



# 2020 ESG Report

## INTRODUCTION

### ORGANISATION DESCRIPTION AND BACKGROUND

Tailwind Energy Ltd (Tailwind) is a privately owned, UK-based, upstream oil and gas company focused on the extraction, production and commercialisation of hydrocarbons on the United Kingdom Continental Shelf (UKCS).

Tailwind was founded in 2016 on the basis of a differentiated business model aiming to identify, acquire and transform oil and gas assets that still retained a high degree of commercial potential but had been underinvested in for a multitude of reasons. Its model is to gear this potential against strict time windows for investment returns whilst mitigating the traditional risks of upstream oil and gas production – namely oil price exposure and asset performance volatility – through partnerships with experienced practitioners.

### ORGANISATIONAL STRATEGY – *STATEMENT FROM THE CEO*

Tailwind is a young, dynamic upstream oil and gas company which, from the outset, has strived to do business in a proactive manner, utilising open engagement with all our stakeholders. We are aware of the historic and evolving societal expectations of the upstream oil and gas industry, specifically in relation to the energy transition. Tailwind sees itself as an integral part of this transition through our existing and future contribution to the UK's energy mix and industrial development.

This is our first Environmental Social Governance (ESG) report and represents a performance review and a statement on revised strategy to embrace the changing environment in which we operate: it highlights what we do well and clarifies what we are working on. We strive to grow our operations and continue to improve our ESG performance. What is particularly pleasing for the Leadership Team is the energy and buzz around the company from our employees to embrace the challenges in front of us and their desire to become involved in shaping the company and continuing to make Tailwind impactful, relevant and a rewarding place to work.

As we move forward along our growth trajectory, we are committed to making the right choices for our stakeholders. We will frame opportunities appropriately and act on those that return economic value beyond simply financial metrics. Tailwind will continue to do business ethically, transparently and sustainably, and we expect the same from all of our partners.

### ORGANISATIONAL VISION, MISSION AND VALUES

Tailwind aspires towards a collaborative, expert-driven oil and gas sector that works together to optimise near-term assets and enhance the potential of resources in the UKCS. We prioritise facilitating safe, sustainable and environmentally conscious ways of working across our operations.

We are built on ambition. Our aim is to identify the many existing oil and gas operations across the UKCS with latent potential, thus optimising the available natural resources of the UK to maximise value to our shareholders as well as the UK and support the energy transition. We are achieving this goal by building a robust portfolio of producing and non-producing assets and projects, delivering a strong financial return for our shareholders at the same time.

At Tailwind, we believe in the value of experience and expertise. Outside of our core knowledge base, we have developed relationships with specialist operational and financial partners to support our business and long-term interests. By way of example, we partner with Mercuria for further investment support, risk mitigation and marketing, and with Petrofac for engineering and operational support.

Our core principles of teamwork, trust and transparency guide our actions as a business, and as individual members of the Tailwind team. This means putting people at the heart of what we do.

We recognise expertise and ambition as key elements to success. Our management team is comprised of specialists with over 200 years of combined experience across the oil and gas sector. We are supported by a growing roster of partners providing market-leading operational and financial capabilities.

## ORGANISATIONAL STRUCTURE

Tailwind is a privately owned organisation consisting of 22 employees and a number of contractors, depending on the level of operations at the time. All of Tailwind's operations are based in the UK and comply with UK legislation, specifically the Environment Act 1995, which ensures that the Precautionary Principle is applied to all activities.

Tailwind works proactively with regulators, legislators, and partners to ensure we adhere to the appropriate standards of corporate governance and risk management. Our Code of Conduct is a living document that defines the behaviour required from our employees, contractors, and partners. We actively encourage dialogue with the Oil and Gas Authority (OGA), the Department for Business, Energy and Industrial Strategy (BEIS) and the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) to ensure we are continually meeting the expectations of our stakeholders. This interaction also allows us to provide feedback to regulators and policy makers and to optimise measures for the continued growth of the basin.

Tailwind attracted investment from Mercuria – a global energy commodities trader – as a natural partner for our model. Mercuria remains a majority financial beneficiary and shareholder of Tailwind and has board representation at Group level.

## REPORTING PRACTICE AND STAKEHOLDER ENGAGEMENT

Tailwind acknowledges the need for transparency and independently recognised benchmarking of disclosures. We understand the compliance and operational obligations that are demanded of us given the risks and exposure of our operating environment. It is important for Tailwind to benchmark our ESG commitments and performance against a benchmark that can be understood and recognised by our stakeholders, allowing for peer and non-peer comparisons.

The Global Reporting Initiative (GRI) is globally recognised as an independent international organisation that helps businesses and organisations to take responsibility for their impacts by providing a common language to reference against. The GRI was selected by Tailwind as our initial ESG benchmark as it enables us to communicate our ESG credentials to our stakeholders in a universally recognised way. This report has been compiled in accordance with the GRI Core Option.

The GRI extends beyond the upstream oil and gas industry and therefore many of its standards are simply not relevant or of material impact to Tailwind's activities and interests. We have tried to capture all those standards that we deem relevant and material to Tailwind's business and operations through the formalisation and application of a materiality assessment. However, we will continue to review what is material to us as an organisation, the changing environment and expectations of our stakeholders, and GRI's updates to include new standards, or increase coverage of existing standards, as we progress with the development of our ESG strategy.

Tailwind has legal and statutory obligations when it comes to reporting requirements and expected good practice. Tailwind continually updates our stakeholders with respect to our obligations and, whilst not an exhaustive list, we believe that our key stakeholders and interested parties include our investors, employees, industry and joint venture partners, regulators, (licence partners, supply chain and contractors), financial

institutions, peer group and counterpart companies, and statutory consultees including certain non-governmental organisations (NGOs).

Our approach to materiality, both in the context of the GRI and our wider business endeavours, is presented below.

## TAILWIND'S APPROACH TO ESG

Our commitment to ESG started with the founding of the company. Environmental management and proactive behaviours are fundamental to Tailwind, and we have grown with good governance and the integration of environmental and social performance into how the company runs and behaves.

Tailwind has a responsibility to our employees, investors, suppliers, regulators, partners and the wider communities in which we operate and influence. Tailwind was conceived as being sustainable, meaning we recognise the importance of the relationships and obligations we have to these different groups. Making our performance information public helps us and our stakeholders understand the progress we have made, and continue to make, in these areas, and allows us to be honest about the areas where we can do better. ESG performance is critical to Tailwind as the industry embarks further down the path of the energy transition and ensure we continue to follow a principles-based approach rather than simply obligatory reporting.

Tailwind recognises the sensitivity of our business both in terms of the physical environment in which we operate but also the business and social environment that is constantly changing. The energy transition is emerging as the main focus for the oil and gas sector, particularly with regards to the management of carbon emissions and re-balancing of the energy mix.

Our Leadership Team and Board recognise ESG aspects as becoming ever more central to how we do business and how our strategy and operations must continually adapt to a changing landscape. We are members of Oil and Gas UK (OGUK), and we contribute to the strategy and debate that ultimately sets policy to ensure the safe and reliable operations that the oil and gas industry brings to the UK economy. OGUK has committed to a net zero carbon target in the North Sea by 2035 and we will support that objective. Likewise, the UK Government has given its commitment to the industry through its support into carbon capture, storage and offset.

## ESG STRATEGY AND COMMITMENTS

Tailwind recognises that ESG for the upstream oil and gas industry represents both our current and future licence to operate. Our governance structure, processes and management systems have been developed to ensure that our evolving ESG strategy is complementary to our wider business objectives.

The Tailwind Code of Conduct and the Environmental, Health and Safety Policy and associated Management System underpin this commitment. We understand that our ESG approach and strategy will evolve with the organisation and stakeholder expectations. This report represents our first attempt to communicate our ESG strategy and commitments. Over time, as initiatives evolve, expectations change and legislative and regulatory obligations are introduced, our strategy will be developed to address these.

We recognise that there will be elements of ESG reporting performance which will require Tailwind to build upon our existing regulatory obligations and go beyond simple compliance reporting. This underpins our approach to ESG and will form the basis of how the company develops, recognising ESG performance and transparency as part of our licence to operate. Tailwind recognises the need to develop ESG related key performance indicators (KPIs) and targets. It will be important that these are ambitious enough to differentiate Tailwind as a responsible operator while ensuring that they align with our core business objectives and, where applicable, those of our joint venture operators.

This report reflects Tailwind's initial benchmarking of ESG performance, metrics and initiatives and as such KPIs and targets are not considered to be appropriate or meaningful at this stage. It is Tailwind's expectation that KPIs and targets will be developed in tandem with the evolution of regulatory and stakeholder expectations and its own plans. Tailwind's ambition is to play its part in the wider energy transition by delivering responsible, efficient oil and gas operations and delivering value to its stakeholders. Future ESG KPIs and targets will reflect this wider ethos

## OPERATIONS

Tailwind's assets are managed under different operating models. This approach enables value to be maximised on an asset by asset basis and ensures that operational and financial risk exposure can be reduced.

Having multiple joint venture operating models can be challenging when considering ESG reporting, as the legal accountability for ESG aspects does not always rest with Tailwind but with the operating company responsible for day to day management of the asset.

Tailwind's approach to ESG accountability is to take a representative, or equity, share of ESG accountability wherever this is practical to ensure that the wider ESG strategy applies to its whole business rather than just those elements for which it has legal responsibility. This is a transparent and open approach that shows Tailwind accounting for its equity share rather than utilising any shield of reporting boundaries.

Tailwind currently has three main areas of operation on the UKCS, Triton, Columbus and Conwy. Triton and Columbus are non-operated equity share assets which are operated and managed by Dana Petroleum Limited ("Dana") and Serica Energy PLC ("Serica") respectively.

Conwy is a not permanently attended installation (NPAI) which is owned and operated by Tailwind with production and supporting services associated with the Douglas Field provided by ENI UK Liverpool Bay Asset (LBA).

### TRITON

The Triton Area consists of six producing oil fields developed via common infrastructure in the UK Central North Sea, located approximately 190km east of Aberdeen in water depths of 90m. The six fields currently producing oil and gas via the Triton Floating Production, Storage and Offloading vessel (FPSO), are Bittern, Guillemot West & Guillemot Northwest, Gannet E, Clapham, Pict and Saxon. Dana and Waldorf Production UK Limited ("Waldorf") are our partners in the Triton cluster. Dana currently operate the Triton FPSO along with the Clapham, Saxon, Pict and Guillemot West fields. Following the Tailwind transaction with Shell/Esso, Dana now also operate the Bittern field. Tailwind is operator of the Gannet E Field, with Dana as pipeline operator and Petrofac as well operator. Tailwind also operate the Belinda/Evelyn discoveries.

### COLUMBUS

The Columbus Field is located in blocks 23/16f and 23/11a, approximately 35km northeast of the Shell-operated Shearwater Field. Columbus is a gas-condensate accumulation in the Forties sandstone formation discovered in 2006 and has been fully appraised by four wells. The Columbus FDP was sanctioned in Q4 2018 with first gas expected in 2021. The field is operated by Serica. On the 8th of November 2018 Tailwind completed the acquisition of EOG's UK business which included a 25% non-operated interest in the Columbus gas development project in the North Sea.

### CONWY

The Conwy Field is located within Block 110/12a in the East Irish Sea, approximately 33km North of Llandudno, North Wales. Conwy is a 12km tie-back to the ENI UK LBA-operated Douglas Field installation in adjacent block 110/13b. On the 8th of November 2018 Tailwind completed the acquisition of EOG's UK business which included a 100% operated interest in the Conwy Field.

## MATERIALITY

As introduced above, in order for Tailwind to report and benchmark effectively on ESG topics, it is important to have a clear approach to determining what is material. This ensures that the correct level of ownership and control is assumed over ESG aspects, and that Tailwind is able to confidently and clearly articulate our approach to managing these aspects to our stakeholders.

Tailwind utilises a risks and opportunities register to articulate and manage risk at Board level. This register is owned by the CEO and enables clear and consistent communication of business risk to the wider organisation and stakeholders.

The Tailwind approach to materiality is complementary to this risk register and considers ESG aspects from two perspectives, namely, whether they are material to Tailwind, whether they are material to Tailwind's stakeholders, or both.

In order to ensure a consistent approach to determining what is material from an ESG perspective, Tailwind have developed the materiality table below. This summarises the approach to assessing materiality, provides context to the material aspects, and aligns each ESG aspect with the complementary GRI disclosure.

This approach helps to ensure a consistent approach to ESG materiality year-on-year as Tailwind's strategy evolves and stakeholder expectations change. In addition, the alignment to the GRI and the materiality of the chosen topics is transparent and repeatable.

This approach is further aligned to Tailwind's wider business philosophy and ensures that the approach is practical and reflective of the organisation's size, structure, systems and processes. Tailwind's materiality assessment is presented in Table 1 below.

ESG Aspect	Material to Tailwind	Material to Stakeholders	Report Section	Associated GRI Disclosure
<b>Organisational Information</b>				
<b>Organisation Description and Background</b>	Yes	Yes	Organisational Description and Background	102-1 Name of the organisation 102-2 Activities, brands, products, and services 102-3 Location of headquarters 102-4 Location of operations 102-5 Ownership and legal form 102-6 Markets served 102-7 Scale of the organization 102-8 Information on employees and other workers 102-9 Supply chain 102-10 Significant changes to the organization and its supply chain 102-11 Precautionary Principle or approach 102-12 External initiatives 102-13 Membership of associations
<b>Organisational Strategy</b>	Yes	Yes	Organisational Strategy	102-14 Statement from senior decision-maker
<b>Organisational Vision, Values, Principles and Standards</b>	Yes	Yes	Organisational Structure	102-16 Values, principles, standards, and norms of behaviour 102-17 Mechanisms for advice and concerns about ethics
<b>Organisational (Governance) Structure</b>	Yes	Yes	Organisational Structure	102-18 Governance structure
<b>Stakeholder Engagement</b>	Yes	Yes	Reporting Practice and Stakeholder Engagement	102-40 List of stakeholder groups 102-41 Collective bargaining agreements 102-42 Identifying and selecting stakeholders 102-43 Approach to stakeholder engagement 102-44 Key topics and concerns raised
<b>Reporting Practice</b>	Yes	Yes	Reporting Practice and	102-45 Entities included in the consolidated financial statements 102-46 Defining report content and topic Boundaries 102-47 List of material topics



ESG Aspect	Material to Tailwind	Material to Stakeholders	Report Section	Associated GRI Disclosure
			Stakeholder Engagement	102-48 Restatements of information 102-49 Changes in reporting 102-50 Reporting period 102-51 Date of most recent report 102-52 Reporting cycle 102-53 Contact point for questions regarding the report 102-54 Claims of reporting in accordance with the GRI Standards 102-55 GRI content index 102-56 External assurance
<b>Areas of Operation</b>	Yes	Yes	Operations	None
<b>Operating Models</b>	Yes	Yes	Operations	103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach
<b>ESG Philosophy, Strategy and Commitments</b>	Yes	Yes	Tailwind's Approach to ESG	None
<b>Materiality Assessment</b>	Yes	Yes	Materiality	None
<b>Environment</b>				
<b>Environmental Accountability (Environmental Compliance)</b>	Yes	Yes	Environmental Accountability	GRI 307: Environmental Compliance 2016
<b>Environmental Management (Materials, Energy, Water, Biodiversity, Effluent and Waste)</b>	Yes	Yes	Environmental Management	GRI 302: Energy 2016 GRI 303: Water and Effluents 2018 GRI 304: Biodiversity 2016 GRI 306: Effluents and Waste 2016
<b>Energy Transition and Net Zero (Emissions)</b>	Yes	Yes	Energy Transition and Net Zero	GRI 305: Emissions 2016

ESG Aspect	Material to Tailwind	Material to Stakeholders	Report Section	Associated GRI Disclosure
<b>Social</b>				
<b>Employee Relations (Employment, Training and Education and Diversity and Equal Opportunity)</b>	Yes	Yes	Employee Relations	GRI 401: Employment 2016 GRI 404: Training and Education 2016 GRI 405: Diversity and Equal Opportunity 2016
<b>Health and Safety Management</b>	Yes	Yes	Health and Safety Management	GRI 403: Occupational Health and Safety 2018
<b>Community Engagement and Charitable Giving</b>	No	Yes	Community Engagement and Charitable Giving	None
<b>Governance</b>				
<b>Ownership and Management</b>	Yes	Yes	Management Accountability	102-18 Governance structure
<b>Annual Accounts and Performance (Economic Performance, Market Presence and Indirect Economic Impacts)</b>	Yes	Yes	Indirect Economic Benefit and Annual Report	GRI 201: Economic Performance 2016 GRI 202: Market Presence 2016 GRI 203: Indirect Economic Impacts 2016
<b>Transparency (Procurement Practices, Anti-Corruption and Anti-Corruptive Behaviour)</b>	Yes	Yes	Code of Conduct	GRI 205: Anti-corruption 2016 GRI 206: Anti-competitive Behaviour 2016
<b>Supply Chain Management (Procurement Practices, Supplier Environmental Assessment)</b>	Yes	Yes	Supply Chain	GRI 204: Procurement Practices 2016 GRI 308: Supplier Environmental Assessment 2016
<b>Growth Strategy, Mergers and Acquisitions</b>	Yes	Yes	Annual Report	None
<b>Partnerships and Joint Ventures</b>	Yes	Yes	Annual Report	None

Table 1: Tailwind Materiality Assessment

## ENVIRONMENT

### ENVIRONMENTAL ACCOUNTABILITY

As a UKCS operator, Tailwind is already held to high standards of environmental accountability through industry specific legislation. We are aware that our licence to operate requires us to go beyond compliance to ensure that our business supports the wider societal and government ambition to achieve net zero emissions and minimise our environmental impact wherever possible.

Environmental due diligence is rightly becoming increasingly important to shareholders, employees and financial institutions and Tailwind strive to ensure we remain a responsible operator and partner.

Through our joint venture partnerships and industry affiliations, we seek to vocalise our credentials and ambitions and influence the wider industry in line with our own environmental aims and objectives. In line with Tailwind's wider approach to ESG, it is anticipated that this will lead to dedicated environmental targets and KPIs as the strategy develops.

### ENVIRONMENTAL MANAGEMENT

Tailwind has an Environmental, Health and Safety (EHS) Policy which publicly discloses our commitment to environmental accountability and compliance. An Environmental, Health and Safety Management System, Environmental Management Process, Legislative and Regulatory Compliance Process, and dedicated HSE Manager ensure Tailwind can meet our environmental compliance requirements with respect to all aspects of our operations.

Tailwind's EHS Policy and associated Management System is externally assured every 2 years and is compliant with ISO 14001:2015 environmental management standard. The EHS Policy is regularly reviewed by the Board of directors and signed by the CEO. The Environmental Management Process and Legislative and Regulatory Compliance Process are regularly reviewed and signed by the Chief Operating Officer and the General Counsel respectively.

The material environmental aspects managed by Tailwind are described below. Emissions and our wider approach to the energy transition and net zero are described in Environmental Accountability Section.

### CHEMICAL MANAGEMENT

During the extraction of offshore oil and gas, chemicals are required to support both exploration and production activities. These chemicals if permitted, through approved regulatory permits, can be legally discharged into the marine environment when supported by an Environmental Assessment Justification (EAJ) and Chemical risk assessment.

Tailwind are accountable to the regulator (BEIS) for all chemical permits and management on our operated assets. The legal accountability for chemical management on non-operated assets rests with the asset operator (Dana for Triton and Serica for Columbus).

All chemicals, used for the extraction and production of oil and gas, that require permits are registered in accordance with the Offshore Chemicals Regulations 2002.

Our EHS Management System ensures that we can meet our regulatory compliance requirements with respect to all offshore materials and chemicals as required by the UK Offshore Chemical Regulations, an instrument of the Environmental Protection Act. All chemical use and discharge on Tailwind assets are carried out under permits and consents and are supported by EAJ and chemical risk assessments which are assured and approved by the UK offshore environmental regulator, BEIS.

Tailwind has an approved permit for the Conwy asset for the use and discharge of six chemicals associated with production from the asset. During 2020, none of these permitted chemicals were required to be used or discharged.

Tailwind is obligated to report any unintended or unpermitted discharge of hydrocarbons or other pollutants to sea. Any infraction must be logged and submitted to OPRED under a Petroleum Operations Notice 1 (PON1) notification. In 2020, Tailwind had no unintended or unpermitted releases to the marine environment.

## ENERGY

Energy generation and consumption are required for the offshore production of oil and gas as well as the onshore services provided by Tailwind to support this, including offices. Tailwind recognise that energy generation and use have a financial impact on the organisation, as well as an environmental impact through the generation of greenhouse gases. When considering energy use reporting, Tailwind accounts for both operated and non-operated assets, with non-operated assets being considered on an equity share basis.

Energy use is a business requirement to ensure safe operations from Tailwind assets. Energy management and optimisation is synonymous with efficient operations.

Energy is consumed by Tailwind in our London office as well as on offshore installations. In 2020, Tailwind consumed a total of 472.19 GWh of energy across the organisation. This includes energy used for Conwy operations and Tailwind's equity share across the Triton assets. Onshore energy is provided to the London office via the local municipal supplier which comes from a 100% renewable source.

## WATER

During the extraction of offshore oil and gas, sea water is used in various process and cooling operations. The impact of water use and effluent discharge on the environment can be significant if not managed correctly and Tailwind have identified this as a material topic for our business.

Tailwind operates the offshore Conwy oil installation that utilises sea water injection to displace oil in subsurface reservoirs which is brought to the surface by the production wells. During these operations, oil contaminated water, i.e. produced water, is reinjected into the Douglas reservoir. Any residual water in the oil stream is separated at the OSI storage vessel and discharge may occur to the marine environment. This is carefully monitored on the ENI operated Douglas receiving facility as well as the OSI and oil contaminated water is discharged in accordance with an Oil Discharge Permit.

The discharge of any effluents is carefully regulated, monitored and managed to limit any impacts on the environment. Water-related impacts are identified through compliance with the UK Environmental Impact Assessment Regulations and the Offshore Chemical Regulations 2002.

Tailwind are permitted to discharge produced water overboard in accordance with Oil Pollution Prevention and Control Regulations 2005 (OPPC) where the concentration of dispersed oil in produced water discharges (as averaged over a monthly period) must not exceed 30mg/l. Due to the operational arrangements of the Conwy asset, produced water is actually managed on the Douglas platform, OSI and the OPPC permit is held by ENI UK LBA.

The preferred method for disposal of produced water for the Conwy asset is through re-injection into the Douglas reservoir, however if this route is operationally unavailable, the produced water is routed to the OSI a permit is in place to allow oil in water of a concentration lower than 30mg/l to be discharged overboard.

## BIODIVERSITY

Tailwind consider biodiversity to be of material importance to our operated and non-operated assets. We help manage the conservation of biodiversity through the direct control of operated offshore assets and through operational influence with our joint venture partners of our non-operated offshore assets.

Tailwind manage the impact we have on biodiversity primarily through compliance with UK offshore environmental legislation which is derived from EU directives. Tailwind understand the current industry focus on the conservation of biodiversity on the UKCS.

All Tailwind assets are subject to compliance with the Environmental Impact Assessment Regulations 2020 which ensures that permits and consents are approved by BEIS prior to issue for compliance with biodiversity requirements. New developments, and exploration and appraisal infrastructure, are subject to full environmental impact assessments (EIA) which specifically consider biodiversity.

The EIA and EAJ process is a key component of the UKCS licencing, consenting and permitting process. Impacts are examined in both Environmental Statements and in EAJ accompanying permit applications. Tailwind operates in full compliance with these requirements.

Of particular importance when assessing the potential impact on biodiversity of UKCS operations is consideration of International Union for Conservation of Nature (IUCN) Red List species. This list of species represents the world's most comprehensive inventory of the global conservation status of plant and animal species. It uses a set of quantitative criteria to evaluate the extinction risk of thousands of species. None of Tailwind's operations in 2020 were assessed to have a significant impact on any IUCN Red List species.

## WASTE

During the extraction of offshore oil and gas, waste and effluents are generated both as by-products and waste associated with support services and processes. The impact of waste and effluents on the environment can be significant if not managed correctly. Tailwind manages waste associated with the Conway asset where we are legally accountable to the regulator for waste and effluent management. Waste from onshore office operations is coordinated by a facilities contractor through the rental arrangements in place.

Waste and effluent generated on our non-operated assets is managed by the legally accountable operator (Dana Petroleum for Triton and Serica for Columbus).

Waste management regulation in the UK is of the highest standard and it is not possible to delegate the ownership of waste at any stage. Tailwind supports this "polluter pays" principle and closely manages waste on the Conway asset. None of the offshore waste generated on Tailwind assets went to landfill in 2020.

Tailwind assets are subject to regular waste management audits. Tailwind regularly monitor our supply chain to ensure compliance with waste and effluent handling and disposal.

In 2020, Tailwind operations were responsible for:

- 0.3 tonnes of hazardous waste which was subject to energy recovery; and
- 4.22 tonnes of non-hazardous waste which was recycled.

While it is not possible to directly compare waste management performance across the UKCS due to variations in operating conditions and operational demands, it is encouraging that Tailwind did not send any offshore waste to landfill in 2020.

## ENERGY TRANSITION AND NET ZERO

Tailwind has embraced the challenge of the energy transition and the net zero emissions ambition of the UK Government, in collaboration with OGUK and our wider peer group of industry operators and service companies in the UKCS. We recognise that the industry is re-balancing, and diversification to renewable energy is required to support this transition.

The context for Tailwind, however, is different from others in the sector. Tailwind operates in the upstream space only and therefore does not pursue initiatives open to those companies with an integrated business platform that allows deepening into renewable energies such as solar or biomass, repositioning of refineries toward bio-fuels, and investing in hydrogen and carbon capture projects. Tailwind's focus remains centred on hydrocarbons to make best use of its knowledge and experience, by maximising recovery from assets where others cannot. Tailwind's contribution is a valuable part of the energy transition roadmap, making space for other companies to focus on renewable energies whilst ensuring the fundamentals of oil and gas supply.

In addition, we will take accountability of the Greenhouse Gas Emissions (GHGs) associated with our activities not only through regulatory compliance but also through an equity share of GHGs associated with our non-operated assets that are managed by our joint venture partners.

Tailwind operations accounted for a total of 183.22 kt of CO<sub>2</sub>e in 2020 which, based on the oil and gas produced by the company, equates to an emissions intensity of 34.8 kt CO<sub>2</sub>e/million barrels of oil equivalent (BOE) across our portfolio. Breaking this down, Conwy contributed 54.79kt CO<sub>2</sub>e/million BOE to this portfolio number and Triton produced 26.65kt CO<sub>2</sub>e/million BOE.

Our portfolio intensity is above average emissions intensity for operations on the UKCS, which is 21 ktCO<sub>2</sub>e/million BOE. As previously described, Conwy evacuates through the Douglas infrastructure which is a large legacy facility that no longer operates at the same production levels that it was designed to operate when at peak rates and therefore has resultant relatively high emissions on a BOE basis. Triton is more in-line with the average emissions intensity for UKCS operations. As previously discussed, Tailwind does not yet set targets or KPIs for emissions intensity, however it can be noted that FPSO operations such as Triton tend to have higher relative intensities due to increased power demand for ship-based installations.

## EMISSIONS REPORTING

2021 represents our first year of reporting of GHGs on an equity share basis. We have worked with experienced partners to compile and document the GHGs associated with our operations in 2020. In offshore oil and gas extraction, GHGs are a principal product of power generation from the burning of fuel gas and diesel; flaring and venting to the atmosphere as part of the extraction process; diesel usage in secondary services on offshore installations; and transportation of both personnel and goods.

When considering how to report our GHGs in the most transparent and accountable manner, it is necessary to determine which control boundary and reporting methodology to adopt, namely:

- **Financial Control Boundary**
  - Reporting on all sources of environmental impact over which it has financial control. Financial control is over an operation if Tailwind has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from our activities.
- **Operational Control Boundary**
  - Reporting on all sources of environmental impact over which it has operational control. Operational control is over an operation if Tailwind or one of our subsidiaries has the full authority to introduce and implement our operating policies.

- **Equity Share Boundary**

- Accounting for GHG emissions from operations according to our share of equity in the operation.

It was a straightforward decision for us to report on an equity share basis as we felt this was an accurate and transparent reflection of all Scope 1, 2 and 3 emissions categories that Tailwind could claim. Operating and financial boundaries would serve to make reporting potentially more confusing, whereas the principles of attributing emissions directly to ownership is logical and easily understood.

To ensure that the equity share of emissions associated with Tailwind operations is applied fairly and representatively, these are calculated and assigned based on the BOE allocated to Tailwind from our assets. This ensures that the emissions reported correlate with the actual activity of the wider business rather than simply reflecting the percentage share published on the operating licence.

Tailwind participates, indirectly, in the UK Emissions Trading Scheme (UK-ETS) via our operating partners Dana and ENI. On an operated basis, for the Conwy asset Tailwind is deemed a low energy user and while bound to the Streamlined Energy and Carbon Reporting (SECR) initiative, does not meet reporting requirements for the SECR or UK-ETS. The emissions that are included in this report are also included in the both ENI and Dana's UK ETS disclosures, furthermore even though we show an overall emission value for Tailwind's production this is in fact also included on both Dana and ENI reporting of emissions.

Dana and ENI are allocated credits from the UK-ETS (2020) which can be subsidised under a cap-and-trade arrangement within the scheme. Both Dana and ENI recover these costs from Tailwind under opex share and tariff arrangement where applicable.

## CONWY

Conwy is a small not permanently attended installation (NPAI) powered by a subsea cable providing electricity from the ENI UK LBA operated Douglas facility. Emissions associated with are reported by Douglas. Emissions associated with the occasional use of a diesel-powered generators are negligible. The production of hydrocarbons from Conwy uses power from Douglas, with Tailwind contributing to Douglas through a pro-rata share of operating costs linked to actual production through the facility or a tariff. The emissions reporting boundary of Douglas requires ENI to capture all emissions associated with the facility, with Tailwind contributing through opex share or tariff should UK-ETS allowances be insufficient.

When applying the Tailwind equity share methodology, however, Conwy was responsible for 83.5 kT of CO<sub>2</sub>e in 2020. The vast majority of emissions associated with Conwy operations are generated by the Douglas facility. The facility is within the lower half of total GHG emissions by asset class on the UKCS, however when considering flaring specifically, the facility sits within the upper half of the UKCS range.

## Eni UK Liverpool Bay Initiatives

Eni UK recognises that climate change is one of the most serious environmental challenges currently threatening the global community and understands that it has an active role to play in reducing greenhouse gas emissions.

While there are limited options to reduce Liverpool Bay emission intensity (i.e. the ratio between emissions and units of production) in the current late production stage, since 2018 Eni UK has been implementing energy efficiency measures by optimising offshore fuel gas combustion. Further operational improvement options are under assessment based on the 2019 ESOS study, subject to related cost effectiveness.

## TRITON

Using the equity share methodology described above, Tailwind were accountable for 99.7 kT of CO<sub>2</sub>e from its share of the Triton operational activity in 2020. In terms of GHG emissions comparison, again Triton is within the lower half of Floating Asset class peers on the UKCS.

Regarding Flaring, the 2019 benchmark kgCO<sub>2</sub>/BOE for the Floating Asset class on the UKCS is 6.2 and the average 13.99. Triton recorded 6.5 in 2019 and reported a facility total Flaring Emissions CO<sub>2</sub> (Kt) of 42.1 against UKCS average of 41.

Dana is the operator on the Triton FPSO and therefore has reporting accountability for all GHG emissions for the facility. However, Tailwind has chosen to report our emission on an equity basis, and this forms the basis for our GHG Emissions report which can be found above.

The Triton FPSO is primarily powered by indigenously produced gas from fields tied into the facility with the ability to reverse any excess export gas should there be a shortfall. Diesel generated power is limited to facility restarts, emergency situations and some ancillary services. Triton is weather-vaned and anchored and has no ability to move under its own power meaning it has no requirement for additional power needs for positioning, unlike many of its peers.

A Triton Asset Life Extension study undertaken in 2020 included a review of how to practically and economically reduce emissions. Several potential emission reduction measures were identified:

- Install a Flare Gas Ejector to the existing HP flare gas system
- Modify systems to use gas import to minimise start-up flaring
- Upgrade the compressor anti-surge logic to minimise emissions
- Install electric systems to replace the current steam system, thus removing the requirements for the steam boilers hence better utilising the electric power from the turbines (Electric Stripping Pumps on the Cargo Tanks, Electric Offload Pumps and Reverse Osmosis Water Makers)
- Design and Install a new first stage separator that will increase production, but will also reduce oil in water discharge levels.

Dana continues to review other ways of reducing emissions, and further identified opportunities may be implemented.

## THE ENERGY TRANSITION AND NET ZERO

Tailwind is acutely aware of the ongoing transition from a fossil fuel-based economy and society to a more sustainable equivalent, less impactful on the environment and the crisis of climate change. Tailwind is a member of OGUK, the industry trade body for operators, supply chain and all supporting ancillary organisations. We have been part of the debate since our inception, ensuring that Tailwind is fully abreast of the aspirations of central government through BEIS and OPRED to the OGA as regulator. OGUK has worked with the government very closely in recent months and years as key contributors to the recent Energy White Paper<sup>1</sup> that sets out a roadmap for achieving a net-zero economy for the UK by 2050. The Energy White Paper was published in December 2020 and presented to the UK Parliament by the Secretary of Strategy for BEIS. Its remit is wide reaching, addressing, not only the oil and gas sector, but setting out expectations for consumers, power generation, transportation, buildings and industrial energy, with the objective of delivering a net-zero economy by 2050.

The White Paper further details the key commitments and expectations of the oil and gas industry in the UK. Tailwind have reviewed these and have provided the following summary responses which will help to shape our energy transition strategy and commitments:



- *Working with the regulators, we will make the UK continental shelf a net zero basin by 2050.*

**Tailwind commits to a collaborative approach to making the UKCS net zero by 2050**

- *We will commit the UK to the World Bank's 'Zero Routine Flaring by 2030'.*

**Tailwind commits to zero flaring in our operations unless for emergency or integrity related reasons**

- *We will support the UK oil and gas sector to repurpose its existing infrastructure in support of clean energy technologies.*

**Tailwind, if economically viable, will repurpose our infrastructure in support of clean energy**

- *We will undertake a review of the Offshore Petroleum Regulator for Environment and Decommissioning to drive up environmental standards in its regulatory role and support the sector's progress towards net zero emissions.*

**Tailwind supports this**

- *We aim to lay a new strategy for the Oil and Gas Authority before the end of 2020 to bolster the regulator's ability to focus the sector on helping deliver net zero emissions.*

**Tailwind, in conjunction with OGUK, has sought engagement with OGA to ensure compatibility with existing 'Maximising Economic Recovery' strategy**

- *To ensure that licensing continues to be compatible with our climate change ambitions over the coming decades, we are considering formalising aspects of our existing process.*

**Tailwind will review as and when any licencing changes are implemented**

- *We will agree a transformational North Sea Transition Deal with the industry during the first half of 2021.*

**Tailwind is working with OGUK to deliver a 'Transition Deal' that secures the future of the UKCS whilst agreeing to commit to hard targets and dates in lieu of emissions reductions and infrastructure re-use – see below**

- *We will use our North Sea Transition Deal to support the UK-based oil and gas supply chain to secure new low-carbon export opportunities in overseas markets.*

**Not directly applicable to Tailwind**

- *We will take powers to ensure we maintain a secure and resilient supply of fossil fuels during the transition to net zero emissions.*

**Not directly applicable to Tailwind**

## NORTH SEA TRANSITION DEAL

Within the Energy White Paper, the UK Government aims to agree a Sector Deal with the industry during the first half of 2021, focused on the economic opportunities of net zero and providing support for the communities most affected by the move away from oil and gas. The key deliverables for the Sector Deal in the White Paper is emissions reduction, delivery of Carbon Capture, Utilisation and Sequestration (CCUS), diversification of existing supply chains, supporting the development of hydrogen production, and safeguarding jobs.

OGUK has worked to ensure the longevity of the UKCS in its current form whilst undertaking measures to allow the successful delivery of the energy transition and meeting the goals as set out in the White Paper. Tailwind has contributed to these discussions with representation being made for our company, and many like us, who cannot economically commit to some of the objectives as set out. However, Tailwind will continue to monitor and lower carbon intensity (measured as carbon expenditure per unit of production). Tailwind is currently achieving an equity intensity of 34.8kt/million barrels across our portfolio in 2020, against a North Sea average of 21kt/million barrels in 2018.

We believe we have developed the right responses and actions to comply with the Sector Deal and make it for both industry and the targets of the Energy White Paper. Through continual investment in our assets in mitigating and growing production, our carbon intensity can reduce further.

A summary of the expected 2021 Sector Deal main actions and Tailwind responses:

Sector Deal Action	Proposed Industry Action / Offer	Tailwind Response / Action
<b>Supply Decarbonisation</b>	10% production emissions by 2025* 25% production emissions by 2027* 50% production emissions by 2030*	Support to OGUK Pathway to a Net-Zero Basin
<b>Carbon Capture &amp; Storage</b>	Invest £2-3bn to build the Transport & Storage Infrastructure to support at least 10Mt/yr of carbon capture by 2030	Tailwind has no plans to participate directly
<b>Hydrogen</b>	Deliver production capacity for 50TWh of hydrogen by 2030	Tailwind has no plans to participate directly
<b>Supply chain transformation</b>	Deliver 50% local content on project design, installation, integration and lifecycle operations Provide a UK Energy Supply Chain Leader to champion the sector	Tailwind will ensure our contractors and service providers are meeting these targets
<b>People &amp; Skills</b>	Create 80,000 new jobs which are part of a diverse, high-value energy community	Tailwind has no plans to participate directly

Table 2: Sector Deal Action Summary

\*relative to 2018

## OTHER MEASURES

Whilst working toward delivering against the Sector Deal, Tailwind is proactive in our operations to ensure emissions to sea and air are controlled and limited.

Conwy is entirely powered by electricity from ENI's Douglas facility through a subsea cable. Emergency diesel generators are available but have been used for approximately 60 hrs in 2020 ensuring the very low carbon footprint of our operations.

## SOCIAL

Tailwind became an active company in 2016 which afforded us the opportunity to ‘get it right first time’ in our approach to socially responsible operations. The company founders and directors continue to work to ensure all of our stakeholders are treated fairly and with respect. Tailwind’s policies and undertakings guarantee we interact without discrimination and with equality.

## EMPLOYEE RELATIONS

### EMPLOYMENT

Tailwind is an inclusive employer. We are small company that aims to ‘employ the best person for the job’. We recognise the positive impact of inclusivity, and the balance that diversity brings, whether in cultural background, ethnicity or gender. This influences our recruitment process and we strive to ensure Tailwind has a dynamic, skilled and enabled workforce.

In 2020, Tailwind had a staff count of 22, of which 5 are female. Our figure of 23% is the same as the UK industry average. We are aware that our organisational size is sensitive to any change in individual headcount and we are therefore less concerned with statistics and more with representation and skillsets of the individual and their contribution to the overall organisational culture and dynamic.

We recognise the historical gender imbalance of the UK oil and gas industry and actively seek applications from diverse gender orientation, ethnic backgrounds and different cultures.

Tailwind offers an externally competitive remuneration package made up of salary, annual performance bonus and a Long-Term Incentive Programme. We also grade our staff internally to ensure consistency and fairness across functions and disciplines to neutralise any inherent bias that may occur from a lack of peer comparison in any given role.

The Tailwind leadership work to develop our staff community to ensure we have balance and diversity in our organisation, with opportunities open to all irrespective of age, nationality, gender, ethnicity, sexual orientation or disability.

Tailwind has a flexible approach to work location to help balance home, family or other commitments, with full IT and financial support to allow for remote working.

### TRAINING AND EDUCATION

Tailwind recognise the importance of continued professional development and encourage all our staff to build on their core competencies while working at Tailwind. Training on company specific policies and processes such as the Code of Conduct and Modern Slavery Statement is provided to all staff and contractors both as part of the company induction and on an ongoing basis.

Our offshore workforce represents a highly and uniquely skilled team and it is imperative for our continued responsible operations and personnel safety that they are trained to the highest standards. Tailwind has processes in place to ensure this training is provided, and a training and competency matrix is in place which identifies core competencies for key organisational roles.

In 2020, Tailwind supported a total of 65 hours of training for our 17 onshore personnel and 255 hours of training to ensure the continued competence of our 5 offshore personnel.

## DIVERSITY AND EQUAL OPPORTUNITY (INCLUSIVENESS AND A SAFE ENVIRONMENT)

Tailwind is committed to our culture of fairness, transparency and inclusiveness, promoting a working environment where challenge and speaking up is encouraged. It is a pre-requisite that all Tailwind employees feel safe and comfortable in their surroundings and environment without any inhibition to express themselves. Our Whistle-Blowing/Open-Door policy supports our employees in their ability to report any concern to either an independent third party or a colleague with complete anonymity.

We support a healthy work-life balance which, in addition to the above flexible working pattern, includes health insurance coverage that supports and subsidises memberships of sports clubs and provides online advice regarding healthier lifestyle choices.

Our offshore team has transferred from a former contracting arrangement with Tailwind's predecessor to Tailwind staff positions. We decided early on that our operations team should be part of the Tailwind family to ensure a tighter connection is made to our operations team and therefore additional commitment and involvement from senior management is visible to our offshore community. We respect the hard work and difficult environment that our operations workforce faces, and we operate our Conwy asset on a 'no-overnight' basis meaning the crew has the ability to spend every night onshore.

Regular feedback sessions – both formal and informal – provide strong evidence that Tailwind is a good place to work. Our staff turn-over / attrition rate since the company was set-up is running at less than 5% over 3 years.

## HEALTH AND SAFETY MANAGEMENT

As an operator, we acknowledge and take the responsibilities that come with that position in our duty to uphold safe operations. We never take for granted the exposure that our operating environment brings to people, the environment and stakeholder expectations. Our HSE record to date is exemplary but we must never rest on our laurels as we seek to target and deliver zero incidents across our operations. A Major Accident management board which comprises the Directors and Senior Management meet on a regular basis in accordance with the requirements of the CMAPP policy. Our Conwy asset is a not permanently attended installation (NPAI) that is remotely operated, on a day-to-day basis, from ENI's Douglas platform. However, physical visits to Conwy are required to ensure maintenance, process reliability and SECE are in good order. Our record on all HSE performance on Conwy is exemplary with no Lost Time Incidents reported since Tailwind became the operator. We believe our HSE culture, diligence, experienced staff and financial commitment has ensured this record.

The Tailwind CEO presents HSE and Business updates on a monthly basis to all personnel to ensure collaboration and worker management engagement throughout the business.

On our non-operated assets, health and safety management is the accountability of the respective operators, however Tailwind can influence decision making and performance through our presence in joint ventures operating committee meetings. We have the right of assurance and audit and can raise concerns about performance directly with the operators.

The primary health and safety lagging indicators used by Tailwind are:

- Lost Time Incident (LTI)
- Restricted Work Cases (RWC)
- Medical Treatment Cases (MTC)
- First Aid Cases (FAC)

Tailwind recorded no incidents relating to any of the definitions above in 2020 from an offshore exposure of 4,302 hours worked. While it is recognised that Tailwind has a significantly smaller workforce and associated offshore exposure compared to many of its peers, this still represents a significant achievement and is well below the industry average for all incident class definitions.

#### INDIRECT ECONOMIC BENEFIT

Tailwind has demonstrably grown our business since inception in 2016 as a start-up. In the intervening period, we have acquired 2 asset clusters with a legacy reserves pool of 20 million BOE. Through investment and cash recycle to date in excess of \$100mm, we have reinstated offline wells, drilled new wells and successfully brought a field re-development online.

The combination of these activities has resulted in Tailwind now holding an independently verified (2P) reserves base in excess of 50mmboe. The economic activity generated through our investments has seen a flow through into supporting a diverse supply chain, specialist consultants and global service providers.

The additional benefit to our partners, through our investments, would simply not have happened without Tailwind's intervention and execution. We are demonstrably aligned with the Regulator's 'Maximising Economic Recovery' strategy supporting the UKCS and the broader economy.

#### COMMUNITY ENGAGEMENT AND CHARITABLE GIVING

Tailwind is conscious of giving back and supporting good causes. We have deliberately chosen to support the energy transition through the sponsorship of Durham University Electric Motorsport (DUEM). DUEM is a non-profit organisation run entirely by students in the development and advancement for solar powered transport.

Tailwind believes that we are both supporting the understanding and application of solar power but also helping develop the next generation of engineers and entrepreneurs. DUEM is also learning about the energy transition from the hydrocarbon economy and building appreciation of the need for collaboration between stakeholders involved in fossil-fuel and renewable energy sources. With our support, DUEM hopes to compete with their fully in-house developed car in the World Solar Power series against much more fully funded organisations. Our contribution to DUEM is £50,000 over 2 years with the ability to renew our support at the end of that period.

## GOVERNANCE

Tailwind is committed to being transparent, ethical, and a good corporate citizen. We aim to help meet the UK's energy needs in a way that manages the health and safety of people, limits environmental impact, supports the energy transition, supports our communities, and delivers long term value for stakeholders.

Our Code of Conduct, and EHS Policy support our expectations for ESG performance and management.

## CODE OF CONDUCT

Tailwind's Code of Conduct is a key part of our culture and how we work. All employees, directors, contractors, and those working on our behalf are expected to abide by all applicable laws and our Code. The Code sets out the key expectation of upholding ethical business practices, including:

- Anti-bribery and Corruption;
- Gifts and Hospitality;
- Conflicts of Interest;
- Donations and Sponsorship;
- Interacting with Public Officials;
- Modern Slavery and Human Trafficking; and
- Fraud Prevention.

Tailwind encourages employees, contractors and third parties to ask questions, voice concerns, and report any alleged violations of the Code of Conduct or any other company policies.

Employees and relevant contractors receive in-person training on the Code of Conduct and company policies when joining Tailwind, and refresher training is provided annually.

## SUPPLY CHAIN

Tailwind values our supply chain and business relationships and recognise that they are an important aspect of our success. Our business relationships include customers, suppliers, vendors, joint venture partners and other third-party contractors. All interactions with our business partners must be ethical and conducted with honesty and integrity.

We treat our suppliers of goods and services equitably and engage fair supplier selection. This means all Tailwind personnel must:

- Comply with applicable company and regulatory sourcing or purchasing policies and guidelines;
- Select suppliers objectively and in accordance with applicable company and regulatory bidding and supplier selection guidelines, including environmental, health and safety practices; and
- Communicate to our suppliers that we expect them to uphold the principles of integrity, honesty, and ethical business conduct; support our commitment to safety; and behave in a manner that reflects the principles in our Code.

## MANAGEMENT ACCOUNTABILITY

The highest level of management at Tailwind is the Board of Directors. The Board is collectively responsible for the decisions made towards the long-term success of Tailwind and how the strategic, operational and risk management decisions have been implemented throughout our business.

The Board is actively engaged in developing and reviewing Tailwind's ESG performance and works alongside our Leadership team to evaluate risks and further opportunities. The Tailwind Group Board is comprised of four Tailwind directors and a representative from our principal shareholder, Mercuria. This balance ensures that there is an inherent ability for challenge on compliance, both financially and regulatory.

Tailwind's HSE Manager and Legal and Business Services Manager assists the Leadership team to monitor the performance and key risks that Tailwind faces in relation to environmental, social and governance matters. Leadership is accountable to:

- Oversee the company's conduct and ESG performance;
- Make recommendations on where action on ESG topics may be needed;
- Review and monitor ESG policies and the effectiveness of compliance;
- Consider ESG issues, risks, strategies and responses to climate change issues; and
- Review Group management's proposals on ESG targets and goals.

Leadership guided the company's response to the COVID-19 pandemic through a series of actions that helped protect our employees and the communities in which we work. To learn more about our COVID-19 response, please see our [Annual Report](#).

Tailwind continues to evolve and advance our management systems in a manner that aligns with Tailwind's portfolio and development ambitions. As part of this, Tailwind completes ongoing assurance and continuous improvement through risk management, audits and assessments of our management systems and compliance requirements. A full description of our governance compliance with Section 172 Statement Companies Act 2006 can be found in our [Annual Report and Accounts](#).





This report has been prepared by Tailwind Energy Ltd with the assistance of ITP Energised Limited.