TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Savannah Energy Task Force on Climate-Related Financial Disclosures Report 2022

Task Force on Climate-Related Financial Disclosures Report 2022

The Taskforce for Climate-Related Financial Disclosures ("TCFD") was created by the Financial Stability Board to develop recommendations on the types of information that companies should disclose to support investors, lenders and insurance underwriters in appropriately assessing and pricing climate-related risks. This 2022 TCFD Report is our first disclosure under the recommendations of the Taskforce and, as such, we expect our disclosures on these topics to evolve and mature over time.

In the United Kingdom, where our shares are quoted on the AIM market of the London Stock Exchange, both the government and the Financial Conduct Authority have been taking steps to make reporting in line with the TCFD framework mandatory for listed companies. Accordingly, to ensure that we are following best practices, our work on this report has been informed by the October 2021 guidance on climate reporting provided by the London Stock Exchange, and by the latest observations from the TCFD itself as set out in its 2021 Status Report.

All data covers the period of 1 January to 31 December 2022, unless otherwise noted. It includes all of Savannah Energy PLC's ("Savannah", "the Company" or "the Group") wholly and partially-owned entities as at 31 December 2022.

The structure of this report follows the recommendations of the TCFD disclosure, key sections include:

- Governance: the organisation's governance around climate-related risks and opportunities;
- Strategy: the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning;
- Risk Management: the processes used by the organisation to identify, assess, and manage climate-related risks; and
- Metrics and Targets: the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance

Recommended Disclosure a) Describe the Board's oversight of climate-related risks and opportunities.

Responsibility of the day-to-day oversight for the Company's management of climate-related risks and opportunities sits with the CEO. The Board of Directors has overall responsibility for the oversight of the development and implementation of the Company's wider sustainability strategy.

Climate change issues are discussed regularly at Board and Board Committee meetings. Responsibility for sustainability strategy oversight in 2022 lay with the HSE&S Committee while the Audit & Risk Committee assisted the Board in discharging its oversight responsibilities with regards to the system of internal controls and management of risk. Senior management can be called upon to provide relevant information to the Board and/or Board Committee as and when required[1].

The HSE&S Committee ensures that there is an appropriate framework of policies, procedures, systems and controls in place in relation to the health, safety, operational integrity, security and environmental risks arising from the operations of the Company. It oversees compliance with, and effectiveness of, the HSE&S framework. It oversees the quality and integrity of any reporting to external stakeholders regarding health, safety, operational integrity, security and environmental matters. It receives operational updates on the progress and performance of the Company's sustainability strategy on a regular basis. The HSE&S Committee meets at least three times a year and reports to the Board after every meeting.

The Audit & Risk Committee reviews the Group's processes and procedures for ensuring that material risks, threats and opportunities are properly identified, assessed, managed and reported, and that appropriate systems of monitoring and control are in place. The Audit & Risk Committee meets at least four times a year and reports to the Board after every meeting.

Where there is an overlap of responsibilities between the Audit & Risk and HSE&S Committees, the respective Committee Chairs have the discretion to agree which is the most appropriate committee to fulfil any obligation.

The Board continuously considers climate-related risks and opportunities when making strategic decisions

Recommended Disclosure b) Describe the management's role in assessing and managing climate-related risks and opportunities.

Direct oversight for the management of climate-related risks and opportunities rests with the CEO, who reports to the Board. He is supported in this by the relevant members of the senior management team who assess the climate-related risks and opportunities, define the sustainability strategy and direct activities to control and mitigate risks and explore opportunities. Assessing and managing climate-related risks and opportunities are part the broader management's role and responsibilities at Savannah. Savannah has a Risk Manager who manages the corporate risk register and collates information for the management of risks from across the business. The Group is structured in such a way that risk management is conducted at all levels across the Group and this approach is embedded within all of our business practices.

Strategy

Recommended Disclosure a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

The climate-related risks and opportunities are set out in the following tables.

Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Understanding of climate related risk and opportunities is integral to our business, strategy and financial planning. An example of this was the establishment of our Renewable Energy Division in late 2021.

Recommended Disclosure c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario.

While Savannah has not yet undertaken detailed climate-related scenario planning, in the formulation of its corporate strategy, the Company has incorporated extensive academic analysis vis a vis energy transition scenarios and poverty alleviation models. This work resulted in the formulation of our hydrocarbons AND renewables strategy.

Risk management

Recommended Disclosure a) Describe the organisation's processes for identifying and assessing climate-related risks.

Savannah considers climate-related risks very broadly, drawing on academic research, and regards them among the many risks that impact the business. We evaluate the critical role and importance of our current projects, as well as those we seek to pursue, for the countries in which we operate and their citizens, with poverty alleviation a principal overriding concern.

Savannah's risk management framework is comprised of six components that combine to create an effective system of risk management and internal control. Savannah has a Risk Manager who manages the corporate risk register and collates information on risks and mitigants from across the business.

Climate Change is one of the 15 principal risks identified within Savannah's risk management framework. It is through the application of the risk management framework that clear procedures for risk identification, assessment, measurement, mitigation, monitoring and reporting are aligned with the Group's strategy.

Risks are assessed on a likelihood versus impact matrix, and the Group considers both prevailing and emerging risks in the risk identification process. Every risk has a designated Risk Owner and a member of the executive management team has responsibility for oversight of each risk. The Risk Owner for Climate Change is the CEO who is supported by relevant members of the senior management team. Whilst the Board is ultimately responsible for the management of risk, the Group is structured in such a way that risk management is conducted at all levels across the Group and is embedded in our business practices.

The assessment of climate related risks is based on both the qualitative and quantitative evaluation of the likelihood and impact of each particular risk arising, taking into account the Group's strategic and business objectives. We analyse the trending of principal risk factors from year to year, assigning a status of increased, stable or reduced relative to the prior year.

Recommended Disclosure b) Describe the organisation's processes for managing climate-related risks.

We seek to mitigate climate related risks through the ongoing implementation of our sustainability strategy, and through our monitoring and reporting systems and policies. We also promote efficient energy use in our activities with business partners and service providers.

Recommended Disclosure c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

At Savannah, risk registers that identify, assess and have clear mitigation plans are maintained at the business and functional levels, which are consolidated into the corporate risk register managed by the Risk Manager. Climate-related risks are fed into business and functional risk registers and are consolidated into the corporate risk register, where climate change is one of the 15 principal risks.

After taking into account management plans and actions, these risks are assessed on two levels: the likelihood of the risk arising and the potential impact of such risk.

Metrics and targets

Recommended Disclosure a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management approach.

As part of our sustainability strategy, we monitor and report on the following metrics:

- Scope 1 GHG emissions in metric tonnes CO_2e
- Scope 2 GHG emissions in metric tonnes CO_2e
- Scope 1 GHG emissions intensity in kg CO_2e/boe and metric tonnes CO_2e/000' metric tonnes hydrocarbons
- Scope 1 + Scope 2 + Scope 3 GHG emissions intensity in g CO_2eMJ^{-1}

Recommended Disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Our ESG and climate-related metrics are disclosed in the Sustainability Review section of our Annual Report and Accounts, and are available on our website. A trend analysis of our key GHG metrics is provided within our Pillar 4 "Respecting the Environment" reporting. For 2022:

- Scope 1 GHG emissions: 71,543 metric tonnes of CO_2e
- Scope 2 GHG emissions: 88 metric tonnes of CO_2e
- Scope 1 GHG emissions intensity: 9.7 kg CO_2e/boe
- Scope 1 GHG emissions intensity: 71.1 metric tonnes CO_2e/000' metric tonnes hydrocarbons
- Scope 1 + Scope 2 + Scope 3 GHG emissions intensity: 52.6 g CO_2eMJ^{-1}

Recommended Disclosure c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Savannah does not currently have targets regarding climate-related risks and opportunities.

Transition risk

Risk	Timeframe	Potential impact	Mitigation
Access to capital for oil and gas projects becomes more restricted.	Short-term.	Restricted access to and/or higher costs of capital could result in a diminished ability to meet one or more of our strategic objectives.	• Evaluate the critical role and the importance of the projects we have, and seek to pursue, for the countries in which we operate and their citizens, where poverty alleviation is a principal overriding concern. • Demonstrate that climate change is being considered alongside the other benefits of projects and conduct appropriate climate change impact assessments to mitigate risks, where possible and consistent with the reality of the underlying asset. • Implement systems to accurately record the transparent disclosure of GHG emissions. • Continue to actively seek programmes to reduce GHG emissions, bearing in mind the realities of the underlying assets and areas of operation. • Maintain strong relationships with existing and potential lenders, shareholders and other providers of finance. • Target more diversified sources of financing. • Pursue an energy focused corporate strategy consistent with expected energy transition that includes both hydrocarbon and renewable projects. • Grow our renewable energy business. • Explore the potential trading of carbon credits from our proposed renewable energy projects.
Introduction of carbon taxation and other climate-related regulation such as emissions reduction requirements.	Short to medium-term.	Increased operating costs and/or taxation costs.	• Implement systems to accurately enable the transparent disclosure of GHG emissions. • Implement GHG emissions reduction initiatives as part of our overall sustainability strategy. • Work with governments and industry groups to assess policy and political developments relating to the energy transition. • Price in carbon tax in future assets. • Explore the potential trading of carbon credits from our proposed renewable energy business.
Reduced demand for hydrocarbons as a result of the energy transition.	Medium to long-term.	Potential for decreased hydrocarbon asset values.	• Continue to analyse and review the expected future global energy mix and develop the capacity and capability to undertake energy projects consistent with that vision and provide the energy that Africa and the rest of the world needs (i.e. understand that both hydrocarbons AND renewables will be needed in the future, and have the capacity to deliver both). • Grow our renewable energy business. • Focus on the energy solution most appropriate for the countries in which we operate. • Ensure Savannah is the operator of choice in our host countries.
Perceived poor sustainability performance.	Short to medium-term.	Reputational damage limiting stakeholders and counterparties to do business with us, increased costs both direct and regulatory, and potential additional challenges in retaining and attracting talent.	• Ongoing implementation of our sustainability strategy, and monitoring and reporting systems and policies.

Transition opportunity

Opportunity	Timeframe	Potential impact	Action
Shift to natural gas as a transition fuel in the energy transition.	Short to medium-term.	Increased demand for gas will provide growth and new business opportunities for Savannah to exploit our 503 Bscf of gross natural gas 2P Reserves and our further 598 Bscf of gross 2C Resources in Nigeria.	• Support the gas transition in Africa through our long-term gas contracts and utilise our existing infrastructure to bring other gas projects to market.
Becoming a 'responsible steward' of managing existing assets in an environmentally friendly way.	Short to medium-term.	Savannah solidifies its position as an operator of choice in its focus countries and beyond.	• Implement GHG emissions reduction initiatives and ensure strong ESG management.
Develop carbon credits from our renewable energy projects.	Medium term.	Reduce net emissions by developing carbon credits from Savannah's large-scale renewable energy projects or monetise credits.	• Explore the potential to trade carbon credits from our proposed renewable energy projects.
Diversification to different energy sources.	Medium to long-term.	The transition provides an opportunity to expand into other and new sources of energy.	• Grow our Renewable Energy Division. • Monitor the development of new energy sources.
Potential for Carbon Capture, Utilisation and Storage ("CCUS").	Medium to long-term.	CCUS could provide opportunities to capture and store carbon to allow the production of hydrocarbons in an environmentally neutral way.	• Monitor developments in CCUS.
Growth of hydrogen.	Long term.	Gas production and renewable energy provides opportunities to produce blue and green hydrogen, which potentially could become key parts of the future global energy mix.	• Monitor developments in hydrogen.

Acute risks (driven by climatic events)

Physical risks	Timeframe	Potential impact	Mitigation
Extreme weather such as flooding, extreme heat and water stress.	Short to medium-term.	Impacts of extreme weather on operations and infrastructure could include delays in receiving supplies, materials and equipment, and Increased costs of logistics and insurance.	• Insurance coverage, where appropriate and cost effective. • Contingency and emergency planning. • Incorporation of any rising operational costs in budgeting and planning.

Chronic risks (driven by longer-term shifts in climate patterns)

Extreme heat days associated with climate change increase.	Medium to long-term.	Personnel health and safety could be impacted by working in prolonged heat.	• Contingency and emergency planning. • Strong occupational health and safety culture. • Provisions for potential extra operational costs for the workforce.