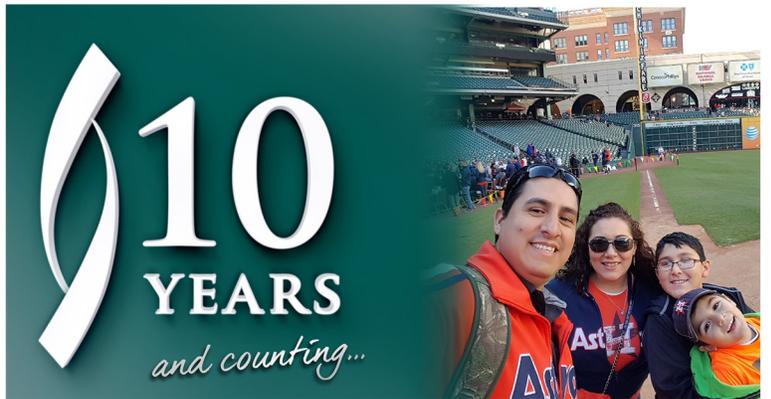


# 2020 ESG & SUSTAINABILITY REPORT



## MESSAGE FROM THE CEO

PHX Energy has been delivering progressive directional drilling solutions to drilling markets around the world for more than 25 years. We are proud to say we have done this while being stewards of the environment, investing in our people, giving back to the communities where we work while acting ethically and with the utmost integrity.

At PHX Energy we pride ourselves in being:

- an oil and gas service provider that enables and participates in drilling practices that are reducing the industries impact on the environment and communities.
- environmental stewards utilizing state of the art technology to reduce, reuse and recycle.
- a family atmosphere which attracts and retains the best people in the industry.
- a company that believes in teamwork, inclusion, continuous learning, and working towards a common goal.
- a company that prioritizes safety and is relentless in our approach to prevent each and every incident.
- a partner to our clients on their environmental and social initiatives including those that foster positive relationships with indigenous organizations.
- a socially responsible company that promotes and encourages employees to engage in the community.



**26**

Years  
(est. 1995)

**40,000**

Wells Drilled Safely

**438**

employees

We take our responsibility with all aspects of environment, social responsibility and ethical business practices very seriously and we are continually monitoring ways we as a company can do our part. We are committed to being a leader among our peers in all aspects of our business, and our ESG strategies and initiatives will continue to evolve to ensure we are at the forefront of our sector. In 2021 we will be focused on reaching our targets laid out in this, our first of many, annual ESG reports and will be striving to position ourselves to reach even further in the future, including adherence to SASB standards. We look forward to continuing to share our ESG performance, targets and initiatives with all our stakeholders.

John Hooks  
CEO



## PHX ENERGY & THE INDUSTRY

We are committed to being a good corporate citizen. 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 industry. As a directional drilling and MWD service provider, our operations have minimal environmental impact relative to the energy sector. For example, our entire fleet of our downhole guidance systems and performance drilling motors do not require the use of fossil fuels.

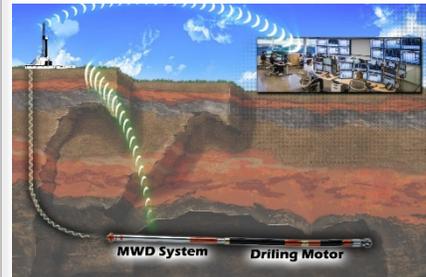
### Who We Are

- ⌋ We are the largest independent supplier of directional drilling services in the North American land market and strategic international locations.
- ⌋ We are a vertically integrated supplier and control the full value chain of our products and services through in-house manufacturing, engineering, field operations and servicing of our tools.
- ⌋ We are a technology leader in our sector and have developed a proprietary fleet of premium down hole equipment in a sustainable manner.

### What We Do

- ⌋ 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 provide technical expertise and support.
- ⌋ To create our competitive advantage and maintain our position as an industry leader, we design, develop, engineer, manufacture, service and repair our own fleet of equipment and implement strict QA/QC protocols and continuous improvement initiatives to ensure our performance and fleet remain unmatched in the industry.

### The Directional Drilling Process



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 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.



## What We Stand For

### *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.

### *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 understand our clients and 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 stakeholder. 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 Role in the Industry

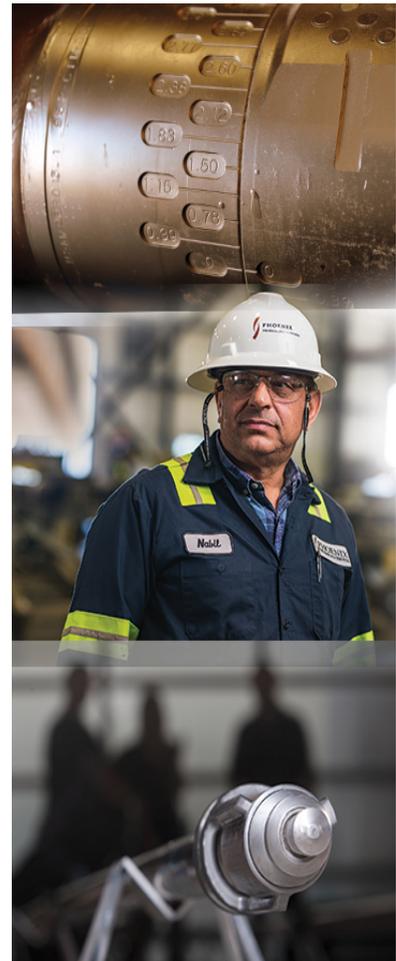
We are one of several key contractors in a drilling operation and provide services for small to super major exploration and production producers. Although many of the regulatory requirements for a drilling rig location fall outside of our purview, we believe it is important to be an active participant in the industry’s initiatives to reduce the environmental impact of drilling operations and increase safety. 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.

### *Why Operators Choose to Drill Horizontal and Directional Wells*

- ⌋ Greater productivity as a horizontal well is drilled through 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.

### *What We Do Not Do*

- ⌋ We are not the Operator that owns the oil and gas asset and secures the land and mineral rights.<sup>1</sup>
- ⌋ We are not the drilling contractor supplying the drilling rig on location and have no impact on the land used for drilling operations.<sup>1</sup>
- ⌋ We are not involved with any aspect of production or completions including fracturing a well, pumping water or removing wastewater.<sup>2</sup>
- ⌋ We do not haul, refine or store oil and gas.
- ⌋ We do not provide offshore drilling services.
- ⌋ We are not involved in downstream operations.



<sup>1</sup> Reference SASB standard for Ecological Impact Management (EM-SV-160a)

<sup>2</sup> Reference SASB standard for Chemicals Management (EM-SV-150a)



## PHX ENERGY & THE ENVIRONMENT

We understand the importance that the health of the environment plays on a global scale and believe that every organization has the responsibility to assess environmental risk in its value chain on a continual basis for proactive mitigation to occur. 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. Even though our operations do not have a significant impact on flora, soil, fauna, air and water, we still evaluate environmental aspects of operations and are working to map our carbon footprint so that we can put further measures and targets in place to reduce our impact.

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.

As a leader in our sector, our investment in technologies have allowed us to be an integral part of our client’s operational performance, and by increasing their efficiencies we aide in their efforts to reduce their environmental impact. Additionally, within our own operations and at our facilities, we are striving to reduce the waste we generate, minimize the use of non-renewable resources, use energy efficiently and reduce emissions.

Our Supply Chain team also promotes environmental stewardship and reporting through our established vendor qualification and evaluation process. Environmental performance is a significant factor considered before being added to the Approved Vendor List.



Below is a summary of some of the environmental initiatives we have taken.

### Waste Reduction & Management



- Minimize our waste generation through recycling programs at our office and operations facilities.
- Recycle scrap metal that is generated by our manufacturing processes.
- Follow processes and procedures that guide the efficient use of natural resources, including raw materials, energy and water.
- Utilize environmentally responsible suppliers to properly dispose of waste including depleted lithium batteries.

### Carbon Footprint



- 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.

### Energy Consumption



- 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.

### Renewable Resources



- Installed state of the art “Water Maze” Water Treatment Systems in our Calgary and Houston facilities for reclamation of wastewater and capturing rainwater.<sup>3</sup>

<sup>3</sup> Reference SASB standard for Water Management Services (EM-SV-140a)



## 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. 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.

Spill prevention and response has been outlined in our HSE Management System and has been referenced in our 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.

This plan, as with many other related documents, is 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.

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



### 2021 Targets

- *Decrease our energy consumption per operating day by 5%*
- *Reduce our water usage per operating day by 5%*
- *Maintain 0 reportable spills*



## PHX ENERGY - OUR PEOPLE & COMMUNITY

We recognize our reputation is determined by how we engage and interact with all stakeholders, including our employees and communities where we operate. We believe a great company requires great people and we are proud of our culture that fosters strong interpersonal relationships, internally and externally, and of the long-term tenure we have within our work force 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. We have set targets that will help us strive towards enhancing our culture, further engage our employees, benefit the community and increase our workplace diversity and inclusiveness. Additionally, in line with our commitment to continuous improvement processes, we are working towards expanding our mechanisms for engagement for greater transparency and increased communications.



WHEN ASKED WHAT EMPLOYEES LIKE MOST ABOUT WORKING AT PHX ENERGY, THE MOST COMMON ANSWER IS “I LOVE THE PEOPLE”

### Investing In Our People

We believe people must be kept informed about major business developments, receive fair treatment, be treated with respect, and receive opportunities to learn and grow. At PHX Energy we have implemented programs to achieve these objectives, including:

- 🔗 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

### Communication Program

An effective communication program is really the “glue” which holds an organization together. We have designed our communication program to meet two objectives:

- To keep employees at all levels aware of issues and developments within the Company
- To provide a way for employees to raise issues, ideas and complaints so that they can receive management attention



### Open Door Policy

We maintain an “open door” policy where employees are encouraged to approach any member of management (supervisors, managers, or executive) with any concern in safe, confidential and private space. Additionally, we also have other reporting mechanisms for employee and stakeholder communication as discussed in the governance section of this report.

### Talent Attraction & Retention

We focus on attracting and retaining qualified personnel who can help us deliver on our business objectives. We value technical and professional qualifications and expertise, as well as believe that alignment with our values is as important for success.

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 and we are proud that we have been able to maintain a voluntary employee turnover rate of 9% in North America in 2020.

**34%**  
of staff have  
been with us  
**5+ years**

**14%**  
of staff have  
been with us  
**10+ years**

 **2021 Target**  
Voluntary employee turnover rate of less than 10%



## Diversity

We recognize the value that diversity can bring and that a diverse workforce promotes the inclusion of different perspectives and ideas, mitigates against groupthink which improves organizational strength, provides an opportunity for innovation, corporate culture and continued success. We ensure that our organization is positioned to benefit from all available talent, we offer equal opportunity to all and we are committed to a workplace that is free of discrimination, harassment and workplace violence.



### Leadership & Workforce Diversity

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. The leaders in our organization are comprised of a broad range of highly qualified individuals whose background, race, ethnicity, age and gender are diverse, and our workforce as a whole is well balanced and reflective of the communities in which we operate.

We will continue to further enhance our diversity and inclusivity and in the coming year will implement initiatives promote these principles and ensure we continue to attract and retain a workforce of talent with varying skills, experiences and viewpoints.



#### 2021 Target

Increase number of women in managerial/supervisory positions by 20%

### Board Diversity

We recognize the value of diversity at all levels of our organization and we discuss our Board diversity in the Governance section of this report. Additionally, further information related to Board diversity please see our MIC filed on SEDAR.



## 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 value 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 seeks to foster relationships with respective Bands to ensure positive opportunities can be established and implemented.



### 2021 Target

Improve engagement with local communities and increase the number of indigenous contractors within our operations and supply chain by 10%

## 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 a 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 and are honored that some of our supervisors and managers have been nominated and awarded the Patriot Award by the US Department of Defense’s Employer Support of the Guard and Reserve (ESGR) program.



## Training & Professional Development

The success of our business depends on the qualifications and knowledge of our people. We require a range of technical, operational, financial and marketing skills as well as industry experience. We also strongly believe that employees are invested in companies that invest in them, and therefore we offer programs for our employees to grow with us and further their career at PHX Energy.

### *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 which includes classroom, hands-on, and online training, as well as field mentorship. It is based on a process of continuous learning and professional development.

Our online training tool is a central resource for our field personnel. This site provides personnel with training materials (videos, technical alerts, technical procedures, safety procedures, policies etc.), and tests their understanding of this content. It also offers them support when they are on worksite through features such as live chat.



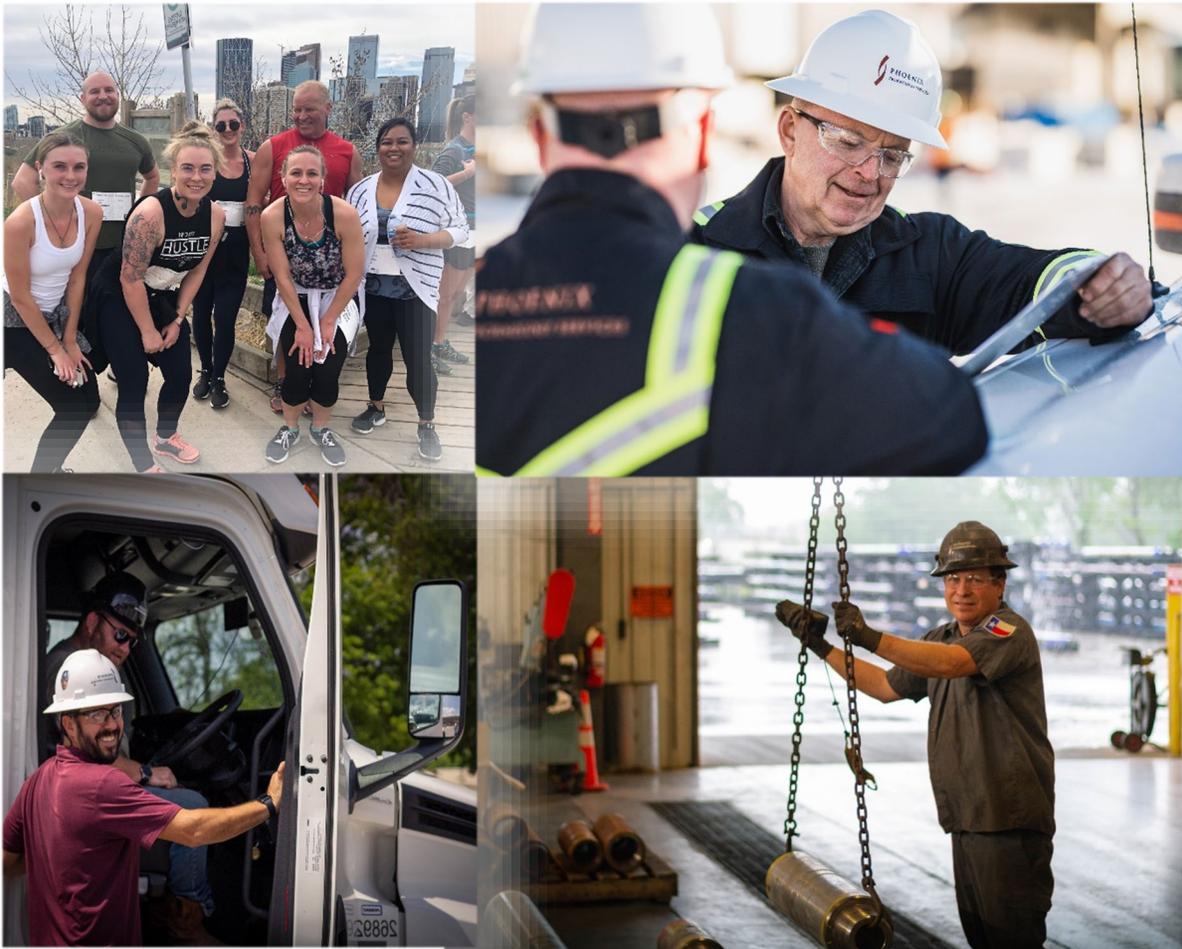
**2021 Target**  
Achieve a 95% completion rate for online learning modules



## Health & Wellness

We believe that health and wellness are key to a productive work environment. We promote proper nutrition, exercise, and mental health awareness to aide in managing the stresses that occur at work and in life. Our employees have the opportunity to benefit from the positive impacts of a healthy lifestyle.

- We regularly engage in fitness challenges as a fun way to raise awareness about the importance of exercise and to promote getting active.
- Through our employee assistance program employees and their families have access to confidential counselling services and other mental health resources.
- Employees are provided short-term and long-term disability insurance in the event of an unexpected event in their life.



## Safety

We are committed to providing a work environment where people are confident they will not be placed at risk of injury or harm and that rates at the top of the industry for safety performance, standards and procedures. Every member of our organization shares the responsibility for loss prevention and remains committed to performing their job properly and in accordance with established safe work procedures and our company values. We ensure we have measures in place to eliminate any foreseeable hazards which could cause personal injuries, illnesses, and property damage. In order to always keep safety front of mind and visible, we have safety staging areas in our facilities and safety alerts are distributed through our online resources.

### 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.

## Response to COVID 19

COVID-19 is an unprecedented health and safety event for the globe. We responded quickly and decisively to the pandemic, implementing recommended protocols, practices and measures to protect the people our operations impact as well as to ensure our business continuity. We are continuing to monitor the outbreak and continue to implement and follow proactive measures to mitigate risks. Below are some of the actions we have taken.

- Formalized process for assessing exposure risk for COVID-19 and steps to be taken.
- Implemented protocols and policies for employees who feel ill to ensure that all employees are fit-for-duty on a regular basis.
- Enacted a Work From Home policy for all employees whose tasks can be performed remotely.
- Implemented personal hygiene, disinfecting of workspaces, physical distancing, PPE and self-isolation standards, including the requirement for masks to be worn when physical distancing is not possible.
- Limited access to our facilities to only authorized personnel and essential visitors.
- Developed standards for interacting with third party contractors and visitors to minimize risk of exposure.
- Collaborating with our clients and suppliers to ensure procedures are aligned and sharing risks and mitigation measures without disclosing personal and confidential information.
- Communicating and increasing awareness to ensure staff have resources and information to make decisions that protect the health of all around them, including posting signage to highlight requirements and reinforce expectations.



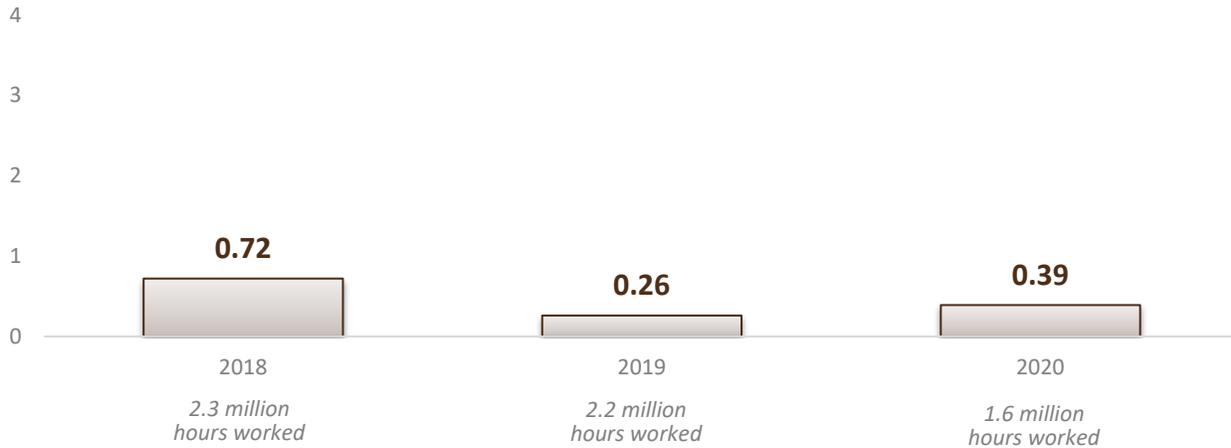
**96%** of employees agree or strongly agree that we have implemented and communicated appropriate measures in response to COVID 19



### Safety Reporting <sup>4</sup>

Our safety reporting is a key element in our commitment to the safety of all stakeholders and in our efforts to prevent incidents. We track metrics such as TRIF/TRIR, Lost Time, Motor Vehicle Incidents, near miss frequency, training hours and fatality rates and utilize these to gage how successful our safety protocols are and identify areas we can improve. Lessons learned are shared throughout the company to ensure we continue to provide a workplace where people feel protected and where safety is a front of mind. It is this culture that allows us to produce metrics that are well below industry averages.

#### PHX Energy’s Total Recordable Incident Frequency (TRIF)



*\* The International Association of Drilling Contractors (“IADC”) issued its Incident Statistics Program’s Summary of Occupational Incidents in December 2020. Industry land drilling comparatives for recordable incidence rate include: US Rate: 1.51; Canada Rate: 1.32.*



**2021 Target**  
Maintain a TRIF of below 0.75

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

<sup>4</sup> Reference SASB standard for Workforce Health & Safety (EM-SV-320a)



## Safety Culture<sup>5</sup>

Communication and high visibility have been integral in our safety performance and to safety culture. This has included:

- 🔗 Safety Engagement Survey sent to the entire company 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.

Safety culture and visibility has come a long way at PHX Energy, especially in the last few years. Campaigns such as Safety Stand Down Week and “town hall” meetings have provided reinforcement of the importance of safety while demonstrating visible commitment from Executive Management. We continue our focus on proactive measures to ensure personnel are making safe choices.



WE ARE PROUD TO HOLD AN ANNUAL COMPANY WIDE SAFETY STAND DOWN WEEK WHERE SENIOR MANAGEMENT VISIT OUR FACILITIES AND FIELD LOCATIONS TO PROMOTE THE IMPORTANCE OF SAFETY

## Safety Engagement Survey Results

On an annual basis we survey our employees to gage the effectiveness of our safety program and to 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. The results from the survey in 2020 are presented below.

Perception	Score
🔗 The Company values ongoing safety improvements and considers safety at least as import as operations	90%
🔗 Everyone is equipped to complete their work safety and is provided the training required to do so	93%
🔗 Employees are involved with safety initiatives in their area and top management is actively involved in the safety program	90%
🔗 Actions are taken to prevent future incidents and those in charge of safety have the authority to make change	93%
🔗 Communication is open and employees are free to voice concerns/suggestions	90%

<sup>5</sup> Reference SASB standard for Workforce Health & Safety (EM-SV-320a)



## Community Investment

Giving back to the community has been a part of our company for over twenty-five years. We have added value to the communities in which we operate through corporate donations and supporting employee fundraising and volunteer opportunities. We partner with our employees, clients and other stakeholders in their efforts and philanthropic activities. From our internal community board to building a house for a family in need with a client in Albania, we have been fortunate enough to help a variety of organizations worldwide. These philanthropic activities are a part of our culture.

Habitat for Humanity  
Houston Food Bank  
Calgary Food Bank  
Canadian Blood Services  
Annual Christmas Charity Event  
Calgary Drop-In Center  
Hurricane Relief Efforts



Inn From the Cold  
Alberta Children's Hospital  
Alberta Cancer Foundation  
Ronald MacDonald House  
Cross-Check Cancer  
ARBI - Association for the Rehabilitation of the Brain Injured



### 2021 Target

1,000 employee volunteer hours with 30% participation



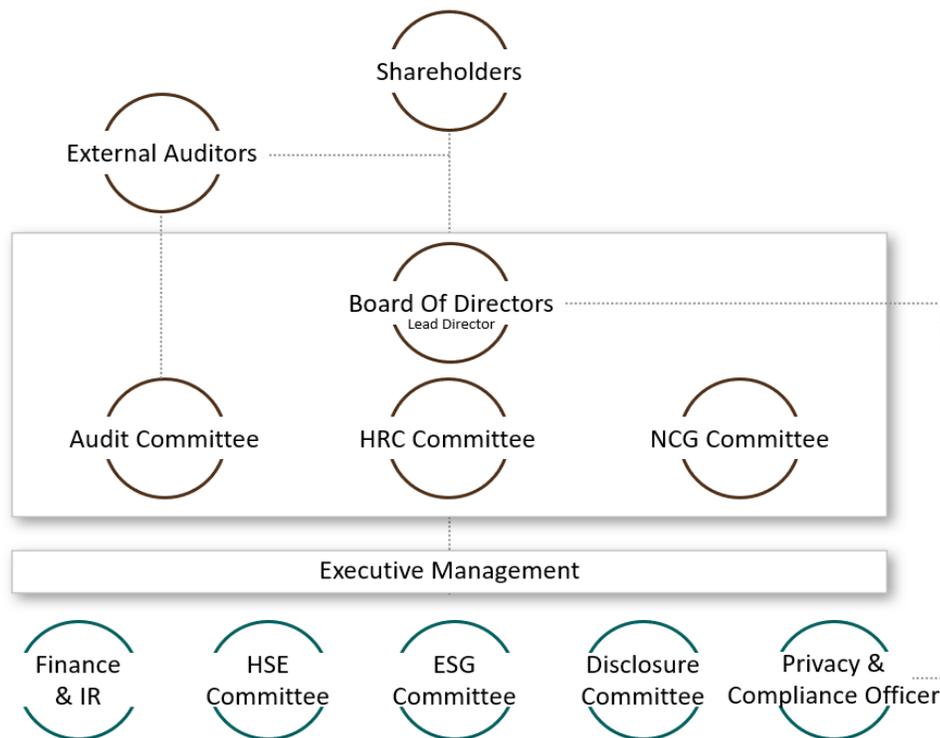
## PHX ENERGY & CORPORATE GOVERNANCE

At PHX Energy we believe that strong corporate governance contributes to the overall culture of transparency, integrity, and accountability and leads to a resilient organization. All companies are unique and 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 private 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 that assures the confidence and trust for our shareholders, clients, employees and other stakeholders.

Below is a summary of some of our Governance Practices. Additional details can be found in both our Annual Information Form and Management Information Circular that are filed annually on SEDAR as well as within the Corporate Policies posted on our website.

### ESG Committee

As part of our commitment to sustainable and ethical business practices 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.



## Board of Directors

While day to day 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. The Board and Committee’s duties are set out in the Board and Committee Mandates which are reviewed annually and are available on our website. 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.

### Board Composition & Independence

Our Board is comprised of 7 directors, 6 of which are independent. All Board committees are comprised entirely of independent directors. John M. Hooks is our Chairman of the Board and is not independent as he is also CEO. We have appointed a Lead Director, Myron Tetreault, to among other things assist the Chairman in endeavoring to ensure that the Board leadership responsibilities are conducted in a manner that ensures our Board is able to function independently of management.

		Audit	Human Resources & Compensation	Nomination & Corporate Governance
<b>John Hooks</b>	Board Chair; CEO			
<b>Myron Tetreault</b>	Lead Director, Independent	⌋	⌋	
<b>Judith Athaide</b>	Independent	⌋		⌋ Chair
<b>Randy Charron</b>	Independent		⌋	⌋
<b>Terry Freeman</b>	Independent	⌋		⌋
<b>Larry Hibbard</b>	Independent	⌋ Chair	⌋	
<b>Roger Thomas</b>	Independent		⌋ Chair	⌋

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.

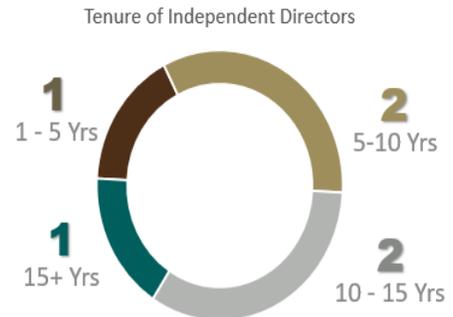


### Board Tenure & Diversity

While we have adopted a Board Tenure policy, we do not believe that fixed director term limits are in the Company’s best interest as it is critical that directors develop and possess a solid understanding of the oil and gas services industry and our business.



Our Nomination and Corporate Governance (NCG) Committee, which is responsible for recommending director nominees to the Board, considers the term of service of individual directors, the average term of the Board as a whole and turnover of directors in prior years when proposing a slate of candidates. They consider and weigh the benefits of regular renewal in the context of the needs of the Board at the time and the benefits of having a Board whose members are familiar with our business through past service. We are of the opinion that currently we have an effective balance with our members of the Board. Our Committee chairs and members periodically rotate to promote fresh perspective.



**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.*



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 be beneficial.

**Board Effectiveness**

We believe that our current Board possess an effective range of relevant skills, knowledge, experience, character and diversity of perspective and thought. Our NCG Committee annually reviews the effectiveness of the Board. They evaluate the Board’s performance related to its mandates, position descriptions and policies and the company’s performance, overall objectives and strategies. Additionally, they assess performance of the Committees and individual directors, along with relevant diversity factors. They use this assessment to 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. To aide in the evaluation of effectiveness, the NCG Committee has established a "skills matrix" outlining the skills, knowledge and experience it believes are required by our directors.



## Ethics & Integrity

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.

*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.*



### 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 Target

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



**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. 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.

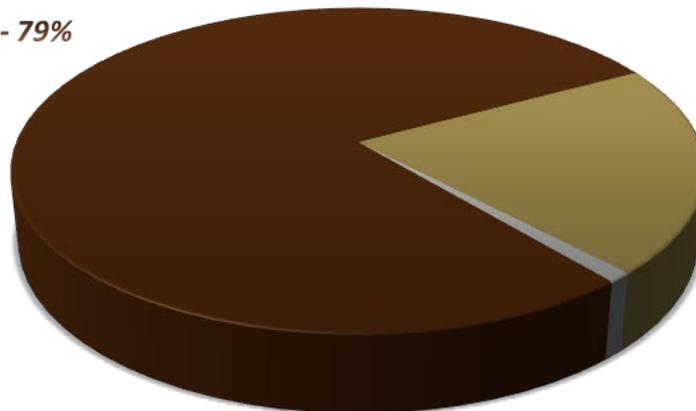
Anti-Corruption and bribery training is conducted in a regular basis, with both annual certification process and in-depth courses for employees who are in purchasing and decision making positions, including Manager, supply chain. Our Compliance Officer regulatory monitors internal process, specifically 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. <sup>6</sup>

*WE ARE COMMITTED TO A ZERO TOLERANCE STANCE TOWARDS BRIBERY AND ANY OTHER FORM OF CORRUPTIVE BEHAVIOUR*

**Geographical Revenue**

*As a percentage of 2020 consolidated revenue*

**UNITED STATES - 79%**



**CANADA - 20%**

**INTERNATIONAL - 1%**

<sup>6</sup> Reference SASB standard for Business Ethics & Payment Transparency (EM-SV-510a)



**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 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 as our digital interactions with stakeholders, including clients, suppliers, employees, and others are growing and becoming the normal way of conducting business. 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.



#### 2021 Target

Improve our Cyber Security training to include 100% participation by employees