make them better at their job and 90% saying it improved student-teacher relationships.

As COVID-19 restrictions eased in 2021 and schools reopened, Winning Scotland developed 'Limitless Learning' to fast-track growth mindset development. Six e-modules, each with a live online seminar, guided teachers on how to support students returning to the classroom. Between January and June 2021, 61 teachers participated in a numeracy-focused pilot, with 100% feeling it improved their knowledge.

Following its success in Iceland, Winning Scotland has introduced the 'Planet Youth' programme to Scotland, starting in 13 secondary schools with 2,000 students. The project aims to identify what is needed to keep children safe, healthy and happy in their communities. By listening to teenagers, steps can be taken to prevent risky behaviours like drinking and smoking, while helping families spend more time together and engage with their local community.

Capricorn has been Winning Scotland's biggest supporter for 15 years and throughout 2021, we maintained this position, helping make a difference for children during a time of great need.

Local Procurement and Local Content

We encourage our principal contractors to engage local personnel, where appropriate skills and services exist. In Mexico, for example, the vast majority of the partner companies that Capricorn engages with are local organisations, although the level of contracting has reduced in line with our operated activity in-country.

In line with the Capricorn Operating Standards, we have set out a comprehensive process through which the 'national content' of received tender submissions is assessed. Where applicable, contractors are required to confirm that they, and any subcontractors, will comply with the required minimum percentage of national content and associated reporting requirements.

The categorisation of local, national and international vendors depends on the definitions used within local legislation. In Suriname, for example, we sit on a joint working group with Staatsolie, the national oil company, and receive guidance on national content.

Meanwhile, in Mexico, the methodology is based on a framework underpinning national content, which is mandatory by law. Under our PSC with the Mexican National Hydrocarbons Commission (CNH)², each of our key contracts contains a percentage target for local content. This is assessed during the tender process, and is monitored and reported against during each phase of the contract.

Beyond having a contract with a Mexican company, we need to understand the nationality of its personnel and whether the equipment and materials used are also of Mexican origin. Our selection process uses an electronic platform – EY's SIGA-C system – for capturing, managing and reporting on spend against specific categories and criteria.

We are also required to obtain an annual certification from each supplier confirming the level of national content achieved.

Local Energy Access

We understand that we have a role to play in supporting countries' rights to affordable and clean energy while considering climate action. We have a history of contributing to energy security for host nations through the responsible production of hydrocarbons, such as our legacy projects in India.

Our Legacy in India

Capricorn has enjoyed a long and successful history operating in India, investing billions of dollars, bringing employment and benefiting local communities. The business we created in India has generated more than US\$20 billion in revenues for the Indian Government, and played an active role in helping to build the country's domestic oil industry and in working to enhance its energy security.

In the 1990s, we helped to transform the Ravva oil and gas field along India's eastern coast, which increased from 3,000 barrels of oil per day (bopd) when Capricorn took over operatorship to 50,000 bopd just 18 months later. Then, in 2004, we made a large onshore discovery – the Mangala oilfield – which, with additional discoveries nearby, have gross reserves of approximately 2.2 billion boe³.

In a nation facing rapid economic growth and increasing energy demands, these fields helped to create a world-class oil province in Rajasthan, which remains crucial to India's

development. As well as creating thousands of skilled jobs, these discoveries stimulated growth in other sectors and generated revenues of more than £14.5 billion for the state and national governments.

During our 20-year investment in India, Capricorn has been a model corporate citizen and created a legacy that serves as an example of what can be achieved through partnerships and direct overseas investment. Many of our activities have also contributed to the UN SDGs, including:

- a rainwater harvesting system, able to store more than 10 million litres of drinking water;
- a mobile health van, serving remote local communities;
- an enterprise centre that has trained more than 3,000 people in business skills;
- a dairy development project, offering 900 dairy farmers a market to sell surplus milk; and
- extensive subsurface studies to identify freshwater reservoirs.



² Comisión Nacional de Hidrocarburos

³ barrels of oil equivalent

Community Engagement

We aim to mitigate the possible impacts and enhance the benefits of our community development activities by understanding the concerns of the communities in which we work, and working to meet their needs and aspirations.

Strategic Objectives

- Maintain licence to operate.

Principal Risks

- Lack of adherence to health, safety, environment and security policies.

Material Issues

High materiality:

- Indigenous Peoples' Rights

Medium materiality:

- Community Health
- Cultural Heritage
- Economic or Physical Displacement
- Local Community Stakeholders

2021 Performance Against Sustainability Objectives

- Applied stakeholder engagement registers to forthcoming projects and demonstrated that stakeholder engagement follows our latest guidance.

2022 Sustainability Objectives

- Demonstrate stakeholder engagement follows Group guidance.
- Demonstrate cultural heritage concerns are taken into account in Egypt activity.



Detailed performance data on **Community engagement** is available in our [Data Appendix](#).

Local Community Stakeholders

We aim to enhance the benefits of our community development activities by understanding and addressing the needs, aspirations and concerns of the communities in which we work.

We consult with local stakeholders to identify any potential impacts associated with our activities and to provide us with local knowledge to inform any future action plans. This enables us to minimise risks, maximise shared economic and social benefits, and foster long-lasting relationships with community partners, governments, investors and employees.

Stakeholder engagement will be a key part of our operated exploration activity in Egypt in 2022. We are developing stakeholder engagement plans to support the planned seismic acquisition activity; these will require extensive dialogue with local communities around issues such as land access and compensation.

We are also using targeted stakeholder engagement to support our early-stage activity in Mauritania. To support the Environmental Baseline Survey (EBS) and any future activity, we have communicated with key local community stakeholders such as local fishing representatives. We have shared material with them to explain the project and provided details of our grievance procedures should they have any concerns.

Community Health

Even though many of our assets are located offshore, we recognise our activities can affect local people to some extent. For example, by excluding other vessels from the waters close to our drilling rigs on occasion, our activities can impact local fishermen.

Our activities may also utilise existing infrastructure and services, restricting access for local communities and businesses. In such instances, we share our plans with local community representatives, invite feedback on the issues that affect them and find ways to minimise disruption to those communities. We also use **grievance mechanisms** (page 46) to ensure local people have the means to communicate any concerns to us.



Read more about **Stakeholder engagement** on page 62.

Indigenous People and Cultural Heritage

In recent years, most of our activities have been conducted offshore, with limited impacts onshore. However, we look to address potential impacts on other marine users and around our shore bases. Where indigenous peoples are involved, we work on the principle of Free, Prior and Informed Consent in terms of significant works as part of our 'rights aware' approach. We are revisiting our guidance in 2022 to ensure it is up to date, and we follow latest and best practice in our locations if needed.

In Egypt, our operated exploration concessions are onshore. Communities of local inhabitants, antiquities and artefacts of cultural significance will be major considerations in how we approach our stakeholder engagement work and operational activity. We are preparing SIAs and stakeholder engagement plans for our first operated activity – seismic acquisition in 2022. We are working with local third-party experts to support us in this work.

In Mauritania, our offshore block is located close to the borders of the Parc National du Banc d'Arguin, a UNESCO World Heritage Site. Engagement with local communities of Imraguen people, an artisanal fishing community located within this park, forms a key part of our early, in-country stakeholder engagement (see the **case study** on page 52).

Case Study

Stakeholder Engagement in Mauritania

As we plan for our first operated activity in Mauritania, stakeholder engagement with local communities and organisations is front of mind. To inform this dialogue, in early 2021 we commissioned a third-party specialist to deliver a stakeholder-scoping report.

This report examined considerations including the socio-economic context of Mauritania, the concerns and priorities of key stakeholders, and the history of engagement with the oil and gas sector. It also looked in detail at some of the key facets of the stakeholder landscape in Mauritania, such as the significant environmental and biodiversity importance offshore; the UNESCO-protected World Heritage Site of Parc National du Banc d'Arguin and its local communities of Imraguen people; and the importance of the fishing industry to the national economy.

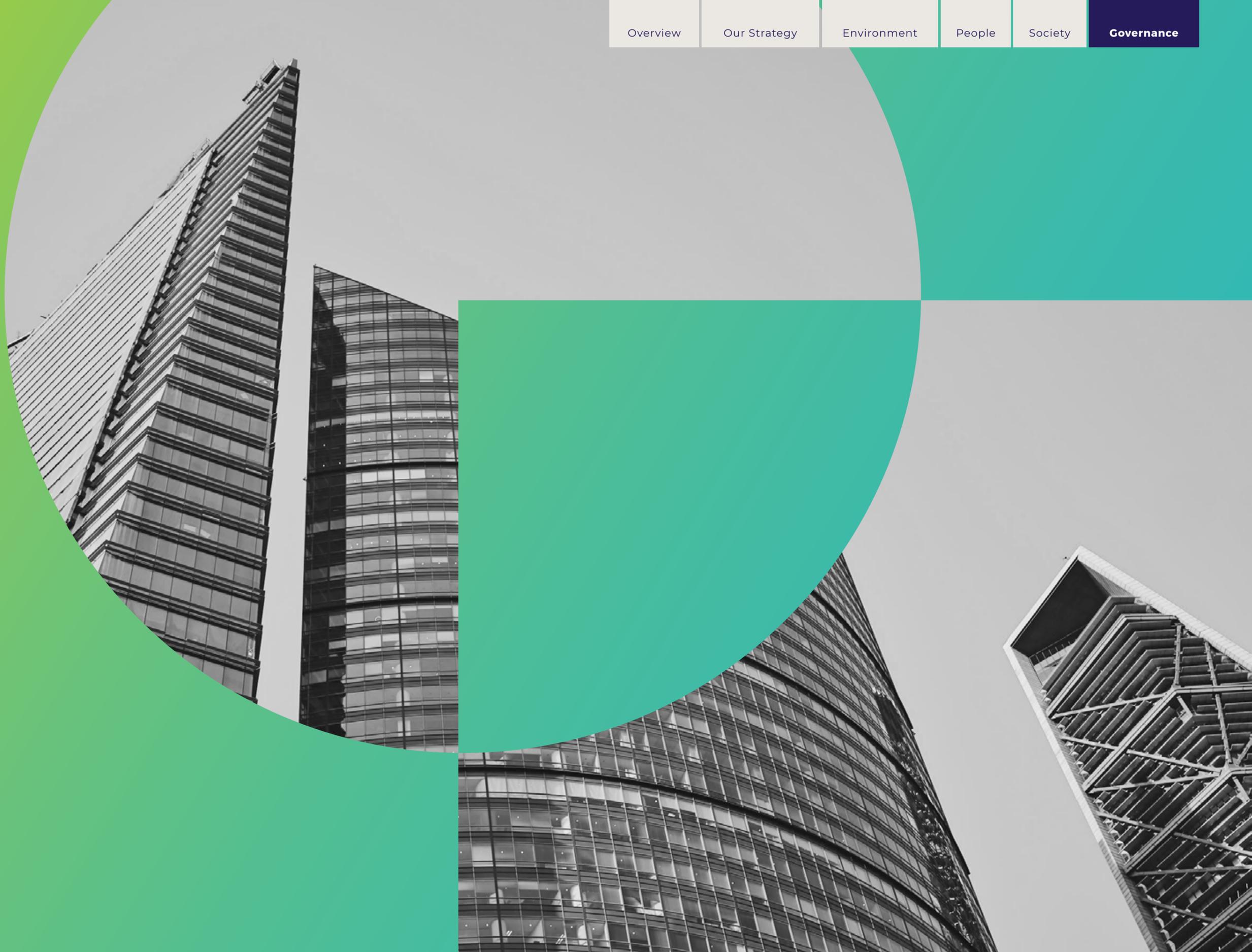
Combined with engagement with our peers and with government and authority bodies in-country, it has been instrumental in helping us to engage with stakeholders around the EBS, which commenced in January 2022.

Having presented our proposed Stakeholder Engagement Plan for government feedback, we sought to engage with key NGOs and representatives of the local fishing communities. Information about the grievance mechanism established to support the EBS activity was shared through information leaflets provided in both French and Arabic.



Governance

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



Climate Risk and Energy Transition

Climate change and energy transition is considered a principal risk to our business. We continue to consider the specific challenges, risks and opportunities it represents to improve our understanding and response. We have revised and improved our Climate and Energy Transition strategy, strengthened organisational capability in this area and set a clear roadmap for achieving our net zero commitment by 2040 or earlier.

Strategic Objectives

- Maintain licence to operate.
- Clarify energy transition position and progress to net zero.
- Maintain a strong business proposition.

Principal Risks

- Future challenges and costs to achieving pathway to net zero by 2040.

Material Issues

High materiality:

- Climate Change Policy and Planning (including Global Energy Transition)
- Reserves Valuation and Capital Expenditure

2021 Performance Against Sustainability Objectives

- Strengthened our Climate and Energy Transition roadmap, committing to net zero emissions by 2040 or earlier.
- Improved communication about climate change for the investment community and wider stakeholders.
- Revised our processes for ESG risk management and target setting with internal and external stakeholders.
- Recorded, tracked and reported our Scope 1 and 2 equity emissions, and demonstrated 'activity normalised' reductions in operated projects.
- Adopted carbon pricing as part of our revised portfolio resilience modelling against a variety of scenarios.
- Approved the migration of our current management systems to a single Operating Management System (OMS).
- Used a range of International Energy Agency (IEA) scenarios to analyse the robustness of our Group reserves under the ongoing energy transition.

2022 Sustainability Objectives

- Continue the decarbonisation of our portfolio by applying the emissions reduction hierarchy and following the roadmap set out in 2021.

→ Detailed performance data on **Emissions, Energy, Water, Waste, Chemicals** and **Biodiversity** is available in our [Data Appendix](#).

TCFD Reporting

Capricorn Energy supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board to improve the reporting of climate-related risks and opportunities. We continue to develop good practices and standards for transparency in line with TCFD recommendations. See pages 18–23 of our [Annual Report](#) for our full TCFD disclosure.

Governance

Addressing climate-related risks is a top priority for Capricorn. Sustainability considerations are now a standing Board agenda item, as well as an important key performance indicator (KPI) in determining our **Management Variable Remuneration** (see page 18 of our [Annual Report](#)). Climate-related risks and opportunities are presented at the Group Risk Management Committee and Management Team meeting for discussion.

The CEO and Board are accountable for the governance of climate-related risks and opportunities, as well as the systems used to manage risks, which are reviewed at each Board meeting. Our Executive Committee (ExCo) also reviews climate and energy transition issues, including Capricorn's position and external drivers.

The Management Team reviews the Group risk register quarterly, as well as the associated controls and actions, to agree on or challenge the main climate-related risks and opportunities. Reporting to the CFO, our newly appointed Energy Transition Director regularly updates the ExCo and the Board on these risks and opportunities.

Strategy

Our Board and Leadership Team consider a wide range of opportunities and risks across three time horizons: short term (to 2025), medium term (to 2030) and long term (post-2030).

Climate-Related Risks

We define risks as either transitional or physical. Transitional risk covers areas such as reputational risk in the short term and policy risk (changing legislation or carbon pricing, for example) in the medium to long term. Physical risk covers longer-term aspects of climate change, such as rising sea levels and mean temperature rises.

→ See the full risk table in our [Annual Report](#).

Climate-Related Opportunities

Capricorn is currently scoping and implementing opportunities to improve the performance of our assets and reduce their carbon intensity. We are focusing on replacing diesel power generation with gas and solar, and eliminating flaring from our operations in Egypt.

To align our supply chain products and services with our own target of net zero emissions by 2040, we promote efficient operations to our contractors and manage our vessels and other assets during drilling operations. Lower fuel consumption – and therefore emissions – is already a point of differentiation when tendering vessels for geophysical and geotechnical survey work in the UK.

→ Read about opportunities such as carbon capture, utilisation and storage in the **Environment** section (page 20) and our support for research into clean energy in the **Society** section (page 47).

Strategy Resilience

A recent resilience test of our Egypt portfolio against three scenarios – the IEA's Stated Policies Scenario (STEPS), Sustainable Development Scenario (SDS) and Net Zero Emissions by 2050 Scenario (NZE) – found that our assets will generate value in the most ambitious climate scenario, aligned with 1.5°C warming. This gives us confidence that our valuation and planning assumptions are robust and that we will continue to create value for all stakeholders.

Risk Management

The Group's risk management framework promotes a bottom-up approach, but with support and challenge from the top down. Climate-related risks and opportunities, and the associated mitigation measures and action plans, are maintained in a series of risk registers at Group, asset, function and project level, and are reported to the Board through various committees. Their potential material impacts are described in the Risk disclosure section of our [Annual Report](#).

Metrics and Targets

Data and graphs outlining the principal metrics and targets we use to assess and manage climate-related risks and opportunities can be found in the TCFD Reporting section of our [Annual Report](#).

Ethics, Anti-Bribery and Corruption, and Transparency

We take a strong position on ethical matters, with zero tolerance for fraud, bribery and corruption. This helps us to access funding, build trust, maintain our licence to operate and deliver value to our stakeholders. We also report transparently on executive remuneration and payments to governments.



Strategic Objectives

- Maintain licence to operate.
- Deliver a sustainable business.
- Production performance.

Principal Risks

- Fraud, bribery and corruption.
- Political and fiscal uncertainties.
- Misalignments with joint venture (JV) operators.

Material Issues

High materiality:

- Government Anti-Bribery and Corruption (ABC) Practices
- Operations in Sensitive and Complex Locations

Medium materiality:

- Advocacy and Lobbying
- Business Partners' Alignment on Sustainability Issues
- Capricorn ABC Practices
- Contractors' and Suppliers' Anti-Bribery and Corruption (ABC) Practices
- Data Protection
- Fines and Prosecutions
- Ineffective Whistleblowing
- Remuneration
- Tax and Payments to Governments

2021 Performance Against Sustainability Objectives

- Reviewed and revised our Code of Ethics to reflect our company strategy.
- Refreshed our company risk profile and risk acceptance statement.
- Completed an internal audit to examine and improve sustainability reporting.
- Assessed bribery and corruption risk within our existing assets and performed due diligence on several other opportunities.

2022 Sustainability Objectives

- Implement an ABC compliance programme for Egyptian assets, including targeted training for personnel, due diligence requirements, whistleblowing refresh and audit reviews of partners and key suppliers.
- Develop Arabic and French versions of the Group Code of Ethics.

→ Detailed performance data on **Ethics, Anti-Bribery and Corruption, and Transparency** is available in our [Data Appendix](#).

Operating With Integrity

We seek to demonstrate integrity in everything we do, to deliver value to all stakeholders and maintain their trust. We take seriously our responsibility for operating in an ethical, transparent way.

At the heart of this commitment lies a culture based on working responsibly. This means having the right values, principles and policies in place, embedding them in our systems and processes, and making sure our people understand and uphold them. To help us:

- the Board remains accountable for strategy and promotes high standards of corporate governance, overseeing delivery of the strategy in line with shareholders' interests;
- the Board engages with shareholders and other stakeholders to deliver benefits;
- the ExCo – formerly the Senior Leadership Team – provides the vision and strategy for culture, corporate governance, corporate responsibility, and health, safety and environment (HSE) matters, for agreement with the Board and for implementation within the business; and
- the Management Team ensures our strategy is translated into our day-to-day business, and that we comply with our ethics and procedures in all projects.

→ See the Chair's Statement in our [Annual Report and Accounts](#) for more information.

Business Partner Alignment on Sustainability Issues

Working ethically and sustainably requires our business partners, as well as our employees and contractors, to align with us on sustainability issues. This involves ensuring that they are compliant with our revised **Code of Ethics** (see page 56), setting Sustainability Objectives and KPIs, and monitoring their performance at Board meetings.

Examples of our collaborations and partnerships include:

- working with the Association of British Independent Exploration Companies (BRINDEX) on global energy transition;
- ongoing relationships and information sharing to ensure alignment with both operating and non-operating partners on standards, procedures, work programmes and costs;
- membership of the International Association of Oil & Gas Producers (IOGP), which helps us to monitor the latest developments in best practice and incorporate them into our CRMS; and
- ongoing support for the World Bank's Zero Routine Flaring by 2030 initiative, the Extractive Industries Transparency Initiative (EITI) and the United Nations Global Compact (UNGC).

Measuring Performance

1 incident of non-compliance with the Code of Ethics

Zero

employee dismissals for non-compliance with the Code

Code of Ethics

Our **Code of Ethics** describes how we do business and sets out our core values, **Business Principles** (page 11) and **High Performing Behaviours** (page 13).

Every employee is required to sign and adhere to the terms of the Code as part of their employment conditions, and their performance is annually assessed against the Code. In addition, we require contractors and service providers working on our behalf to comply with the Code, and we audit them to ensure consistent application.

The Code details our position and provides guidance on a range of issues that shape our business relationships. These include conflicts of interest, bribery and corruption, political contributions, tax principles, insider trading and anti-competitive behaviour. Internal audits conducted by third parties regularly assess our overall compliance with different elements of the Code.

We most recently reviewed the Code in November 2021 to ensure we meet future business needs while maintaining and strengthening our environmental, social and governance (ESG) position. Amendments to the Code included updated wording for our Business Principles, explicit references to energy transition, more transparent linkages with the UN Sustainable Development Goals (SDGs), revamped social investment criteria and an extended commitment not to operate in International Union for Conservation of Nature (IUCN) Ia and Ib category locations to protect biodiversity.

Employees are required to report any incident they believe may not comply with the Code of Ethics or when they have any concerns surrounding ethical issues, by speaking directly to their line manager or using a confidential phone line, available to all employees and contractors. The whistleblowing charity Protect also offers an anonymous channel for staff to use if they prefer. Where appropriate, independent investigations are conducted.

ABC Practices

Maintaining transparent relationships with governments, authorities, contractors and suppliers in the locations where we operate is a high priority for Capricorn. Our zero-tolerance position on bribery, fraud and corruption continues to protect our reputation, our ability to access funding, and our impact on people and communities.

Operating in Sensitive and Complex Locations

Capricorn operates in a variety of locations around the world, each presenting different ethical challenges. In all cases, we seek to understand the geopolitical and local risks, as part of our initial Investment Proposal (IP). In locations where we are looking to establish a more permanent presence, we develop mitigation measures through our New Country Entry (NCE) process.

We track and mitigate associated risks throughout our presence and association with a location or assets, and effectively communicate our position to stakeholders. The range of issues we address includes ABC, human rights abuses and modern slavery, as well as wider ESG and HSE topics, collectively known as 'above-ground risk'.

We seek to make decisions informed by the knowledge gained across the life cycle of our activities, giving us a holistic view. We draw on specialist expertise, where necessary, for advice on specific risks, and integrate detailed management approaches into our projects and often into our investment case.

ABC Assessments for New Ventures

As part of our NCE process, all entries into new territories require an ABC risk assessment to highlight exposure to potential risks and to ensure we take the necessary level of due diligence. Our new venture activity spans many locations with heightened ethical risks and varying attitudes to ABC, so it is critical to identify locations where official corruption might impact our operations and our reputation.

In Egypt, for example, we are engaging in ongoing dialogue and conducting in-country audits to ensure our operating partner Cheiron manages bribery, corruption and modern slavery risks in line with our own ethical standards.

During 2021, we conducted due diligence in all the areas where we have operations, and identified no issues or near misses. A country-specific ABC risk assessment for Egypt conducted in November will be used to drive compliance activities for the next 12 months.

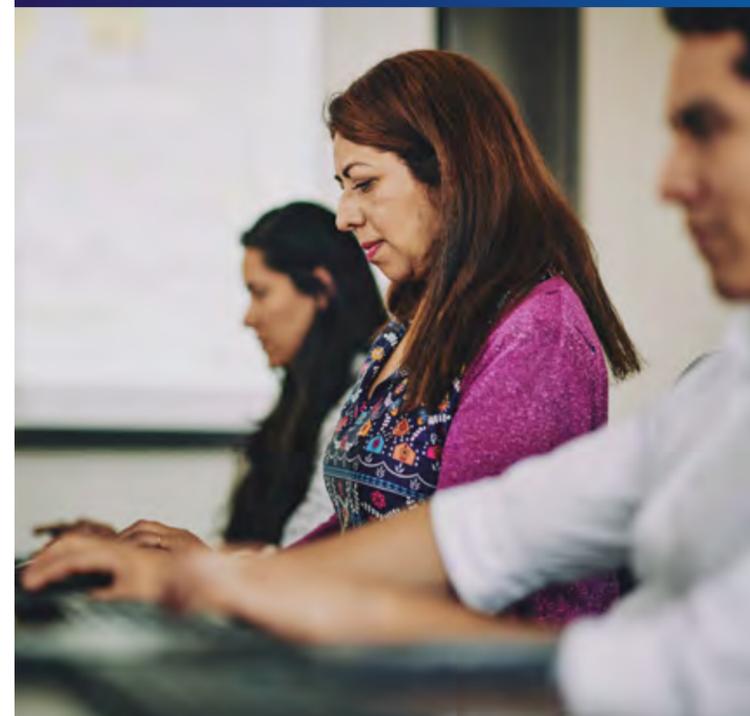
ABC Controls in Operations

We do not tolerate or permit bribery, corruption or improper payments of any kind in our business dealings, anywhere in the world, with either governments or the private sector. Accordingly, staff, business partners and service providers are expected to act with honesty and integrity, and to comply with all applicable laws when working for or with Capricorn.

Business partners and service providers are carefully selected after appropriate due diligence has been conducted, and are subject to written contracts that contain robust anti-bribery and corruption provisions. An ABC register of partners and service providers details the results of any due diligence and monitoring requirements.

As with all stakeholders, our relations and dealings with government officials have integrity at the core. There is guidance for all staff on the protocols that must be followed when interacting with government officials.

→ For details of the ABC training we provide to employees, see our **People** section (page 32).



Transparency and Reporting

As a listed public company, we report annually in line with UK regulations. In 2021, we responded to all queries associated with our [Annual Report and Accounts](#) and to information requests from stakeholders, including investor analysts and shareholder representatives.

This Sustainability Report and accompanying [Data Appendix](#) provide investors, analysts, interest groups and communities with easy access to comprehensive information about our approach and performance. We apply global standards to ensure our reporting is of the highest quality. Having reviewed the evolving trends and requirements in ESG reporting in 2020, we refreshed our reporting against our shareholders' preferences, as well as a number of established **frameworks and standards** (page 12).

Relevant information and regular announcements are provided via the [Investors](#) section of our website and through investor meetings and roadshows, all of which were held remotely during 2021.

→ See [About This Report](#) on page 65 and [Prioritising Issues](#) on page 17 for further information.

→ Download our full [Global Reporting Index \(GRI\) Content Index](#).

Remuneration and Executive Pay

Remuneration in general, and executive pay in particular, remains an issue of interest among our shareholders and wider society. Capricorn is incorporated in the UK and listed on the London Stock Exchange. Therefore, we are required to report against the revised UK Corporate Governance Code.

Our Remuneration Committee ensures that Capricorn is fully compliant with the requirements of the revised Code of Ethics. At the company's AGM in May 2021, the Directors' Remuneration Report, while approved, received fewer than 80% of votes in favour. Following the vote, we undertook a stakeholder engagement exercise, which included offering meetings to discuss the report. More details can be found in the Directors' Remuneration Report in our [Annual Report and Accounts](#).

Data Protection

In compliance with EU General Data Protection Regulation (GDPR) legislation, we document the processing of personal data by both Capricorn and third parties on our behalf, and publish revised privacy notices for greater transparency. In addition, mandatory training has been delivered and a Data Privacy Coordinator supports the Group in complying with GDPR and internal risk governance. We reported no GDPR incidents in 2021.

Case Study

Transitioning to Egypt



In 2019 and into 2020, we conducted extensive due diligence concerning the potential purchase of Shell's Egypt Western Desert interests. A cross-functional team came together to conduct the due diligence, then others joined to form the Transition Team working alongside our partner Cheiron to ensure a smooth transition. People from Cheiron and Capricorn were seconded to key positions in the JV organisation, supporting teams in Cairo and Edinburgh.

In setting up our office and team in Cairo, we employed a Management Team of experienced national and international hired employees and contractors, maximising wherever possible the number of Egyptian nationals in senior and other positions. The team is headed by our Managing Director, who brings many years of experience working and living in Egypt.

We work on two fronts:

- maintaining our high operating standards through the JV with Bapetco¹, in which Cheiron acts as the operating partner alongside Egyptian General Petroleum Corporation (EGPC); and
- increasing the production from the fields in a safe and responsible manner.

Outside the JV structure, we operate three exploration licences, in which we are planning seismic and drilling activities in 2022.

We are proud to say that at the end of Q1 2022, along with our partners, we have increased production from the fields, conducted the first ESG audit of the operating facilities and fields, completed the hiring of our Cairo-based Management Team and supported our partners in maintaining the high standards of operating excellence and ESG we hold ourselves to.

Going forward, we will continue to work to reduce GHG emissions, manage water resources, maintain asset integrity and avoid major accidents.

¹ BADR Petroleum Company

Tax and Payments to Governments

Financial Disclosure and Transparency

We support financial transparency in our industry because we believe it will lead to long-term sustainable growth and build greater trust in Capricorn. We are committed to transparent compliance in the jurisdictions where we work – many of which are complex and uncertain from a legislative perspective – and comply with a number of voluntary standards.

We report payments to governments in our [Annual Report and Accounts](#), in compliance with EU legislation, and as a member of the EITI. The EITI is a voluntary international coalition of governments, companies and civil society working to encourage the full disclosure of tax and other payments made by oil, gas and mining companies to governments; it also requires governments to publish receipts from companies. Both the payments and receipts are independently verified. We have maintained our EITI membership and actively participated in local working groups in relevant countries.

As in previous years, our 2021 EITI disclosures included payments to governments such as corporate income tax, licence fees and withholding tax. We also report additional payments including VAT, payroll taxes and social security costs. We have sold our interests in non-operated UK Continental Shelf assets Catcher and Kraken, relinquished our interests in Côte d'Ivoire, and acquired non-operated interests with a PSC in Egypt and operated exploration acreage in the UK Southern North Sea. Our payments to governments in 2021 were largely limited to licence fees and payroll taxes.

Looking ahead, we will be focused on understanding requirements for our newly acquired assets in Egypt, and licences in Mauritania and the UK Southern North Sea.

Tax Obligations

We operate in several locations with diverse tax obligations and requirements, and seek to comply with local rules and regulations in every territory. Our [Group Tax Strategy](#) is to not enter into any artificial tax planning and, in managing our tax affairs, to align any tax planning with genuine commercial activity.

 See our [Annual Report and Accounts](#) for more information.

Public Policy and Lobbying

We do not engage in party politics or make donations to political parties, candidates or lobbyists. We do engage stakeholders on legislation, regulation and the awarding of new licences, but not through professional lobbyists. Each of our assets is responsible for engaging transparently with host governments and other stakeholders, as part of its local Stakeholder Engagement Plan. This encompasses licence agreements and regulatory requirements, and interfaces with a wide range of non-governmental stakeholders.

Our involvement in public policy development and lobbying is conducted through industry bodies such as the IOGP and regional industry groups. These include Oil & Gas UK, BRINDEX and the Association of Mexican Hydrocarbon Businesses (AMEXHI)².

Measuring Performance

Payments to governments

US\$24.6m

Non-compliance with laws and regulations

Zero

incidents

Zero

non-monetary sanctions

£0

in significant fines

Economics and Funding

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



Strategic Objectives

- Maintain licence to operate.
- Portfolio management.
- Production performance.
- Deliver a sustainable business.

Principal Risks

- Lack of exploration success.
- Volatile oil and gas prices.
- Failure to secure business development opportunities.
- Reserves downgrade or impairment.
- Political and fiscal uncertainties.
- Diminished access to debt markets.
- Future challenges and costs to achieving pathway to net zero by 2040.

Material Issues

High materiality:

- Funding
- JV Partners and Funding
- Management of Material Issues

Medium materiality:

- Investment (Home and Overseas)
- Sustainability Governance

2021 Performance Against Sustainability Objectives

- Reviewed our CRMS against the revised Group strategy, and performed a CRMS audit in selected projects.

2022 Sustainability Objectives

- Develop and implement an OMS covering the full life cycle of assets.

→ Detailed performance data on **Economics and funding** is available in our [Data Appendix](#).

Our Positive Contribution

We are committed to making a positive contribution, wherever we operate, by delivering tangible benefits to our stakeholders based around the UN SDGs. These include, but are not limited to:

- governments, which grant permits and our licence to operate;
- communities, which give us our social licence to operate; and
- employees, contractors and suppliers, which provide the necessary expertise and resources to carry out our activities and create value.

We distribute value through payments to:

- governments and authorities, including taxes and duties;
- promote social and community development in our host countries;
- our contractors and suppliers;
- our employees in the form of salaries and other benefits; and
- shareholders and funding institutions.

Creating and Distributing Value

During 2021, we began moving our portfolio more towards production and made strategic sales of several assets. Taken together, these steps have enabled us to continue creating value for our global shareholders.

A divestment of assets in Senegal, completed in late 2020, returned approximately US\$250 million to shareholders in the form of dividends in early 2021. Similarly, in March 2021, we agreed to sell our Catcher and Kraken fields in the UK for US\$455 million.

The sale of these assets allows us to make funds available for strategic portfolio investment. Funds were reinvested into production assets in Egypt; these include onshore operations with lower production costs, which are more resilient against volatile energy prices. This acquisition moves our overall hydrocarbon split towards gas. The Egypt assets also offer the potential to reduce our GHG emissions.

→ Read about our **tax refund from the Government of India** on page 33 of the [Annual Report](#).

Total Value Generated and Distributed in 2021

Beneficiary	Governments	Communities	Contractors and suppliers	Employees	Investors
Economic Value Distribution	Taxes, fees, etc	Social investment	Capital spend	Employee salaries and benefits	Oil and gas sales revenue
Value (Group) US\$	US\$24.6m	US\$0.6m	US\$89.4m	US\$49.4m	US\$56.2m

Meeting the Highest Sustainability Standards

Increasingly, providers of capital want to ensure that we meet the highest sustainability standards across all our activities, including International Finance Corporation (IFC) and OSPAR requirements, as well as international and national regulations. Similarly, investment analysts, shareholders and funding institutions request increasingly detailed information about our sustainability standards, performance and reporting.

Our sector has to balance changing and emerging risks, as well as growing pressure to improve operating standards, against a need to focus on cost efficiency and carbon emissions reduction. We never compromise our standards or undermine our commitment to working safely and responsibly.

Our CRMS, which includes our policies, procedures and guidance, prescribes the requirements for working safely and responsibly, and enables us to embed processes and procedures throughout the organisation. It also helps us to identify, evaluate and address potential health and safety, security, environmental and societal risks, benefits and impacts.

With effect from early 2022, we established a new Environmental, Safety, Social Responsibility and Sustainability Committee. These areas are considered within every Board decision and are therefore a key element of each Board meeting. Establishing a committee dedicated to these matters will further embed their importance within the Board and across the wider organisation. Capricorn's role in energy transition is a key driver behind the formation of this new committee, which will comprise the full Board.

Investing in New Opportunities

As a potential operator or a JV partner, investing in new opportunities is a significant part of our activities. To protect our investments, we continue to assess sustainability risks when evaluating new relationships or locations. Although some opportunities may be financially attractive, we may decide that the ethical, safety or environmental risks cannot be viably managed to acceptable levels, as articulated by our risk appetite statement. For example, we do not operate in UNESCO World Heritage Sites or IUCN Ia (Strict Nature Reserve) and Ib (Wilderness Area) category locations.

When assessing new ventures, we use the 'advantaged barrels' concept, which considers a wider range of health and safety, social, environmental and energy-based data. This allows us to make informed decisions about how we can extract product more quickly and in a way that's better for the environment.

Through our CRMS, we rigorously evaluate all the risks associated with the location and the investment to ensure the integrity and credentials of the partners involved. This process includes evaluating any sustainability-related concerns using IPs and determining any required action.

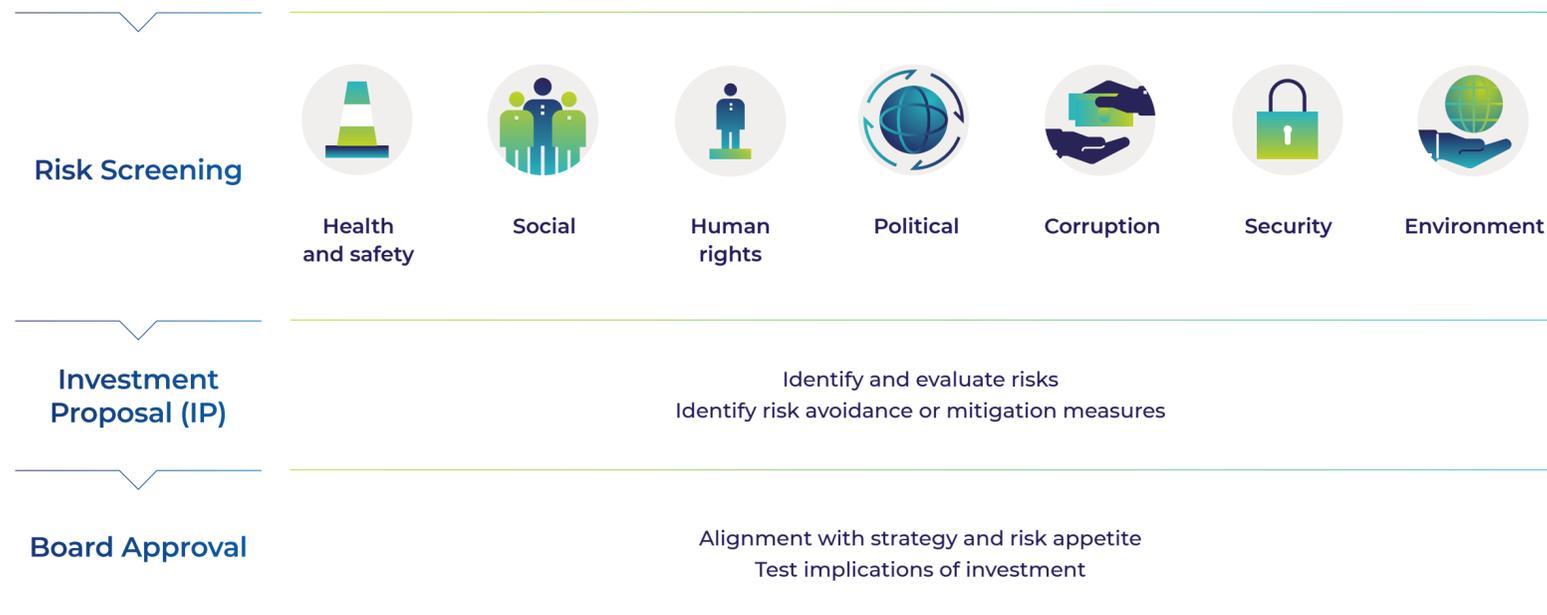
Sustainability Governance

The Board has ultimate accountability for maintaining our culture of working responsibly across the organisation. It is supported by:

- our values, **Code of Ethics**, Business Principles, policies, processes, standards and systems, which all employees, contractors and suppliers are required to comply with;
- the internal oversight of key committees and groups, including our ExCo, Management Team, Risk Management Committee and Audit Committee;
- internal and external assurance audits; and
- engagement with stakeholders, which influences how we view material issues and formulate strategy and business objectives.



Evaluating New Ventures



If the threat is significant, further assessments are undertaken, using specialists where necessary; actions for managing risks developed; or the decision not to proceed is made. All significant new venture projects require Board approval following an assessment of risks.

New Risk Management Software

Over the last year, we have been rolling out our new risk management software. The provider, CAMMS, delivers this platform in conjunction with our incident management reporting software to make the recording and notification of all sustainability, HSE, operational and corporate risks more granular and easier to track across the Group. The system is also able to enhance ownership of risk management, flag emerging risks quickly and aggregate risk registers across all locations to detect common themes and trends.

The new platform includes revised ABC risk assessments and supports comprehensive reporting to the Board; training in the system has already been developed.

We calculate Group reserves and resources in accordance with the Petroleum Resources Management System (PRMS 2018). Third parties perform independent assessments to provide additional assurance to reserve estimates. Reserves are calculated using Capricorn's latest oil and gas price assumptions. In the UK, this included the purchase of carbon allowances under the UK Emissions Trading Scheme for Catcher and Kraken until the point of divestiture.

To illustrate the robustness of the reserves under the ongoing energy transition, sensitivity analyses have been performed using the IEA's published assumptions for its 2021 Stated Policies, Sustainable Development and Net Zero scenarios (see **TCFD Reporting** on page 54). These cover a range of alternative scenarios in terms of demand for hydrocarbons and carbon taxes. Under all variations of the model, each of our existing assets is economically robust.

Capricorn utilises the Oil Production Greenhouse Gas Emissions Estimator (OPGEE) model developed by Stanford University to estimate the Scope 1 and 2 GHG emissions associated with the production and transportation of current oil and gas reserves, as well as new investment opportunities. OPGEE models are used to benchmark emissions in terms of total carbon equivalent and carbon intensity. This data is used to assess the impact of alternative development options for greenfield assets and to identify the opportunities for reducing emissions from existing assets.

➔ For more information, see our [Group Reserves Report](#).

Reserves Valuation and Capital Expenditure

Having examined our business model in the context of energy transition, climate resilience and the UK's commitment to reach net zero, the divestment of several assets created the flexibility we needed to pursue responsible hydrocarbon production opportunities. The strategic development and management of our portfolio throughout 2021 has allowed us to continue creating value for our shareholders, despite the year's uncertainties.



Stakeholder Engagement

Understanding what matters to our stakeholders is fundamental to enabling us to operate. The Board is committed to engaging closely with the Company's diverse range of stakeholders and taking their views into account.

Supporting S172

The Directors of Capricorn Energy PLC, and those of all UK companies, must act in accordance with a set of general duties. The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they considered the interests of key stakeholders and the broader matters set out in Section 172 of the Companies Act 2006. This includes considering the interests of other stakeholders, which may affect the long-term success of the company.

The Board fully recognises the need to balance the contrasting and, at times, conflicting interests of various stakeholder groups while focusing on the Company's purpose, values and strategic priorities in key decision-making. In 2020 and 2021, we have had to operate in the unprecedented context created by the COVID-19 pandemic; however, understanding the aims and concerns of stakeholders helps us to identify and prioritise the issues that are most material to the business.

The Directors of Capricorn Energy PLC consider, both individually and together, that they have acted in

accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

We outline below how the Directors have had regard to the matters set out in S172(1) (a)-(f) of the Companies Act 2006 when discharging their duties, and the effect of that on certain decisions that have been taken.

Stakeholder	Why is it important to engage?	How management and/or Directors engaged	Key topics of engagement	Examples of the impact of such engagement and responses taken	COVID-19 considerations
Investors	<ul style="list-style-type: none"> – Their views influence our strategic and operational decision-making – We are dependent on shareholders for access to funding – We are accountable to our shareholders 	<ul style="list-style-type: none"> – Undertaking a full investor programme, including: <ul style="list-style-type: none"> – Holding 59 investor meetings, including one to ones and attending roadshows/conferences – Conducting regular financial reporting – Responding in a timely manner to investor and analyst enquiries – As the AGM in 2021 was a closed meeting in accordance with UK and Scottish Government guidance regarding COVID-19, offering shareholders the opportunity to submit any questions by email in advance of the meeting – Post-AGM correspondence to discuss vote outcomes 	<ul style="list-style-type: none"> – ESG matters, including energy transition – Board composition, including committee set-up – Strategy and performance – Corporate governance 	<ul style="list-style-type: none"> – Regular reviews of corporate objectives – Board committee structure changes – Launch of the Diversity and Inclusion strategy – Improved transparency regarding bonus scheme disclosures 	<ul style="list-style-type: none"> – Investor meetings were held either through virtual communications platforms or in person when safe to do so due the restrictions in place in response to the COVID-19 pandemic – The Board is committed to communicating in an open and transparent manner with all investors, and places a clear importance on shareholder engagement. Communication and transparency around Capricorn's COVID-19 strategic response and business continuity has been paramount

Stakeholder Engagement continued

Stakeholder	Why is it important to engage?	How management and/or Directors engaged	Key topics of engagement	Examples of the impact of such engagement and responses taken	COVID-19 considerations
Governments	<ul style="list-style-type: none"> – We are responsible to them for compliance with local and/or international laws – Their permissions are required for us to access acreage and operate 	<ul style="list-style-type: none"> – Meetings with heads of state, UK and country ambassadors, ministers and civil servants 	<ul style="list-style-type: none"> – Legal Compliance – ESG matters – Major accident prevention – Investment and economic growth 	<ul style="list-style-type: none"> – Continued monitoring of responsible performance at Board meetings and annual review of CRMS and objective KPI setting – Implementation of enhanced incident reporting system – Reviewing feedback and commentary from government and regulatory bodies regarding performance expectation – KPIs include performance against leading and lagging indicators for HSE protection and are reviewed at all Board meetings 	<ul style="list-style-type: none"> – We continue to monitor controls and advice set out by host governments in our operating locations and multinational organisations such as the WHO, which assisted in shaping and implementing our nine-step plan to ensure all critical activities of the business were unaffected by the pandemic
Business partners, peers and contractors	<ul style="list-style-type: none"> – We are reliant on viable partners in JVs – We are commercially responsible to contractors, suppliers and partners – Their performance directly impacts our financial, operational and responsible performance 	<ul style="list-style-type: none"> – Due to the COVID-19 pandemic, large portions of the engagement throughout 2021 were carried out using virtual technologies and included meetings with partners, peers and contractors with Board members and senior executives in addition to regular JV and operations planning meetings – Maintaining membership of industry bodies – Active management of key projects and assets (including alignment of project deliverables) 	<ul style="list-style-type: none"> – Policies and standards – Industry reputation – Investment opportunities for growth – Long-term relationships – ESG matters 	<ul style="list-style-type: none"> – Careful selection of contractors – Continued membership of International Association of Oil & Gas Producers (IOGP) Security Committee – Actively engage with all JV partners early to establish good working relationships 	<ul style="list-style-type: none"> – Where required and with the help of local partners and contractors, survey work and vessel inspections have been managed remotely. To ensure that best practice is followed, we also monitor how non-operating partners have conducted drilling campaigns during the pandemic

Stakeholder Engagement continued

Stakeholder	Why is it important to engage?	How management and/or Directors engaged	Key topics of engagement	Examples of the impact of such engagement and responses taken	COVID-19 considerations
Local communities and interest groups	<ul style="list-style-type: none"> We have an ethical responsibility to maximise social and economic benefit and to minimise impact on livelihoods and the environments in which we operate 	<ul style="list-style-type: none"> Community meetings Reviews of social investment strategies aligned with UN SDGs Senior management visits Media monitoring Promoting use of stakeholder engagement registers 	<ul style="list-style-type: none"> Protection of resources and livelihoods Community development and social investment Access to employment and business opportunities Transparency of payments to government Biodiversity 	<ul style="list-style-type: none"> Community investment focus to include adaptation to climate change Continued membership of the EITI Continued dialogue with Invest in Africa to build skills and capacity among SMEs Implementation of targeted stakeholder engagement plans to support activity in Mauritania Social investment in Mexico and Suriname to support community biodiversity efforts 	<ul style="list-style-type: none"> As part of our efforts to support the communities where we operate, we continue to monitor the COVID-19 situation in these countries Additionally, in 2021 we made a US\$50,000 donation to Fundación Mexicana para la Salud (FUNSALUD), a healthcare not-for-profit organisation in Mexico, to support its comprehensive COVID-19 relief efforts
Employees	<ul style="list-style-type: none"> We are dependent on employees' performance and that of the wider workforce We have a legal and ethical responsibility for their well-being They bring diverse perspectives to the identification of opportunities and ways of working 	<ul style="list-style-type: none"> Regular staff meetings Monthly 'pulse' surveys Biannual Employee Voice Forum (EVF) meetings Working practice focus groups General Meetings Exit interviews 	<ul style="list-style-type: none"> Strategy Ways of working Lessons learned from projects Internal communication Remuneration and benefits 	<ul style="list-style-type: none"> Enhanced structure for internal communications Gained direct insight into the views of staff on COVID-19 impacts, which facilitated the adoption of hybrid working arrangements on a trial basis Continuing the development and delivery of health and well-being initiatives, including the appointment of a new well-being programme provider 	<ul style="list-style-type: none"> Throughout the various rule changes, our dedicated Return to Office Steering Committee continued to provide guidance to staff members, undertaking risk assessments and implementing required protocols to ensure a safe return for office-based employees at the appropriate time Following a thorough staff consultation process, the Group is trialling a hybrid working model, and new health and well-being initiatives help our staff to feel motivated and supported both in their work and home lives

About This Report

Reporting Period

This document comprises Capricorn Energy's full Sustainability Report 2021. It covers our sustainability strategy and performance from 1 January to 31 December 2021.

Reporting Standards

We report our sustainability information in accordance with a number of **frameworks and standards** (see page 12), which include but are not limited to:

- AccountAbility's **AA1000 Accountability Principles Standard**¹;
- the **Global Reporting Initiative (GRI) Standards** Core option²;
- the **Sustainability Accounting Standards Board (SASB)** Oil & Gas – Exploration & Production Standard; and
- the **Task Force on Climate-related Financial Disclosures (TCFD)**.

Scope and Boundaries

We report on an 'operational control' basis. This means that we report on those assets and activities over which we have control in terms of sustainability policies and practices during 2021, irrespective of the licensed operating party.

For the first time, we have included equity Scope 1 and 2 greenhouse gas (GHG) emissions and energy use in our reporting, accepting the limitations of such data associated with access and verification. We are implementing a two-year programme to improve the quality of this data and will seek to increase equity-based parameters in the future.

We exclude other data where we do not control operations, but we do consider the risks associated with our partners' position and control of such activities. In line with this, our 2021 sustainability information covers our head office in Edinburgh, our regional offices in the UK, Mexico, Egypt and Mauritania, and field operations in the UK, Mexico, Suriname, Egypt and Mauritania.

Data and Performance Indicators

We measure our performance against Group-level key performance indicators (KPIs), which are aligned with the strategy and operational programme of the company. These KPIs are reviewed annually. The KPIs in 2021 were based on strategic business objectives in the following categories:

- health, safety, security and environment (HSSE) and corporate social responsibility (CSR);
- new ventures;
- exploration and development;
- production and cash flow; and
- funding.

In 2021, we revised our Sustainability Objectives (formerly known as CR Objectives) to reflect the evolution of our strategy. A total score of 17.5% comprises:

- 10% ESG Objectives (5% energy transition and climate change, 3% transparency and 2% society); and
- 7.5% HSSE Objectives (5% leading indicators and 2.5% lagging indicators).

A wide range of data is collected on a variety of issues and topics, grouped under the themes of People, Environment, Society and Governance in this report. Our Sustainability Objectives for 2021 will be used to direct our sustainability improvement programme for the year. Read how these reporting themes are informed by our **materiality assessment** on page 17.

The database we use for monitoring and reporting purposes records data by geographical region; it also defines the KPIs to be measured and the frequency at which data should be recorded. Data entry and approval are tracked within the database.

Our incident and accident data is recorded in a separate incident reporting system. This stores all relevant details, and emails defined individuals across the business, including senior managers, to keep them informed of progress. It can trigger an investigation into the incident, depending on its nature.

We use definitions set by the GRI and IOGP to provide comparable and credible data that can be benchmarked against our peers in the oil and gas sector.

Data is collected from our offices and field operations, including each individual rig, vessel, shore base and aviation contractor. Field operations data is usually provided by the contractors involved. We inform these contractors about our KPI and data requirements in advance, as part of the contracting process. These instructions include definitions of the KPIs, methodology notes (such as waste reporting with volume-to-mass conversion factors) and information on incident reporting. The field operations data is collected monthly and entered directly into our database via an online connection, where possible, or submitted in spreadsheets. Data is queried by Capricorn's head office with the providers in their different locations, through the database or via email. Data is summarised routinely and submitted for quarterly reviews to the Management Team and to each Board meeting with a summary of operations and issues.

We update our methodologies on a regular basis; for example, when new methodologies are identified, best practice is improved or calculation factors are updated. Any factors used are reviewed annually. We reviewed the scope of data collection and the parameters we monitor in 2021, as well as the recording of equity-based information. We have sought to obtain raw data where possible from our operating partners to ensure consistent methodologies.

¹ AccountAbility (www.accountability.org) is a global consulting and standards firm that works with governments and organisations to advance responsible business practices and improve long-term performance.

² The GRI (www.globalreporting.org) helps businesses and governments understand and communicate their impact on critical sustainability issues through the GRI Standards. Organisations can report in accordance with the GRI Standards at one of two levels (Core or Comprehensive), depending on the degree to which they have been applied.



Baseline Data

We report historical data from all our activities over the last five years. Levels of activity at Capricorn vary considerably from year to year, so we do not have a fixed baseline or historical reference point.

Uncertainties and Estimates

We make every effort to ensure our data is accurate and transparent, although it is not possible or practical to measure all data exactly (e.g. obtaining electricity consumption data for a small office that is part of a larger building or recording water effluent from an office or vessel that has no water outflow meter). In such cases, we use accepted estimation methodologies that may involve the use of conversion factors (e.g. calculating office data as a proportion of the whole building, using volume-to-mass conversion factors to calculate waste and calculating GHG emissions). We highlight these methodologies with our data.

Data provided by partners is subject to their cooperation and will have wider uncertainties where the methodologies used are unclear.

Targets

Within our Sustainability Objectives, we recognise the importance of both HSSE (lagging and leading) and ESG (leading) indicators, as well as targets, in driving positive behaviour and improved performance. These indicators are linked to mechanisms for assessing both company and individual performance, including incentives for our personnel. The greatest weight is given to leading indicators, as they provide proactive measures to actively improve performance; if implemented correctly, these help to drive good performance as shown by lagging indicators.

We set HSSE lagging targets to exceed the industry norms published annually by the IOGP. We have published our overall targets on Scope 1 and 2 GHGs, including non-operated emissions for the first time. We will set a baseline for improvement using 2022 data and seek to demonstrate clear reductions in the future.

Supporting Data

A full set of sustainability data is available in our [Data Appendix](#). This document includes methodology notes and KPI definitions, with a particular focus on KPIs related to issues deemed to be of high importance to our business and our stakeholders in our materiality process.

External Assurance

An independent environmental data assurer, Deloitte, verified our operated 2021 GHG emissions data (Scopes 1, 2 and 3), as stated in our [Annual Report and Accounts](#) and this report. Within the scope of the limited assurance engagement, the GHG statements made are found to be materially correct. Deloitte found that Capricorn's data collection process and the data reporting platform CR360 are robust, and provided consistent and accurate output data when tested. Deloitte is satisfied the GHG data is reliable and has been prepared in accordance with Capricorn's reporting methodology.

A limited [assurance statement](#), with details of the assurance scope, independence of the assurer and its recommendations, is available online.

Glossary

3Rs	Capricorn's core values: Respect, Relationships and Responsibility
ABC	anti-bribery and corruption
ALARP	As Low As Reasonably Practicable
AMEXHI	Association of Mexican Hydrocarbon Businesses
APP	African Partner Pool
ASEA	Agencia de Seguridad, Energía y Ambiente (Mexican regulators)
BAP	Biodiversity Action Plan
bbl	barrel
BEIS	Department for Business, Energy & Industrial Strategy (UK)
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
BOP	blowout preventer
bopd	barrels of oil per day
BRINDEX	Association of British Independent Exploration Companies
CCUS	carbon capture, utilisation and storage
CEO	Chief Executive Officer
CERT	Crisis and Emergency Response Team
CMAPP	Corporate Major Accident Prevention Policy
CNH	Comisión Nacional de Hidrocarburos (National Hydrocarbons Commission, Mexico)
CO ₂	carbon dioxide
CO ₂ e	carbon dioxide equivalent
COO	Chief Operating Officer
COS	Capricorn Operating Standards
CR	corporate responsibility
CRMS	Corporate Responsibility Management System
CSR	corporate social responsibility
EAJ	Environmental Assessment Justification
EBS	Environmental Baseline Survey
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
ESG	environmental, social and governance
ESIA	Environmental and Social Impact Assessment
EU	European Union
ExCo	Executive Committee
EY	Ernst & Young LLP

FRC	Financial Reporting Council
GDPR	General Data Protection Regulation
GHG	greenhouse gas
GRI	Global Reporting Initiative
HSE	health, safety and environment
HSSE	health, safety, security and environment
HWU	Heriot-Watt University
IBP	Impact Benefit Plan
IEA	International Energy Agency
IFC	International Finance Corporation
IIA	Invest in Africa
IMT	Incident Management Team
IOGP	International Association of Oil & Gas Producers
IP	Investment Proposal
IPIECA	International Petroleum Industry Environmental Conservation Association
IRT	Incident Response Team
IT	information technology
IUCN	International Union for Conservation of Nature
JNCC	Joint Nature Conservation Committee
JV	joint venture
KPI	key performance indicator
LNG	liquefied natural gas
LTIF	Lost Time Injury Frequency
MARPOL	International Convention for the Prevention of Pollution from Ships
mcf	million cubic feet
mmbpd	million barrels per day
MMO	marine mammal observer
MSA	Modern Slavery Act
NATIN	Institute for Natural Resources and Engineering Studies (Suriname)
NCE	New Country Entry
NDC	Nationally Determined Contribution
NGO	non-governmental organisation
NZE	Net Zero Emissions scenario
OMS	Operating Management System
OPGEE	Oil Production Greenhouse Gas Emissions Estimator

OSPAR	Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic
OSRL	Oil Spill Response Limited
PAM	passive acoustic monitoring
PDP	Project Delivery Process
PPE	personal protective equipment
PSC	Production Sharing Contract
QA	quality assurance
QC	quality control
RWDC	Restricted Workday Case
SASB	Sustainability Accounting Standards Board
SASISOPA	Sistema de Administración de Seguridad Industrial, Seguridad Operativa y Protección del Medio Ambiente (Industrial Safety, Operational Safety and Environmental Protection Administration System)
SDS	Sustainable Development Scenario
SECE	Safety and Environmentally Critical Element
SENER	Secretaría de Energía (Mexican Department of Energy)
SI	social investment
SIA	Social Impact Assessment
SMEs	small and medium-sized enterprises
STEPS	Stated Policies Scenario
TCFD	Task Force on Climate-related Financial Disclosures
TRIR	Total Recordable Injury Rate
UDHR	Universal Declaration of Human Rights
UK	United Kingdom
UN	United Nations
UNAM	Universidad Nacional Autónoma de México
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGC	United Nations Global Compact
UN SDGs	United Nations Sustainable Development Goals
US\$	United States dollar
VOCs	volatile organic compounds
VPSHR	Voluntary Principles on Security and Human Rights
WCPMP	Well Construction Project Management Procedure
WHO	World Health Organization



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