Task Force on Climate-related Financial Disclosures (TCFD)

Prior to mandatory reporting requirements, we have chosen to align with the TCFD recommendations. Building on our initial 2020 TCFD Report, we have created a 2021 TCFD Report that aligns more closely to the recommended disclosures and have carried out scenario analysis.

GOVERNANCE

The Board's oversight of climate-related risks and opportunities

Climate change is considered to be a material risk and is considered in the Board's review and evaluation of the wider Serica business strategy, planning and corporate targets.

Our Board is committed to reviewing and monitoring climate-related business risks and opportunities on a monthly basis as part of Serica's Risk Management Policy, with associated standards and procedures, which supports both operational and strategic planning. The HSE Committee, Audit Committee and Remuneration Committee have specific accountabilities relating to climate change risks and opportunities.

Management's role in assessing and managing climate-related risks and opportunities

Our Senior Management Team is structured and empowered to ensure that the Board has the necessary climate related information to assess the associated risks and opportunities. They are responsible for compliance with and reporting against the organisational climate related metrics and targets in their individual business areas. The Senior Management Team are accountable for the risk management policies as well as ESG related strategies and programs which cover climate-related risk. Specifically, our Vice President of Environment, Social and Governance (VP ESG and Business Innovation) is responsible for the development and implementation of the Serica ESG strategy of which climate action is an integral part.

STRATEGY

Climate-related risks and opportunities identified over the short, medium and long term

Serica's Risk Management Policy underlines the identification, assessment, and mitigation of climate-related risks and is supported by management level procedures to ensure that a consistent approach to climate related risk identification is applied and, wherever possible, risks are reduced to As Low as Reasonably Practicable (ALARP). As our existing assets are all currently projected to cease production within the next ten years, as such, this is the key period of focus for the Company. We have primarily targeted our considerations of climate-related risks and opportunities over the short and medium terms. We use the risk categories recommended by the TCFD to further our reflection of climate-related risk and opportunities:

Impact of climate-related risks and opportunities on business, strategy, and financial planning

We consider climate-related strategic and financial risks in both our existing asset portfolio and future business growth including potential acquisitions. We have developed operational objectives which are aligned with climate-related risk reduction and climate change resilience planning, both in response to its own climate impact and as part of the development of its wider ESG strategy.

Quantitative financial modelling against chosen scenarios

In 2021, we used the North Eigg exploration prospect and conceptual development plans as a case study, running economics by varying parameters depending on either a 'stated policies' scenario (legislation stays the same as now) or a net zero scenario where renewables are accelerated to reduce climate change. The analysis ran economics focusing on specific parameters pertinent to the scenarios.

CLIMATE RISK MANAGEMENT

Processes for identifying and assessing climate-related risks

Our corporate risk process is led by the Board which maintains a register of significant corporate risks for review at each of its regular meetings. This includes climate-related risks. The expected lives of our business assets are concentrated within the next ten years though the objective is to extend lifespans into the next decade where possible. We also seek growth opportunities which may extend our business programme. Consequently, the identification and assessment of climate risks in relation to our existing business is concentrated upon climate-related objectives and potential developments within this timeframe.

CLIMATE CHANGE METRICS AND TARGETS

Metrics used to assess climate-related risks and opportunities

Carbon emissions data is collected from our assets, including operated and partnered facilities. We assure this data for consistency and comparability throughout our portfolio over time. This data is used to ensure compliance with UKCS emissions regulation and to comply with all operating permits and consents associated with our assets and forms part of the licence to operate.

Carbon emissions and climate risk levels, including Scope 1, 2 and 3 GHG emissions

We report to all mandatory carbon-related regulations, including our Pollution Prevention Control (PPC) permit and the requirements of the UK Emissions Trading Scheme (UK-ETS). Our emissions targets for 2022 are described in the 'Our commitment to the environment' section of the ESG report. We have set emissions related targets which relate directly to employee remuneration, flare reductions on the Bruce asset and emissions reductions across operations.

Transition Risk	Mitigation
The transition away from carbon-based power generation may restrict the future demand for, or production of, the company's oil and gas reserves	• The estimated value of future reserves is discounted more heavily for later periods of production • The Group's reserves are weighted towards gas which is playing a key role in the global energy transition
Energy transition objectives may bring additional costs, levies, or taxes	• Estimates of climate-related charges are included in cost estimates where reasonably identifiable • Management prioritises the delivery of ESG objectives aimed at mitigating any additional levies
Sources of finance including equity markets and debt providers may be harder to access or become more expensive	• Management engages with potential sources to anticipate their ESG compliance requirements • The Company also seeks to retain a range of alternative financing options • Potential funding cost increases are considered when planning investments
The range of potential acquisitions may be restricted by ESG considerations	• Management considers the emissions profiles of potential acquisition targets and the mitigating actions that it can implement • Serica prioritises opportunities to deliver low carbon intensity production into the UK market

Physical Risk	Mitigation
More extreme weather patterns may threaten or disrupt operations	• The Company seeks to maintain robust transport and supply chains • The impact of extreme climatic conditions such as exceptional waves are incorporated in risk management scenarios
Energy transition objectives may bring additional costs, levies, or taxes	• Estimates of climate-related charges are included in cost estimates where reasonably identifiable • Management prioritises the delivery of ESG objectives aimed at mitigating any additional levies