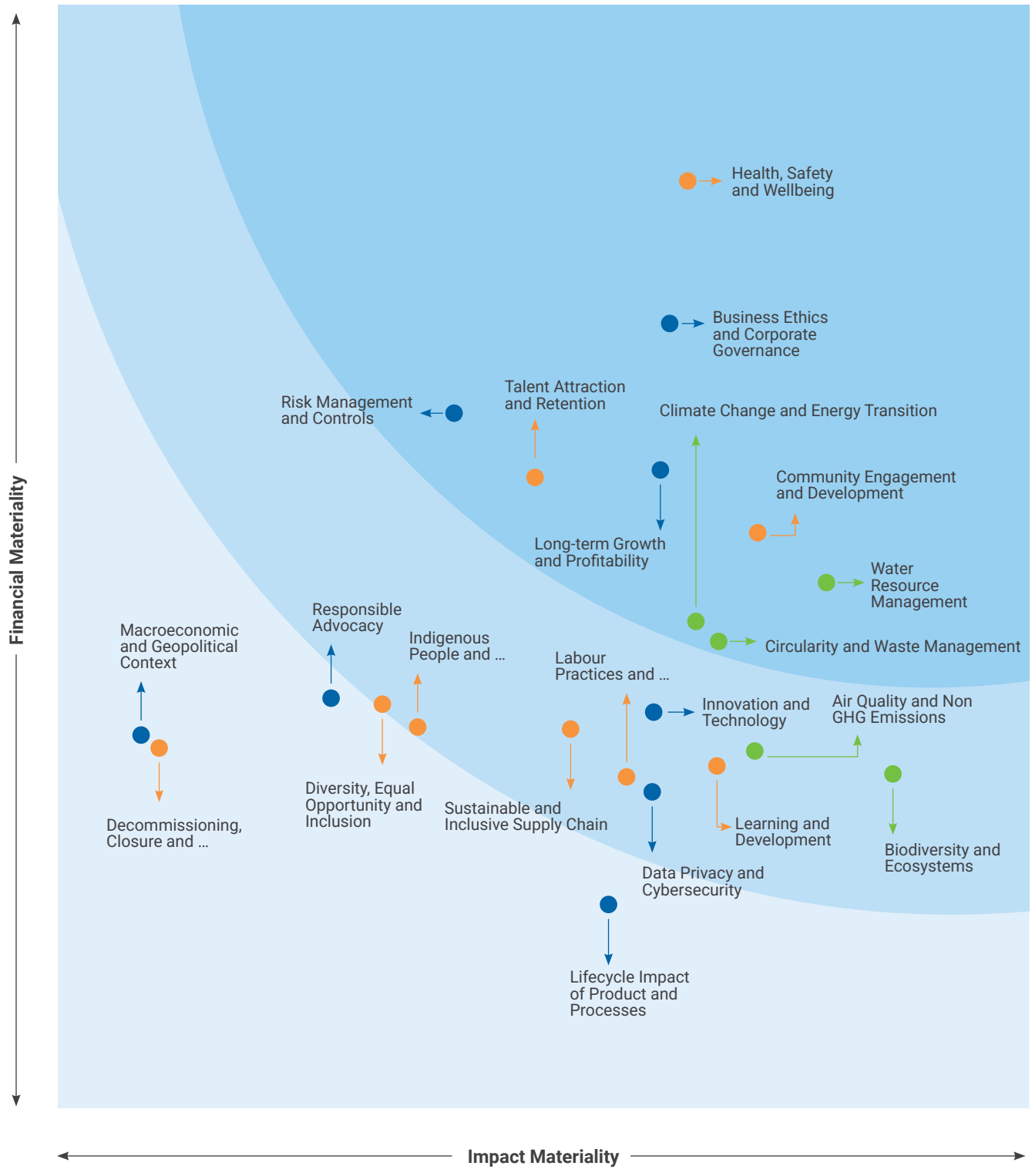
Cairn Oil & Gas Materiality Matrix



HIGH PRIORITY MATERIAL TOPICS	MEDIUM PRIORITY MATERIAL TOPICS	LOW PRIORITY MATERIAL TOPICS
Health, Safety and Well-being	Biodiversity and Ecosystems	Responsible Advocacy
Business Ethics and Corporate Governance	Air Quality and Non-GHG Emissions	Lifecycle Impact of Product and Processes
Water Resource Management	Innovation and Technology	Decommissioning, Closure and Rehabilitation
Community Engagement and Development	Learning and Development	Macroeconomic and Geopolitical Context
Long-term Growth and Profitability	Sustainable and Inclusive Supply Chain	
Talent Attraction and Retention	Labour Practices and Human Rights	
Climate Change and Energy Transition	Data Privacy and Cybersecurity	
Circularity and Waste Management	Indigenous People and Cultural Heritage	
Risk Management and Controls	Diversity, Equal Opportunity and Inclusion	

LEAD AND SHAPE

- These are topics can significantly impact the overall business performance, both sustainability and financial.
- Cairn should look at setting the industry benchmarks across these topics to ensure that a strategic, balanced and forward-looking approach is adopted.

ALIGN AND AMPLIFY

- Cairn should align with industry best practices on these topics.
- The impacts, risks and opportunities underlying these topics should be closely monitored to reshape strategy if any of them transition into "High Priority" category in the future.

MANAGE AND COMPLY

- Whilst these topics are low priority, they are still relevant to the business, and therefore Cairn must continue to manage and monitor them.
- Regulatory compliance, if any, must be ensured for these topics.

Environment Social Governance

Financial Materiality (Outside-in effect on the organisation)

ENVIRONMENT

Water Resource Management

Impact of Stakeholders

External Stakeholder Impact on Community, Customers, Availability of freshwater for nearby communities Interest from Regulators, Investors Impact on Environment

Impact Type

Risk

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Negative

Likelihood of Occurrence

Highly Likely

Impact on Company's Finances

- Costly fines, enforcement actions, or the need for expensive treatment systems due to regulatory non-compliance
- Reduced profitability if required to invest in new technologies or processes to treat or manage water resources
- Increased downtime and higher operational costs due to malfunctions or inefficiencies in water management infrastructure

Climate Change and Energy Transition

Impact of Stakeholders

External Stakeholder Impact on Community, Civil Society, Customers, Employees Interest from Regulators, Investors Impact on Environment

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Negative

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Loss of competitiveness and a cost increase due to adoption of carbon pricing mechanisms
- Stricter regulations on reserves
- Divestment from carbon-intensive portfolios by ESG-conscious investors

Circularity and Waste Management

Impact of Stakeholders

External Stakeholder Impact on Community, Customers, Supply Chain Interest from Investors, Regulators Impact on Environment

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Potential

Positive/Negative

Negative

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Loss of cost-saving opportunities and resource recovery due to failure to adopt circular economy principles

Biodiversity and Ecosystem

Impact of Stakeholders

External Stakeholder Impact on Community Interest from Investors, Regulators Impact on Environment

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Negative

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Fine/penalty due to violation of any laws/ regulations

Air Quality and Non GHG Emissions

Impact of Stakeholders

External Stakeholder Impact on Community, Civil Society Internal stakeholder – impact on Employee Interest from Regulators, Investors, Customers Impact on Environment

Impact Type

Risk

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Negative

Likelihood of Occurrence

Highly Likely

Impact on Company's Finances

- Financial losses from stranded assets that are not compliant with future environmental regulations
- Management cost of high level of air pollution

Life Cycle Impact of Product and Processes

Impact of Stakeholders

External Stakeholder: Impact on Customers, Community Internal Stakeholders: Employees Impact on Environment

Impact Type

Risk

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

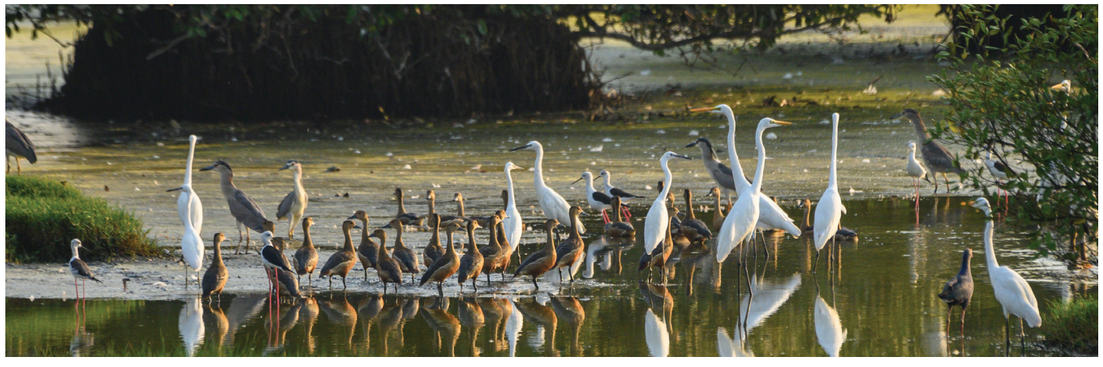
Negative

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Fine/penalty due to violation of any laws/ regulations



SOCIAL

Health, Safety and Wellbeing

Impact of Stakeholders

Internal Stakeholder Impact on Employees Interest from Investors & Regulators

Impact Type

Risk

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Negative

Likelihood of Occurrence

Highly Likely

Impact on Company's Finances

- Highly Likely Injuries resulting in financial costs, including compensation, medical expenses, insurance and legal fees

Community Engagement and Development

Impact of Stakeholders

External Stakeholder Impact on Community - Development of local communities with proper stakeholder engagement by various means possible includes CSR activities, employment opportunities etc. Interest from Regulators, Employees & Workforce

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Positive

Likelihood of Occurrence

Highly Likely

Impact on Company's Finances

- Significant financial outlays and reduced profitability due to costs of addressing community grievances or providing compensation for negative impacts

Talent Attraction and Retention

Impact of Stakeholders

Internal Stakeholder Impact on Employees - Employment generation and retention of high-performing individuals for organisation growth

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Positive

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Financial Loss due to higher attrition rate

Learning and Development

Impact of Stakeholders

Internal Stakeholder Impact on Employees

Impact Type

Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Positive

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Loss of competitive advantage due to gaps in developing/ maintaining critical skills

Labour Practices and Human Rights

Impact of Stakeholders

Internal Stakeholders' Impact on Employees, Labourers and Supply Chain Interest from Regulators

Impact Type

Risk

Category of Impact (Actual/ Potential)

Potential

Positive/Negative

Negative

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Risk of losing investment or facing divestment due to poor labor practices

Indigenous People and Cultural Heritage

Impact of Stakeholders

External Stakeholder, Impact on Community Interest from Regulators

Impact Type

Risk

Category of Impact (Actual/ Potential)

Potential

Positive/Negative

Negative, Positive

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Promotion and preservation of cultural and traditional practices.
- Inclusion and mainstreaming of indigenous communities through targeted livelihood and upskilling initiatives.
- Potential financial losses arising from long-term socio-economic challenges and disruptions to operations caused by social unrest or community protests.

Diversity, Equal Opportunity and Inclusion

Impact of Stakeholders

Internal Stakeholder Impact on Employees - Equal opportunity creation without any discrimination to maintain an inclusive workplace Interest from Investors

Impact Type

Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Positive

Likelihood of Occurrence

Likely Moderate

Impact on Company's Finances

- Struggle to attract investment from institutional investors or funds that focus on socially responsible investing

Governance

Business Ethics and Corporate Governance

Impact of Stakeholders

Internal Stakeholders, Impact on Employees and Senior Stakeholders Interest from Regulators

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Potential

Positive/Negative

Negative

Likelihood of Occurrence

Moderate

Impact on Company's Finances

- Financial loss due to fines/ penalities for environmental and social regulations

Long Term Growth and Profitability

Impact of Stakeholders

Internal Stakeholders: Employees and Senior Stakeholders External Stakeholders: Communities

Impact Type

Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Positive

Likelihood of Occurrence

High

Impact on Company's Finances

- Sustained economic growth and opportunities for local communities

Risk Management and Controls

Impact of Stakeholders

Interest from Investors - Lower environmental & societal risk with proper risk management & controls

Impact Type

Opportunity

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Positive

Likelihood of Occurrence

Moderate

Impact on Company's Finances

- Fine/penalty due to violation of any national laws/regulations
- Mitigation and management cost of any sort of risk/incident due to failure of risk management and control framework

Innovation and Technology

Impact of Stakeholders

Internal Stakeholders: Employees and Senior Stakeholders External Stakeholders: Business Partners

Impact Type

Opportunity

Category of Impact (Actual/ Potential)

Potential

Positive/Negative

Positive

Likelihood of Occurrence

Moderate

Impact on Company's Finances

- Investing in innovation requires significant R&D expenditure with uncertain outcomes

Sustainable and Inclusive Supply Chain

Impact of Stakeholders

External Stakeholder: Impact on Business Partners

Impact Type

Risk/Opportunity

Category of Impact (Actual/ Potential)

Potential

Positive/Negative

Negative/Positive

Likelihood of Occurrence

Moderate

Impact on Company's Finances

- Increase in Local procurement requirements can lead to higher raw material costs
- Enhanced stakeholder relationships and greater community acceptance.

Data Privacy and Cybersecurity

Impact of Stakeholders

Interest from Regulators, Investors, Customers -

Impact Type

Risk

Category of Impact (Actual/ Potential)

Actual

Positive/Negative

Negative

Likelihood of Occurrence

Likely

Impact on Company's Finances

- Financial cost in case of any incident due to cyber security and data leakage
- Fines/penalties due to violation of any relevant laws/regulations

Mitigation Strategy for Material Issues with High Business Impact

Material Topic	Impact on Stakeholders & Environment	Impact Category	Financial Implication	Business Strategy for Risk Mitigation
Health, Safety & Wellbeing	Workers in the oil and gas industries face various hazards, including respiratory issues from toxic gases and risks of poisoning in confined spaces. Exposure to extreme temperatures, loud noises, and vibrations can cause hearing and musculoskeletal problems. Demanding work conditions affect overall health, while handling hazardous materials and machinery can lead to serious injuries.	Actual	Negative	• Safety strategy based on global standards; focus on contractor & logistics safety, training and incident investigations; regular assessments, audits & technological safety interventions • Operate at a safety performance level comparable to global IOGP standards • Automation and mechanisation plan to eliminate high-risk manual activities
	Enhancing workers' well-being improves morale and productivity while reducing absenteeism. Training on health and safety equips employees to effectively manage and mitigate risks	Actual	Positive	• OH&S teams ensure medical fitness, appropriate work placement, first aid, preventive healthcare, health education, and surveillance.
Business Ethics and Corporate Governance	Corruption in the granting of licenses can lead to environmental, social abuse, and misallocation of resources, affecting the overall economy of the country Lower risk of corruption due to effective internal controls and independent oversight	Potential	Negative	• Implement transparent regulatory frameworks and independent oversight to ensure accountable license issuance, while leveraging digital tools to streamline processes and detect irregularities effectively
	Lower risk of corruption due to effective internal controls and independent oversight	Actual	Positive	• Maintain robust internal controls and independent oversight to ensure the continued integrity of licensing processes, and capitalise on this positive risk to build trust and drive sustainable growth.
Water Resource Management	Contamination risks include groundwater pollution from drilling fluids and hydraulic fracturing flowback, as well as water quality impacts from inefficient discharge treatment, oil spills, ruptured pipelines, and tailings dam failures	Actual	Negative	• Increasing water efficiency and exploring new technologies that are less water-intensive • Implement efficient treatment protocols and rapid response systems for spills and ruptures. • Continue to be water positive • Continuous implementation of watershed for water harvesting to support water availability for communities.
	Reduce tension with local communities through proper planning for water conservation, reuse and recycle through watershed program, drip irrigation etc.	Actual	Positive	

Material Topic	Impact on Stakeholders & Environment	Impact Category	Financial Implication	Business Strategy for Risk Mitigation
Community Engagement and Development	Conflicting land use can displace people and threaten traditional jobs, increasing poverty, while damage to cultural sites risks eroding indigenous identity. An influx of workers, particularly through FIFO arrangements, strains local resources, raises costs, and introduces new diseases. Additionally, activities such as drug use, gambling, and prostitution disrupt social order, impacting vulnerable groups, and environmental pollution adversely affects community well-being.	Actual	Negative	• Continue crafting and implementing dedicated programs across healthcare, education, skill development, animal husbandry and livelihood to create lasting impact. • Inclusive stakeholder engagement and consultation processes to address community concerns and safeguard cultural heritage, prioritising sustainable land use and preservation of traditional livelihoods.
	Positive economic impacts on local communities through employment and local procurement, and investments in infrastructure or public services	Actual	Positive	
Talent Attraction & Retention	The energy transition may alter skill demands in the oil and gas industry, while strategies to retain talented workers can enhance motivation, involvement, and teamwork.	Potential	Negative	• Implementing targeted reskilling and upskilling programs aligned with emerging energy transition roles. • Strengthen employee engagement through transparent career pathways and inclusive retention strategies to foster motivation and collaboration.
Climate Change & Energy Transition	Unplanned operational closures due to energy transition can cause financial issues for governments and communities, while high energy use in hydrocarbon production, reliance on fossil fuels, and gas emissions contribute to increased GHG emissions and energy intensity	Potential	Negative	• Prioritisation of initiatives for the reduction of energy consumption • Continue transition to renewable energy sources • Deployment and investment in technology to reduce flare emissions • Above-ground teams (AGTs) for monitoring leakages, potential damage to infrastructure
	Carbon credits promote operational excellence and lower emissions, while investments in renewable energy and low-carbon technologies can create jobs. Transparent reporting with audits reduces legal risks from climate change. Green initiatives enhance community relations and support social license to operate.	Potential	Positive	
Circularity & Waste Management	Chemical injection and hydraulic fracturing can pollute groundwater and trigger tremors. Leaks from waste storage can contaminate land, reducing productivity and causing erosion. Marine waste discharge harms species and disrupts ecosystems	Potential	Negative	• Continue following best-in-class waste management practices for hazardous and non-hazardous waste streams. • Ensuring third-party contractors failing to meet environmental and safety standards • Deploying solutions to recover hydrocarbons from oily sludge tank bottoms and reuse catalysts.
	Prevent hydrocarbon leaks and oil spills by cleaning any contaminated soil using technological solutions	Potential	Positive	
Risk Management and Controls	Failure to embed ESG risks into enterprise risk management can expose organisations to investor scrutiny, regulatory actions, and financial liabilities from environmental incidents. Natural disasters and social unrest further threaten operational continuity, while weak remediation and risk frameworks undermine resilience and stakeholder trust.	Potential	Negative	• To integrate ESG considerations into enterprise risk management by establishing robust environmental and social risk protocols • To enhance operational resilience through proactive disaster preparedness, incident remediation strategies, and transparent stakeholder engagement to maintain trust and access to capital.