2021 ESG & SUSTAINABILITY REPORT
A LETTER FROM OUR EXECUTIVES

We are pleased to present our second ESG & Sustainability Report and we are proud of our team’s commitment and accomplishments in 2021. Since our inaugural report we have continued our ESG journey – working towards the targets we set as well as expanding our expertise and knowledge.

Fair, ethical and responsible business operations have always been at the core to our culture as has continuous improvement. We use data driven practices to measure our progress and develop strategic initiatives and our approach to ESG is no different. In 2021, we set quantitative goals for ourselves and establish performance metrics so that we can report measurable progress each year. We have also worked to enhance our reporting, while maintaining our commitment to transparency and meaningful discussion.

Highlights of the progress we made in 2021 and of this report included:

- We met the majority of our ESG targets, and these targets led to many multi-disciplinary initiatives and discussions that will aide our efforts to strengthen our culture of sustainability.
- We have further aligned our reporting with the SASB framework and believe this report demonstrates the progress we have made.
- We completed a Ecovadis Sustainability Assessment and achieved a silver rating which places us in the 80th percentile.
- We made a strategic investment in a geothermal company in Canada as a first step in to diversify our customer base to include a renewable resource developer and position ourselves in this emerging sector.
- We proudly and diligently maintained a safe work environment as evidenced by the feedback from our safety engagement survey, our impressive Total Recordable Incident Rate (“TRIR”) of 0.36 and, for the second year in a row, having a full year with no Lost Time Incidents.
- We continued to support and protect our staff and their families through the COVID-19 pandemic, maintaining government recommended safety protocols and a flexible work environment.
- We created an additional avenue for employees to provide feedback related to their experience working at PHX Energy, our polices, our communication and their overall satisfaction in our first employee engagement survey.
- We continued to promote a culture of transparency, integrity, and accountability to maintain and enhance our strong corporate governance structure and ethical business conduct.

We are proud of our performance and the progress we have made, and we will continue to demonstrate our commitment to being a strong and progressive corporate citizen as we continue on our ESG journey. We will continue to proactively listen to our stakeholders, implement actions that build upon what they share with us and set measurable goals and objectives to hold ourselves accountable as we continually strive to continuously improve.
**2021 PERFORMANCE**

In 2021 we focused on achieving the targets we set for ourselves in our first ESG & Sustainability Report. These targets demonstrate our continued commitment to being a good corporate citizen and to continuously improve in all aspects of our business. We are proud of what we achieved and continue to demonstrate we are a leader among our peers. We also used 2021 as a year of exploration and learning and we were able to identify further areas we can focus on and improve, while maintaining the solid foundation we have established. We continue to work toward aligning our disclosure and activities with the SASB framework and are committed to transparent communications related to our approach towards the environment and engaging our people and our stakeholders. Our industry position is unique and therefore so is our ESG performance; we jointly use what is set out by standards, like SASB, and our own materiality assessment to identify areas of importance and those with the greatest impact.

**2021 OPERATIONS SNAPSHOT**

- **19,998,807** Feet Drilled in the USA
- **2,860,356** Meters Drilled in Canada
- **2,191** Wells
- **1,604,634** Hours Worked
- **100+ Clients**
- **143 Rigs**
2021 ESG TARGETS

In our inaugural ESG & Sustainability Report we set various targets for the 2021-year, and we are proud of our accomplishments and the learning that took place as a result of measuring our performance in these areas. The processes throughout our organization are founded on principles of continuous improvement and assessing our ESG metrics provided valuable insight into the decisions made and the strategic direction of our initiatives. We reached 9 of the 12 targets, and both the targets we reached and the ones we did not, drove us to implement new initiatives and engage our workforce bringing awareness to ESG topics at PHX Energy. Additionally, what we have learned from all of our 2021 targets will help shape our initiatives and strategies for both the near and long term. We strongly believe our ESG program is an ongoing journey and we are off to a strong start.

**ACHIEVED**

- Decreased our energy consumption per operating day by 5%
- Reduced our water usage per operating day by 5%
- Maintained 0 reportable spills
- Increase number of women in managerial/supervisory positions by 20%
- Achieve a 95% completion rate for online learning modules
- Maintained a TRIF of below 0.75
- Recorded 1,000 employee volunteer hours
- 100% of staff affirmed their compliance with Code of Conduct and Anti-Corruption and Bribery
- Increased number of employees who completed Cyber Security training to 100%

**EVOLVING**

- Voluntary employee turnover rate of less than 10%
- Increase the number of indigenous contractors within our operations and supply chain by 10%*
- 30% participation in our volunteer hours

*Early in 2022, this goal was achieved.
Highlights & Challenges

Highlights related to the actions we took in 2021, include:

- At the beginning of 2021 we released our 2020 ESG & Sustainability Report.
- We formed a multi-disciplinary ESG Committee which includes our President, to establish and implement strategic initiatives and foster a culture of sustainability throughout the organization.
- We expanded our remote drilling operations, drilling over 40 wells from remote centers, reducing the travel requirements and therefore emissions related to these operations.
- Replaced LED lighting in our facilities with more energy efficient options and installed automatic shut off lights to ensure energy is only consumed when it is required.
- We made a strategic investment in DEEP Earth Energy, a geothermal power developer, as an opportunity to diversify our business to include renewable energy projects and provide technical expertise to this project.
- We developed an ESG Vendor questionnaire to help us identify vendors who share our commitment to sustainability and corporate responsibility. We anticipate launching this in 2022.
- We sourced various job boards that focus on underrepresented groups in our workforce such as women and indigenous people.
- We developed and distributed an employee engagement survey to engage with our employees and allow another avenue for confidential and anonymous feedback on our culture.
- We provided our staff an extra day at Christmas to spend with their families, especially given that in the prior year COVID-19 had kept many families apart at this special time of year.
- We increased communication to promote awareness around issues faced by indigenous peoples, which included encouraging personnel to learn more about the meaning of truth and reconciliation day in Canada.
- We held a companywide food drive in December in which our employees donated 18,000 lbs of food and had participation from all departments from the field personnel to the executive team.
- Our employees logged 1,800 volunteer hours in which they gave both their personal and work time to over 40 organizations.
- We increased our communication related to mental health, which included providing resources for people to seek help, a focus on mental health for our annual companywide safety stand down week and launched mental health first aid training.
- We added an additional ESG metric to our Executive compensation framework, and had two targets tied to ESG performance in the 2021 year.
Some of the challenges we faced in reaching our targets were:

- The COVID-19 pandemic limited opportunities for large volunteer events and this impacted our volunteer participation rate. We however still wanted to create an event that demonstrated the strong spirit of giving that is embedded in our culture. In December, we proudly hosted a companywide food drive in which our employees demonstrated an extraordinary effort that went beyond our expectations. With a large number of employees generously donating and helping with the effort, we collected over 18,000 pounds of food for local food banks and to acknowledge our employees’ generosity and we as a company donated an additional $30,000.

- The pandemic additionally impacted our ability to meet with Indigenous bands and we have recently engaged with a Metis owned organization which could provide opportunities related to indigenous awareness, engagement and recruitment in the future.

- As industry activity ramped up, labor markets became increasingly competitive, and we also saw the need to quickly increase the size of our workforce. We pride ourselves in being a fair and competitive employer, and we also know the oilfield is demanding and not always for everyone. Typically, when we go through periods of growth we find that our turnover rate increases as the market becomes more competitive. We have a large percentage of our employees who have 5 plus years on our team with our longest employee’s tenure being 26 years. We balance our assessment of our turnover rate with this strong retention rate when evaluating our employment practices. We know there are things we can improve to ensure we continue to retain some of the industry’s best people. We have a strong dedicated team we are proud of.

MAPPING OUR PERFORMANCE:
ECOVADIS SUSTAINABILITY ASSESSMENT

In 2021, we completed a Ecovadis Sustainability Assessment, to gauge our performance relative to our peers, our stakeholders’ expectations and various standards and frameworks. Ecovadis methodology is aligned with international standards and is also customized by industry, size and country. It is a comprehensive assessment that evaluates performance across 21 indicators in 4 themes (Environment, Labor & Human Rights, Ethics and Sustainable Procurement) and has a global network of over 85,000+ rated companies. This assessment allowed us to identify strengths, improvement areas and where we rank as compared to peers. We believe this is a tool that will help further our ESG initiatives, and we are proud to say we achieved a silver rating in 2021, which places us in the 80th percentile.

Additionally, we have already used the Ecovadis assessment to implement initiatives to address the areas of improvement identified, such as in our supply chain.
ESG COMMITTEE

As part of our commitment to sustainable and ethical business practices in 2021, we formed an ESG Committee to support the development of our ESG initiatives. This Committee assesses our engagement with stakeholders, current performance, targets and initiatives, and makes recommendations to the executive management team, which includes identifying ESG risks and opportunities and recommending adoption of appropriate ESG standards. Additionally, the ESG Committee provides reports to the Board of Directors (“Board”), which include a summary of the Corporation’s ESG strategy, updates on ESG performance and presenting ESG disclosure for approval. As part of this process, the Board has reviewed and approved this report.

MATERIALITY ASSESSMENT

In preparing this report, we performed a materiality assessment in which we considered the importance of issues to our stakeholders and the business impact of the issue. We used information we gathered through various stakeholder engagements and internal knowledge and cross-referenced issues identified by SASB standard. We also considered global events such as the COVID-19 pandemic, social movements related to diversity and equality, political and social attention given to climate change and increasing risk of cyber-attacks. We have used this assessment to determine areas of strategic focus and commitment.
ABOUT PHX ENERGY

Established in 1995, today we are the largest independent supplier of directional drilling services in the North American oil and gas land market and strategic international locations. Additionally, we are actively pursuing opportunities in renewable energy sectors that require drilling services. Our position as a leader in our sector has resulted from the development of a proprietary fleet of premium down hole equipment. Our technical expertise and processes ensure the high quality and reliability of our services at the well site. To sustain our competitive advantages, we are vertically integrated to control the full value chain of our products and services. We design, develop, engineer, manufacture, service and repair our own fleet of equipment and implement strict QA/QC protocols and continuous improvement initiatives. This approach allows us to monitor all aspects of our operations to assess if they are being executed in a sustainable manner and identify areas we can address.

As part of the energy sector we believe we have a responsibility to contribute to the clean, safe and ethical production of our resources, to be a good corporate citizen, and to support the communities in which we operate. To understand this commitment and how we put it into action, it is important to understand the nature of our business and where we fit in the energy industry.

Our Mission
To foster long-term client relationships by offering safe, efficient and sustainable horizontal and directional drilling operations, continuously advancing our technology, operational performance and reliability, and conducting ourselves with the utmost integrity. We remain focused on growth within the land-based directional drilling industry and translate this growth into positive long-term benefits for all stakeholders.

Our Vision
To be the most client focused multinational horizontal and directional drilling service provider by offering a full suite of drilling technology, qualified personnel, and unparalleled reliability, safety, integrity in each operating region.
THE PROCESS OF DIRECTIONAL DRILLING & ITS ADVANTAGES

We are one of several key contractors in a drilling operation and provide services for small to super major exploration and production producers. Additionally, our services are applicable in the production of many resources, including oil, gas, hydrogen, potash, and geothermal energy, and we are active in most of these areas today.

**Directional Drilling Process**

Directional drilling is the process of steering the well path during the drilling operation towards an intended target and doing so in a manner that increases the overall efficiency and speed of the operation. As a directional drilling provider, we calculate how to drill a well to an intended target and execute this plan. We supply advanced equipment and highly skilled personnel at the well site as well as technical expertise and support.

**Directional Drilling Technologies**

Essential to the directional drilling process are specialized tools that measure, direct and alter the orientation of the drill bit. This includes the downhole performance drilling motor and the Measurement While Drilling (MWD) system. For certain drilling applications, Rotary Steerable Systems (RSS) are also deployed to enhance trajectory control.

During the drilling process, the MWD system and motor are placed downhole in what is called the bottom hole assembly. The MWD system has the ability to transmit data to the surface and this data provides vital information for steering the well. It also provides information as to the downhole conditions and reservoir information. Our personnel utilize this data to steer the drill bit so that the well is drilled along the intended path and to the intended target. They also use this data to enhance drilling performance.

The drilling motor typically has a slight bend and our personnel orient this bend to direct the well. The RSS system, if deployed, can also orient the well. Additionally, the drilling motor and RSS provide power to the drilling process and greatly contribute to how fast the well can be drilled.
Directional Drilling Advantages

There are many advantages that are created by directional drilling versus drilling a well strictly vertical and as a result nearly all wells drilled in North America use directional drilling. The advantages that have led to directional and horizontal wells being the norm are:

- Greater productivity as a horizontal well is drilled through the formation, rather than into one point of the formation.
- Stricter legal spacing requirements.
- Better economics of drilling multiple wells from one surface locations (pad drilling).
- Reduced environmental impact with fewer wells being drilled and fewer rig locations needed.
- Requirement for better reservoir engineering modeling.
E - ENVIRONMENT

The environment is one of the most important and scarce resources. We all have multiple roles to play individually and collectively in preserving it for the future generations. Climate change is one of the most challenging and complex issues facing our world today. We believe that every organization has the responsibility to assess environmental risk in its value chain on a continual basis for proactive stewardship to occur. We have to preserve our environment by not only reducing emissions and green house gases, but by also using all resources responsibly, reusing resources whenever possible, reducing our waste and changing the way we do things to be more sustainable.

At Phoenix, we strive to meet and exceed environmental standards and we are committed to minimizing the impact of our activities on the environment, continually improving our environmental performance, and assisting our clients and supply chain in doing the same. We are proud to be part of the energy sector and proud that our services enable many of the initiatives and industry trends that are making positive changes to drilling processes. We continually look for opportunities to partner with our clients and suppliers in an effort to provide resources to the market in a safe and environmentally responsible manner.

As renewable sectors emerge we are exploring opportunities to become active in these areas while at the same time contributing to the advancement of greener and safer oil and gas drilling operations. Today, as majority of the world’s energy comes from fossil fuels, it remains the most active part of our business. We are proud of our contribution to the overall improvement of the drilling process.

Environmental Initiatives

- Decrease our energy consumption per operating day by 10% by 2030
- Decrease our water consumption per operating day by 10% by 2030
- Maintain 0 reportable spills
OUR ENERGY INTENSITY & ENVIRONMENTAL IMPACT

Directional drilling services have a smaller direct environmental and carbon impact relative to other areas of energy exploration and production. We have low energy intensity, do not handle large volume of fluids, have water reclamation systems at our facilities and our downhole equipment does not utilize fossil fuels as a power source. As such many of the regulatory requirements for a drilling rig location fall outside purview because of the nature of our operations and the scope of our participation at the wellsite.

- We are not the Operator that owns the oil and gas asset and secures the land and mineral rights.
- We are not the drilling contractor supplying the drilling rig on location and have no impact on the land used for drilling operations.
- We are not involved with any aspect of production or completions including fracturing a well, pumping water or removing wastewater.
- We do not haul, refine or store oil and gas, nor provide related services.
- We do not provide offshore drilling services and are not involved in downstream operations.

This said, we are committed to evaluating the environmental aspects of our operations and are working to map our carbon footprint so that we can put further measures and targets in place. Through this commitment we strive to reduce our impact and continue to be a key player in the industry’s overall ability to reduce emissions and conserve resources during drilling operations.

MANAGING ENVIRONMENTAL RISK

Control plans are established for any significant environmental impacts for the organization and measurable targets are identified to reduce waste and pollution. Our operations comply with all regulations and recommended practices for managing environmental risks, including those regarding spill prevention and spill response. These plans and other related documents are reviewed on a regular basis as part of our annual management review meeting. If an unplanned event occurs, procedures are evaluated for effectiveness as part of the corrective and preventive action process.

Through a robust risk management program, we have inventoried our activities, determined the risk associated with those activities, ranked the probability and consequences, and established resulting controls. This risk assessment exercise, in conjunction with our environmental aspects and impacts register creates the foundation for determining corrective and preventive actions and measurable targets for improvement.

We are proud to state that we have not had any significant environmental reportable incidents in any of the jurisdictions we operate.
REDUCING EMISSIONS & RENEWABLE ENERGY

As society, global leaders and agencies work to slow and even reverse climate change, many sectors and organizations are beginning to invest and take the first step in working towards an energy transition, and we are actively engaged in this. Emission and greenhouse gases (GHG) created by the nonrenewable hydrocarbons have been identified as one of the drivers of climate change and there are many avenues being explored to transition to low carbon economies, which include carbon capture solutions and development of renewable energy sources. As with past energy transitions, reaching true low carbon economies globally will be a multi-generational process, but it is exciting and inspiring to see the process started and there will be many improvements and solutions that we will see in the present day. Hydrocarbons will remain the primary energy source for the near to mid-term, and as an industry we are making great strides to lower our impact when producing the energy that, drives industry, infrastructure and job creation, heats and cools homes, transports our children to school and extracurricular activities, and so much more in each of our lives.

Mapping Our Carbon footprint

We recognize that to make a meaningful impact on the ability to reduce our emissions we must first engage in a formal process to identify primary and secondary sources of emissions in our operations. We know our operations are generally low in terms of our emission intensity however as part of the oil and gas industry we also recognize that we have a role to play in reducing the scope 2 and 3 emissions that result from drilling practices and business operations. In 2022, we will work toward initiating the process of identifying our scope 1-3 emissions as well as consider areas we have already identified for ways we can begin to actively make changes. Actions we have taken and areas we can work to further reduce emissions are:

- Optimizing our fleet of vehicles and equipment which reduce emissions.
- Logistics procedures ensure that movement of personnel and equipment is coordinated to minimized unnecessary travel.
- Power our downhole equipment with lithium batteries and hydraulic power generation.
- Establishing remote services for field operations that reduce the amount of vehicle traffic required for drilling operations.

Greener Drilling Operations

We know oil and gas demand is going to grow in the foreseeable future and we are going to be a part of the industry’s focus to further enhance the process that will make the drilling process cleaner and greener than it already is. Our premium drilling technologies and development of remote operations are already contributing to the industry successes in this arena. We are committed to continue to support our clients and industry initiatives. North America produces the most ethical, clean and safe oil and gas globally and this is where majority of our operations are focused. In the international markets we have entered, we are deploying the same drilling technologies and practices we utilize in North America to ensure we are contributing to improvements in these countries that will enable North American standards.
Faster Drilling, Fewer Days, Reduced Emissions

As one of many service providers on a well site, our services and technologies combined with the efforts of others have allowed significant changes to drilling operations that have reduced the environmental impact. Two examples included:

- With the development of premium downhole technologies such as ours, modern day drilling rigs and other advancements, it now takes less days to drill wells.
- With the proliferation of pad drilling, the number of wells drilled from one rig location is consolidated, reducing the physical footprint on the land and amount of land disturbed by the operations.

As a leader in our sector, our investment in technologies have allowed us to be an integral part of our clients’ operational performance, and by increasing their efficiencies we aide in their efforts to reduce their environmental impact. We have focused our long-term strategy over the past decade on equipping our fleet with premium high performance technologies that drill faster and more reliably. Through our investments, engineering and R&D activities we have completely transformed our fleet. Our Atlas drilling motors, Velocity Real Time Systems and Power Drive Orbit RSS capabilities have significantly impacted what we can accomplish at the rig site. These tools better withstand the downhole conditions, drill more accurately with more sophisticated data and provide more power to the bit for increased speed. All of these factors greatly enhance the efficiency of the drilling operation, and have significant impact on the time it takes to drill a well, which reduces the wells environmental impact. Shaving days from a well eliminates days of emissions.

New Technology & Emission Reductions
Permian Basin Case Study, Midland County

2017
10,000ft Lateral
Conventional technology
Drilling Days 8.76

2021
10,000ft Lateral
Premium MWD and Motors technology (Atlas and Velocity)
Drilling Days 6.76

2 Fewer Days
48 hour reduction rig to the time heavy equipment is required to operate

Same Area
Same Well Profile
New Technology
RENEWABLE ENERGY

An emerging opportunity for PHX to diversify our business is to be a part of the energy transition in the extraction and production of renewable resources. Many of the processes to extract these resources also require directional drilling services. This opportunity to diversify our business is a longer-term strategy, and we are proud that we have already taken action and are at the forefront of this emerging market. In 2021, we drilled multiple wells for alternative energy sources including potash and helium. In addition, we made an investment in DEEP Earth Energy Corp. (DEEP) a geothermal company developing Canada’s first geothermal power facility in Canada.

Why Invest In DEEP

Our investment in DEEP immerses PHX Energy in geothermal energy development and positions us to be at the forefront of one of the greenest energy sources being developed today. It allows us to participate in and contribute to this project which merges the highly skilled oil and gas expertise from various services with geothermal reservoir and power generation expertise. We are positioned to offer our knowledge and proficiency at the Board of Director level to aide in the project’s technical execution. It also provides us valuable knowledge in the renewable sector, that will be advantageous as the sector grows and there are greater number of projects that require our services. Currently there are 26 countries around the world successfully using geothermal energy for power, including the United States where we also have established ourselves as a leader in directional drilling.

The DEEP geothermal facility project is arguably the foremost of its kind in Canada and is supported by Natural Resources Canada and the Province of Saskatchewan. The company has completed many successful strides in its project development, including the successful completion of Front-End Engineering and Design (FEED) and Feasibility Engineering for a 32 MW Geothermal Power Facility and drilling of a pilot well where PHX provided services.

Geothermal Energy Advantages

- Low to zero emissions
- Smallest land footprint of all renewable energies
- Only renewable energy to provide round the clock base load power
- The 32MW Geothermal Power Facility is equivalent to removing 34,000 cars from road annually
Where Does Directional Drilling Fit into Geothermal Development Services

In order to access the underground geothermal reservoirs and generate power in the geothermal facilities, a series of horizontal directional wells and injection wells are required to be drilled. These wells use the same horizontal drilling design that is used in oil and gas production.

The DEEP geothermal power facility generate power from horizontal wells drilled into the Deadwood Formation in Saskatchewan’s Williston basin. The project includes 10 horizontal production wells and 8 horizontal injection wells. Each well will have a horizontal (lateral) length of 3,000-4,000 m and the well pairs will be separated by 750 m. This globally unique “ribcage” geothermal well field arrangement has been adapted from conventional oilfield design and completion practices that utilized directional drilling services.

We are well versed in drilling wells with the technical requirements of the DEEP project. For comparison in 2021, the longest lateral well we drilled in Canada was 5,297 meters and the average lateral length in similar drilling applications was 3,329 meters. Majority of the wells we drill initiate from a pad and therefore calculating well spacing and drilling wells in close proximity is something we do multiple times a day each and every day.
ECOLOGICAL IMPACT, OUR FACILITIES & WATER USAGE

We are committed to using the natural non-renewable and renewable resources required by our operations responsibly, conserving, recycling and reusing and minimizing our physical footprint wherever possible. Our operations have a low direct ecological impact and minimal water usage and our services are fundamental to pad drilling which has greatly reduced the land used in oil and gas drilling operations. We do work at the well site but we are not directly responsible for any of the decisions that determine the use of land nor do our services require additional land usage. Within our own operations and at our facilities, we are striving to reduce our footprint, decrease the waste we generate, minimize the use of non-renewable resources, and recycle and reuse whenever possible. We have processes at our facilities that require water and energy use beyond standard office use and have taken initiatives to conserve our consumption of these resources and are actively looking for more opportunities. We are not involved in the fracing process and our water usage is mainly related to our facilities.

A Partner in Reducing the Ecological Impact of the Rig Sites: Pad Drilling

Pad Drilling is the process whereby a drilling pad is used to drill multiple wells form one location, eliminating the necessity for multiple drilling rigs in a close proximity. This approach greatly reduces the ecological impact of drilling operations and reduces the energy and resources used in rigging up and down and through the drilling operation. One of the main drivers that has allowed pad drilling to be utilized is the advancement of our services - horizontal and directional drilling. The accuracy in which wells can be drilled at has greatly improved over the past few decades and with that has come the ability to steer wells all starting on a single surface location to different depths and directions underground with minimal risks. We are proud to be one of the key drivers that is making the industry more environmentally friendly and one of a few directional providers who offer advanced service related to well spacing through our survey management process.
Our Facilities

We have corporate offices and operations centers throughout all operating regions, with the majority of our facilities being in North America. In 2013 and 2014 we built flagship operations centers in Calgary and Houston and these have become the central hubs for our North American operations, with a corporate head office located in Calgary, and smaller job staging facilities in strategic locations. These major operations centers house the manufacturing and servicing departments to support our technologies. By having two central hubs we are able effectively manage the resources used in our servicing and manufacturing process rather than duplicating the footprint and use of resources required in smaller hubs. We also have a full time facility team who are responsible for monitoring and maintaining these facilities which also helps ensure energy efficiency and responsible utility use. Additionally, our Logistic Team ensures the efficient and effective transfer of assets between our locations to reduce our carbon footprint and fuel consumed. Some highlights about our facilities included:

- Minimize our waste generation through recycling programs at our office and operations facilities.
- Recycle scrap metal that is generated by our manufacturing processes.
- Utilize environmentally responsible suppliers to properly dispose of waste including depleted lithium batteries.
- Sourcing ecofriendly cleaning solutions when available.
- Replacing LED lighting in our facilities with more energy efficient options.
- Utilize automatic shut off lights to ensure energy is only consumed when it is required.
- Installed state of the art “Water Maze” Water Treatment Systems in our Calgary and Houston facilities for reclamation of wastewater and capturing rainwater.
- LEED certified corporate head office in downtown Calgary.
**Water Usage**

We recognize that water is a finite resource and one we all need to work to conserve. We have begun to monitor our consumption with the goal of identifying areas where we can utilize the resource more efficiently and reuse and recycle where possible. In our operations we use fresh water for domestic purposes, washing equipment, testing equipment, equipment use and servicing our tools. We do not directly use water in our well site operations, produce or provide hydraulic fracturing fluid, drilling fluids, dust control, cement, produced water or flow back. Although the water usage at the well site falls to our customers discretion we do support our clients in sustainable water use. Both of our service centers in North America are equipped for reclamation of wastewater and capturing rainwater with state of the art Water Maze Water Treatment Systems. Additionally, our facilities team are working to identify our water usage requirements at our facilities and in our operations and look for ways we can improve or reuse water.

**Spill Prevention & Chemical Management**

As part of our HSE Management System, we have processes and procedures in place to ensure we are protecting both humans and the environment from the risk chemicals within our operations. Most of the chemicals used in our operations are at our facilities and are part of the servicing and maintenance of our equipment. We ensure we have all the appropriate equipment and assets for storage, disposal, personal and environmental protection and provide safety and material handling training. We do not produce or sell any chemicals as part of our business.

Spill prevention and response has been outlined in our HSE Management System and has been referenced in our safe work practices, training materials, incident reporting procedures, and communication protocol. Any danger of an emergency or accidental release of substances is handled in accordance with our established procedures and controls. Examples include, but not limited to, reporting to regulatory authorities, inventory of substances used in our shops and field locations, and operating procedures for prevention, containment, recovery and/or treatment of spills. We have created programs for spill prevention and spill response to ensure effective policies and procedures are in place and people have been suitably trained.
S - SOCIAL

We recognize our reputation is determined by how we engage and interact with all stakeholders. In 2021 we employed 614 people throughout North America, worked for over 100 customers, returned value to our shareholders and supported the local communities in which we worked with both economic and philanthropic activities.

We are proud of our culture that fosters strong interpersonal relationships, internally and externally, and of the long-term tenure we have within our workforce, customer base, shareholders and supply chain. We recognize that to be an organization that people are proud to be a part of, we must continually assess and evolve our policies and programs, engaging with stakeholders to gain insight into areas where we are both excelling and can improve.

Social Initiatives

- Maintain a TRIF of below 0.75
- Reduce annual turnover rate by 5%
- Women represent 30% of all leadership roles by 2030
- Implement Diversity and Inclusion training for Manager/Supervisor
- Continue to support and provide opportunities to give back to local communities
OUR VALUES

Client Focus & Operational Excellence

The success of our clients’ operations drives our successes. We have a proven track record of reducing costs and operating risks, while maximizing operational efficiencies. There are many factors that impact our ability to deliver operational excellence at the wellsite, and we invest in systematic process of quality control, engineering and continuous improvement.

Innovation

We are committed to delivering value. We collaborate with our vendors and clients to understand the industry’s needs, including those related to environmental impact and stay at the forefront of finding solutions that answer these needs. We promote an entrepreneurial spirit, technology advancement and continuous improvement through all aspect of our business. We are not afraid to try a different way of doing things and never settle for the status quo.

Integrity

Integrity is what our company was built upon and it remains the basis of how we operate today. We strive to create and maintain transparent relationships with all of our stakeholders, including employees, clients, shareholders and suppliers. We remain focused on our commitment to conduct our business in an ethical and fair manner.

Team Work, Respect & Collaboration

Great ideas are born when different perspectives and expertise are shared, and these unique viewpoints perpetuate each other. We believe collaboration is not solely a process that occurs between our employees but is also vital in our partnerships with our clients, suppliers and other stakeholders. It is this openness to ideas and working in partnerships that helps build our unique culture.

Accountability

Our company and our employees are held accountable for accomplishing business goals. Personal and corporate accountability ensures we are delivering results which lead to superior performance for our clients and results for all stakeholders. Employees are empowered in their work and this allows us to set and maintain high standards in all positions.
OUR TEAM

We believe a great company requires great people and to attract and retain the best in the industry we must provide a workplace that is safe, rewarding, respectful and inclusive. This means we must be continually evolving and striving to do better to ensure we maintain what we believe is the best team in the industry. As a service company, our people invaluable and are the key drivers of what we can achieve.

We are proud of our culture, employee tenure and open communication, and to ensure we remain diligent in protecting our greatest asset we are always looking for ways we can improve, which includes setting key targets within our ESG strategy.

Some highlights of how we protect, engage and reward our employees, include:

- Numerous mechanisms for feedback and communication including, our employee engagement survey, safety survey, open door policy, townhall meetings, and whistleblower hotline
- Comprehensive Health and Safety programs and strong safety performance
- Health and wellness benefits for employees and their families
- Internal training programs
- Educational assistance and professional development
- Fair compensation packages and performance driven incentive programs
- Opportunities for advancement and transfer within the PHX Energy organization
- Employee focused community investment initiatives
EMPLOYMENT PRACTICES

We would not be able to achieve the many milestones in our 25 plus year history without being a fair and ethical employer and without a motivated team of personnel. Our employment practices therefore at minimum comply with all employment, labor and human rights laws and our performance review process is aimed at ensuring we are equitable and competitive, providing opportunities for growth. Where possible we evaluate our compensation and benefits program against industry comparable and geographic benchmarks, to ensure we are inline or exceeding market growth. Some of the polices we have in place to ensure fairness and a unbiased workplace are:

- Equal Employment Opportunity Policy
- Workplace Violence and Harassment Policy
- Performance Management Policy
- Nepotism Policy

PROMOTING HEALTHY LIFESTYLES & WELLNESS

We believe that health and wellness go beyond providing a comprehensive benefits program and our employees overall well being is key to a productive work environment. Some of the ways we provide for, encourage and promote health among our employees and their families include:

- We regularly engage in fitness challenges as a fun way to raise awareness about the importance of exercise and to promote getting active.
- We provide frequent communication regarding the mental health support to our employees and their families available through our employee assistance program that provide access to confidential counselling services and other mental health resources.
- We have a health and safety committee, that meets monthly and discusses wellbeing of our team and the work environment
- We provide comprehensive medical, dental and well being benefits to employees and their families
- We provide leave of absence for a range of needs, including but not limited to maternity/parental leave
- Employees are provided short-term and long-term disability insurance in the event of an unexpected event in their life.
- Through COVID-19 pandemic have remained flexible and agile offering various supports for employees, including flexible arrangements and compensation programs when required to isolate, quarantine or care for a family member.
**Mental Health**

We believe mental health is a critical component of the overall health and safety of our employees. We are committed to providing support and breaking down the stigmas around mental health. As we continue to live through a global pandemic, the past few years have been particularly challenging on people’s mental wellbeing and mental health awareness is more important than ever. Throughout 2021 we acknowledged the impact that this could have on our employees and focused efforts on supporting employees and their families with numerous initiatives, including:

- Safety stand down week across all regions with a focus on mental health awareness
- Frequent communication to employees about the local resources available to them both through our benefits plan and other organizations
- Communication posted in offices & shops directing employees on how to receive support
- Mental health benefits including a 24/7 phone number to support employees and their families
- Increased conversations surrounding mental health to reduce stigma and create a more inclusive and supportive workplace
- Offered mental health first aid training and continue to designate mental health first aiders

**Bring Your Dog To Work Days**

Benefits come in many forms and we regularly host bring your dog to work days at all of our facilities. We recognize the value that days like this can bring in terms of team building, stress release and positive work environment.
SAFETY

The safety of our employees is paramount and we have built a safety program and culture that has earned and maintained our employees trust that they will not be placed at risk of injury or harm - under any circumstance. Safety is a shared responsibility that every person within our organization is responsible and held accountable for, and it begins with our leadership team who demonstrate this each and every day. Our safety performance, standards and procedures rate at the top of the industry.

The cornerstones of our health and safety program are:

- Conducting our business in accordance with industry best practices.
- Maintaining an effective employee training program.
- Active participation by all managers, supervisors, employees, consultants, contractors and sub-contractors.
- Ensuring all equipment is appropriate and well maintained.
- Providing timely feedback to individuals and teams regarding safety performance.
- Holding individuals accountable for meeting their responsibilities.
- Recognizing individuals and teams who contribute positively to the HSE Management System.

Our Management System

Our HSE Management System encompasses all aspects of our operations and follows the principles of plan, do, check, act (PDCA) for continual improvement in our HSE performance. We have established, documented and developed a management system consistent with internationally recognized management system standards and our approach not only focuses on documentation of our key processes but also measures the effective implementation to support operational and administrative activities. Communication of these procedures and requirements has created ownership and fostered participation with the management system.

There are many improvement tools within our Management system including corrective and preventive actions, internal auditing, management review meetings, analysis of data, and management of our objectives. Measuring our performance and creating improvement plans in each area of the business has been part of our strategy that communicated at all levels of the organization.
Safety Performance

By tracking key metrics we are able to monitor and assess our safety performance on an ongoing basis, and these are vital in our ability to prevent incidents. We track metrics such as TRIF/TRIR, Lost Time, Motor Vehicle Incidents, near miss frequency, training hours and fatality rates. These metrics are used in our continuous improvement process to evaluate our safety protocols and identify areas of improvement. We also believe that to maintain and protect the trust of our employees we must be transparent and communicate our safety performance, sharing lesson learned to ensure we continue to provide a workplace where people feel protected and where safety is a front of mind. It is this openness, the leadership of our management teams and shared responsibility that allows us to produce metrics that are well below industry averages.

PHX Energy’s Total Recordable Incident Frequency

The International Association of Drilling Contractors (“IADC”) issued its Incident Statistics Program’s Summary of Occupational Incidents in December 2021. Industry land drilling comparatives for recordable incidence rate include: US Rate: 1.55; Canada Rate: 1.00

Our ultimate goal is to have **ZERO INCIDENTS** and have each and every employee go home safely each and every day. We remain dedicated to achieving this and will continue to enhance and improve our safety program with this goal in mind.
## PHX Energy’s Safety Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total recordable incident rate (TRIR)</strong></td>
<td>0.39</td>
<td>0.36</td>
</tr>
<tr>
<td><strong>Fatality rate</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Near miss frequency rate (NMFR)</strong></td>
<td>6.95</td>
<td>5.09</td>
</tr>
<tr>
<td><strong>Total vehicle incident rate (TVIR)</strong></td>
<td>1.07</td>
<td>0.57</td>
</tr>
<tr>
<td><strong>Average hours of health, safety, and emergency response training for:</strong></td>
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<td></td>
</tr>
<tr>
<td>full-time employees</td>
<td>1,500</td>
<td>2,927</td>
</tr>
<tr>
<td>contract employees</td>
<td>1,027</td>
<td>2,049</td>
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<tr>
<td>short-service employees</td>
<td>473</td>
<td>878</td>
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<tr>
<td>Number of days in year with no LTIs</td>
<td>204</td>
<td>968</td>
</tr>
</tbody>
</table>

PHX Energy Services Corp. | 2021 ESG Report

**Safey in all Directions**
Safety Training and Awareness

Our onboarding process provides all employees with introductory safety training and highlights the prominent role of safety in our organization. Additionally, job specific training is provided to individuals before they perform any duties in their new role and we have renewal process for safety training materials. We leverage our online learning system to ensure we are monitoring compliance with safety training requirements and for competency. This training is supplemented with awareness campaigns and frequent communications, many of which come from our leadership team. Campaigns such as Safety Stand Down Week and “town hall” meetings have reinforced the importance of safety and are proactive communications to ensure personnel are making safe choices. We keep safety messages front of mind and highly visible on a day-to day basis, including safety staging areas in our facilities and safety boards.

Other initiatives that have been integral in our safety performance and to safety culture are:

- Annual companywide Safety Engagement Survey to measure perception of our employees.
- Increased participation of employees in the Joint Health & Safety Committee Meetings.
- Specific safety talks relating to trends identified or specific incidents that have occurred.
- Frequent email communication.
- Shared safety alerts from industry associations and regulatory bodies.
- Relevant information on safety communication boards.
- Visitor orientations at our facilities
Safety Engagement Survey

On an annual basis we survey our employees to gauge the effectiveness of our safety program, solicit ideas and ensure they remain confident in our ability to provide a safe work environment. We utilize these results as part of our ongoing drive to continually improve.

For each topic surveyed, we received a score of 90% or higher

A sample of the topics surveyed include:

- The Company’s commitment to ongoing safety improvements and if safety is a top priority when compared to operations
- Employee’s belief that they are equipped to complete their work safety and provided the training required to do so
- Employees involvement with safety initiatives in their area and top management’s involvement in the safety program
- Actions are taken to prevent future incidents and those in charge of safety have the authority to make change
- Safety communication is open and employees are free to voice concerns/suggestions
- The Company’s response to COVID-19 and that appropriate measures were implemented and communicated

COVID-19 Response

The health and safety of our employees, customers, and suppliers has remained a top priority has we have continued to navigate the COVID-19 pandemic. We have continued to implement recommended protocols, practices and measures to protect the people our operations impact as well as to ensure our business continuity. We have provided ongoing communications on topics such as proper sanitization, face coverings, vaccinations, social distancing, and the impact of mental health in the pandemic. Additionally, we have provided ongoing support to our employees and their families through the pandemic with various programs and flexible work structures. We are continuing to monitor the situation and continue to implement and follow proactive measures to mitigate risks and protect our people.
ENGAGING & LISTENING TO OUR WORKFORCE

The ability to facilitate open, honest, and safe communication and feedback is vital to employee satisfaction. Employees need to feel they have the opportunity to be heard, to contribute and be engaged in our strategy and business growth. We believe it is important that employees at all levels are aware of issues and developments within the Company and that there are opportunities for employees to raise issues, ideas and complaints so that they can receive management attention. It is also important that employees have multiple channels to express their thoughts as different ideas and concerns require different levels of confidentiality.

We believe in collaboration and strive to foster a work culture were openness to ideas spawns innovative thinking and sharing. Our processes and management style solicits ideas from employees and provides opportunities for creative thinking.

Employee Engagement Survey

In 2021 we launched and conducted our first employee engagement survey to measure and understand our employee’s satisfaction level. This survey was another avenue for us to collect confidential feedback from our employees. The information was gathered to understand what employees value the most in our work environment including our culture and communication.

This is the first survey we have conducted, and we are motivated to use this information to create meaningful change as well as continue the momentum from what we are doing well within our culture.
TALENT ATTRACTION & RETENTION

Our people are critical to our business and a key driver of our business growth and success and as such our ability to attract and retain qualified individuals is vital to our business continuity. We also believe that members of our team must share our corporate values in addition to possessing expertise and knowledge. We often say attitude is as important as know-how in our organization.

We recognize the value of long-term employees and are proud of our ability to retain qualified and motivated individuals. As we hire employees, we can leverage new external expertise and complement the deep experience from our 5, 10 and even 20+ year employees. We believe this diverse range of talent and experience is one of our biggest strengths.

As we have embarked on our ESG journey we recognized that our recruiting practices could provide greater opportunities for increasing our diversity. In 2021, we began to look for ways we can expand our candidate searches to reach underrepresented groups in our organizational structure and in our industry, particularly recruiting of women to STEM positions. We are confident in 2022 we will be able to implement new procedures and recruitment practices that will help us broaden the scope of our job search.

Employee Tenure

- 17% Employees with 5-9 Yrs of Services
- 10% Employees with 10+ Yrs of Services

Employees with 10+ Yrs of Services
DIVERSE, INCLUSIVE AND HARASSMENT FREE WORKPLACE

We are proud of the many talented and skilled individuals we employ and believe diversity must be present through all levels of our organization for true inclusivity. We also believe people should be able to be their authentic self in all aspects of their life, including at their workplace, and without fear of harassment or discrimination.

We are committed to a workplace that is free of discrimination, harassment and workplace violence and have a zero-tolerance policy in this regard. We promote a work environment in which all people respect one another and work together to achieve common goals. Employees are required to acknowledge our workplace violence and harassment policy on an annual basis.

We recognize the value that different perspectives, backgrounds and ideas bring and believe diversity improves organizational strength, provides an opportunity for innovation, and continued success. We are proud that within our organizational structure we have a diverse group of individuals in senior positions and we will continue prioritizing diversity and inclusivity in all levels of our organization, ensuring equal opportunity for all.

Our Board annually reviews board and executive officer positions to ensure that individuals with the appropriate skills, knowledge, experience and character are being fairly considered and evaluates if there are additional requirements or policies with respect to the diversity of management that would beneficial.

Gender Diversity in Our Industry

We work in an industry where certain disciplines, like field operations, are dominated by males for a multitude of reasons. We recognize this and are evaluating how we can supplement our recruitment practices within these areas. Although we acknowledge that our workforce continues to be predominantly males in these areas, we are also proud to say we have hired female applicants throughout our history in positions like field and shop operations and had a 10 plus year Operations Manager until her retirement. We acknowledge there is a lengthy journey ahead and we are committed to doing our part.
LOCAL WORKFORCE & INDIGENOUS ENGAGEMENT

Investing in communities and hiring local talent is integral to our culture. We support and engage local communities, businesses and workers evidenced by our domestic and international operations and we support initiatives of our clients related to creating positive economic opportunities for indigenous communities. We are committed to providing access and opportunities to all qualified workers, contractor and suppliers and we fully understand the value of hiring local to the community where we work.

We have an Indigenous Engagement Policy and we recognize that our operations, along with those of our clients, may be conducted on treaty land and that we have a responsibility to promote the economic activities that support local Bands. We, in conjunction with our clients, actively seek to foster relationships with respective Bands to ensure positive opportunities can be established and implemented.

VETERANS

We value the services of those individuals who choose to serve their country and protect the freedoms we in Canada and the US are so fortunate to have. We believe it is important that we support these individuals who sacrifice so much for others and also recognize they possess unique talents, skill sets and perspectives that can bring value to our organization. As such we, in line with the US Jobs for Veterans Act, are proud to employee veterans as part of our workforce.

12% of our US Employees are Veterans
TRAINING & PROFESSIONAL DEVELOPMENT

We believe that a successful company requires motivated and qualified employees that feel the company is invested in them and their growth. Therefore we offer programs for our employees to advance their skills and knowledge to encourage them to further their career at PHX Energy. As a service company, our business depends on the expertise and knowledge of our people in all areas of the business.

Educational Assistance & Professional Memberships

We provide assistance to employees who are seeking to further their career development through outside educational programs. This includes post-secondary and continuing education opportunities as well as professional designations. We also recognize the value of industry and professional knowledge and assist our employees in maintaining professional qualification and remaining current with industry/professional standards.

The PHX Energy Learning Center

PHX Energy has developed an in-depth technical training program based on a process of continuous learning and professional development. This program includes classroom, hands-on, and online training, as well as field mentorship. The hub of this program is our online training tool which provides a multitude of training material and resources such as technical alerts, technical procedures, safety procedures and corporate policies. Through this tool we can also evaluate the level of understanding each individual has acquired through exams as well as offer at the worksite through features such as live chat.

| PHX Energy’s Training Metrics |
|-----------------------------|----------------|
|                             | 2020 | 2021 |
| Learning Hours              | 20,216 | 22,023 |
| Modular Enrollments         | 24,522 | 38,554 |
| Modular Completion Rate     | 92% | 96% |
COMMUNITY INVESTMENT

In 2021, we continued to support charitable causes in the communities in which we operate and used volunteering and giving opportunities to create engagement, a sense of pride, and teamwork with our employees. We did this through corporate donations and supporting employee fundraising and volunteer opportunities, allowing for these activities to occur during work hours. We have been fortunate enough to help a variety of organizations worldwide and these philanthropic activities are a part of our culture.

Giving Spotlight

Throughout the month of December, we held a food drive benefiting the Calgary, Houston and Midland Food Banks. Combining our philanthropic ideals and our competitive nature we turned the food drive into a friendly competition, Canada VS. the US. Teams were encouraged to work together to bring in food, raise money and shop together to bring in the most amount of food. We were overwhelmed by the level of participation and the incredible effort from employees. We saw groups of people working together, company wide emails being sent egging each other on and our holiday spirit was through the roof. Both the Canada team and the US team brought in truck loads of food which were donated to our local food banks. The winner was our local food banks, participation and the quantity of food was very comparable, and a tie was declared. On top of the truck loads of food donated by employees, Phoenix also donated cash to all three food banks.

18,000+ lbs of food donated
PARTNERING WITH OUR VENDORS

Our journey toward sustainability of our operations does not happen in a silo, and just as we impact our customers success, our supply chain can greatly impact ours. We are proud of the strong vendor relationships we have built and the level of trust established – truly making our vendors partners in our success. Our Supply Chain team promotes our ESG principals and standards, having open discussion regarding things like environmental impact and inviting vendors to participate in our charitable activities. We have established vendor qualification and evaluation process that accounts for factors such as environmental performance, diversity, and ethics and we are broadening our focus to encompass additional factors as well as exploring greater ways we can partner with our vendors to jointly make a difference.

LISTENING TO OUR CUSTOMERS

As a service provider we pride ourselves in our client focus as it is one of our core values. We therefore recognize the importance that listening and engaging with our customers has on our business success. We view ourselves as partners in our clients’ operations and therefore our ability to listen to their targets and goals fuels our internal discussions on innovation, research and development and services. We also extend this to ensure we are engaging with them beyond the drilling process, work collaboratively on safety programs, industry awareness, environmental protection and charitable activities. Our clients, like us are looking to ensure they have an ethical, responsible and sustainable supply chain and we share our progress with them to ensure we are always we met or exceed their standards. This accountability and transparency pushes us to be better each and every day.
G - GOVERNANCE

At PHX Energy we are a relationship focused company and our success over our 25-year history have been built on our ability to develop and maintain the trust and confidence of our stakeholders, including our shareholders, clients, employees and suppliers. We believe that strong corporate governance contributes to building these strong relationships and the overall culture of transparency, integrity, and accountability which leads to a resilient organization. Our high standards of integrity and ethical business conduct are outlined in our Code of Conduct and are reinforced through our leadership, business practices and reporting mechanisms.

All companies operate in unique circumstance, and as such we believe that the leadership and governance structure of each company should reflect their operations and circumstances and that there is no one size fits all template. We look to the guidance of regulators and agencies to ensure we adopt best practices that are well suited to our business. We have built a governance structure that promotes ethical business conduct, supports the long-term success of the company and have an active and engaged team of directors, that direct and guide our governance practices.

Governance Initiatives

Continue to have 100% of staff affirm their compliance with Code of Conduct and Anti-Corruption and Bribery

Maintain 100% participation by employees in our Cyber Security training
BOARD OF DIRECTORS

Our Board, with the assistance of the Nominating and Corporate Governance (NCG) Committee, retains overall responsibility for the implementation and enforcement of an appropriate system of corporate governance, including policies and procedures to ensure the Board functions independently of management. Additionally, our Board provides guidance on our ESG initiatives and strategies which are discussed at each quarterly Board meeting in addition to at Committee meetings where appropriate.

Board Oversight and Mandates

The Board and Committees’ duties are set out in the Board and Committee Mandates which are reviewed annually to ensure they are reflective of the needs of our stakeholders and of our evolving business. While everyday operations are the responsibility of our Management team, our Board, either directly or through its committees, is responsible for the stewardship of the Corporation in key areas including vision, strategic planning and objectives, leadership, operational effectiveness and financial reporting, integrity and corporate conduct, risk management, compliance with applicable laws, corporate governance practices, and Board process and effectiveness. In discharging their responsibility, the Board exercises the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and acts in good faith with a view to the best interests of PHX Energy and its stakeholders. The Board is also responsible for the consideration and mitigation of principal risks of the business identified by management and to ensure that all reasonable steps are taken to ensure the implementation of appropriate systems and procedures to manage such risk.
Given the size of the Board, ongoing education and the extensive oil and gas related business experience of the members of the Board, we strongly believe there is a clear alignment and understanding of our strategic plan among our directors and conversations among the Board and senior management, both inside and outside the boardroom, occur frequently and openly. Our Board receives regular reports related to our ESG performance and initiatives including:

- Quarterly reports from our Global HSE Manager related to our HSE performance
- Quarterly Compliance, Privacy and Anti-Corruption updates from our Compliance and Privacy Officer
- Quarterly reports related to the progress made on our ESG targets, initiatives and strategies
- Semi-annual reports on cyber security, at minimum

## Board Composition & Independence

Our Board is comprised of 7 directors, 6 of which are independent and have varying tenures with PHX. Our Lead Director and all Board Committees are represented by independent directors and all directors have served or are serving as members of senior management of other companies in our industry, served or are serving on as directors of other publicly traded companies. We hold our directors and the experiences and skills they bring to our business in high regard, and believe they deliver great value to our shareholders.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Tenure (Years)</th>
<th>Audit</th>
<th>Human Resources &amp; Compensation</th>
<th>Nomination &amp; Corporate Governance</th>
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</thead>
<tbody>
<tr>
<td>John Hooks</td>
<td>Board Chair; CEO</td>
<td>27</td>
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<tr>
<td>Myron Tetreault</td>
<td>Lead Director, Independent</td>
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<td>Karen David Green</td>
<td>Independent</td>
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<td>Randy Charron</td>
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<tr>
<td>Terry Freeman</td>
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<td>4</td>
<td>Chair</td>
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<tr>
<td>Larry Hibbard</td>
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<td>Chair</td>
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<tr>
<td>Roger Thomas</td>
<td>Independent</td>
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</tbody>
</table>
Skills Matrix

We have developed a skills matrix outlining the skills, knowledge and experience we believe are required for the success of our business and comprehensive oversight of our operations and strategies. The skill matrix is an organic structure that evolves with our business and at minimum is reviewed by the NCG Committee and the Board annually. This is a vital tool in Board renewal and ensures fresh and current perspectives are maintained while recognizing the benefits of having a board whose members are familiar with PHX Energy’s operations and history.

In conjunction with an organic process of renewal, in 2021 the NCG Committee and the Board recognized the importance of ESG expertise and although all individual areas of a robust ESG strategy were identified and represented on the skill matrix, we were pleased have Ms. Karen David-Green join the Board at the AGM in May 2021. Ms David-Green has a wealth of knowledge in sustainability and ESG strategy and this along with her many other skills and expertise complimented and supplemented the existing array of skills and expertise posed by the directors of PHX Energy.

Board Effectiveness

In their annual review or Board effectiveness, our NCG Committee evaluates the Board, Committee and Individual Directors’ performance related to its mandates, position descriptions and policies and the company’s performance, overall objectives and strategies along with relevant diversity factors. They also use this assessment as a mechanism for Board renewal and continual improvement of effectiveness. The Lead Director conducts interviews with each director, specifically related to their view on the overall performance of the board and committees, their fellow directors and their own self-assessment.

The knowledge and experience captured in our skills matrix and represented by our directors’ expertise includes:

- Corporate Governance Expertise/ Board Member of a Public Issuer
- Professional Designation
- Risk Management
- Enterprise Management
- Strategic Planning
- Business Operations
- General Oil & Gas Experience
- Drilling/Oil & Gas Service Sector Experience
- International Experience
- US Experience
- Financial Designation/ CFO of a Public Issuer
- Financial Literacy/Financial Reporting/Audit Committee
- Investment Banking/Mergers & Acquisitions/Capital Markets
- Tax Expertise
- Legal/Regulatory Expertise
- HR & Compensation
- Health, Safety, Environment
- Information Technology/Cyber Security
- Marketing/Sales/Branding
- Research & Development/ Technology Development
**Board Diversity**

The nomination and appointment of directors with diverse skills, knowledge, experience and backgrounds contributes to balanced perspective, debate and decision making. We further believe that considering the broadest group of individuals who have the skills, knowledge and experience required to provide the leadership needed to achieve its business objectives is in the best interests of our business and all of its stakeholders. To ensure the application of these principles and the development of a Board that is free of conscious or unconscious bias and discrimination, we have adopted a written Diversity Policy, which can be found on our website. *For more information related to Board diversity please see our MIC filed on SEDAR.*

**Meeting Attendance**

In 2021 we had 100 percent attendance of all directors at each Board and Committee meetings, of which there were 7 Board meetings, 4 Audit Committee meetings, 4 Human Resources and Compensation Committee Meetings and 2 Nomination and Corporate Governance Meetings. At each meeting of our Board and Committees, the independent directors convene an in-camera meeting without the presence of management. Other meetings of the independent directors are held from time to time if required.

**PAY FOR PERFORMANCE COMPENSATION MODEL**

Our executive compensation framework is a pay for performance model that aligns awards with business strategies, individual and corporate performance and shareholder value. This framework is designed with a compensation mix of base salary, short term incentives and long term incentives and places a significant portion of a executives compensation at risk. Additionally in early 2017, the Board adopted and approved a formal recoupment or "clawback" policy on executive incentive compensation. For numerous years, the framework has included a target set for executives related to HSE performance and in 2021 an objective related to evaluating and strengthening the Corporation’s ESG practices was added. The HRC Committee along with the Board believe that these objectives will help ensure PHX continually is moving the needle forward on its sustainability and corporate responsibility.
ETHICS & INTEGRITY

We recognize that conducting business ethically goes beyond complying with applicable laws, it means an active and conscious commitment to understanding how our decision and actions affect others. Our values of integrity, accountability, and respect are vital to our success and are deeply embedded in our culture. To create and foster a culture of integrity and respect we have several policies that have been implemented throughout the organization and have invested in training and compliance of these policies. All corporate policies are reviewed by management, NCG Committee and the Board annually for opportunities to further enhance our business practices and conduct.

Code of Conduct

We require the highest standards of professional and ethical conduct from our directors, officers, employees, and consultants and our Code reflects our commitment to a culture of honesty, integrity and accountability. Each person is provided a copy of the Code on commencement of employment and are required to review and affirm their compliance upon hire and annually. Our Code outlines the basic principles and policies with which all personnel are expected to comply which includes:

- Conflicts of Interest
- Corporate Opportunities
- Confidentiality
- Protection and Use of Assets
- Insider Trading
- Fair Dealing
- Discrimination and Harassment
- Safety and Health
- Accurate Records and Reporting
- Communication Devices and Related Matters
- Political Activities and Contributions
- Illicit Payments
- Entertainment Gifts and Favors
- Social Media
- Payments to Officials and Contractors
- Reporting unlawful or unethical behavior
- Compliance Procedures
- Compliance with Laws, Rules and Regulations, including Environmental Laws

100% of staff affirmed compliance with Code of Conduct and Anti-Corruption & Bribery in 2020 & 2021
**Conflicts of Interest**

A conflict of interest occurs when an individual’s private interest interferes, or appears to interfere, in any way with the interests of the Company. We have policies and mechanisms in place to prevent conflicts of interest, particularly at the Executive and Board levels and per our Code of Conduct activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by senior management or the Chairman of the Board. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately.

**Anti-Corruption & Bribery**

We believe in ethical and fair practices for conducting domestic and international business. We are committed to a zero tolerance stance towards bribery and any other form of corruptive behaviour. Our Anti-Corruption and Bribery Policy is designed to ensure that our Company is at all times compliant with anti-corruption laws which prohibit bribery of both foreign and domestic public officials and to ensure that the Company does not receive an improper advantage in its business dealings and that all payments and expenses are properly recorded in its financial books and records.

Anti-Corruption and bribery training is conducted in a regular basis, including an annual certification process. Our Compliance Officer regulatory monitors internal process, specifically high-risk areas risk as it is an essential element of our business practices that all persons and entities who wish to do business with us have access on equal terms.

In 2021 we did not generate any revenue in countries that have the 20 lowest rankings in Transparency International’s Corruption Perception Index, which include South Sudan, Syria, Somalia, Venezuela, Yemen, North Korea, Afghanistan, Libya, Equatorial Guinea, Turkmenistan, Democratic Republic of the Congo, Burundi, Chad, Sudan, Nicaragua, Haiti, Comoros, Guinea Bissau and Congo.
Reporting Mechanism and Whistleblower Policy

We have a strong commitment to conduct our business in a lawful and ethical manner. Personnel are encouraged to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in potentially unethical or unlawful situations. All violations of laws, rules, regulations or of Corporate policies can be reported to the Privacy & Compliance Officer, Human Resources Manager or Whistle Blower hotline to ensure timely, thorough and objective investigations into such matters. These channels offer reassurance that those who report a concern will be protected from reprisal or victimization for reporting in good faith.

Our "Whistleblower Policy" allows for an anonymous channel by which employees and non-employees may raise concerns with respect to a possible violation of the Company disclosure standards in a confidential process. There is both a Whistleblower hotline and email address available on our website and all reports are received by independent member of the Board.

Privacy & Compliance Officer

We have a designated Privacy and Compliance Officer who is independent of executive management and has direct reporting lines to the Board, specifically the Lead Director. This allows for an additional confidential channel where individuals may report concerns and remain assured that they are protected for reporting in good faith.

Privacy Policy

We consider matters relating to the protection of personal information and privacy to be extremely important. We have implemented a Privacy Policy to inform our employees about the manner in which their personal information is collected, used and disclosed and how it is protected. This policy applies to an individual who performs services for us including full-time and part-time employees, contract employees, temporary employees, volunteers and students. All personal information provided to us is kept private and confidential, is protected by physical and electronic security measures and is collected, used, and disclosed only as allowed by our Policy. We ask each individual to annually acknowledge and consent to our Privacy Policy. Our Privacy Officer is available to all individuals who have questions regarding their personal data protection, our Privacy policy, and the privacy of their information.
Data Privacy & Cyber Security

Data Privacy and Cyber Security are matters we take seriously. With this evolution comes additional areas of risk related to security breaches. Our Information Technology team is committed to ensuring we have systems and measures in place to prevent cyber-attacks and cyber-security remains one of our top risk management priorities, with regular reports to the Board. We maintain policies and procedures that address these risks, implement employee protocols with respect to electronic communications and electronic devices and conduct regular cyber-security risk assessments. We employ encryption protection of our confidential information, and apply technical and process controls in line with industry-accepted standards, including a written incident response plan for responding to a cyber-security incident.

We believe one of the best defenses we have against a cyber attack is awareness and training. Our IT team has developed a cyber security course that is mandatory for all personnel and regularly conducts drills, where mock attempts of various security breaches are conducted and if successful, refresher training is provided. We have seen a vast improvement in the awareness and vigilance of our people as a result of these programs our IT team has implemented.
## SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB INDEX)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Accounting Metric</th>
<th>Code</th>
<th>Location In Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Emissions Reduction Services &amp; Fuel &amp; Fuel Management</strong></td>
<td>Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment</td>
<td>EM-SV-110a.1</td>
<td>In Progress</td>
</tr>
<tr>
<td></td>
<td>Discussion of strategy or plans to address air emissions-related risks, opportunities, and impacts</td>
<td>EM-SV-110a.2</td>
<td>Pages 12, AIF Risks Related to climate change</td>
</tr>
<tr>
<td></td>
<td>Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions</td>
<td>EM-SV-110a.3</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Water Management Services</strong></td>
<td>(1) Total volume of fresh water handled in operations, (2) percentage recycled</td>
<td>EM-SV-140a.1</td>
<td>In Progress</td>
</tr>
<tr>
<td></td>
<td>Discussion of strategy or plans to address water consumption and disposal-related risks, opportunities and impacts</td>
<td>EM-SV-140a.2</td>
<td>Page 17</td>
</tr>
<tr>
<td><strong>Chemical Management</strong></td>
<td>Volume of hydraulic fracturing fluid used, percentage hazardous</td>
<td>EM-SV-150a.1</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Discussion of strategy or plans to address chemical-related risks, opportunities, and impacts</td>
<td>EM-SV-150a.2</td>
<td>Page 18</td>
</tr>
<tr>
<td><strong>Ecological Impact Management</strong></td>
<td>Average disturbed acreage per (1) oil and (2) gas well</td>
<td>EM-SV-160a.1</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Discussion of strategy or plan to address risks and opportunities related to ecological impacts from core</td>
<td>EM-SV-160a.2</td>
<td>Page 16</td>
</tr>
<tr>
<td><strong>Workforce Health &amp; Safety</strong></td>
<td>(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), (4) total vehicle incident rate (TVIR), and (5) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees</td>
<td>EM-SV-320a.1</td>
<td>Page 25 -26</td>
</tr>
<tr>
<td></td>
<td>Description of management systems used to integrate a culture of safety throughout the value chain and project life cycle</td>
<td>EM-SV-320a.2</td>
<td>Page 24 -26</td>
</tr>
<tr>
<td><strong>Business Ethics &amp; Payments Transparency</strong></td>
<td>Amount of net revenue in countries that have the 20 lowest rankings in Transparency International’s Corruption Perception Index</td>
<td>EM-SV-510a.1</td>
<td>Page 42</td>
</tr>
<tr>
<td></td>
<td>Description of the management system for prevention of corruption and bribery throughout the value chain</td>
<td>EM-SV-510a.2</td>
<td>Page 42</td>
</tr>
<tr>
<td><strong>Management of the Legal &amp; Regulatory Environment</strong></td>
<td>Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry</td>
<td>EM-SV-530a.1</td>
<td>See AIF Business Risks</td>
</tr>
<tr>
<td><strong>Critical Incident Risk Management</strong></td>
<td>Description of management systems used to identify and mitigate catastrophic and tail-end risks</td>
<td>EM-SV-540a.1</td>
<td>See AIF Business Risks</td>
</tr>
</tbody>
</table>
## Table 2. Activity Metrics

<table>
<thead>
<tr>
<th>Activity Metric</th>
<th>Code</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of active rig sites</td>
<td>EM-SV-000.A</td>
<td>Page 7</td>
</tr>
<tr>
<td>Number of active well sites</td>
<td>EM-SV-000.B</td>
<td>Page 7</td>
</tr>
<tr>
<td>Total amount of drilling performance</td>
<td>EM-SV-000.C</td>
<td>Page 7</td>
</tr>
<tr>
<td>Total number of hours worked by all employees</td>
<td>EM-SV-000.D</td>
<td>Page 7</td>
</tr>
</tbody>
</table>