



**i3 ENERGY**

# **2021 ESG Report**

## **Environment, Social and Governance Report for i3 Energy plc**

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# INTRODUCTION

## CEO letter to stakeholders

**i3 Energy is proud to share its updated 2021 environment, social and governance (ESG) report, outlining steps to strengthen our approach to these issues. We are a dynamic and rapidly-growing team who are passionate about operating with integrity, respecting the interests of our stakeholders, and creating value for our shareholders.**

Despite the many global challenges of the past two years, including the Covid-19 pandemic and volatile commodity prices, 2020 and 2021 saw immense growth for i3 Energy, with the acquisition of assets from Gain Energy Ltd. and Toscana Energy Income Corporation (completed in the second half of 2020), and Cenovus Energy (completed in Q3 2021). Through these transactions, we acquired some 17,000 boe/d of predominantly operated, conventional producing assets, and an extensive network of complementary midstream infrastructure. The recent Cenovus acquisition allowed us to increase and strategically consolidate our operating portfolio in an efficient and sustainable manner, given the location of these assets within our existing Central Alberta core area.

We have also seen an intensification of global investor and civil society attention on the climate crisis. We trust what the scientists are telling us, and we see extreme weather events multiplying all around the world. As an energy company, we are therefore acutely aware of how we impact and are impacted by the transition to a low-carbon economy. However, the transition will not happen immediately, and the global economy will continue to need, and benefit from, ethically sourced oil and gas.

i3 Energy is a relatively young company, currently operating in the Western Canadian Sedimentary Basin and the UK North Sea. Our presence and market listing in two of the most efficient and strictly regulated jurisdictions provide us with a strong external framework, through stringent legislation around ESG issues. For i3 Energy,

however, it is not merely about compliance, but a clear understanding – against the overall backdrop of the energy transition – of the significant impact of ESG and climate change on our licence to operate, and our attractiveness to current and future shareholders.

We believe that as a low-cost, highly efficient and socially conscious producer, our company can continue to play a part in supplying the world's growing energy needs. We also acknowledge that in order to meet the targets set out in the Paris Agreement in 2015, and reaffirmed at the COP26 Summit in Glasgow in November 2021, the global production of fossil fuels in the medium to long term needs to reduce significantly and shift to producers with the lowest carbon intensity, best ESG credentials and highest efficiency. This applies even in the current global context, as the world recovers from the pandemic, when demand for oil and gas has grown substantially and prices have responded accordingly.

To better understand how we as a company can adapt to this changing landscape, we have begun work on detailing the most appropriate pathway to accelerate our ambition to reach net zero emissions no later than 2050, and earlier if technologically and commercially feasible. Our initial analysis of net zero pathways indicates that our operations enable multiple routes for achieving our emissions reductions goals. These are good starting points, but more work must be done – not just by us but across the energy industry. In the climate change section of this report, we provide more details of some of our own commitments and actions in this crucial area (see [page 8](#)).

“Our commitment to high ESG standards is central to maintaining our social licence to operate.”

**We will achieve net zero emissions no later than 2050 – with an ambition to set an accelerated target following further pathway analysis**



Majid Shafiq, CEO

During 2022, we took further steps on our ESG roadmap – with the principal focus on climate change – and action plan (see [pages 6-7](#)), as we work to further strengthen our performance in this area. i3 Energy is at the beginning of its ESG journey, but it is a journey we are embarking on with rigour and care.



## About this report

### Materiality

We have conducted an initial ESG materiality assessment, supported by external advisors, to consider the key material ESG issues affecting our business. An overview of this assessment is included on [page 6](#), and serves as a basis for our continued work to strengthen our focus on critical ESG issues, as well as the key topics outlined in this report.

### Reporting period

Unless otherwise stated, this report presents data and information from the year 2021. Data and information from earlier years may appear in some places to illustrate trends over time.

This report was updated in November 2022 to reflect new 2021 greenhouse gas emissions data not available at the time of original publication in May 2022, and to make corrections to 2020 greenhouse gas emissions data (see [page 8](#) and [page 16](#)).

### Reporting frameworks

A number of best practice industry frameworks and methodologies have guided the structure of and disclosure in this report:

- Task Force on Climate-related Financial Disclosures (TCFD)
- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- North Sea Transition Authority (formerly the UK Oil & Gas Authority) ESG Taskforce recommendations

As the quality and breadth of our baseline data increases, we will endeavour to more closely align future disclosure and ESG reports with these frameworks.

### Scope

The data and information reported concerns the assets in our portfolio over which we have operational control. This is in line with standard industry practice.

### Definitions

The terms *i3 Energy*, *we*, *us*, *our* or *the company* refer to i3 Energy plc and its subsidiaries i3 Energy Canada Ltd and i3 Energy North Sea Ltd. Refer to [page 17](#) for definitions of acronyms and units of measurement used in this report.

### Advisories

In this ESG report, we have voluntarily disclosed certain information that we consider relevant to our sustainability performance, and that may be of interest to our stakeholders. None of the content in this report should be considered to in any way amend, qualify or supersede information in previous i3 Energy public disclosure. We have taken reasonable care to ensure that the information in this report is accurate. We expressly disclaim all liability whatsoever for any errors or omissions.

Some of the statements and information contained in this report are forward-looking, including but not limited to statements regarding the company's plans, strategies, goals and ambitions. Forward-looking statements include but are not limited to statements regarding the intent, belief and current expectations of i3 Energy or its officers with respect to various matters, including reserves, production, drilling activity, sustainability practices, ESG goals and metrics, ESG performance and stakeholder engagement. When used in this report, words such as *expects*, *believes*, *anticipates*, *plans*, *may*, *intends* and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, but are based on various assumptions deemed to be reasonable by the company's management. Some of the key assumptions include: management's anticipated acquisition, appraisal and development timelines, production profiles for the company's current and potential future properties, and estimated cash flow from the company's current and future properties. Information concerning reserves and resources are deemed to be forward-looking statements, as such estimates involve the implied assessments that the reserves or resources can be profitably produced in the future.

The forward-looking statements in this report are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements, including without limitation: the risk that the company's development plans and timelines for current and future properties change as a result of new information or events, the risk that production and drilling results differ materially from management's current estimates, reliance on key personnel, general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, competition from other industry participants, the risk that transactions do not close in a timely matter or at all, the lack of availability of qualified personnel or management, and the ability to access additional sufficient capital from internal and external sources.



Drill rig at i3 Energy's 15-12-042-05 W5M padsite



## About i3 Energy

i3 Energy is a London (AIM:i3E) and Toronto (TSX:iTE) listed energy company with a diverse, full-cycle portfolio of assets in the Western Canadian Sedimentary Basin and the UK North Sea.

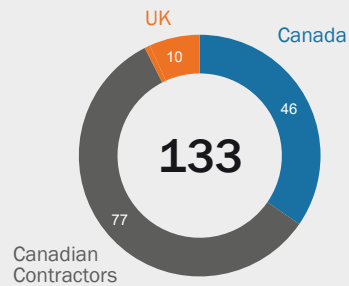
i3 Energy has total proved and probable reserves in Canada of 154.1 MMboe as of the end of 2021. In Q3 2022 we reached a production level of 23,000 boe/d from large contiguous holdings in

some of the Western Canadian Sedimentary Basin's most commercially attractive resources, with material upside through the company's sizeable positions in the Glauconitic and Falher formations in the Central area, the Cardium and Dunvegan formations in Wapiti, the Montney formation at Simonette and the Clearwater play at Marten Hills and Marten Creek. i3 Energy produces from over 860 net long-life, low-risk and low-decline wells, spanning over 625,000 net acres.

In the UK North Sea, i3 Energy owns and operates block 13/23c, which contains the company's 2019 Serenity oil discovery and the highly-prospective Minos High area. i3 Energy's North Sea strategy focuses on the development of existing discoveries that are located proximal to existing infrastructure, to minimise development capital and maximise economic recovery.

### i3 Energy at a glance

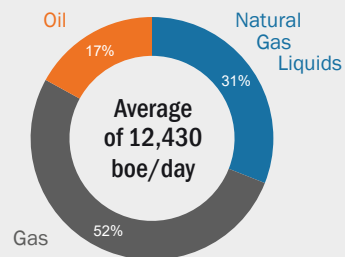
#### Number of employees



#### Reserves, proved and probable

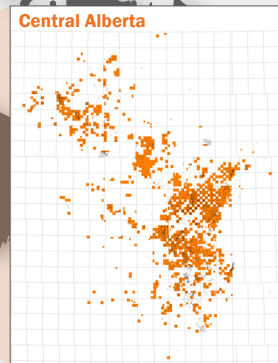
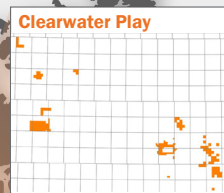
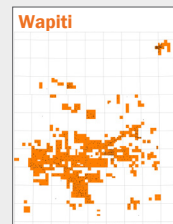
154.1 MMboe

#### Production in 2021

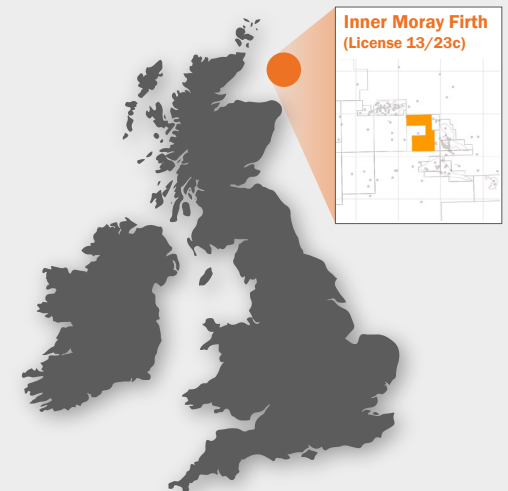


#### Operations

##### Alberta, Canada



##### UK North Sea



Data is current as of March 2022.

# OUR ESG STRATEGY

## ESG vision

i3 Energy is committed to conducting its operations responsibly and in accordance with industry best practices. We choose to operate in jurisdictions with world-class regulations governing all aspects of ESG.

**Our commitment to high ESG standards is central to maintaining our social licence to operate**, creating value for all stakeholders and ensuring long-term commercial success. We recognise the safety and well-being of our employees, local communities and other key stakeholders as a priority, and consider climate change as having a material impact on our business.

We endeavour to set a high standard of ESG performance not only to benefit our business and stakeholders, but also to encourage similar actions amongst peers and have a positive influence on the energy sector. Our **key ESG commitments** include:

- Minimising our environmental impact in a manner that is mindful of the climate science, on the journey to achieve our net zero target no later than 2050, and earlier if technologically and commercially feasible (see [page 8](#))
- Ensuring our business is resilient to the energy transition and a low-carbon future (see [page 9](#))
- Protecting the safety, health and well-being of all affected stakeholders (see [page 12](#))
- Maintaining positive and responsive relationships with local communities (see [page 13](#))
- Meeting or exceeding all applicable legal and regulatory requirements
- Endorsing and aligning with international best-practice initiatives

## ESG materiality assessment

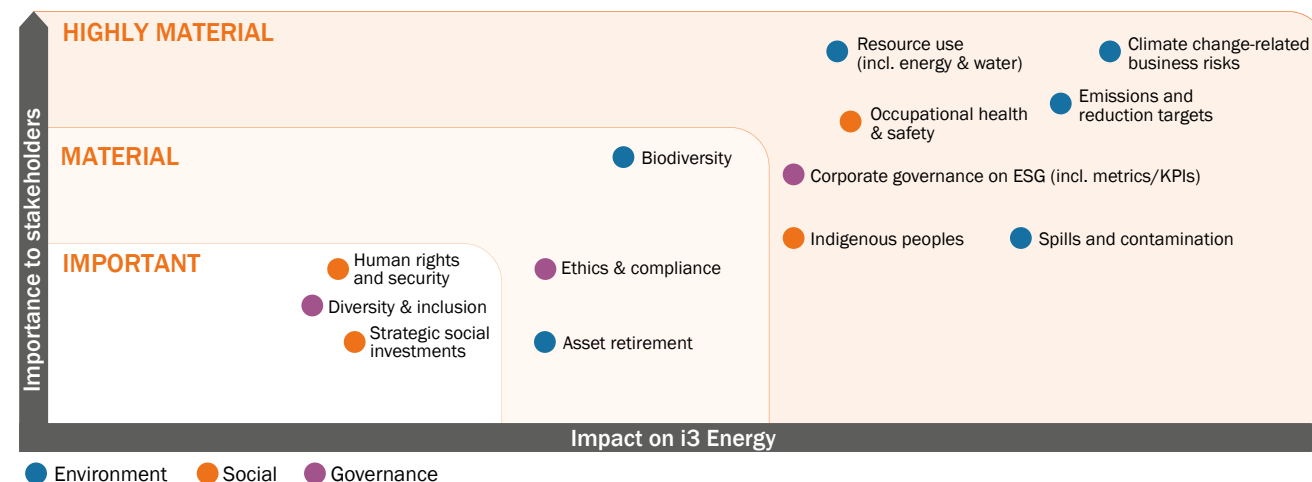
In 2021 and early 2022, i3 Energy with the support of its ESG advisors conducted a high-level ESG materiality assessment, which determines the relative importance of ESG topics to the company and its external stakeholders, based on a topic's potential risk and opportunity, and the significance of its impact.

We conducted this assessment using the approach below, which draws on the guidance outlined in SASB:

- Assessing our external stakeholder landscape

- Conducting internal discussions and interviews with key external stakeholders to determine company impact of specific ESG-related issues and to ascertain external sentiment around current or emerging issues
- Conducting impact evaluation and mapping, using the insights and data gathered, to inform the materiality analysis

The list of material topics identified through our assessment and analysis – which we will use in our ongoing risk assessment and strategic planning – are outlined in the figure below.



*Note: the issues identified through our ESG materiality assessment are not exhaustive. The results of the exercise serve as a snapshot in time, and the relative importance of issues will change over time, especially as the company grows, or due to changes to the regulatory environment. There are no monetary values assigned to any of the issues, and this assessment does not constitute a financial materiality assessment.*



## Improving our performance

i3 Energy is a young company, and we have been working to gather, integrate and reconcile ESG-related data since we completed the transformative acquisition of largely operated assets from Cenovus Energy in August 2021. This inaugural ESG report reflects the early stages of our ESG journey, and we aim to improve our ESG disclosure – and performance – in future years as we consolidate our portfolio.

As part of a comprehensive ESG review we conducted in late 2021 following the completion of the Cenovus Energy transaction, we developed an ESG roadmap, setting out a detailed action plan to align our ESG approach with industry best practices and to achieve **net zero** Scope 1 and Scope 2 emissions **no later than 2050 or earlier if technologically and commercially feasible**. Our action plan includes commitments in each of the environmental, social and governance issue areas.

We will measure progress on these key ESG issues on both quantitative metrics and qualitative measures, informed by key

ESG standards, industry best practices and climate science. These will drive improvements in our ESG performance and further strengthen our approach, especially as we grow our business and expand our operational footprint.

### Quantitative metrics

Using our ESG roadmap, we will strengthen existing metrics and develop new ones, to better hold ourselves accountable and enable a stronger foundation for dialogue and collaboration with our stakeholders and investors. We are currently developing baseline data in three key areas to inform more robust disclosure in subsequent ESG reports:

- Emissions (more details on this on [page 8](#))
- Water and energy use
- Air quality and waste

We will also enhance reporting related to safety incidents across operations. Please see [page 12](#) for further data about our safety performance to date.

### Qualitative measures

In addition to quantitative metrics, we will use some of the core elements of our ESG action plan to highlight progress on our roadmap in a qualitative manner. The table below provides an overview of these commitments for the next two to three years. In subsequent ESG reports, we will report further on our progress towards these commitments.

#### Environment

Develop and publish climate change strategy in the form of an energy transition plan	Work started
Issue CEO statement on climate change	Done
Align climate reporting and disclosure as much as possible with TCFD recommendations	Work started
Disclose air quality and waste data	Done
Establish baseline water usage and energy use	Work started
Issue biodiversity statement	Work started

#### Social

Develop supplier and contractor strategy, including selection criteria and a supply chain code of conduct	Work started
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#### Governance

Disclose ESG strategy	Done
Develop a code of conduct and business ethics	Done
Incorporate ESG criteria into screening process for potential acquisitions	Done
Form corporate ESG committee and develop committee mandate	Work started



i3 Energy's W5 Gilby facility

# ENVIRONMENT

## What climate change means for i3 Energy

### Impact of energy transition

i3 Energy understands the risks associated with climate change, as well as the challenges inherent in ensuring a safe and reliable supply of energy while reducing greenhouse gas (GHG) emissions. We believe that hydrocarbons – especially provided by low-cost, responsible and efficient producers like us – will **continue to play an essential role in the world's energy supply, even as we transition to a low-carbon future**. In particular, natural gas will have an important role as a transition fuel.

i3 Energy has closely monitored international efforts to reduce GHG emissions in order to meet the goals set out in the Paris Agreement and more recently reiterated at COP26. It is clear that as a fossil fuel producer, i3 Energy needs to understand how a low-carbon future will impact our business, and further discern how we can adapt strategically to maximise value for our investors and stakeholders throughout the transition.

### Path to net zero

Amid increasing global attention on climate change, fossil fuel producers like i3 Energy need to consider how to adapt operations and business planning to align with a transition to a low-carbon world.

i3 Energy has therefore stated its ambition to reach net zero Scope 1 and 2 emissions by 2050. We are now in the initial stages of planning how to achieve this and have undertaken a preliminary analysis to explore the company's pathway to net zero and how we might accelerate our 2050 target. This exercise represents an important first step in our net zero journey.

As we explore appropriate pathways to net zero, building on the exercise and initiatives we have already undertaken, we are committed to:

- Improving our emissions data integrity so that we better understand the company's overall emission profile
- Continuing reduction/elimination of our operational GHG emissions (including by building on steps already taken, e.g. around reducing methane emissions)
- Looking at how we can accelerate the date by which we achieve net zero
- Considering a range of decarbonisation options for our portfolio, including improving operational efficiency and investing in nature-based solutions where appropriate

## Strategic work on climate change

As soon as the acquisition of the Cenovus assets was completed in the fall of 2021, we commenced work on developing our strategic approach to ESG, with a particular focus on climate change-related business risks.

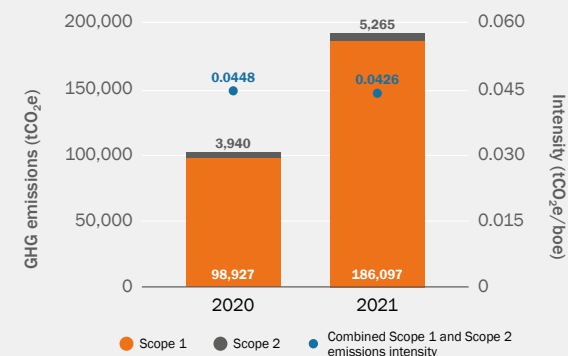
After making our commitment to achieve net zero Scope 1 and Scope 2 emissions by 2050, we undertook a study to identify and assess potential pathways the company could take to achieve this commitment, using marginal abatement cost curve (MACC) analysis. The analysis highlights that **we have multiple routes for achieving net zero**, and we are now conducting more in-depth emissions inventory work, as well as considering what options would be most effective for us from a cost and operations perspective, given new production coming on line over the coming years.

## i3 Energy's emissions profile

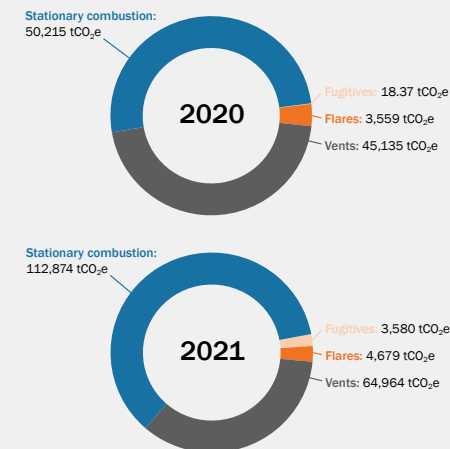
Our operating portfolio is relatively well positioned for a lower-carbon economy, given its majority gas profile. Below are key emissions metrics for our portfolio.

Our corrected combined Scope 1 and Scope 2 intensity for 2020 (see clarification below<sup>1</sup>) was 44.8 kgCO<sub>2</sub>e/boe. This is in line with the average emissions intensity for conventional oil production and natural gas production and processing in Canada, which Environment and Climate Change Canada projections for 2020 put at 48.1 kgCO<sub>2</sub>e/boe and 42.0 kgCO<sub>2</sub>e/boe, respectively.<sup>2</sup> For 2021, our combined Scope 1 and Scope 2 emissions intensity was 42.6 kgCO<sub>2</sub>e/boe.

### Emissions data



### Breakdown of Scope 1 emissions



<sup>1</sup> This report was updated in November 2022 to make corrections to 2020 GHG emissions data. Due to a calculation error by our third-party advisors, our Scope 1 emissions were incorrectly stated at 79,871 tCO<sub>2</sub>e and our intensity at 0.0364 tCO<sub>2</sub>e/boe. The correct data is now shown above.

<sup>2</sup> Source: Canada's Greenhouse Gas and Air Pollutant Emissions Projections 2021



## Climate-related risk management

This section of our ESG report is structured in accordance with guidance from the TCFD recommendations. As a company with business in both Europe and North America, i3 Energy is striving to modify internal practices and policies to align with the movement to establish global standards of reporting and disclosure on climate and sustainability, evidenced for example by the founding of the International Sustainability Standards Board at COP26 in Glasgow in November 2021.

### Governance

i3 Energy's board – and specifically the Health, Safety and Environmental Security (HSES) Committee – has oversight and responsibility for the management of climate change impacts and the management of climate-related business risks. The HSES Committee is chaired by John Festival, a 36-year veteran of conducting business in the Western Canadian Sedimentary Basin.

At the executive level, there is direct oversight by the CEO and committed leadership on all matters related to climate change. The CEO is supported on climate change by the Chief Operating Officer in the UK, and by the Chief Operating Officer, President, and Regulatory & Environmental Coordinator in Canada. The CFO is also involved in the oversight, given the emergence of climate change as a financially material factor.

In addition, we are forming an internal corporate ESG committee, which will consist of individuals across a range of seniority and work areas.

### Risk management

i3 Energy has started to assess the potential risks that climate change-related issues pose to the company and its operations. This was one of the key drivers for the comprehensive ESG review we conducted in 2021, which included an analysis of the resilience of our business in different climate-related scenarios and a study of potential pathways for the company to achieve its net zero commitment (see more detail on these on [page 8](#)). The outcomes of these analyses will provide the fundamental basis of our strategic business planning.

### Metrics and targets

We are a relatively young company with production dating back only to September of 2020, followed by a significant acquisition of assets in 2021.

Our first version of this report was issued before all of our GHG emissions data for 2021 was available. In late 2022, we reissued the report to provide the complete set of GHG data.

### Strategy

i3 Energy has begun to evaluate the nature of climate-related risks and opportunities for our business and how to incorporate them into our overall risk management.

#### Transition risk

We have assessed **market** risks in terms of supply and demand. We have also considered **policy** and **legal** risks in relation to potential increase in carbon-specific regulation.

We have not yet studied in detail potential risks associated with **reputation** and **technology**.

#### Physical risk

We have not yet examined potential **physical risk** to our portfolio as a result of climate change, but we recognise the importance and potential commercial impacts of these risks.

#### Opportunities

In our study of potential pathways to achieving net zero, we have considered the potential upside created by **resource efficiency** (including changing combustion sources and upgrading compressors) and **government subsidies** associated with GHG reduction initiatives. More work is needed to specifically determine the opportunities presented by the low carbon transition to our business; however, we are eager to identify and advance all such opportunities as they come to light.



i3 Energy's W5 Simonette facility



## Environmental stewardship

i3 Energy recognises the importance of delivering energy in a manner which minimises and where necessary mitigates impacts to the environment.

We are fortunate to be present in jurisdictions, Canada and the UK, with some of the world's most stringent and rigorous environmental laws and regulations, as well as highly environmentally responsible operating contexts. This is an advantage, but our obligation to be stewards of the environment does not simply mean meeting legal requirements. We are committed to implementing industry best practices and, where possible, exceeding regulatory requirements in order to reduce our environmental impacts across our assets.

### Resource use

Energy efficiency is a key priority for i3 Energy to reduce our overall environmental impact across our assets. Below are some examples of how we are putting this priority into action.

#### Reducing use of fresh water in our operations

i3 Energy is proud to report that the majority of the water used in our operations is recycled, using flowback water for most of our operating needs. This closed system allows us to minimise our use of fresh water.

We do use some fresh water sources for drilling and completion work. In these instances, we apply for temporary diversion rights from the provincial government to draw primarily on dugouts, or occasionally, creeks. We are looking at technology innovations to allow us to also use recycled flowback water in this type of work.

In 2021, we did not undertake any major drilling or completion work, and our fresh water usage was negligible at only 20 m<sup>3</sup>.



i3 Energy's W6 Clairmont facility

#### Initiatives to drive energy efficiency / reduce energy use

##### Rich burn to low- or no-burn conversion

We have been in the process of identifying potential sites within our operations since late 2020 for conversion from rich burn to low- or no-burn compressor engines, in order to lower emissions and reduce our own consumption of fossil fuels for energy production.

##### Electrification

We are currently undertaking the electrification of several key operating sites in Alberta. This involves the conversion of power sources for existing oil fields from propane to electric engines, which will draw on grid power.

##### Effluent pipelines

Since 2020 i3 Energy has been in the process of implementing an efficiency initiative at all of its operations to enable the conservation of vent gas volumes through effluent pipelines. Bringing in more effluent pipelines allows our operations to consume and utilise casing gas, rather than venting it. This also allows us to reduce and in some cases eliminate the trucking of emulsion to a processing site, thereby reducing our overall GHG emissions.

“Energy efficiency is a key priority for i3 Energy to reduce our overall environmental impact across our assets.”



## Methane emissions and waste

Reducing methane emissions is an important part of our strategy to reduce overall GHG emissions, and this has been a core area of focus for i3 Energy in 2021. We also recognise that reducing methane emissions globally was a top priority that emerged from COP26 in Glasgow.

### Abandonment and reclamation

i3 Energy has been an active participant in government programmes to accelerate the responsible decommissioning of inactive well, pipeline and facility liabilities. We have maximised our involvement in Alberta's Site Rehabilitation Program (SRP) as well as in Saskatchewan's Accelerated Site Closure Program (ASCP), where we previously had assets.

In total, i3 Energy received grants amounting to \$2.26 million in 2021, which contributed to certain decommissioning operations in our Wapiti, Simonette, Marten Creek and Clair field locations.

Overall, we are pleased with our significant progress on abandonment and reclamation, which is shown in the table below.

	2020	2021
Well abandonments Alberta	13	17
Facilities decommissioned	-	1
Reclamation certificates	-	9

### Spills

Spill avoidance and management is critical to minimising our environmental impacts, and an area that is stringently regulated by provincial governments.

Spill prevention is an integral part of our Safety Loss Management System. In addition to our preventative maintenance programme, i3 Energy's Pipeline Operations Management System ensures proper monitoring of and leak detection for our active pipelines.

In 2021, we had seven reportable spills, all of which have been addressed and rectified in accordance with provincial guidelines.

## Fugitive emissions reduction

### Methane reduction programme

In 2021, i3 Energy launched a programme to reduce methane venting at its well sites, which involves using innovative solutions to reduce or eliminate various methane sources. Trido Energy Services is our technology partner in this three-phase programme.

As a first phase of our strategy to minimise fugitive emissions, i3 Energy undertook an initiative to identify high-bleed natural gas pneumatic controllers at our operations and replace them with low- or no-bleed models, and to replace pumps. This conversion programme – which involved the legacy Gain Energy and Toscana Energy assets – was highly successful and was a key driver in cutting our methane emissions by 29,000 tonnes tCO<sub>2</sub>e in 2021.

Phases two and three of the strategy are taking place in 2022. Phase two involved the replacement of the pneumatic pumps with innovative solar driven pumps on reactivated wells, resulting in the removal of 4,700 tCO<sub>2</sub>e annually. This was completed in October 2022, when phase three was launched, which involves the replacement of pumps on the assets acquired from Cenovus. Approximately 400 pneumatic pumps will be replaced with non-venting solar driven pumps. This will result in an annual reduction of 11,600 tCO<sub>2</sub>e.

Once complete, the combination of these three phases are projected to result in an annual reduction of 71,450 tCO<sub>2</sub>e – the equivalent of removing 15,530 cars off the road annually.

These initiatives qualify for carbon credits which can be sold or used to offset future carbon tax obligations.

### Process optimisation

i3 Energy has invested in software to optimise its field process data acquisition in order to proactively detect and repair leaks. Among other things, this Intricate Flow Flare and Vent Software (FFVS) tracks fugitive emissions from field components to allow for improved management and reporting under Alberta's Directive O60. FFVS allows for process optimisation through the tracking and management of fugitive emissions from leaks and subsequent repairs. When the FFVS implementation is complete across the portfolio, we expect to further reduce methane emissions.

## Other initiatives

For 2022, i3 Energy is trialling a sustainable technology for oil-based drill cuttings, which is expected to help the company avoid emitting over 2,500 tCO<sub>2</sub>e.

**i3 Energy reduced its methane emissions by 29,000 tCO<sub>2</sub>e in 2021, equivalent to 28% of total 2020 GHG emissions**



### i3 Energy's drill programme in the North Sea

In October 2022, i3 Energy undertook an appraisal drilling programme for the Serenity field in the North Sea. Operations were completed with no injuries, no environmental incidents and no reportable or high potential incidents. A significant reduction in GHG emissions was achieved by optimising operations to share anchor handlers with other operators and to move the rig with drillpipe located in the derrick.

All climate-related disclosures were reported in accordance with the North Sea Transition Authority's recommendations on climate related reporting.

# SOCIAL

## Safety

Maintaining safe operations throughout our portfolio is of the utmost importance to i3 Energy. This commitment has two elements.

First, we are **committed to protecting the health and safety of our workforce**, and maintaining a strong safety culture for our employees and contractors. Our goal is to achieve zero harm.

Second, we will ensure that our operations do not negatively impact the health and safety of local communities, landowners or other affected stakeholders.

In this regard, we will:

- Comply with, or exceed, all applicable environmental legislation, regulation and policy (which is already very stringent)
- Strive to create a workplace that is safe, prevent potential workplace injuries, and conduct investigations into any incidents that do occur
- Continuously work to improve health and safety performance

## Our workforce

i3 Energy is a rapidly growing energy company, and we recognise that our workforce – at all levels – is fundamental to the success of our business.

We aim to have a diverse and inclusive working environment which recruits, respects and rewards our staff based solely on their skills and contribution to the goals and success of the company. We endeavour to

- Work to understand any potential risks to the health and safety of local communities
- Disclose our performance in quantifiable metrics

### Health and safety performance

We are proud of our health and safety record, with only one recordable injury in each of 2020 and 2021. These occurred at different assets and both involved ankle injuries.

	2020	2021
Recordable injury (contractor)	1	1
Recordable injury (employee)	0	0
Lost time injury (contractor)	0	1
Lost time injury (employee)	0	0

be an enjoyable and rewarding place to work, where integrity, openness and collaboration are fundamental to the way we do business.

We also see ourselves as a fully integrated member of the communities in which we operate. Many of our employees live in those communities, and we strive to positively impact local society as we go about our day-to-day business.

### i3 Energy's health and safety management system

We are proud of our comprehensive health and safety management system, which is reviewed on an annual basis and overseen by our HSES Committee at the board level. Our system includes:

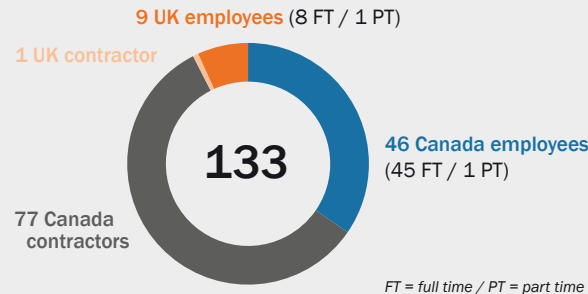
- Respective responsibilities of both the company and workers around working alone, safe journey management and incident reporting
- Identification, assessment and control of workplace hazards
- Role and function of our joint health and safety committee
- Required qualifications and training
- Requirements for contractors
- Inspections and preventative maintenance
- Incident investigation and reporting
- Records management
- The return to work after an injury

“Our goal is to achieve zero harm.”

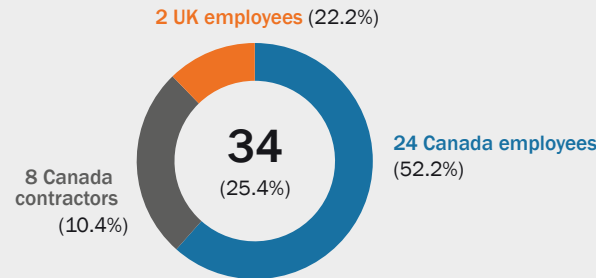


## The nature of our workforce

Breakdown of i3 Energy's workforce in both jurisdictions, current as of February 2022:



Women in i3 Energy's workplace, current as of February 2022:



## Fostering new talent

i3 Energy is committed to developing new skills and talent in the energy sectors of both our jurisdictions.

While we do not yet have a formalised work experience programme, we will always endeavour to hire new graduates and summer students or interns in order to help foster the next generation of energy workers, especially in the fields of engineering and geology. We currently have three employees working with us on this basis.

“Open and comprehensive engagement with stakeholders is critical to our success as a company.”

## Stakeholder and community relationships

i3 Energy values the views and input of all stakeholders, and we seek to **build and maintain strong relationships with local communities, indigenous groups, regulators and our shareholders**. Open and comprehensive engagement with stakeholders is critical to our success as a company. In this regard, we will:

- Maintain dialogue with our investors and shareholders around ESG-related matters, including our performance and approach to the most material issues
- Engage regularly and respectfully with the communities around our operations and maintain an open platform for dialogue
- Understand and respond to local needs in relation to community investments, socio-economic impacts and environmental concerns
- Respond in a timely and transparent manner to concerns raised by stakeholders
- Identify and minimise adverse impacts on communities from our operations

We are fortunate to operate largely in Alberta, where the energy sector is heavily regulated by the Alberta Energy Regulator (AER). The AER oversees some of the largest established energy reserves in the world and ensures that companies like i3 Energy develop and produce oil

and gas in a responsible and safe manner – and that stakeholders are regularly consulted and engaged with respect to our operations. Similarly, the energy sector in the UK is very stringently regulated by the NSTA. Companies like i3 Energy that are active on the UK Continental Shelf are subject to robust oversight.

## Indigenous relations

i3 Energy has a deep respect for our Indigenous stakeholders in Canada. We acknowledge the importance of Indigenous culture, history and traditional rights, and the United Nations Declaration on the Rights of Indigenous Peoples. We are committed to building and maintaining respectful and constructive relationships with Indigenous groups by:

- Deepening our understanding of the Indigenous groups relevant to our operations and proposed projects
- **Conducting meaningful engagement** with Indigenous groups in accordance with the Government of Alberta's First Nations and Métis Settlements consultation processes and guidelines for proposed development activities
- Undertaking proposed development activities on traditional Indigenous lands only in accordance with criteria established by the Indigenous group
- Working to understand and address concerns from Indigenous groups about our operations or proposed activities
- **Encouraging economic opportunities** for Indigenous-owned businesses

## Giving back to local communities

i3 Energy is proud to give back to the communities we work in. For 2020 and 2021, the company has made corporate donations to local food banks in communities surrounding several core areas of operations (e.g. Calgary, Lethbridge and others) indexed to the peak daily production number for that year. This is an initiative we will continue for 2022 and onwards.

We also participate in other charity initiatives that are relevant to staff and stakeholders as opportunities arise or requests are made of the company, for example the Calgary Samaritan's Purse organisation, the Ronald McDonald House charity and various youth sports sponsorships in Central Alberta.

## Our Indigenous neighbours

i3 Energy's operations in Alberta are proudly located on lands included in Treaty 8, Treaty 7 and Treaty 6. In addition, we have a development interest located on Treaty 8 lands in British Columbia.

# GOVERNANCE

## Accountability and integrity on ESG

i3 Energy's approach to ESG is supported by strong governance structures and corporate policies.

To reflect the increasing importance of ESG-related risks and opportunities, i3 Energy has formed a Health, Safety, Environment and Security (HSES) committee with oversight of ESG matters.

We are in the process of developing a suite of ESG-focused policies and procedures, recognising that this is a critical element of good corporate governance as we continue to grow our business.

As part of this process, we are committed to:

- Further enhancing board oversight and understanding of ESG issues
- Establishing ESG-linked key performance indicators (KPIs), as well as monitoring leading and lagging indicators on safety
- Developing management incentives for good performance on ESG issues
- Implementing our Code of Business Conduct and Ethics, which aligns with our commitment to operate in an ethical and transparent manner
- Ensuring our employees receive first-class training and guidance on ESG issues, and engaging in dialogue with suppliers and contractors about our ESG approach

We are also forming a corporate ESG committee made up of a range of individuals from varying functions and seniority. The mandate of this committee will be to drive improvements in i3 Energy's ESG performance by focusing on the company's strategy, policies, metrics, and disclosure. We will provide an update on the establishment of this committee in next year's ESG report.

## Corporate governance and our board

i3 Energy's board recognises the importance of sound corporate governance commensurate with the size and nature of the company and the interests of shareholders.

As a UK corporation traded on the UK AIM, the UK Corporate Governance Code does not apply to us. However, the Quoted Companies Alliance (QCA) has published a set of corporate governance guidelines for AIM companies, which include a code of best practice comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. i3 Energy's board has adopted the QCA Corporate Governance Guidelines for Smaller Quoted Companies.



## i3 Energy's board

### Board composition, qualifications, and training

Our board currently consists of:

- Two executive directors – the Chief Executive Officer Majid Shafiq and the President Canada Ryan Heath (subject to completion of NOMAD's due diligence)
- Four non-executive directors – Interim Chairperson Linda Beal, Richard Ames, Neill Carson and John Festival. Our four non-executive directors are, in the opinion of the board, independent in character and judgement.

None of the directors have any potential conflicts of interest between their duties to the company and their private interests and/or duties owed to third parties.

The composition of i3 Energy's board is reviewed regularly and strengthened as appropriate in response to the company's changing requirements. Appropriate training and orientation is undertaken for all directors when they are first appointed and then periodically as necessary, taking into account their existing qualifications and experience.

### Board meetings

The board meets quarterly. Each year the board also holds an annual strategy meeting where the directors review the company's long-term strategic direction and financial plans.

Certain matters are reserved for consideration by the board as a whole, and other matters are delegated to specific board committees.



## Board committees

The board has established the five following committees:

Audit committee	Corporate governance committee	Reserves committee	Remuneration committee	Health, Safety, Environment & Security (HSES) committee
<p>Monitors financial reporting; reviews internal control and risk management systems; monitors the effectiveness of external and internal audit functions; and oversees the relationship with the external auditors. Meets at least three times a year.</p>	<p>Develops and recommends guidelines, policies and procedures relating to corporate governance; evaluates the performance and effectiveness of the board; and reviews and makes recommendations on non-executive director compensation. Meets at least twice a year.</p>	<p>Assists the board in monitoring and reviewing the appointment of an independent engineering firm to report on the quantity and the value of the company's oil and gas reserves; reviews company procedures for providing information to the independent engineering firm, ensuring disclosure complies with applicable laws and regulations; oversees the preparation and public disclosure of reserve estimates; and monitors joint venture partners to ensure policies and procedures are in place to minimise environmental, occupational health and safety and other risks. Meets at least twice a year.</p>	<p>Determines the policy for executive and senior employee remuneration, as well as setting specific remuneration packages; and recommends and monitors the remuneration of senior employees. Meets at least twice a year.</p>	<p>Oversees the company's health and safety management system and other policies, procedures and strategies related to ESG issues. Reports to the board on the integration of climate-related risks into business strategy and financial planning. Includes members of senior leadership to ensure the committee has deep insight into ESG matters. Meets at least three times a year.</p>
<p><i>Members</i></p> <p><b>Linda Beal (chair)</b> <b>Richard Ames</b> <b>John Festival</b></p>	<p><i>Members</i></p> <p><b>Linda Beal (chair)</b> <b>Neill Carson</b> <b>John Festival</b></p>	<p><i>Members</i></p> <p><b>Neill Carson (chair)</b> <b>Richard Ames</b> <b>John Festival</b></p>	<p><i>Members</i></p> <p><b>Richard Ames (chair)</b> <b>Linda Beal</b></p>	<p><i>Members</i></p> <p><b>John Festival (chair)</b> <b>Neill Carson</b></p> <p><i>Executive members</i></p> <p><b>Majid Shafiq (CEO)</b> <b>Ian Schafer (COO Canada)</b> <b>John Woods (COO UK)</b></p>



# ESG DATA TABLES

	Units	2020*	2021
<b>Emissions</b>			
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	98,927	186,097
• Direct GHG emissions attributable to stationary combustion	tCO <sub>2</sub> e	50,215	112,874
• Direct GHG emissions attributable to fugitives	tCO <sub>2</sub> e	18.37	3,580
• Direct GHG emissions attributable to flaring	tCO <sub>2</sub> e	3,559	4,679
• Direct GHG emissions attributable to vents	tCO <sub>2</sub> e	45,135	64,964
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	3,940	5,265
Combined direct and indirect GHG emissions intensity	tCO <sub>2</sub> e/boe	0.0448	0.0426
<b>Air quality</b>			
Sulfur dioxide	tonnes	–	53.71
Nitrogen oxides	tonnes	340.89	1,146.41
VOCs	tonnes	56.69	228.35
Particulate matter	tonnes	5.63	11.053

\* This report was updated in November 2022 to make corrections to 2020 GHG emissions data. Due to a calculation error by our third-party advisors, our Scope 1 emissions were incorrectly stated as 79,871 tCO<sub>2</sub>e and our intensity as 0.0364 tCO<sub>2</sub>e/boe. The correct data is now shown.

	Units	2020	2021
<b>Water</b>			
Fresh water withdrawal	m <sup>3</sup>	None	20
Volume of produced water	m <sup>3</sup>	–	–
<b>Biodiversity impacts</b>			
Reportable spills	count	1	7
Volume of reportable spills	m <sup>3</sup>	10.0	62.3
<b>Reclamation</b>			
Well abandonments	count	13	17
Wells decommissioned	count	–	2
Reclamation certificates received	count	–	9
<b>Safety</b>			
Recordable injuries (contractor)	count	1	1
Recordable injuries (employee)	count	0	0
Lost-time injuries (contractor)	count	0	1
Lost-time injuries (employee)	count	0	0



	Units	Year end 2020	Year end 2021
<b>Workforce</b>			
Total workforce	count	86	123
<b>Employees in Canada</b>	<b>count</b>	<b>33</b>	<b>40</b>
• Full-time Canada employees	count	3	39
• Part-time Canada employees	count	0	1
Contractors in Canada	count	41	73
<b>Employees in the UK</b>	<b>count</b>	<b>11</b>	<b>9</b>
• Full-time UK employees	count	10	8
• Part-time UK employees	count	1	1
Contractors in the UK	count	1	1
<b>Women in workforce</b>	<b>count</b>	<b>23</b>	<b>29</b>
• Women in UK workforce	count	3	2
• Women employees in UK	count	3	2
• Women contractors in UK	count	0	0
• Women in Canada workforce	count	20	27
• Women employees in Canada	count	16	20
• Women contractors in Canada	count	4	7



i3 Energy's W5 Open Creek facility

## Abbreviations and definitions

<b>Abbreviations</b>	
AER	Alberta Energy Regulator
AIM	Alternative Investment Market (London Stock Exchange)
ASCP	Accelerated Site Closure Program (Saskatchewan)
boe	Barrel of oil equivalent
COP26	26 <sup>th</sup> UN Climate Change Conference of the Parties
d	Day
ESG	Environment, social and governance
FFVS	Intricate Flow Flare and Vent Software
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HSES	Health, Safety and Environmental Security
KPI	Key performance indicator
LTI	Lost time injury
MACC	Marginal abatement cost curve
MMboe	Million barrels of oil equivalent
NSTA	North Sea Transition Authority (formerly the UK Oil & Gas Authority)
QCA	Quoted Companies Alliance (UK)
SASB	Sustainability Accounting Standards Board
SRP	Site Rehabilitation Program (Alberta)
TCFD	Task Force on Climate-related Financial Disclosures
TSX	Toronto Stock Exchange
<b>Definitions</b>	
Scope 1 / direct emissions	Greenhouse gas emissions that occur from sources that are controlled or owned by an organisation (e.g. emissions associated with fuel combustion in boilers, furnaces and vehicles)
Scope 2 / indirect emissions	Indirect greenhouse gas emissions associated with the purchase of electricity, steam, heat or cooling