APPENDIX 8 - **SERICA ENERGY TCFD SUMMARY**

The following appendix provides an overview of Serica's approach to the interpretation and implementation of the recommendations of the Task Force for Climate-related Financial Disclosures ("TCFD").

Serica understands that reporting progress against the TCFD recommendations will become mandatory for designated companies in the UK from 2022.

TCFD Overview

The Financial Stability Board (FSB) was established by the G20 in September 2009 to promote global financial stability and the reform of international financial standards and supervision. In May 2015 the G20 Finance Ministers and Central Bank Governors instructed the FSB to review how the financial sector could take account of climate-related issues. The Task Force on Climate-related Financial Disclosures was instituted to recommend and then review implementation of financial disclosures related to climate change. Initial recommendations were published in June 2017. It was recognised that full implementation would take time and be led by larger organisations to be followed subsequently by mid-size and smaller organisations.

The key features of the recommendations are:

- Adoptable by all organisations
- Included in financial filings
- Designed to elicit decision-useful, forward-looking information on financial impacts
- Strong focus on risks and opportunities related to transition to lower-carbon economy

The recommendations are not industry specific though certain industries such as oil and gas have a lead role to play. The TCFD Oil and Gas Preparer Forum was formed by a number of major oil and gas companies, with input from the TCFD Secretariat, to review the prevailing status of industry disclosures and to make proposals on their evolution.

The TCFD has since been tracking adoption of its recommendations, issuing its most recent status report in October 2020. This covered actual progress made to-date by listed companies and identified growing support from regulators and government entities. In addition, it was noted that central banks and supervisors across the globe were recommending disclosures in line with TCFD recommendations and some governments were embedding these in policy, guidance, and legislation.

Serica has reviewed guidance to-date and is developing its capabilities to report under such guidance. The Company values the approach and benefits of the TCFD and it anticipates that its own methodology will evolve through enhanced data collection and measurement, further team collaboration, and developing strategies for effectively navigating climate-related risks and opportunities.

Serica places a strong emphasis on the importance of working responsibly which is reflected in all aspects of its strategic and operational activity. Climate-related risk identification and management is increasingly integrated into decision-making and our existing working practices and our ambition is to further develop our climate-related goals in the future.

The TCFD sets four thematic areas for disclosure; Governance, Strategy, Risk Management, and Metrics and Targets. These should be used to describe the approach undertaken for risk identification practices and to further the development of processes and systems applied to best manage the organisation's response to climate change.

Governance

Serica's Board and management work together to formulate and deliver climate-related policies.

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

The Serica Board of Directors is comprised of highly experienced oil and gas industry professionals and is ultimately responsible for the governance and management of climate change and climate-related risks and opportunities.

The Board recognises that responding to climate change is integral to the long-term success of the organisation. Climate change forms part of the Board's evaluation of the wider Serica business strategy, planning and corporate targets. Review of climate-related business risks and opportunities is conducted on a regular basis. The HSE and Audit Committees have leading roles in monitoring climate risks and disclosures.

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

Serica's senior management team are responsible for the implementation of risk management programmes as well as ESG-related strategies. Specifically, the Vice President of Environment, Social and Governance (VP ESG) is responsible for the development and implementation of the Serica ESG strategy, of which climate action is an integral part, and reports directly to the CEO as does the Corporate HSEQ Manager. ESG-related responsibilities for operational, technical and financial matters lie with the VP Operations, VP Technical and VP Finance respectively.

Serica's Board and senior management team work together to instil a culture across the Company which delivers strong values and behaviours.

Strategy

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

Serica has implemented a Risk Management Policy for the identification, assessment, and mitigation of climate-related risks related to its existing assets.

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

Serica has developed operational objectives which are aligned with climate-related risk reduction and climate change resilience planning. These include:

- Creation of carbon emissions key performance indicators (KPIs) and targets
- Roll-out of a robust ESG strategy with a corresponding communication structure to internal and external stakeholders;
- Appointment of a VP ESG to lead strategy development;
- Alignment to recognised international ESG benchmarks and transparency initiatives such as the Global Reporting Initiative ("GRI") and Sustainability Accounting standards Board ("SASB");
- Formation of an ESG strategy and associated commitments and disclosures are aligned with investor and lender requirements; and
- Integration of internal stakeholder communications to ensure that the requirements of finance and ESG are aligned.

Climate Risk Management

Processes for identifying and assessing climate-related risks

Serica follows the TCFD guidance in assessing climate-related risks and opportunities resulting from Transition risks and Physical risks.

Serica's corporate risk process is led by the Board which maintains a register of significant corporate risks for regular review. This includes climate-related risks. Where investigating new investment opportunities and acquisitions, reviews are conducted of all climate-related risks and potential mitigations.

Process for managing climate-related risks

Having identified climate-related risks the company either identifies specific mitigating actions and programmes or, where such specific responses are not considered feasible, builds likely financial impacts into valuations and planning.

Integration of processes for identifying, assessing, and managing climate-related risks into overall risk management

As Serica's climate-related risk identification and management programme progresses, regular updates are provided to the Board and where appropriate added into the Group's risk register which is then reviewed monthly.

Risk summary

Climate change and environmental protection: The UK government, along with many other world governments, has set ambitious emissions reduction objectives

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 which may reduce such impacts
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
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 • Low carbon intensity objectives will be determined prior to acquisition where applicable

Climate Change Metrics and Targets

Carbon emissions data is collected from Serica's assets, including operated and partnered facilities. Serica assures this data for consistency and comparability throughout its 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 Serica's assets and forms part of the licence to operate. It also provides a basis for setting future targets including those for carbon intensity reductions, flaring reductions and associated personnel incentive schemes.