

Appendix 2 Materiality assessment

GRI number	Topic	Impact materiality	Financial materiality	Double materiality	Explanation of material aspect
ENVIRONMENT					
304	Biodiversity	Y	N	N	<p>Carefully managing operations to reduce direct and cumulative impacts on biodiversity and the livelihoods of those who depend on it is essential for Serica, its investors, and stakeholders. Environmental impact assessments are conducted in accordance with the Department for Energy Security and Net Zero ('DESNZ') Offshore Petroleum Production and Pipelines Assessment of Environmental Effects Regulations 2020.</p> <p>Potential negative impacts on biodiversity from Serica's operations could arise from effluent discharge, noise, or leaks. UKCS operations are regulated reducing the likelihood of such events. Serica does not operate in areas of high biodiversity or protected areas, so our impacts are limited to our assets and the surrounding area which are likely remediable.</p> <p>Additionally, Serica makes efforts to positively impact biodiversity through activities such as beach cleanups, participating in Xodus' Bird Portal Initiative, and sponsoring the "Turning the Plastic Tide" campaign.</p>
301	Materials	N	Y	N	<p>Serica consumes a variety of raw and manufactured materials, which are utilised to provide both life support for our offshore personnel and to facilitate the production of hydrocarbons. During periods without significant field development or decommissioning, material usage is not expected to have a negative impact. However, price fluctuations due to supply chain disruptions, UK and EU CBAMs, and long lead times on items could pose a financial risk.</p>
302	Energy	Y	Y	Y	<p>The Bruce installation produces approx. 5% of the UK's gas production. This represents an important source of energy which comes with much lower carbon intensity than imported Liquefied Natural Gas ('LNG'). All of Serica's offshore assets are hydrocarbon powered currently. The issue of energy efficiency is a focus for regulators and other stakeholders, which may have a financial impact.</p>
303	Water and effluents	Y	N	N	<p>As a North Sea operator, Serica operates in a region where there is no scarcity of fresh water. However [closed loop] seawater is used in the production process, and the water consumed on the installation is predominantly desalinated. Wastewater discharges are carried out in accordance with MARPOL 73/78 Regulations for the Prevention of Pollution by Sewage from Ships. Despite the strict local regulations and Serica's commitment to compliance, occasional discharges of reservoir produced water with elevated hydrocarbons or other effluents may still occur, potentially leading to a negative environmental impact.</p>
305	GHG emissions	Y	Y	Y	<p>As an oil and gas producer, Serica recognises that its operations contribute to global GHG emissions despite several carbon reduction initiatives. Additionally, the topic of GHG emissions may be a source of financial risk, as investors may be less inclined to invest in industries associated with relatively high GHG emissions. Increases in carbon costs and reputational damage in relation to GHG emissions could also pose potential financial risks.</p>
306	Waste	Y	N	N	<p>Waste is generated as a part of Serica's operations, this includes hazardous waste. Any waste that Serica generates, stores, handles and transports is in accordance with the Environmental Protection Act 1990 and the Waste Management Licensing (Scotland) Regulations 2011 ('WMLR') and MARPOL 73/78 Regulations for the Prevention of Pollution by Sewage from Ships.</p> <p>Serica is seeking to reduce the amount of waste sent to landfill and to increase volumes of waste being recycled or used for waste to energy. However, there are also potential negative impacts on the local environment through waste being improperly disposed of and leading to contamination.</p>

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307	Environmental compliance	Y	Y	Y	Serica's operations are bound by UK environmental legislation. UK offshore oil and gas operations are subject to one of the most strict regulatory systems. However, should an incident occur, this could have an adverse reputational impact. There is also financial risk from maintaining ageing offshore infrastructure and potential loss of production as a result of production shutdowns or curtailments. This topic is, therefore, deemed double material.
308	Supplier environmental assessment	Y	N	N	Currently Serica screens its Tier 1 and 2 suppliers using environmental criteria. We have also encouraged and supported suppliers in regard to their environmental initiatives and reporting. We are also required by law to consider contractor the environmental management and performance of contractors. This topic is deemed impact material.
SOCIAL					
401	Employment	Y	Y	Y	Serica depends on its workforce to deliver the Company's objectives. It is important to ensure that we fully comply with all appropriate employment regulations for our onshore and offshore workforce and provide our team with a safe working environment. We also offer flexible working, opportunities to give back to the local community and training for our employees. There is also a financial risk if we do not have access to the skills and talent required to safely and efficiently conduct business. This topic is, therefore, deemed double material.
402	Labour and management relations	N	N	N	Serica manages its work force in alignment with stringent UK employment legislation and industry best practice. This greatly reduces the risk of negative labour and management relations within its operations. The topic is deemed not material.
403	Occupational health and safety	Y	Y	Y	Occupational Health and Safety is a core requirement of the offshore oil and gas industry. Our offshore facilities and the onshore support network are of critical importance to Serica and our stakeholders. The impacts of this topic include potential negative harm to employees/contractors. There is potential financial risk arising from legal claims and a loss of reputation. This topic is deemed double material.
404	Training and education	Y	Y	Y	It is vital in a high hazard industry that Serica's workforce personnel are and remain competent. Competency-based training and development education for staff play a vital role in achieving this goal, as the absence of such initiatives could lead to negative outcomes including accidents and inefficiencies. There is also a financial risk if we do not have access to the skills and talent required to safely and efficiently conduct business. This topic is, therefore, deemed double material.
405	Diversity and equal opportunities	Y	Y	Y	Maintaining a diverse workforce and non-discriminatory practices are imperative. This approach creates a workforce which more fully represents society and is resilient. Additionally, having a diverse workforce has been demonstrated to promote better financial performance. This topic is deemed double material.
406	Non-discrimination	Y	Y	Y	Same as above.
407	Freedom of association and collective bargaining	Y	N	N	Serica has a non-unionised workforce but we recognise, support and guarantee, however, the right to collective bargaining and freedom of association. We are strong supporters of the Energy Services Agreement. This topic is deemed to be impact material.
408	Child labour	N	N	N	This topic is deemed not material given employment law within the UK and Serica's internal policies and procedures.
409	Forced and compulsory labour	N	N	N	This topic is deemed not material given employment law within the UK and Serica's policies and procedures. Serica publishes an annual Modern Slavery Statement which describes the Company's efforts to ensure that there is no forced labour within its supply chains.
410	Security practices	N	N	N	Due to the offshore location of Serica's assets including the Bruce installation and the lack of previous security incidents, this topic has been deemed not material.

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411	Rights of indigenous peoples	N	N	N	Serica's UK areas of operations are not home to any communities or peoples who would be classed as indigenous. Therefore, the potential opportunities to infringe or promote the rights of indigenous peoples is deemed not material.
412	Human rights assessments	N	N	N	Currently, all of Serica's operations and interests are UK-based, significantly minimizing the risk of human rights breaches within its supply chain and operations. The scale of our current operations does not necessitate human rights assessments, nor do our business activities pose a risk of infringing upon the human rights of our employees or stakeholders. Consequently, this topic is considered not material.
413	Local communities	Y	N	N	Serica recognises the importance of supporting and collaborating with the communities surrounding its offices and those from which its employees come. Most of this work is currently carried out in the UK, with local communities being affected throughout the supply chain. Therefore, this topic is considered to be impact material.
414	Supplier social assessment	N	N	N	All of Serica's assets and operations as well as 91% of our supply chain are UK based. Suppliers are subject to stringent UK regulations as well as industry specific pre-approval initiatives such as SEQual. This topic is therefore deemed not material.
416	Customer health and safety	N	N	N	Serica produces oil and natural gas which is distributed through existing UK infrastructure. Customers in the traditional sense are not identified specifically as the oil and gas products are co-mingled with other producing fields in the North Sea. This topic is deemed not to be material.
419	Socioeconomic compliance	N	N	N	Serica complies with all UK regulations associated with its business sector. This sector is stringently regulated, and the regulators are transparent, which greatly reduces the risk of any compliance breaches within our operations and supply chain. This topic is, therefore, deemed not material.
11.8	Asset integrity and critical incident management	Y	Y	Y	The impacts of this topic include potential harm to employees/contractors and environmental incidents. This topic poses potential financial risk from the cost of rectifying an incident, compensation and reputational loss with regulators and other stakeholders. This topic is, therefore, deemed double material.
GOVERNANCE					
201	Economic performance	Y	Y	Y	Poor economic performance would have a negative impact on Serica's shareholders and employees. Climate change could be a potentially significant source of financial risk due to the costs of climate resilience, energy transition and regulatory issues. These factors could also create opportunities. Therefore, this topic is deemed to be double material.
202	Market presence	Y	Y	Y	This topic covers hiring and recruitment as well as the company's presence in the local communities in which it operates. Serica puts significant weight on its workforce practices and contribution to local communities. Equally, decisions the Company takes could have direct and indirect negative consequences. Therefore, there is financial risk and opportunity with this topic.
203	Indirect economic impacts	N	N	N	This topic concerns the indirect economic impact of Serica's activities on infrastructure, services and local communities. This topic is deemed not material.
204	Procurement practices	N	Y	N	Serica complies with all UK regulations relating to procurement. Owing to legacy involvement of an Iranian owned entity, the Rhum field is subject to U.S. government sanctions. The US government has provided written assurances exempting the provision of essential services to the Rhum field. These arrangements are required to be renewed periodically. Given the importance of Rhum production to Serica, this topic is deemed financially material.
205	Anti-corruption	N	Y	N	Serica complies with UK law in relation to Anti-Corruption and Bribery. Non-compliance could result in unlimited financial penalties to the company. This topic is, therefore, deemed financially material.

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206	Anti-competitive behaviour	N	N	N	Serica participates in various industry and regulatory forums, including the Net Zero Technology Centre, Offshore Energies UK, Technology Leadership Board, and ESG Taskforce, for collaboration and knowledge sharing. Care is taken in these forums to avoid any anti-competitive behaviours. Given this and Serica's small size and influence, this topic is considered not material.
207	Tax	Y	Y	Y	The UKCS oil and gas industry is subject to a very high rate of tax. This high rate of tax also creates opportunities for financially efficient investment. UK government policy on tax is, therefore, financial consequential to Serica. Additionally, the tax that Serica pays contributes to government revenues and associated spending. This topic is deemed double material.
415	Public policy	Y	Y	Y	Serica do not make donations to any political party or representative, as per its Code of Conduct. However, we respect each employee's right to participate in the political process independently. Serica communicates with the UK Government and regulators on topics affecting its activities and industries both directly and via the trade associations to which it belongs; e.g., Offshore Energies UK. Government policies are a source of both financial risk and opportunity depending on their direction. The topic is deemed double material.
417	Marketing and labelling	N	N	N	Serica sells all its production of oil and gas to marketers. It does not make sales to the ultimate consumers and the general public. Serica is not engaged in marketing or labelling and this topic is deemed to be not material.
418	Customer privacy	N	N	N	As described above, Serica does not sell oil and gas to the ultimate consumers or the general public, This topic is deemed to be not material.

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