

22 April 2022

**Annual Report & Accounts and Notice of Annual General Meeting**

Pharos Energy plc  
("Pharos" or the "Company" or, together with its subsidiaries, the "Group")

**Annual Report & Accounts and Notice of Annual General Meeting**

The Annual Report & Accounts of the Company for the year ended 31 December 2021 (in pdf and ESEF compliant format), a Shareholder Circular, which includes Notice of the 2022 Annual General Meeting, and a Form of Proxy are now available on the Company's website and can be accessed via [www.pharos.energy](http://www.pharos.energy).

Hard copies of the above two documents, together with a Form of Proxy, have been mailed to those shareholders having elected to receive paper copies.

In accordance with LR 9.6.1, copies of the above documents have also been submitted to the FCA's National Storage Mechanism and will shortly be available for inspection on the National Storage Mechanism's website, <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

This dissemination announcement is based upon the Company's announcement of Preliminary Results for the Year Ended 31 December 2021 made on 16 March 2022 with the addition of information required by Disclosure and Transparency Rule (DTR) 6.3.5R set out below in the Appendix.

**Annual General Meeting ('AGM')**

The 2022 Annual General Meeting will be held at Argyll, 8-10 Hill Street, London, W1J 5NG on 19 May 2022 at 9.00 a.m.

The Board has been considering how to deal with the ongoing impact of the COVID-19 pandemic on arrangements for the 2022 AGM. Our preference would have been to welcome shareholders in person to our 2022 AGM, particularly given the constraints we faced in 2020 and 2021, however due to the continued unpredictability and potential health risks from public gatherings because of the COVID-19 pandemic, the Board is planning to hold the AGM with minimal attendance at the venue for quorum purposes in order to conduct the business of the meeting. The health and wellbeing of our employees, shareholders and wider community is a priority for Pharos and our AGM arrangements must take this into account. Shareholders are therefore encouraged not to attend in person and instead to cast their votes by appointing the Chair of the Meeting as proxy to vote on their behalf. If, nonetheless, you wish to attend the AGM physically or appoint a person as your proxy other than the Chair of the Meeting, you are asked to register your intention to attend by email to [info@pharos.energy](mailto:info@pharos.energy) on reasonable notice, to allow the Company, if practical, to make appropriate arrangements. If you do not register your intention to attend in this way, this could result in either you or your proxy (if a person other than the Chair of the Meeting) not being permitted entry to the AGM.

The Board will continue to closely monitor the ongoing impact of COVID-19, and if it becomes necessary or appropriate to change the arrangements for the AGM to permit shareholder attendance, the Company will notify shareholders before the AGM via its website at [www.pharos.energy](http://www.pharos.energy) and, where appropriate, through the release of an announcement to a Regulatory Information Service. The arrangements expected to be required for any shareholder seeking to attend the AGM may include appropriate social distancing and other protective measures, including requiring shareholders to produce a negative COVID-19 test prior to being admitted.

The Board recognises that the AGM is an important event for shareholders in the corporate calendar and is committed to ensuring that shareholders can exercise their right to vote and ask questions in connection with this meeting.

In light of the above, the AGM arrangements will be as set out below:

- We are planning minimal attendance at the venue for quorum purposes to conduct the business of the meeting.
- As set out above, shareholders are encouraged not to attend the Company's AGM in person and are instead encouraged to appoint the Chair of the Meeting as their proxy to vote on their behalf.
- We encourage shareholders to submit questions about the business of the meeting on reasonable notice in advance of the meeting by email to [info@pharos.energy](mailto:info@pharos.energy) and in so far as relevant to the business of the meeting questions will be responded to by email, taken into account as appropriate at the meeting itself and made available on the Company's website in advance of the meeting at [www.pharos.energy/investors/shareholder-centre/agm-gm/](http://www.pharos.energy/investors/shareholder-centre/agm-gm/).
- Voting at the AGM will be carried out by way of a poll so that the votes cast in advance and the votes of all shareholders appointing the Chair of the Meeting as their proxy to vote on their behalf can be taken into account.
- There will be no update on trading or other management statements given at the AGM although a trading and operations update will be published on the Company's website before the AGM.
- The results of the AGM will be announced as soon as practical after it has taken place.

22 April 2022

Annual Report & Accounts and Notice of Annual General Meeting

Shareholders wishing to vote on any of the matters of business at the AGM are therefore strongly encouraged to:

- Submit their votes (as soon as possible) in advance of the meeting through the proxy and electronic voting facilities and to appoint the Chair of the meeting as their proxy for this purpose.
- Submit any questions in connection with the business of the meeting on reasonable notice in advance of the meeting to [info@pharos.energy](mailto:info@pharos.energy).
- Look out for any updates in connection with the arrangements for the AGM via RNS and on the Company's website and for the announcement of the results of the AGM following the meeting.

#### Enquiries

Pharos Energy plc  
Tony Hunter, Company Secretary

Tel: 0207 603 1515

Camarco  
Billy Clegg | Rebecca Waterworth | Georgia Edmonds

Tel: 020 3757 4980

#### Notes to editors

Pharos Energy plc is an independent oil and gas exploration and production company with a focus on sustainable growth and returns to stakeholders, which is listed on the London Stock Exchange. Pharos has production, development and/or exploration interests in Egypt, Vietnam and Israel. In Egypt, Pharos holds a 45% working interest share in the El Fayum Concession in the Western Desert, with IPR Lake Qarun, part of the international integrated energy business IPR Energy Group, holding the remaining 55% working interest. The El Fayum Concession produces oil from 10 fields and is located 80 km southwest of Cairo. It is operated by Petrosilah, a 50/50 joint stock company between the contractor parties (being IPR Lake Qarun and Pharos) and the Egyptian General Petroleum Corporation (EGPC). Pharos also holds a 45% working interest share in the North Beni Suef (NBS) Concession in Egypt, which is located immediately south of the El Fayum Concession. IPR Lake Qarun operates and holds the remaining 55% working interest in the NBS Concession. In Vietnam, Pharos has a 30.5% working interest in Block 16-1 which contains 97% of the Te Giac Trang (TGT) field and is operated by the Hoang Long Joint Operating Company. Pharos' unitised interest in the TGT field is 29.7%. Pharos also has a 25% working interest in the Ca Ngu Vang (CVN) field located in Block 9-2, which is operated by the Hoan Vu Joint Operating Company. Blocks 16-1 and 9-2 are located in the shallow water Cuu Long Basin, offshore southern Vietnam. Pharos also holds a 70% interest in, and is designated operator of, Blocks 125 & 126, located in the moderate to deep water Phu Khanh Basin, north east of the Cuu Long Basin, offshore central Vietnam. In Israel, Pharos, together with Capricorn Energy PLC (formerly known as Cairn Energy PLC) and Israel's Ratio Oil Exploration, has eight licences offshore Israel. Each party has an equal working interest and Capricorn Energy is the operator.

## Appendix

Following the release of the Company's Preliminary Results for the Year Ended 31 December 2021 made on 16 March 2022, additional information is set out below in accordance with DTR 6.3.5R.

**1) The following is extracted from page 121 of the Company's Annual Report and Accounts 2021 at [www.pharos.energy](http://www.pharos.energy).**

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that, to the best of each person's knowledge:

- (a) the Financial Statements set out on pages 123 to 162, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the Group taken as a whole;
- (b) this Directors' Report along with the Strategic Report, including each of the management reports forming part of these reports, includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face and how these are being managed and mitigated as set out in the Risk Management and Risk Report on pages 43 to 57; and
- (c) the annual report and the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's position, performance, business model and strategy.

Approved by the Board and signed on its behalf.  
Sue Rivett

Chief Financial Officer  
15 March 2022

22 April 2022

Annual Report & Accounts and Notice of Annual General Meeting

2) *The following description of the principal risks and uncertainties is extracted from the Risk Management Report (pages 43 to 55) of the Annual Report and Accounts 2021 at [www.pharos.energy](http://www.pharos.energy).*

### PRINCIPAL RISKS AND UNCERTAINTIES

A summary of the key risks affecting Pharos and how these risks are mitigated to enable the Company to achieve its strategic objectives is as follows.

Key to change in likelihood: ↑ Increase   ←→ No Change   ↓ Decrease   N New Risk

STRATEGIC			
Principal risks	Change in likelihood	Causes	Risk Mitigation
<p><b>1. Further lockdowns dampening oil demand</b></p> <ul style="list-style-type: none"> <li>▪ Sub-optimal pricing on commodity sales</li> <li>▪ Reduced revenue to finance operations</li> </ul>	↓	<ul style="list-style-type: none"> <li>• Emergence of new variants or other viruses</li> <li>• Waning efficacy of vaccinations and boosters</li> <li>• COVID-19 infections continue to go up</li> <li>• The virus maintains its pandemic status throughout 2022</li> <li>• Social disorder as poorer nations / populations fall behind on vaccination programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to maintain and promote precautionary measures to minimise disruption to business</li> <li>• Procure long lead items as early as possible from reliable suppliers / contractors</li> <li>• Tight cash management and forecasting</li> <li>• Hold back on discretionary spend</li> <li>• Oil price hedging</li> <li>• The bulk of our output sold on the local markets where demand remains strong</li> <li>• Closely follow and comply with all applicable law, regulation and public health guidance relating to the COVID-19 pandemic</li> </ul>
<p><b>2. Insufficient funds to meet commitments</b></p> <ul style="list-style-type: none"> <li>▪ Inability to invest in line with growth strategy</li> </ul>	↓	<ul style="list-style-type: none"> <li>• Reallocation of capital away from oil and gas</li> <li>• Huge swings in oil and other commodity prices</li> <li>• Assets bubble bursts</li> <li>• Global debt crises emerging</li> <li>• Inadequate cost control</li> <li>• Poor technical data to support allocations</li> <li>• High inflation</li> </ul>	<ul style="list-style-type: none"> <li>• Regular review of funding options</li> <li>• Proactive dialogue with banks and other providers of capital</li> <li>• Opportunity screening</li> <li>• Effective project management and resourcing</li> <li>• Cost carry by farm-in partner(s)</li> <li>• Thorough capital allocation process</li> </ul>
<p><b>3. Volatility in Production levels</b></p> <ul style="list-style-type: none"> <li>▪ Sub-Optimal well performance</li> <li>▪ Reduced drilling</li> </ul>	←→	<ul style="list-style-type: none"> <li>• Inadequate waterflood responses</li> <li>• Incorrect well placements</li> <li>• Development wells uncommercial</li> <li>• Poor reservoir models</li> <li>• Lack of financing for drilling programme</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a clear wells strategy, focusing on performance improvement, regulatory compliance and increased activity</li> <li>• Increase drilling activity / plan-drill additional injection wells / frac injection zone</li> <li>• Reduce cost of well construction</li> <li>• Increase surveillance and intervention rates</li> <li>• Perform Target workovers on Producer /injection wells</li> </ul>

			<ul style="list-style-type: none"> <li>• De-risk best prospects / drill best prospects</li> <li>• Improve Reservoir models</li> <li>• Implement planned drilling programmes</li> </ul>
<p><b>4. Health, Safety, Environmental and Social Risk</b></p> <ul style="list-style-type: none"> <li>▪ Reputational</li> <li>▪ Operational outages leading to lower production</li> </ul>	↑	<ul style="list-style-type: none"> <li>• Business disruption due to workforce affected by COVID-19</li> <li>• Health and safety and environmental risks of major explosions, leaks or spills</li> <li>• High risk operating conditions and HSES risks</li> <li>• Climate change impacts on the sector, such as extreme weather, sea level rise and water availability affecting production</li> <li>• Gas venting and flaring hazards and risks - well blow outs, land/water contamination</li> <li>• Non-alignment of new acquisitions HSES practices with Pharos Corporate standards</li> <li>• Increased disparities and societal risks in health, technology or workforce opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Implement precautionary measures based on WHO guidance, restrict business travel and facilitate working from home, PCR testing</li> <li>• Improve structural and Asset Integrity through strong operational and maintenance processes which are critical to preserving a safer environment</li> <li>• Comply with all legislative / regulatory frameworks and transitioning to a goal based approach focused on improving safety</li> <li>• Promote a positive health and safety culture where workers are given proper training and incentives to work “safe” with a zero tolerance for non- compliance</li> <li>• Environmental and Social Impact Assessments relating to, for example: <ul style="list-style-type: none"> <li>○ climate impacts and need to adapt to changing climate conditions over the life of the asset</li> <li>○ regulatory developments</li> </ul> </li> <li>• Enhance emergency preparedness and spill prevention plan <ul style="list-style-type: none"> <li>○ Controlled venting</li> <li>○ Control and management of pressurised oil and gas from boreholes</li> <li>○ Use of low impact extraction chemicals where alternatives exist</li> <li>○ Water management - securing of a sustainable water supply, recycling and reuse wastewater</li> <li>○ Marine management plan - especially for offshore drilling</li> <li>○ Carry out scenario exercises to improve preparedness</li> </ul> </li> <li>• Maintaining adequate energy insurance for our assets and operations</li> </ul>
<p><b>5. Climate Change Concerns</b></p> <ul style="list-style-type: none"> <li>▪ Lack of Capital</li> <li>▪ Reputational</li> </ul>	↑	<ul style="list-style-type: none"> <li>• Pressure on investors to divest / avoid fossil fuel companies / projects</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent reporting and participation in Carbon Disclosure Project (CDP) and Water questionnaire</li> </ul>

22 April 2022

Annual Report & Accounts and Notice of Annual General Meeting

<ul style="list-style-type: none"> <li>▪ Increased capex and operating costs</li> <li>▪ Physical Damage to Assets</li> <li>▪ Lower oil prices</li> <li>▪ Stranded assets</li> <li>▪ Regulatory changes – potential taxes</li> </ul>		<ul style="list-style-type: none"> <li>• Inability to find economically viable CO reduction solutions</li> <li>• Lack of alignment between our key stakeholders’ priorities and climate change concerns</li> <li>• Global transition to a lower carbon intensity economy</li> <li>• Increased climate regulation and disclosure</li> <li>• Increase in carbon taxes / decarbonisation charges</li> <li>• transformational shifts leading to reduced demand for fossil fuels</li> <li>• Climate activists pressing prominent institutions and investors to abandon fossil investments - “greening” the financial system</li> <li>• Increased frequency of extreme weather events</li> <li>• Supply chain disruptions causing delay/ shutdowns to operations</li> <li>• Lack of partner alignment on decarbonisation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Continue alignment with TCFD recommendations</li> <li>• Further integrate climate risk management within Pharos Risk Management Framework</li> <li>• Stress test our going concerns under a Net Zero Emissions price scenario and carbon tax</li> <li>• Embed Climate change scenarios and evaluate decisions on key business operations / directions</li> <li>• Continuous improvement of GHG emissions management and get JOCs to support CO emissions reduction initiatives</li> <li>• Update our Climate Change Policy and keep it fit for purpose and in line with evolving decarbonisation developments</li> <li>• Comprehensive insurance cover for Physical Damage</li> <li>• Regional close monitoring of extreme weather developments so that evacuation or shut-down are activated in good time</li> <li>• Regular and timely control of inventories to ensure essential spares are sourced in advance</li> <li>• Prepare business case or back pay study to support decarbonisation initiatives</li> </ul>
---	--	---	---

FINANCIAL*			
Principal risks	Change in likelihood	Causes	Risk Mitigation
<p><b>6. Commodity Price risk</b></p> <ul style="list-style-type: none"> <li>▪ Uncertainty on planning</li> <li>▪ Inability to fund work programme / dividend</li> </ul>	<p>↔</p>	<ul style="list-style-type: none"> <li>• On-going market volatility and uncertainties from COVID-19</li> <li>• Geo-political factors and international conflicts</li> <li>• Pressure on investors to divest / avoid fossil fuel companies / projects</li> <li>• Lower long-term prices tighten the margin of error for investments</li> <li>• Forecasting volatility swings are more complex as it is challenging to gauge what that means for the industry as market dynamics are influenced by the speed of recovery from COVID-19 and growing ESG pressures</li> <li>• Negative cash flows &amp; earnings degradation</li> <li>• Market speculation and trading in oil futures</li> </ul>	<ul style="list-style-type: none"> <li>• Oil commodity Hedging               <ul style="list-style-type: none"> <li>○ Comply with RBL requirements</li> <li>○ Maintain robust processes around treasury, governance, forecasting, credit and risk</li> </ul> </li> <li>• Close monitoring of business activities, financial position cash flows</li> <li>• Control over procurement costs / effective management of supply chains derived from third parties - suppliers, joint venture partners, investors, and contractors</li> <li>• Stress test scenarios and sensitivities via principal compound risk analysis to</li> <li>• ensure a level of robustness to downside price scenarios</li> <li>• Capital discipline with focus on controlling and managing costs</li> <li>• Discretionary spend actively managed</li> </ul>

22 April 2022

Annual Report & Accounts and Notice of Annual General Meeting

		<ul style="list-style-type: none"> <li>Resurgence of new COVID-19 variants</li> </ul>	<ul style="list-style-type: none"> <li>Maintain and cultivate good relationships with lenders</li> </ul>
<p><b>7. Rising Operational Costs</b></p> <ul style="list-style-type: none"> <li>Reduced profits</li> <li>Strain on cash flows</li> <li>Shortages in skilled labour</li> </ul>	<b>N</b>	<ul style="list-style-type: none"> <li>Global inflation</li> <li>Turmoil in the energy markets causing sharp price hikes</li> <li>Sudden unplanned rate increases for oil and gas services</li> </ul>	<ul style="list-style-type: none"> <li>Regular updates to yearly budgets and forecasts</li> <li>Focus in discretionary spend</li> <li>Secure long-term contracts where appropriate without lock-ins</li> <li>Explore applying new technological advances, focus on prevention and early detection</li> <li>Headcount re-structure at all levels</li> </ul>

<b>OPERATIONAL</b>			
Principal risks	Change in likelihood	Causes	Risk Mitigation
<p><b>8. Reserves Risk</b></p> <ul style="list-style-type: none"> <li>Future cash flows and value depend on producing our reserves</li> </ul>	<b>↔</b>	<ul style="list-style-type: none"> <li>Inaccurate reserves estimates</li> <li>Subcontracting certain reserves estimation work to independent reserve engineers outside the direct control of the Group</li> <li>Earlier impairment triggers due to low commodity price</li> <li>Capital constraints jeopardise planned exploration / development initiatives</li> <li>Inherent uncertainties in the evaluation techniques to estimate the 2P reserves</li> <li>Increased DD&amp;A costs</li> <li>Lower than expected well performances and drilling results</li> <li>Slower drilling programmes</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and maintain standards of reserves reporting by adhering to three key considerations: of consistency, transparency and utility, including disclosure of movements in reserves on a country-by-country basis, disclosure of material projects and moderation of subjective judgements</li> <li>On-going evaluation of projects in existing and potential new areas of interest and pursue development opportunities</li> <li>Regular reviews of reserves estimates by independent consultants (Lloyds Registered)</li> <li>Ensure continuing adherence to industry best practice regarding technical estimates and judgements</li> <li>Ensuring peer and independent verification of future production profiles and reserve recovery</li> <li>RBL facility compliance - Vietnam Reserves are audited independently by reserves consultants approved by lenders</li> </ul>
<p><b>9. Partner Alignment Risk</b></p> <p><b>Vietnam</b></p> <ul style="list-style-type: none"> <li>Misalignment at JV/JOC level can delay investment</li> <li>Adverse impact on Production and Cash flow</li> </ul>	<b>↑</b>	<ul style="list-style-type: none"> <li>Co-venturers divergent views on Drilling and Upgrade programme 2021/22</li> <li>FPSO Tie-in Agreement from other Operator</li> <li>Delay in the Field Development Plans</li> <li>Technical disagreement caused by quality of JV staff,</li> </ul>	<ul style="list-style-type: none"> <li>Active Participation in JOC management</li> <li>Direct secondment</li> <li>Build Senior Management level relationship with local Partners</li> <li>Continue good relationship with other Foreign Partner</li> <li>2022 TGT Work Programme agreed in principle and preliminary preparation of bid packages</li> </ul>

22 April 2022

Annual Report & Accounts and Notice of Annual General Meeting

<p><b>Egypt</b></p> <ul style="list-style-type: none"> <li>▪ Technical Misalignment of JV Company</li> <li>▪ Adverse impact on Production and Cash flow</li> </ul>		<p>work ethic, low productivity, competency issues</p> <ul style="list-style-type: none"> <li>• Geological Modelling differences resulting in sub-optimal well locations</li> <li>• Incoming partner (IPR) and current partner (EGPC) divergent views on investments, and difference in value-drivers.</li> </ul>	<ul style="list-style-type: none"> <li>• Close collaboration with incoming and current partner</li> <li>• Support JV training initiatives</li> <li>• Engage with new JV Exploration Manager. Achieve technical buy-in to ERCE model</li> <li>• Waterflood analogue success education</li> </ul>
<p><b>10. Cyber risk</b></p> <ul style="list-style-type: none"> <li>▪ Major cyber security breach may result in loss of key confidential data</li> <li>▪ Unavailability of key systems</li> </ul>	<p>↑</p>	<ul style="list-style-type: none"> <li>• Sophistication and frequency of cyber-attacks increasing</li> <li>• Heavy reliance on and disruption to critical business systems</li> <li>• Infiltration of spam emails corrupting our systems</li> <li>• Critical reliance on remote working in light of COVID-19 pandemic and expectation of longer-term hybrid working practices</li> </ul>	<ul style="list-style-type: none"> <li>• Update Service level agreement with IT providers</li> <li>• Offsite Installation of back-up system and Business Recovery / continuity Plan in place</li> <li>• Enhance our Cloud back-up data and solutions</li> <li>• Prevention &amp; detection of cyber threats via a programme of effective continuous monitoring</li> <li>• Plan for staged integration (new acquisition) and upgrade of IT systems</li> </ul>
<p><b>11. Human Resource Risk</b></p> <ul style="list-style-type: none"> <li>▪ Good skilled people are essential to ensure success</li> </ul>	<p>↑</p>	<ul style="list-style-type: none"> <li>• Failure to recruit and retain high calibre personnel to deliver on and implement growth strategy</li> <li>• Challenges in the recruitment &amp; integration of additional technical expertise for any new acquisition</li> <li>• Negative view of the oil and gas industry amongst younger professionals, particularly in light of climate change impacts</li> <li>• High costs of recruiting experienced workforce</li> <li>• Weakened corporate culture and collegiate responsibility due to remote working</li> <li>• Restructuring workforce</li> <li>• Board re-composition and retirements</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration Committee retains independent advisors to test the competitiveness of compensation packages for key employees</li> <li>• On-going succession planning</li> <li>• Maintain a competitive remuneration mix re bonus, long-term incentive and share option plans</li> <li>• Build and use people networks in each country and advertise vacancies in these networks</li> <li>• Maintain a programme for staff wellbeing</li> <li>• Facilitate and encourage workforce communication via employee surveys and shared feedback</li> </ul>

REPUTATION			
Principal risks	Change in likelihood	Causes	Risk Mitigation
<p><b>12. Sub-optimal capital allocation</b></p> <ul style="list-style-type: none"> <li>▪ Adverse reaction from current / future stakeholders</li> <li>▪ Investment decisions based on realistic / achievable economic assumptions</li> </ul>	↔	<ul style="list-style-type: none"> <li>• Scarcity of capital for investment projects</li> <li>• A volatile macroeconomic environment resulting in significant differences to key assumptions underpinning investment decisions</li> <li>• Pressure to invest and produce growth and returns in the short term to maintain dividend payments</li> <li>• Shareholder focus on increasing returns in conflict with wider strategic considerations</li> <li>• Inability to “switch-off” drilling / investment commitments if economic assumptions change rapidly</li> <li>• Lack of partner/stakeholder alignment on decarbonisation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out robust economic analyses based on opportunities high-grading to support capital allocation</li> <li>• Key KPIs such as NPV, IRR and payback used to compare across many project scenarios</li> <li>• Rig count investment scenarios are stress-tested against a range of Brent oil price</li> <li>• Seeking to maximise influence to promote best practice in non-operated ventures -</li> <li>• Seek the views of stakeholders through direct and indirect engagement</li> <li>• Maintain a balanced investment portfolio which allows a degree of resilience</li> <li>• in adjusting short-term investment commitments</li> <li>• Prepare business case or back pay study to support decarbonisation initiatives</li> </ul>
<p><b>13. Political and Regional risk</b></p> <ul style="list-style-type: none"> <li>▪ Energy sector exposed to a wide range of political developments which may impact adversely on operating costs, compliance and taxation</li> </ul>	↑	<ul style="list-style-type: none"> <li>• Operations in challenging regulatory and political environments</li> <li>• Changes to fiscal regimes without robust stabilisation protections</li> <li>• Protracted approval processes causing delays</li> <li>• Government reform, political instability and/ or civil unrest</li> <li>• Impact of economic and trading sanctions on industry counterparties (in particular, Russian state-controlled entities as a result of the conflict in Ukraine)</li> </ul>	<ul style="list-style-type: none"> <li>• Canvass support in risk management by using both international and in-country professional advisors</li> <li>• Engage directly with the relevant authorities on a regular basis</li> <li>• Assess country risk profiles, trend analyses and on-the-ground reports by journalists / academics</li> <li>• Thoroughly evaluate the risks of operating in specific areas and assess commercial acceptability</li> <li>• Maintain political risk insurance at appropriate levels of cover</li> <li>• All operations are located outside of the EU and USD is the main currency of our business</li> <li>• Working group established for monitoring sanctions arising from conflict in Ukraine and mitigation planning underway</li> <li>• in relation to a small number of counterparties</li> </ul>



22 April 2022

Annual Report & Accounts and Notice of Annual General Meeting

<p><b>14. Business Conduct and Bribery</b></p> <ul style="list-style-type: none"> <li>▪ Reputational damage and exposure to criminal charges</li> </ul>	<p>↔</p>	<ul style="list-style-type: none"> <li>• Present in countries with below average score on the Transparency International Corruption Index</li> <li>• Lack of transparent procurement and investment policies</li> <li>• Non-compliance with Criminal Crime Offences (CCO) and/or UK Bribery Act</li> <li>• Corruption and human rights issues</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure adequate due diligence prior to on-boarding with a risk-based approach,</li> <li>• including independent “Red flags” checks</li> <li>• Annual training, testing and compliance certifications by all associated persons</li> <li>• Increase awareness of the Group’s Code of Business Conduct and Ethics and related policies for all employees and associated persons</li> <li>• Mandatory Gifts and Hospitality declaration and register</li> <li>• Group Whistleblowing Policy and confidential ethics 24-hour hotline supported by EthicsPoint with numbers displayed in all offices</li> <li>• CCO risk assessment and on-going implementation of adequate procedures to prevent facilitation of tax evasion across all operations</li> <li>• Comply with the principles of the Extractive Industries Transparency Initiative</li> </ul>
---	----------	--	---

3) *The following is extracted from Note 35 to the Financial Statements (page 160) of the Annual Report and Accounts 2021 at [www.pharos.energy](http://www.pharos.energy).*

**RELATED PARTY TRANSACTIONS**

During the year, the Company recorded a net cost of \$0.01m (2020: net cost of \$0.01m) in respect of services rendered between Group companies.

**Remuneration of key management personnel**

The remuneration of the Directors of the Company, who are considered to be its key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors’ Remuneration Report on pages 102 to 116.

	2021 \$ million	2020 \$ million
Short-term employee benefits	4.5	2.7
Post-employment benefits	0.2	0.3
Share-based payments	3.1	1.8
	<b>7.8</b>	<b>4.8</b>

**Directors’ transactions**

Pursuant to a lease dated 20 April 1997, Comfort Storyville (a company wholly owned by Mr Ed Story) has leased to the Group, office and storage space in Comfort, Texas, USA. The lease, which was negotiated on an arm’s length basis, has a fixed monthly rent of \$1,000.