



kellas

MIDSTREAM

Annual ESG Report 2021

Welcome



A year on from our inaugural Environmental Social Governance (ESG) annual report, we are pleased to report good progress on our ESG efforts. Kellas Midstream continues to provide a secure gas supply to meet the UK's energy needs whilst minimising our impact on the environment and being a leader in the transition to net zero.

This report is intended to provide guidance for stakeholders and investors on the company's approach to sustainably managing our business and will highlight the progress and key achievements we have made in 2021.

Sustainability is part of Kellas Midstream's DNA, and we want to continue to play our part in addressing the challenges faced by the UK domestic energy industry. Kellas Midstream has created a dynamic, profitable business powered by clear vision and decisive leadership. This has allowed us to seek further net zero growth opportunities and empower our team, demonstrating our commitment to doing business in an ethical, transparent and sustainable manner.

With this report, we chart the progress of Kellas Midstream's ESG journey which includes our key sustainability goals, our engagement with people and the communities in which we operate and our governance and strategic direction.

I encourage you to read more about our company, performance, and sustainability focus and invite you to share your thoughts with us as we move forward.

Thank you for your interest in Kellas Midstream.

Andy Hessel
Managing Director

Our 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 and profitable net zero carbon future.

2020s

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. Over £10m has also been earmarked for further energy efficiency and emissions reduction projects, including flare gas recovery.

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.

2030s

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.

Due to our existing midstream focus which does not own any natural gas reserves, 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.

2040s

Longer term, net zero carbon infrastructure is expected to become 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.



Overview

2021 business overview

Kellas transported 10.8 billion cubic metres of gas in 2021, with our CATS terminal operating at 100% availability. Our ETS pipeline experienced some availability issues early in 2021, driven mainly by Bacton terminal uptime and a lack of blend gas, but performance improved through the year.

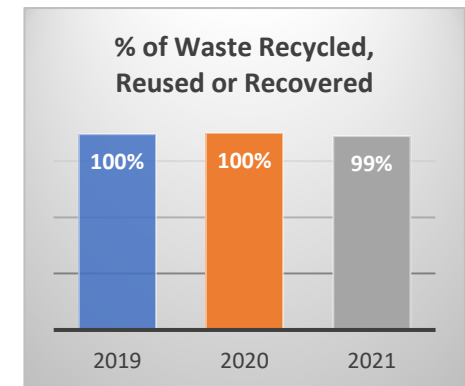
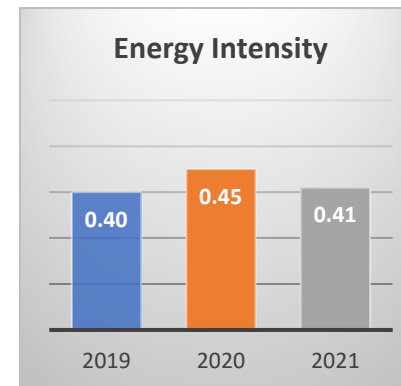
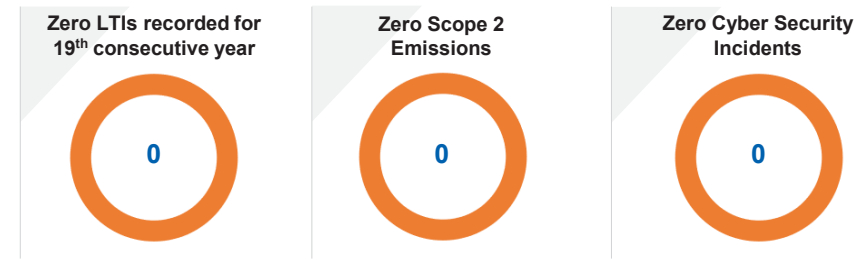
In 2021 we completed feasibility studies for our H2NorthEast project, a planned 1GW blue hydrogen production facility located at the CATS terminal. We also continued our offshore platform electrification work stream and are well placed to play a part in this exciting net zero effort.

We continued development of two energy efficiency projects at the CATS terminal; Flare Gas Recovery and Heat Integration. Both projects are in FEED stage and together will aim to reduce emissions at CATS by 25% from 2020 levels and add value to our business.

The ultra-low emissions Tolmount platform has been installed at the Tolmount main field along with the HGS pipeline with first gas being achieved in April 2022.

Our health and safety culture remains exceptionally strong, with no lost-time injuries for the 19th consecutive year and only two minor injuries in 2021 at the CATS terminal.

2021 ESG highlights



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, legal and reputation. An overview of the Kellas ESG materiality assessment is shown below:

Environmental	Social	Governance	
Environmental pollution	Human capital management	Ethics and governance	High
Resource efficiency	Health and safety	Data security	Medium
Climate change	Community engagement	Responsible sourcing	Low

Environment

Key performance indicators

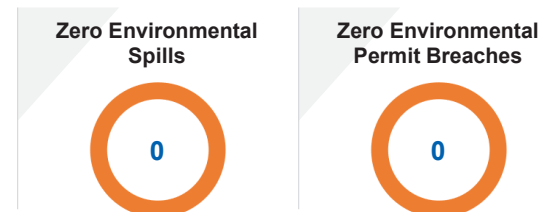
2019	2020	2021
Energy Intensity (kWh per BOE throughput)		
0.40	0.45	0.41
Carbon Intensity (teCO₂e per BOE throughput)		
0.78	0.84	0.86
Gas flared (te)		
4,403	4,260	4,293
Methane emissions (te)		
73	71	71
Methane Intensity (%)		
1.36E-05	1.09E-05	1.19E-05
Scope 1 GHG emissions (teCO₂e)		
46,060	59,257	56,524
Scope 2 GHG emissions (teCO₂e)		
0	0	0

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.

Key achievements



Continuous methane emissions monitoring at CATS

In 2021 Kellas partnered with Project Canary to install 12 ambient methane sensors around the CATS plant to continuously monitor methane emissions from operations, in what is the first application of this technology outside the USA.

The sensors detect extremely low concentrations of methane (250ppb) and are installed with wind speed monitors, which helps locate the source of methane emissions on the plant.

Project Canary demonstrates the Kellas commitment to transparency and accurate environmental reporting. We are pleased to deploy new technology and have shared our positive experiences with several other UK terminals.

CATS Green Team activities

The Green Team at the CATS Terminal has continued to minimise environmental impact from our operations along with carrying out biodiversity enhancing projects. 2021 activities included:



UK ETS awareness training given to staff to support their understanding of their roles and responsibilities.



Maintained Biodiversity Action Plan, carried out surveys and liaised with INCA (Industry Nature Conservation Association). Confirmed that CATS now has an established colony of small blue butterflies onsite.



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



Project in progress to replace plastic oil drums onsite with steel drums with the aim of phasing out single-use plastics at CATS.



Continued to work closely with waste contractor TRS to understand waste reduction and recycling opportunities. Study ongoing to determine whether contents of flare drum can be re-used or treated onsite to reduce environmental impact of disposal.



Environment

Continuous improvement in energy efficiency and emissions reduction

As part of our short to medium term climate change strategy, we are focusing on improving energy efficiency to help us achieve our 2025 aspiration of reducing onsite emissions by 25%, from 2020 levels.

The flare column and the fired heaters are the two major emissions sources at CATS and therefore were areas we were eager to address in order to meet our ambitions. After generating a shortlist of options in 2020, we have now completed feasibility studies for two projects:

- Flare Gas Recovery (FGR)
- Heat Integration (HI)

Flare Gas Recovery (FGR) aims to minimise flaring and recycle flare gas for use in the CATS fired heaters. Heat Integration (HI) aims to use heat generated from the CATS fractionation process to reduce the load on the fired heaters. It is estimated that together, these projects could reduce CO2 emissions from our operations by 18,500 Tonnes/year.

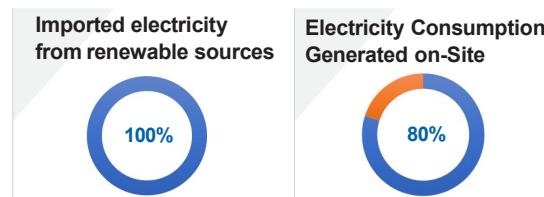
Both of the energy efficiency projects are currently in FEED stage, with project sanction in Q2 2022. Preparatory works will begin in 2023 and tie-in work will be completed during the planned process plant outages in 2024 and 2025.

We also commenced replacing sodium process and street lighting across the CATS terminal in 2021 with low-energy LED light fittings, improving the quality of light provided and reducing energy demand significantly.

Increasing our capacity for self-generated electricity

Since 2019, 100% of imported electricity to CATS is 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. Recent improvements to the Turbo-Expander has meant around 80% of our electricity consumption is generated on-site. This has improved our energy resilience and security by reducing our dependency on external energy sources.

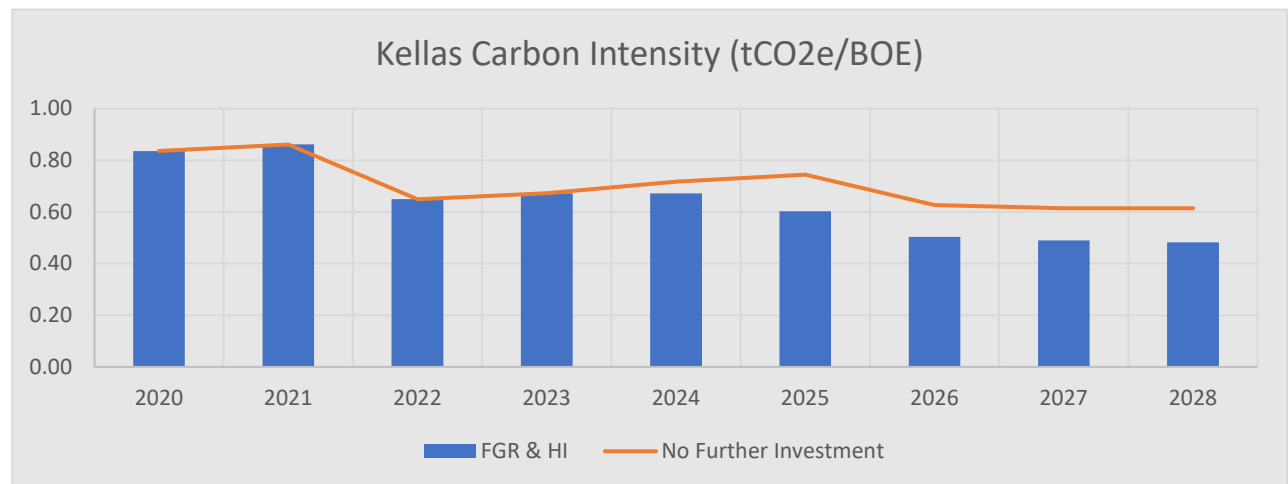


Measuring our carbon intensity performance

While overall carbon emissions remain flat, there was a slight increase in Kellas' carbon intensity in 2021 due to a 7% decrease in gas throughput.

CATS has one of the lowest carbon intensities of all gas processing facilities in the UK and implementation of the FGR and HI projects, accompanied by higher expected gas throughput in the coming years will reduce Kellas' carbon intensity.

As displayed in the graph below, FGR and HI have the potential to reduce Kellas' carbon intensity by around 20% compared with no further investment in energy efficiency improvements. This embodies Kellas' commitment to invest in emissions reduction and ensure sustainable operations.



Social*

Key performance indicators

	2019	2020	2021
Gender Diversity - % Female Employees	15%	16%	16%
Lost-time injury frequency (LTIF)	0	0	0
Employee turnover rate (%)	0.8%	1.5%	0.0%
Employee absenteeism rate (%)	0.6%	0.5%	0.9%
Employee training received (hours per employee)	14.8	10.2	13.4
Community grants and funding (in thousand of £)	17.5	27	16

At the end of 2021, Kellas had a staff of 31. Wood, our operating partner for the CATS terminal and pipeline, had 124 staff at year end 2021.

Key achievements

- No recordable HSE incidents
- Improved CSR committee organisation
- Low employee turnover rate
- Continued support of partner charities through the pandemic

We invest in our people with the aim of having happy, healthy and motivated individuals and teams. We strive to make a positive impact in our local communities, especially through the current challenging times.

Prioritising employee wellbeing

Each year we develop a Kellas People Plan which covers employee engagement, health & wellbeing, skills & development, individual performance delivery and people governance.

Our Kellas People Plan for 2021 included team development sessions, personal development plans and the opportunity to feedback through bi-annual employee engagement surveys. We also undertook initiatives in line with an action plan developed from insights that were gathered from a Health & Wellbeing Focus group, which included personalised fitness & nutrition programmes and health & wellbeing podcast learning group discussions.

During 2021 we continued to support staff to manage their physical and mental wellbeing through the ongoing pandemic.

After lifting of official lockdowns, Kellas and Wood employees returned to the office environment through a hybrid working scheme.

COVID-19 controls were implemented at Kellas' offices and at the CATS terminal to allow staff to work safely.

An online dial-in option was made mandatory for all meetings to accommodate staff who didn't feel comfortable attending the office.

Educating future professionals



We continued to demonstrate our commitment to the next generation of talent:

Two students were recruited for summer placements and integrated into the team in June 2021.

We partnered with MCR Pathways, a mentoring charity, with 8 Kellas staff volunteering to become mentors to Aberdeen high school students.

CATS leadership and engineering staff participated in 2 STEM-focused visits to a local Teesside primary school.

Community engagement

Despite COVID-19 limiting our ability to carry out all planned activities, we still carried out 9 engagements in 2021. In addition, Kellas and Wood continued to fund several partner charities and make ad hoc charitable donations:

Archway Charity Painting Day

AberNecessities Christmas Eve Box Appeal

C-Fine NorthSound Christmas Appeal

Instant Neighbour Giving Tree

Two new Wood CATS partner charities; Eva Women's Aid and NeoAngels.

*Social section reflect Kellas and Wood CATS staff and activities.



Governance

Key performance indicators

	2019	2020	2021
% Female board members	-	17%	17%
No. Board meetings	11	11	11
Anti-bribery and corruption training compliance	100%	100%	100%
Cyber security NIS-D improvement plan completeness	29%	74%	94%
No. Cyber Security Incidents	0	0	0

Policy commitments

- Anti-Bribery and Corruption (ABC) 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

Key achievements



Kellas ESG strategy developed and implemented.



Formalised online employee training for new starts, 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 94%



Board visit to Teesside Sept-21.

The Kellas Leadership Team are committed to transparent corporate governance principles that will strengthen the confidence and trust of our many stakeholders. Our principles – Integrity, Partnership and Tenacity - guide how we conduct our responsible business, with robust governance and management processes in place.

Cyber security

As an operator of Critical National Infrastructure, cyber security is a vital component of our business activities and is now more critical than ever considering 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.

CATS had no cyber security incidents in 2021 and has been audited by independent cyber security experts IBM and Ernst & Young, with the results showing strong performance and no major issues 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 94% in 2021. 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 by defining clear and ambitious environmental KPI's and are actively working to meet our targets through the H2NorthEast blue hydrogen project and two material energy efficiency projects at the CATS terminal.

ESG has become a core element of the Kellas business and in the coming years we hope to deliver material emissions reductions through our ongoing projects and we will strive to discover new opportunities to improve our all-round ESG performance.



For comments or questions about this report please contact:

info@kellasmidstream.com

+44 (0) 1224 084520