



Making a sustainable difference

Annual ESG Report 2022

Published May 2023

Strategy & Vision



Delivering low carbon, sustainable infrastructure solutions.

Two years on from the inaugural Kellas Midstream Environmental, Social, Governance (ESG) report, I am pleased to report continuous, positive progress on our ESG journey with significant steps being made towards our sustainability targets.

As a midstream energy infrastructure company, Kellas plays a vital role in delivering energy to UK customers, and around 40% of all domestic natural gas production is transported through our pipelines and processed at our onshore facilities.

We are committed to minimising our impact on the environment across all our activities, making positive changes in everything we do. We are also uniquely placed to be a leader in the energy transition.

Kellas is bringing its in-depth experience of owning and operating gas infrastructure assets of national significance, to clean energy initiatives that will help the UK realise its net zero ambitions. One example is H2NorthEast, our project to build a 1GW low carbon hydrogen production facility located at our Central Area Transmission System (CATS) terminal on Teesside that will contribute up to 10% of the UK's target hydrogen production capacity by 2030.

I joined Kellas as CEO at the start of 2023, impressed by its solid foundations and excited by its future growth prospects for delivering innovative and sustainable infrastructure solutions

across the existing business and new energies, such as hydrogen. In addition, our owners, BlackRock and GIC, are actively engaged in net zero investments around the world and are fully committed to investing in low carbon infrastructure solutions for the UK.

This report provides insights for our stakeholders and investors into our approach to sustainably managing our business, highlights key achievements and improvements we have made in 2022, and demonstrates our ESG strategy in action. Here, we share our environmental performance in 2022, our engagement with our people and the communities we operate in, and our governance and strategic direction, all of which align with our guiding principles of integrity, partnership and tenacity.

On behalf of the entire Kellas team, thank you for your continued support. I trust you will find this report a useful source of information about our company, performance, and sustainability goals.

Nathan Morgan
CEO, Kellas Midstream

Strategy & Vision



Our ESG Vision

We are committed to putting ESG at the forefront of our approach to business.

As a sector, the gas industry has an important part to play in the transition towards a lower carbon economy and, through our ESG strategy, Kellas is committed to working towards a sustainable net zero future.



Our strategy for this decade is:

To establish at least one new material net zero infrastructure business.

To continuously improve the environmental footprint at CATS. Around £5m has been earmarked for energy efficiency and emissions reduction projects.

To responsibly develop our existing natural gas transportation and processing infrastructure business as natural gas continues to displace higher-emission hydrocarbons such as coal and fuel oil for power generation and heating.

Our mid-term strategy is to grow the net zero carbon infrastructure business by bringing onstream another 2 to 3 material net zero carbon projects during the decade.

As a midstream infrastructure company, we do not own natural gas reserves, so our business is uniquely positioned to expand into the net zero carbon arena via either integrating net zero opportunities into our existing gas transportation streams or operating new net zero projects as new standalone businesses.

Our longer term strategy is that net zero carbon infrastructure becomes the core Kellas business activity.

Late life management of our existing natural gas infrastructure business will explore all opportunities to re-purpose existing gas infrastructure for new net zero business opportunities, such as hydrogen transportation, or carbon capture, utilisation and transportation.

Leading midstream excellence

2022 BUSINESS OVERVIEW

Kellas transported 13.3 billion standard cubic metres of gas in 2022, with our CATS terminal and Esmond Transportation System (ETS) pipeline both operating at 100% availability for the year, providing a quality service to our customers.

Hook-up and commissioning of the ultra-low emissions Humber Gathering System (HGS), comprising the Tolmount platform and HGS pipeline, was completed in early 2022 and first gas was achieved from the Tolmount main field in April 2022. We maintained safe and reliable operations throughout the year, achieving 93.9% availability which demonstrates strong performance for the first year of production.

In 2022 we continued developing our H2NorthEast project, a planned 1GW low carbon blue hydrogen production facility located at the CATS terminal. This project is expected to move into the FEED stage in 2023.

We continued progressing our energy efficiency projects at the CATS terminal, and together these aim to reduce overall site CO₂ emissions by around 25% from 2020 levels. We completed FEED for our heat integration project which was sanctioned in July 2022 and is currently in detailed design phase.

Our health and safety culture remains exceptionally strong, with no lost time injuries (LTI) at the CATS terminal for the 20th consecutive year.



Business Overview



Our newest platform and pipeline

HUMBER GATHERING SYSTEM

The Humber Gathering System (HGS) is our newest platform and pipeline that commenced operation in 2022 and transports natural gas from the Southern North Sea to the Easington terminal in East Yorkshire. HGS is a unique and innovative partnership between Kellas, Harbour Energy and Dana Petroleum that has been instrumental in unlocking investment and enabling development of the Tolmount Main field. We are the joint infrastructure owners of the Tolmount platform and the 48km, 20" HGS pipeline. The Tolmount platform produces gas from the Tolmount field located in block 42/28d of the Southern North Sea.

With our partners, we put in place innovative commercial agreements whereby the ownership and operatorship of the Tolmount gas fields are separate to that of the HGS infrastructure.

This led to the partnership receiving a Maximising Economic Recovery (MER) UK Award at the 2018 Oil & Gas UK awards in recognition of its contribution to maximising economic recovery in the UKCS.

The Tolmount platform is a minimum facilities Normally Unmanned Installation (NUI), remotely operated from the Easington terminal control room.



2022 ESG HIGHLIGHTS

% of Waste Recycled, Reused or Recovered



Gas Flared (te)



ESG MATERIALITY

ESG materiality is how we measure the significance of ESG issues to our business, and the impact they can have in areas such as financial performance, legal compliance and business reputation. An overview of the Kellas ESG materiality assessment is shown here:

ENVIRONMENTAL	SOCIAL	GOVERNANCE	MATERIALITY KEY
Environmental pollution	Human capital management	Ethics and governance	HIGH
Resource efficiency	Health and safety	Data security	MEDIUM
Climate change	Community engagement	Responsible sourcing	LOW



Safety



Focussing on occupational and process safety

Safety is our top priority and the heart of everything we do. We strive to maintain a safe working environment where everyone who comes onto our sites goes home safely at the end of each day.

STRONG SAFETY CULTURE

At CATS, there were no lost time injuries for the 20th consecutive year in 2022, highlighting the terminal's exceptional safety culture. While we celebrate this achievement and the work of everyone involved, our focus is always on the next 20 seconds, and we are never complacent based on past results.

At HGS, we attained an excellent safety record in the first year of production with no lost time injuries, medical treatment cases or first aid cases.

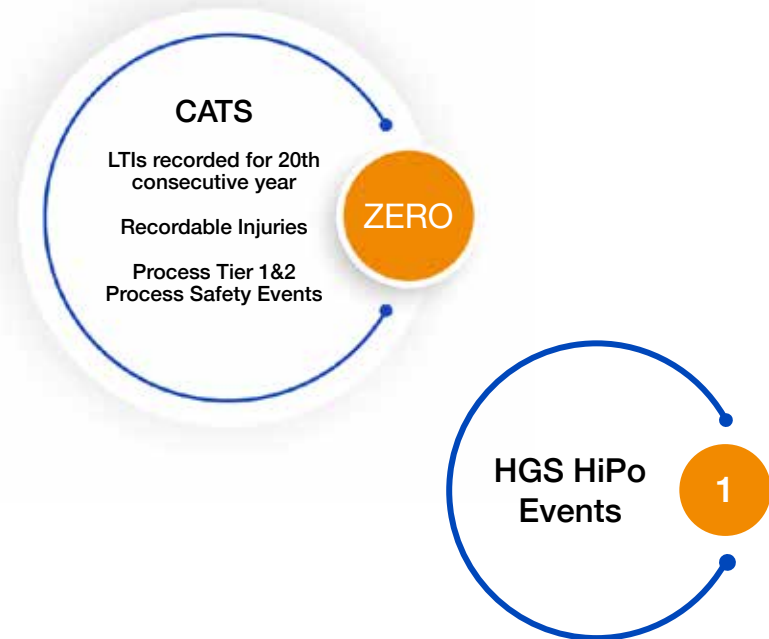
We operate in a high-hazard industry, and work tirelessly to control and mitigate against hazards. We have industry best-practice safety and management procedures in place for all our assets, and we promote an open and collaborative safety culture with a strong focus on the leading indicators.

Safety

2022 PERFORMANCE

We completed 357,774 hours of work across our assets in 2022. There were no injuries of any kind on the HGS asset. We recorded one high-potential incident (HiPo) on the Tolmount platform in 2022 in the form of a dropped object. A full investigation was carried out and corrective actions were implemented.

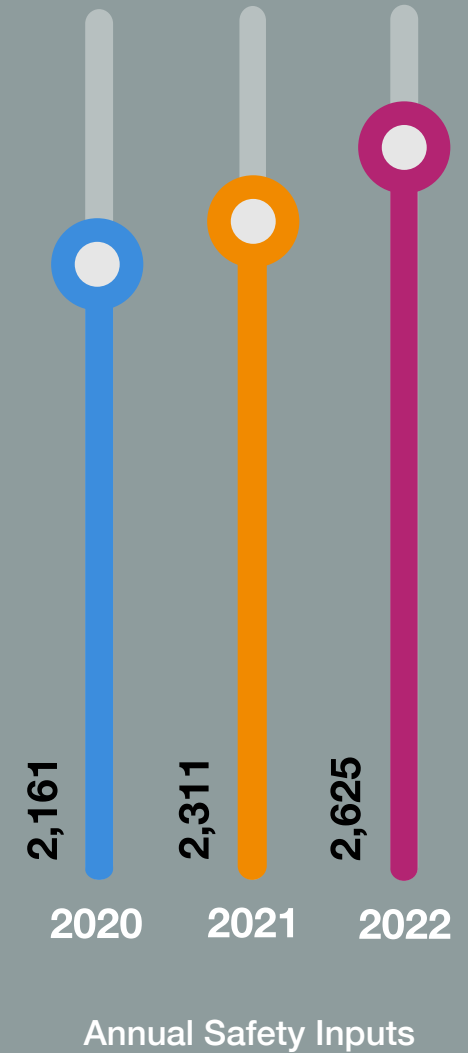
There were no recordable injuries at CATS in 2022 and only two first aid cases, both minor in nature. We promote a strong reporting culture at all our sites and empower our team to speak up about safety and stop the job if something does not feel right.



FOCUS ON THE LEADING INDICATORS

We maintain a strong focus on leading HSE indicators by encouraging everyone to take part in safety conversations, permit audits, assurance activities, job site checks, toolbox talks and other proactive safety activities.

Our total Annual Safety Inputs have increased year on year since 2020 and have recovered following a dip during the COVID-19 pandemic when site staffing was at minimum levels. We believe our focus on leading indicators is key to the strong safety performance we achieved in 2022.



Our commitment to the environment

ENVIRONMENTAL KEY PERFORMANCE INDICATORS			
	2020	2021	2022
Energy Intensity (kWh per boe throughput)	0.45	0.41	0.34
Carbon Intensity (kgCO ₂ e/boe throughput)	0.84	0.86	0.73
Gas flared (te)	4,260	4,293	3,190
Methane emissions (te)	71	71	53
Methane Intensity (%)	1.09E-05	1.19E-05	7.14E-06
Scope 1 GHG emissions (teCO ₂ e)	59,257	56,524	58,967
Scope 2 GHG emissions (teCO ₂ e)	0	0	0
Waste recycled, reused or recovered (%)	100%	99%	100%

POLICY COMMITMENTS

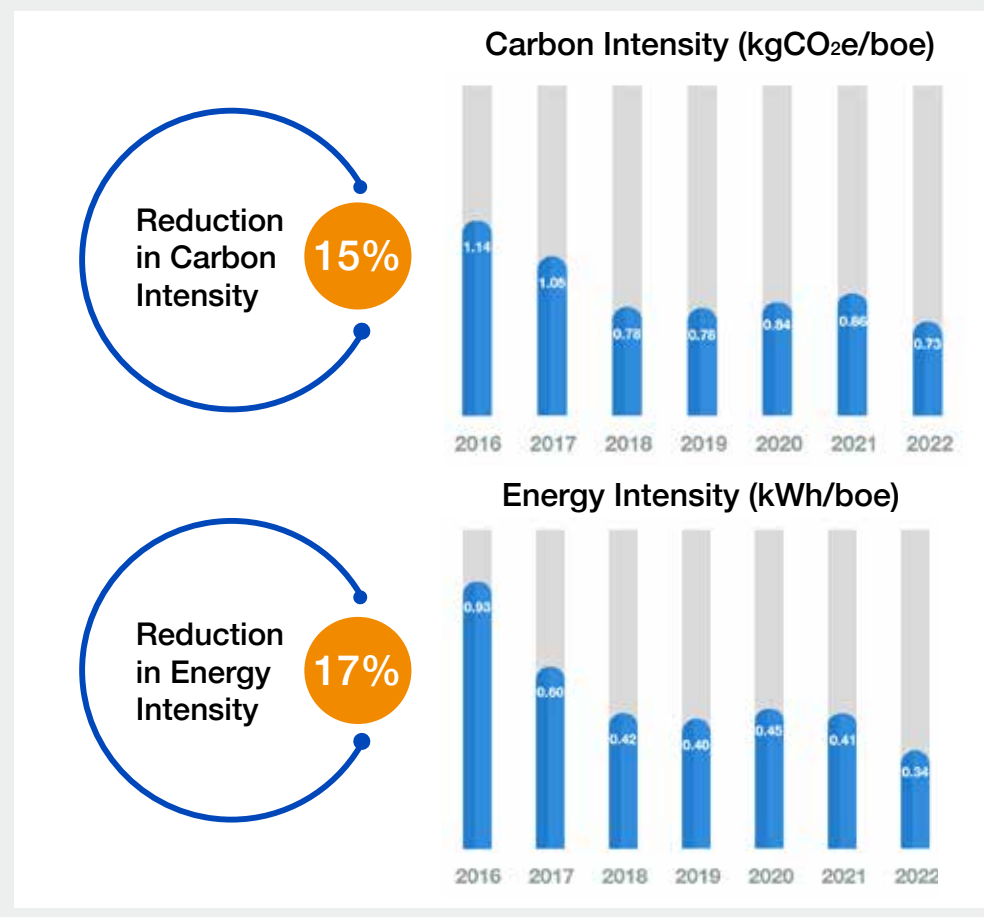
- > ISO 14001
- > Environmental Aspects and Impacts Register
- > Health, Safety, Security, Environment and Assurance (HSSEA) Policy
- > Biodiversity Action Plan
- > Flare Minimisation Strategy



Environmental responsibility is embedded in our culture and our day-to-day activities. We are actively taking steps to reduce our operational emissions to meet our net zero ambitions.

As part of the refinancing of the Kellas business in 2021, sustainability linked lending Key Performance Indicators

(KPIs) were set for Carbon Intensity, Energy Intensity and ESG training, and our performance is measured against the KPI targets each year. In 2022 we achieved our KPI targets for Energy Intensity and ESG training, however our Carbon Intensity in 2022 was slightly higher than our target due to lower than expected throughput volumes.



MEASURING OUR CARBON PERFORMANCE

Overall carbon emissions increased slightly in 2022 due to the first year of counting the Tolmount platform and two plant upsets at CATS which resulted in a small amount of unplanned flaring. However, additional throughput from the ultra-low emissions Tolmount platform resulted in a decrease in Kellas' carbon intensity by 15% from 2021 to 2022. The emissions from the Tolmount platform fall below the reporting requirements for UK ETS, however we record the emissions and include them in our carbon intensity calculations.

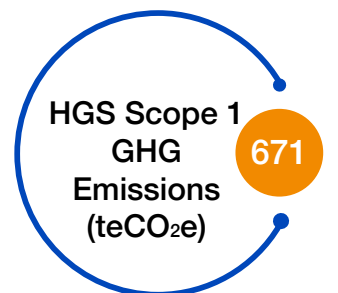
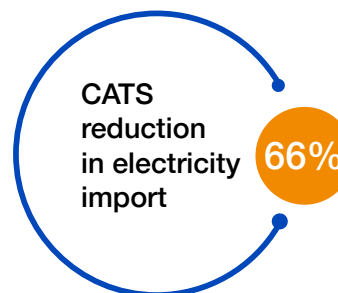
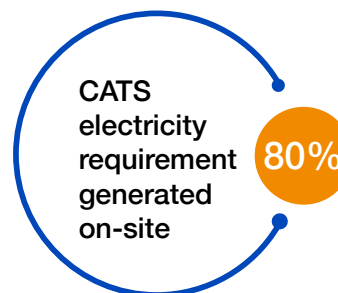
CATS has one of the lowest carbon intensities of all gas processing facilities in the UK and we are implementing energy efficiency projects that will help reduce our emissions even further over the coming years.

SITE GENERATED ELECTRICITY

Since 2019, 100% of imported electricity to CATS has been from renewable sources, resulting in zero scope 2 emissions from our operations.

The CATS turbo-expander generates zero-emissions electricity which is used to power on-site operations. It generates around 80% of the site's required electricity. A focus on how we use electricity at CATS, and improvements to the reliability of the turbo-expander, resulted in a 66% reduction in electricity imports to CATS in 2022, improving our energy resilience and security by reducing dependency on external energy sources.

100% of electricity required by the Tolmount platform is generated by its power generation system. The primary power generation system on the platform is a 200kW micro gas turbine which is fed by fuel gas from the Tolmount wells.



**Loss of 1 kg of chemicals to sea Apr-22. Case investigated by OPRED and closed with no further action required.*



Environment

Improving energy efficiency and reducing emissions at CATS



We are focused on continuous improvement in our energy efficiency at CATS to help us achieve our 2025 aspiration of reducing onsite emissions by 25% from 2020 levels, and reducing our site power consumption.

We have identified four key focus areas:

- > **Heat Integration (HI)**
- > **LED lighting replacement**
- > **Compressor valve replacement**
- > **Flaring minimisation**

Heat integration: The heat integration project aims to utilise waste heat from the CATS fractionation process to reduce the demand on the fired heaters, which account for around 80% of site emissions. The FEED study was completed in 2022 and the project was sanctioned in July. It is currently in the detailed design phase with beneficial operation expected in Q3 2024.

LED lighting replacement: This project involved replacing traditional sodium lamp lighting around the CATS terminal with energy efficient LED lighting. We replaced 495 fittings in 2022. This improvement reduced the electrical load of the lighting by around 40kW per year. The LED lighting is much brighter and makes for safer working conditions.

Compressor valve replacement: We replaced existing compressor loading valves with new energy efficient valves. One of the four CATS compressor machines was fitted with the new valves in 2022 and the plan for 2023 is to complete installation on the remaining three units.

Flaring minimisation: In our 2021 ESG report we outlined a flare gas recovery project taking place at CATS. After completing project FEED, the benefits of the flare gas recovery system were not as great as initially anticipated and the proposed system has been cancelled. We are looking at alternative options for reducing flaring. Upgrades and repairs to pressure control valves on the CATS terminal turbo-expander unit and improvements to inlet filters resulted in a 26% reduction in flaring in 2022. We also implemented flare metering improvements to optimise purge rates and minimise flaring emissions.

CONTINUOUS METHANE EMISSIONS MONITORING AT CATS

Kellas is committed to providing accurate and transparent emissions data including fugitive methane emissions.

In 2021 we partnered with Project Canary, a US-based ESG data analytics company that has developed pioneering emissions software technology to continuously monitor methane emissions.

CATS installed 12 Canary X methane sensors at strategic locations around the terminal in December 2021 in what was the first application of Project Canary technology outside the US.

The sensors were commissioned in 2022 and now provide continuous methane monitoring to an accuracy of 250 ppb.

The technology achieved reliable operation through 2022 and the data consistently showed background level methane and no detectable fugitive emissions at CATS. This supports the findings of our regular walk-arounds and confirms our belief that there are no issues with fugitive emissions. The system picked up an emissions event from a neighbouring site in 2022, with the wind speed and direction monitors on the Canary units allowing the event source to be accurately determined.

We have shared our experience with the continuous emissions monitoring technology with other sites and the wider industry.



Environment

Protecting the environment and promoting biodiversity

At Kellas, we are committed to putting ESG at the forefront of our approach to business. Part of this commitment is embedding environmental responsibility in our day-to-day operations and striving to make a positive impact in our local communities.

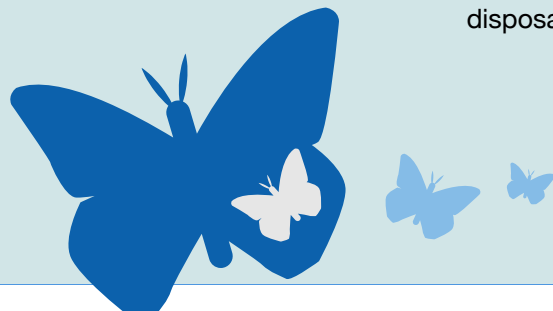
The CATS Green Team is a group of enthusiastic volunteers from all areas of the site, focused on making environmental improvements, both large and small. In 2022, the team was involved in a wide range of initiatives:



CATS GREEN TEAM 2022 ACTIVITIES

Blue butterfly colony

Maintained Biodiversity Action Plan – liaised with INCA (Industry Nature Conservation Association) on habitat enhancement to support a small blue butterfly colony which has been established at CATS. Provided habitat for four hives of honeybees.



Cardboard segregation

Introduced better segregation of cardboard in the workshop area. Five hedgehog boxes were constructed from recycled materials.

Waste disposal

Worked closely with waste contractor to identify alternative treatment and disposal of closed drains waste which resulted in fewer waste miles and lower disposal costs.

Equipment register

Developed a register of environmental-critical equipment and updated tags in the maintenance system.

Local biodiversity

Maintained a good relationship with Hartlepool Borough Council to help support biodiversity in the local area.

Single-use plastics

Replaced plastic oil drums onsite with steel drums as part of an initiative to phase out single-use plastics at CATS.



Making a positive impact

We invest in our people with the aim of having a happy, healthy and motivated team. We care that everyone working at Kellas, and those connected to us through operating partnerships and stakeholder relationships, feels part of a business that prioritises health, safety and the environment. We strive to make a positive impact in our local communities, especially through the current challenging times.

Employee ESG training is our 3rd sustainability linked lending KPI



SOCIAL KEY PERFORMANCE INDICATORS			
	2020	2021	2022
Gender diversity - % female employees	16%	14%	14%
Lost Time Injury Frequency (LTIF)	0	0	0
Employee turnover rate (%)	1.5%	0.0%	3.9%
Employee absenteeism rate (%)	0.5%	0.9%	0.4%
Employee training received (hours per employee)	10.2	13.4	21.8
Community grants and funding (in thousands of £)	27	16	72

At the end of 2022, we had a full time equivalent (FTE) staff of 37. Wood, our operating partner for the CATS terminal and pipeline, had an FTE staff of 113. ODE AM, our operating partner for the HGS and Tolmount platform, had an FTE staff of 3.

KEY ACHIEVEMENTS

- > Low employee absenteeism rate
- > Additional support of partner charities
- > Improved CSR committee organisation

Prioritising employee wellbeing

Kellas is a small business prioritising the health and wellbeing of our people. Each year we develop a Kellas People Plan which covers employee engagement, health and wellbeing, skills and development, individual performance delivery and people governance.

Our Kellas People Plan for 2022 included team development sessions, personal development plans, town halls and the opportunity to feedback through bi-annual employee engagement surveys. We carried out people-focused initiatives including a Science of Wellbeing study group, podcast lunch groups and family social events. We have designated mental health first aiders who are trained and available to support employees.

Investing in our People

We promote ESG awareness and inform our team about the issues impacting our operations, the environment and the communities in which we operate. In 2022 we increased our overall ESG training hours by 61% from 2021 levels which included:

- Introduction to ESG
- Hazard Awareness & Risk Management Training
- Diversity in Engineering



We partnered with Teesside University to fully fund 18 students through clean energy and sustainability degree programmes over a 10 year period. The Kellas Midstream Clean Energy Scholarships, which accepted its first two scholars in September 2022, will help create the next generation of engineers by providing them with the requisite skills to help industry transition to a net zero future.



Summer work experience students with our graduate engineer, Harry Ford, in our Aberdeen office.

Members of the Kellas team welcomed visitors from Teesside University to the CATS terminal in October 2022.



Educating future professionals

We are committed to investing in, nurturing and supporting emerging talent and recognise its value in shaping the future energy sector.

CATS leadership and engineering staff participated in STEM-focused visits to a local Teesside primary school.

We welcomed two students on summer placements who worked within our team in August.

We continued our partnership with Aberdeen-based charity, MCR Pathways, which involved Kellas staff mentoring high school students.

Through Developing the Young Workforce, we led teamwork and problem-solving activities with first year classes at an Aberdeen high school.

A member of the Kellas team sits on the Board of Science, Technology, Engineering and Mathematics (STEM) charity TechFest in Aberdeen.

Social

Engaging with our communities

We strive to make a positive impact in the local communities where we operate. Our aim is to make a genuine difference and support charities in ways that are most beneficial to them and the people they support. We aim to make lasting relationships within the community and amplify the voice of those who are most in need.

In 2022 we were proud to continue supporting our three Aberdeen partner charities with funding, physical donations and through volunteering:

AberNecessities
C-Fine
Archway



In addition to our partner charities, we also supported other good causes in Aberdeen and Teesside by making ad hoc charitable donations and committing our time and resources. We increased our total CSR spend in 2022 by over 300% from 2021, which included our funding of clean energy scholarships at Teesside University, demonstrating our continued commitment to making a positive difference in our local communities.

In 2023, we will be increasing the number of partner charities we support to four, in Aberdeen and beyond.



We helped out at the Camphill Wellbeing Trust's Compass Project centre for healthy, sustainable living in Aberdeen on a range of gardening activities.

Kellas Kiltwalkers raised £1887 for Charlie House in Aberdeen, some completing the 26-mile Mighty Stride and others the 15-mile Big Stroll.



Kellas volunteers helped out at AberNecessities' Christmas HQ, assembling and distributing Christmas Eve boxes for local children.

Conducting our business responsibly

Our leadership team is committed to operating under the stewardship of transparent corporate governance principles, and these strengthen the confidence and trust of our many stakeholders. The Kellas principles of Integrity, Partnership and Tenacity guide how we conduct our business and we have robust governance and management processes in place.



GOVERNANCE KEY PERFORMANCE INDICATORS

	2020	2021	2022
% female board members	17%	17%	17%
Number of board meetings	11	11	11
Anti-bribery and corruption training compliance	100%	100%	100%
Cyber security NIS-D improvement plan completeness	74%	94%	97%
Number of cyber security incidents	0	0	0



POLICY COMMITMENTS

- > Anti-Bribery and Corruption Policy
- > Whistleblowing Procedure
- > Anti-Slavery and Human Trafficking Policy
- > Personal Data Protection Policy
- > IT and Cyber Security Policy
- > Supply Chain Management Standard outlining ESG criteria



Formalised online employee governance training for new employees, with 1 or 2-yearly refreshers.



Voluntary SECR (Streamlined Energy and Carbon Reporting) in annual accounts.



NIS-D Cyber and data security compliance increased to 97%.



Welcomed our Board on a visit to Teesside in November.

Cyber Security

As an operator of critical national infrastructure, cyber security has a vital role to play in the management of our business activities and is more critical than ever in the context of current world events.

Kellas-operated assets are covered by the UK security NIS (Network & Information Systems) regulations, and we work with government to demonstrate compliance and minimise the risk of business interruption and major accident hazard aspects of cyber security.

We had no cyber security incidents at CATS in 2022 and the facility was audited by independent cyber security experts IBM and Ernst & Young, with the results

showing strong performance and no major issues were highlighted. This assurance process focuses on both business IT systems and our Industrial Automation & Control Systems (IACS).

A continual improvement process is in place for cyber security which has seen our NIS-D Cyber Security compliance increase from 29% in 2019 to 97% in 2022. Improvements in 2021 include phishing training, network architecture improvements through segregation and system hardening.





The Way Forward

Since outlining our ESG vision, we have made excellent progress. We define clear and ambitious KPIs and are actively working to deliver our vision through the development of our H2NorthEast low carbon hydrogen project on Teesside, sanctioning of the heat integration project at CATS, and significant energy and emissions optimisation in day-to-day operations at CATS.

ESG is a core element of the Kellas business. Our goals are to continue delivering material emissions reductions through ongoing projects, and to make a positive impact in the communities where we operate.

Kellas Midstream Limited

7th Floor, The Silver Fin Building, 455 Union Street
Aberdeen AB11 6DB

+44 (0)1224 084520

info@kellasmidstream.com
www.kellasmidstream.com