GULF KEYSTONE PETROLEUM

Sustainability report 2020

Sustainability report

GKP is a responsible energy company developing natural resources for the benefit of our stakeholders and employees, delivering social and economic benefits by working safely and sustainably with integrity and respect.

What's inside?

Commencing
TCFD reporting

Development of
Sustainability strategy

Zero LTIs
in 2020

We remain committed to our aspiration to reduce scope 1 and 2 CO_2 emissions per barrel by more than
50% by 2025

Our approach to sustainability

	Health and safety	Community and people	Environment and emissions	Governance
Key themes	• Safety, respect and wellbeing • Responsible, safe and profitable energy production	• Local community initiatives • Develop local skills • Quality education • Social investment and activities • Diversity	• Manage our climate impact • Minimise our impact on the environment	• Robust corporate governance and compliance framework • Highest standards of business ethics
Material factors	• Emergency response • Health, safety and environment ("HSE") culture survey • Management System • COVID-19 management at Gulf Keystone	• Learning and development • Indirect employment • Local community • Community investment • Agriculture • Education and training • COVID-19 support • Sustainability criteria	• Impact assessment • Impact management • Soil remediation • Water management • Waste management • Emissions • Air quality monitoring • Future Shaikan gas management	• Board oversight • Internal control and policies • Risk management
SDG priorities	8, 9, 13	4, 5, 8	11, 13, 15	8, 10

Strengthening the sustainability of our business is a strategic priority.

Jon Harris
Chief Executive Officer

CEO's introduction

There is growing recognition and scientific understanding of climate change, which has become an important topic, not only for GKP but the whole exploration and production ("E&P") industry, as the world adapts to a more sustainable and responsible approach to life. GKP recognises the balance required to ensure the benefits of the Company's operations have direct and positive impacts for our host government, on the lives of local communities and on our employees, whilst minimising the environmental impact of an extractive industry. Safety, environmental and social principles are embedded in the ethos of the Company and we will always strive towards high standards in every action we take.

GKP has for a number of years prioritised the safety, environmental and social effects of its business and this year will represent our first disclosure to address the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, as we remain committed to further developing our ESG foundations. With support from an external ESG consultant, GKP has completed a full review of the business and how we operate, to achieve a more sustainable, robust approach, whilst considering the future implications of climate change. To fully implement TCFD recommendations will require several reporting cycles to develop and evolve our analysis and ESG methodology. This is an important project for GKP, as we lay out our sustainability goals, with the aim to create a positive and long-lasting impact on our communities, whilst minimising our environmental footprint.

As we develop and refine our ESG strategy, we have considered the vision and interests of all our stakeholders. Further details on these discussions can be found on page 6 in the report.

As we already have an ongoing programme of initiatives in this area, we are now considering the topics and views most important to our different stakeholders.

Alongside our corporate strategy, the following are highlighted as the most material impacts of our business on our stakeholders:

- Responsible business – the health and safety of our employees and contractors;
- Climate change – the environmental footprint of our production facilities;
- Community – the safety and development of our local communities;
- Labour – the need to work responsibly and ethically; and
- Environmental stewardship – to report and improve our disclosure transparency.

GKP is committed to best practice – setting clear, measurable objectives and timelines for achievement that will make a positive contribution to both our people and the environment. This report seeks to explain these in more detail and presents our strategy towards those goals that give us the confidence to achieve them. We remain committed to our aspiration to reduce our scope 1 and 2 CO_2 emissions per barrel by more than 50% by 2025. Over a year has been lost due to the COVID-19 pandemic, which has the potential to impact our ambitious schedule. Whilst we are re-engaging with the MNR to review and finalise the gas management plan ("GMP"), we are also considering a number of other projects in our opportunity register that can reduce our environmental impact. Achieving our target should take us below the global CO_2 emissions average for oil producers, while supporting Kurdistan's climate-risk commitments.

This is all underpinned by a governance framework which ensures that these matters are integral to the actions taken by the Board, management and the Company as a whole. The Board also provides independent oversight, ensuring that the integrity of the business, and its culture, are maintained.

Jon Harris
Chief Executive Officer

30 March 2021

Set out below is a table that provides quantitative and qualitative disclosures applicable to GKP's material ESG risks, based on relevant reporting standards and frameworks for the year ended 31 December 2020, unless otherwise noted.

Issue category	Accounting metric	Standard alignment	Value/reference
Emissions	Total scope 1 emissions (ktCO_2e) 80% WI	SECR, TCFD	407
	Total scope 2 emissions (ktCO_2e) 80% WI	SECR, TCFD	8
	Emissions intensity (kg CO_2e per barrel)	SECR, IPIECA	37.9
	Discussion of long-term and short-term strategy or plan to manage emissions	SASB, TCFD	Detailed on pages 16 and 17 discussing the future GMP
Water and wastewater management	Total water withdrawn (m^3) 80% WI	SASB, IPIECA	11,467
Employee health and safety	Total recordable incident rate ("TRIR") (incidents per million man-hours)	SASB	0.71
	Lost time incident rate ("LTIR")	GRI, IPIECA	0
	Total number of workforce fatalities	SASB, IPIECA	0
	Discussion of management systems used to integrate a culture of safety including safety training provided	SASB, IPIECA	Detailed on page 10
Diversity	Gender diversity within the workforce (at 31 December 2020)	WEF, GRI	10% female
	Percentage of workforce that are local employees (at 31 December 2020)	IPIECA	84%
Community investment	Total value of contributions to communities (USD)	WEF, GRI	209,000
	Percentage value of total contracts with local suppliers	IPIECA	41.6%
	Narrative disclosure on Anti-Bribery and Corruption ("ABC") prevention	SASB, IPIECA	Refer to corporate governance section on page 18 and pages 64 to 101 of the annual report and the Company's website for the full ABC policy

References for table

Global Reporting Initiative ("GRI")

International Petroleum Industry Environmental Conservation Association ("IPIECA")

Sustainability Accounting Standards Board ("SASB")

Streamlined Energy and Carbon Reporting ("SECR")

Task Force on Climate-related Financial Disclosures ("TCFD")

Water Environment Federation ("WEF")

Working interest ("WI")

Sustainability report continued

We are committed to reporting against the TCFD's four disclosure recommendations.

TCFD

We recognise climate change and loss of biodiversity as the biggest environmental threats the world faces and ones which could pose challenges to GKP. To demonstrate our commitment to climate-related risks, we have embedded the four pillars of the TCFD into our business to ensure transparency of our understanding and management of climate-related risks. Our summary is provided below.

Governance	The Board is responsible for approving and monitoring GKP's ambitions in relation to reducing the Company's impact on climate change, and to operating in a responsible and ethical manner.	**READ MORE** on page 18 and pages 64 to 101 of the annual report– Corporate governance report
Describe the Board's oversight of climate-related risks and opportunities.	• The Safety and Sustainability Committee focuses on safety and oversees the management of GKP's climate-related risks and opportunities, all under the supervision and oversight of the Board.	• Safety and Sustainability Committee report
Describe management's role in assessing and managing climate-related risks and opportunities.	• David Thomas is the Board member with overall accountability for sustainability and he is the Chairman of the Safety and Sustainability Committee. Stuart Catterall, COO, is the executive sponsor for ESG and is responsible for maintaining the risk register in relation to climate change and proposes targets and projects to the Committee for consideration.	• Safety and Sustainability Committee report

Strategy	GKP is working to include climate change and sustainability into all aspects of its strategy where possible, including the Company's financial planning, stress test scenarios and review of risks and uncertainties.	**READ MORE** on pages 18 and 19 and pages 51 to 61 of the annual report– Strategy and objectives, Risks and uncertainties and Viability statement
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	• Short term (0-5 years) – market shift in terms of new and more robust legislation and regulations and increased cost of capital for high-carbon industries. Opportunity for increased positive ESG perception in the market. • Medium term (5-10 years) – reduced market demand for oil and gas as renewable fuels become more widely available. • Long term (10+ years) – changing climate conditions could cause extreme weather events, causing disruption to operations and supply chains. Hiring and retaining talented workforce could become more challenging without a positive ESG strategy.	• Risks and uncertainties section
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	• GKP's scenario analysis helps guide strategic and risk management decisions under complex and uncertain conditions, such as climate change. Providing a better understanding of the risks and uncertainties GKP may face against future outcomes enables the Company to build a climate-risk mitigation strategy.	• Risks and uncertainties and Viability statement sections
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	• GKP maintains a detailed corporate risk register that encompasses all identified risks (which includes climate change and sustainability-related risks), the impact of those risks, the mitigating controls GKP has in place to reduce those risks to an acceptable level and the actions it must take to further mitigate risks that are not deemed to be at an acceptable level. This register is regularly reviewed by both the Audit and Risk Committee and the Board.	• Risks and uncertainties section

Risk management	Climate change is already factored into certain aspects of the Company's strategy, including risk management process.	**READ MORE** on pages 18 and 19 of the annual report and page 7 of this report – Strategy and objectives and Risks
Describe the processes for identifying, assessing, and managing climate-related risks.	• Climate risks and opportunities analysis has been conducted based on two climate scenarios: 1.5°C (Paris-aligned) and 4°C (fossil-fuelled growth).	• Risks and uncertainties section
Metrics and targets	Despite the challenges presented by the pandemic, GKP remains committed to its aspiration to reduce its scope 1 and 2 CO_2 emissions per barrel by more than 50% by 2025, subject to the finalisation of the GMP with its partner MOL and the KRG.	**READ MORE** on pages 16 and 17 – Emissions section
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• The Company uses key metrics and targets to manage and monitor its performance in reducing its impact on the environment, social factors and governance – providing a straightforward and transparent measure to GKP's stakeholders.	• Metrics table
Disclose scope 1 and scope 2 greenhouse gas ("GHG") emissions, and the related risks.	• GKP's SECR and TCFD disclosures are detailed on page 3.	• Metrics table

Development of sustainability strategy:

Sustainability strategy

GKP recognises that a formal Sustainability Management Programme must be implemented with a clear strategy to develop its programme for ESG. GKP has been working to improve its ESG programme, to be in line with the following internationally recognised frameworks: the United Nations Sustainable Development Goals ("SDGs"), Task Force on Climate-related Financial Disclosures ("TCFD"), the Sustainability Accounting Standards Board ("SASB"), as well as Streamlined Energy and Carbon Reporting ("SECR").

Following GKP's pledge to reduce its scope 1 and 2 current carbon emissions per barrel by more than 50% by 2025, GKP continues to improve its ESG programme, acknowledging the rising importance for social, legal and environmental governance, as well as considering a number of other projects in the Company's opportunity register that can reduce its environmental impact. The emissions reduction plan is subject to the finalisation of the GMP with its partner MOL and the KRG, and is a crucial part of the Company's ESG plan.

Supported by an external ESG consultant, Gulf Keystone has applied a four-step approach to developing the Company's Sustainability Strategy – forming the basis for its definition of its Sustainability Strategy.

Step one: Conducting interviews with key stakeholders

To begin the project, GKP set out to understand the different visions that its key internal and external stakeholders have for the Company's future ESG strategy.

To develop an understanding of existing views, the Company undertook twelve interviews covering the Board of Directors, Technical Management, and a selection of our most prominent shareholders, covering approximately 30% of GKP's share register.

From conducting the interviews, GKP was presented with a challenging divergence of views regarding ESG; however, the common denominator found that GKP should continue to protect the licence to operate provided by our PSC and, in particular, to ensure a cost-effective solution for gas management is found.

The key stakeholders acknowledged that GKP has excellent relationships with the communities in which it works and has strengthened the positive impact of its operations through strong governance around social issues. Focus areas included: GKP's efforts around workforce diversity with a high proportion of local employees as well as its contribution to the local community. In particular, the Company's HSSE policies were drawn out as a key strength, and an example of best practice, where prolonged focus has provided excellent results. Accountability for HSSE sits with the Safety and Sustainability Committee, which meets quarterly and with three Non-Executive Directors, the CEO and COO.

GKP was acknowledged by its stakeholders for its well defined and integrated governance frameworks, which go beyond its legal requirements as a Bermudan incorporated company. Governance issues are a high priority and closely monitored by the Board.

The focus areas for improvement as outlined by the stakeholders are: the readiness to respond to emerging regulations, to improve the awareness of climate change across the entire organisation, to consider potential increasing challenges and cost to access financing and insurance, and to establish a common vision for ESG.

Step two: Definition of GKP's material ESG risks and identification of priority SDGs

For the next step of the project, GKP used the recognised process, known as materiality assessment, to assess and evaluate the universe of ESG risks and identify which risks were most relevant to GKP.

Prioritising ESG risks will enable GKP to maximise the impact of its ESG strategy and ensure that efforts focus on issues that matter the most to Gulf Keystone and its stakeholders.

The Company looked at defining the relative priorities of different ESG risks, to identify which SDGs GKP should focus on. The Company started with a universe of ESG risks and narrowed them down to a selection of relevant and material ESG areas. GKP used the SASB materiality metrics to identify which ESG areas are considered material for companies in the oil and gas exploration and production sector.

GKP's understanding of the value chain and core operations, developed through the stakeholder interviews and review of public information and internal documentation, helped to identify the most relevant ESG areas. The Company applied this understanding to the ESG risk universe to identify which ESG areas are most applicable to GKP. The result of this work was then benchmarked to peer reporting to confirm and prioritise material ESG risks.

The most relevant ESG issues fall into five categories:

1. Responsible business
2. Climate change
3. Community
4. Labour and human rights
5. Environmental stewardship

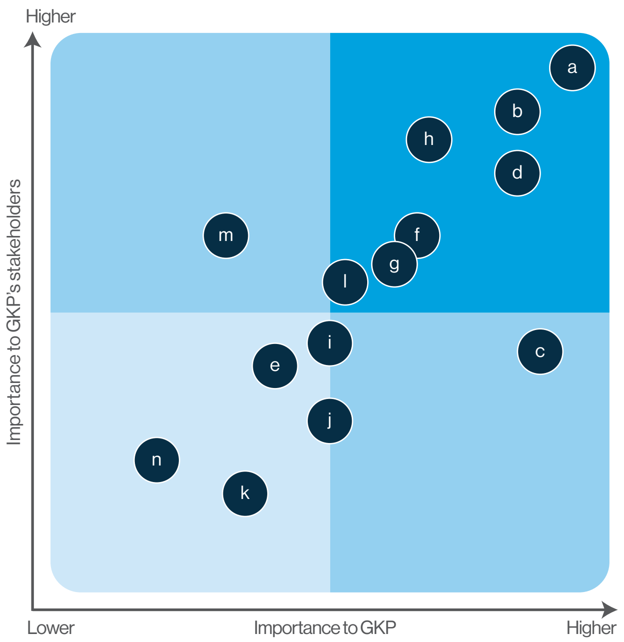
Step three: Assessment of metrics and targets

Having defined the priority ESG areas, GKP then explored which metrics are most relevant to form the basis of internal monitoring and performance improvement, as well as external ESG reporting. To carry out this task, the Company supplemented the results from the previous steps with a review of requirements from leading reporting standards, including SASB, TCFD and SECR. To prepare for GKP's future disclosures, the Company also looked at target setting, discussing what GKP should begin to consider to define those targets now and their necessary evolution in the future.

Step four: Assessment of climate-related risks and opportunities

To progress GKP's implementation of the recommendations of the TCFD framework, the Company undertook a detailed assessment of GKP's climate-related risks and opportunities, framed against the two future climate scenarios of 1.5°C and 4°C temperature increases.

The Company performed a desktop assessment of GKP's climate-related risks and opportunities against the two defined scenarios, which formed an initial view of the risks and opportunities. The prioritised list of climate-related risks and opportunities will form a core part of future TCFD disclosure and serve as a foundation for development of a strategy to build a climate-resilient business model.



ESG issues key

Responsible business
- a) Business ethics and anti-corruption
- b) Economic value generated
- c) Effective governance

Climate change
- d) Climate change/gas flaring
- e) Other GHG emissions

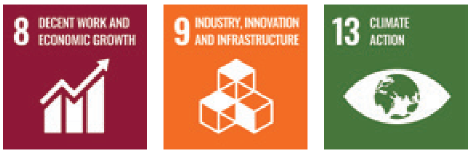
Community
- f) Community engagement
- g) Community investment

Labour and human rights
- h) Process safety
- i) Human rights
- j) Occupational health
- k) Employee training development
- l) Diversity

Environmental stewardship
- m) Environmental management
- n) Biodiversity

Material factors

Health and safety



We are driven by protecting our people, engaging continuously with the workforce, and encouraging visible leadership and an open and honest incident reporting and investigation culture. This is achieved through training and development, having an enthusiastic, educated workforce who are keen to learn and accomplish high standards in this area.

The key focus for our HSE team in 2020 was to deliver the objectives and targets of the annual HSE plan and to manage continued operations safely during the global COVID-19 pandemic. The aim of the plan was to strengthen HSE through 18 targets, all endorsed by the Company's Safety and Sustainability Committee. These ranged from introducing individual HSE targets, undertaking emergency response exercises, improving the air quality monitoring programme, reviewing/improving management systems and procedures to conducting a safety culture survey within the Company.

Case study

HSE culture survey

The Company has encouraged a culture of empowering its staff and contractors to identify and help solve potential HSE issues. A survey was undertaken in 2020 to help assess the maturity of our HSE management systems and culture. The survey was sponsored by the COO and included issue of an electronic questionnaire to all staff and contractors with a series of questions relating to their perspective of the HSE culture within GKP. The questionnaire was unattributable to encourage honest reporting. The results indicated a very positive response and will assist in the development of additional measures to enhance our positive HSE culture.

Case study

Emergency response

The Company has established tiered emergency response plans, which are regularly tested through a combination of drills to reinforce the immediate response to more extensive exercises, testing all levels of the emergency response from the operational response through intermediate response to larger incidents to the crisis management response. With the outbreak of COVID-19, the emergency response plans had to be modified so that the management could be undertaken remotely using a virtual response team accommodated in a virtual response room. Exercises were held to ensure that the system continued to work effectively, and lessons learned were incorporated into the plans.

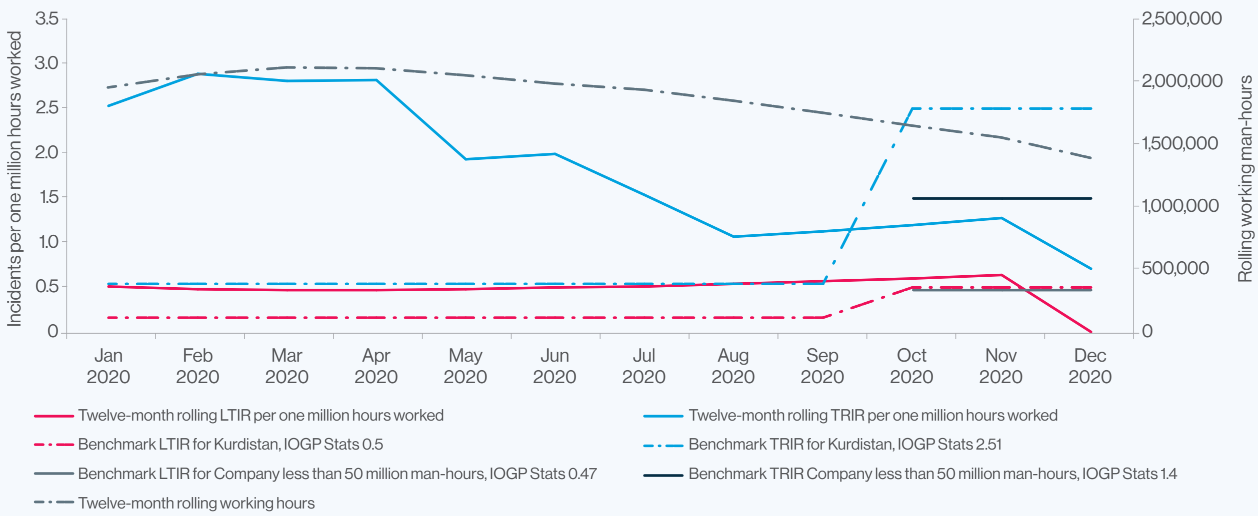
With travel restrictions in place due to the COVID-19 pandemic, unrestricted personnel movements and regular management site visits were not possible and a system of strict travel controls were imposed across the Company. Where travel was considered essential to safely continue production and maintain facilities in the field, COVID-19 procedures were introduced. Each activity was risk assessed and controls introduced to ensure personnel could travel and work safely; this included a combination of limiting numbers and travel to essential only, social distancing, use of personal protective equipment, quarantine and testing, together with enhanced medical surveillance to detect, isolate and treat any personnel infected. Management visits were replaced with remote town hall meetings involving senior management and all staff.

GKP encourages an open HSSE reporting culture

Year-on-year statistical comparison

Category	Measure	2017	2018	2019	**2020**
Lost time incidents ("LTI")	Total incidents	–	1	1	**–**
Lost time incident rate ("LTIR")	Million man-hours	–	0.75	0.52	**–**
Recordable incidents	Total incidents	2	1	5	**1**
Total recordable incident rate ("TRIR")	Million man-hours	1.51	0.75	2.61	**0.71**
Motor vehicle accidents	Total incidents	1	1	3	**–**
First aid cases	Total incidents	2	1	7	**5**
Solid waste recycling	Percentage	86	87	86	**92**
Liquid hazardous waste recycling	Percentage	100	100	100	**100**

Lost time and total recordable incident rates 2020



Zero
lost time incidents

Zero
traffic accidents

92%
solid waste recycled

100%
liquid hazardous waste recycled

Sustainability report continued

Material factors

Health and safety
continued

Management System

GKP has implemented an HSE Management System to underpin the execution of its HSE and Security Policy. The Management System follows the "plan – do – check – act" process, outlined in the ISO standards on environmental management and occupational health and safety management. This system is driven through a combination of commitment, leadership, planning assessment and mitigation of risk, and employment of trained and competent personnel to carry out the work. The performance is monitored to identify any shortfalls, as well as introducing improvements where required – providing a comprehensive investigation process. Along with the implementation of the system, an "index" was developed to monitor progress, which is reviewed on an annual basis and agreed improvements are then included in the following year's HSE plan.

An important element of GKP's Management System is developed through its formal Competency Based Framework to train and develop local staff. This programme includes a combination of mentoring; online, internal/external training, and a formal assessment to demonstrate competence. The Management System is fundamental in supporting the development of the HSE culture within GKP.

COVID-19 management at Gulf Keystone

The spread of COVID-19 had serious implications for the operational environment of Gulf Keystone as well as the social life in Kurdistan. At the onset of the pandemic, Gulf Keystone had to learn quickly and adapt to the situation to ensure that its employees could continue to work safely in the facilities and be protected from the transmission of the virus. GKP implemented a number of measures to ensure that employees did not transmit the virus into the production facilities. To this end, a ten-day quarantine was established, before people are allowed into the production facilities. At the beginning and end of the quarantine employees are also tested. Only if the second test is negative may the respective employee start work in the production facility. Since the beginning of the pandemic almost 1,500 PCR tests have been performed. The few people who tested positive continued to be isolated during quarantine and received medical care depending on the severity of their symptoms.

Prevention of transmission within the production facilities is further ensured by a series of safety procedures, ongoing temperature checks and compliance with spacing and disinfection routines. As a result, Gulf Keystone has been able to keep employees at the plant healthy and safe and has continued production without interruption.

Similar security measures have been implemented at the Erbil office. Employees are encouraged to work from home, which has controlled and minimised the number of employees in the office. Furthermore, masks and hand disinfection were made compulsory throughout the office.

The management of Gulf Keystone continuously analyses the situation and adapts the Company measures accordingly. GKP also takes into account the measures introduced by the Kurdistan government; these include travel restrictions within the country and quarantine, as well as PCR testing of incoming expats.

Gulf Keystone has worked alongside the communities located close to Shaikan.

Material factors

Local community

Since inception, GKP has worked alongside the communities located close to the Shaikan Field to make sure that they feel involved in the business and benefit from its operations. The Company consults with the local communities on a regular basis to ensure they are informed of upcoming developments at Shaikan and endeavours to employ local people and use local suppliers and contractors whenever possible.

Community investment

Community investments are made for the long-term benefit of the community and the benefits of these investments are designed to last long after our production operations have ceased. Unlike impact management and "Good Neighbour" activities which are reactive by nature, these initiatives are proactive. Despite the COVID-19 pandemic affecting our usual investment programme, we still helped locals through a reduced initiative programme, keeping the focus around agriculture and education/training.

Whilst GKP's investment in education programmes cannot replace or duplicate the existing teaching curriculum, they are aimed to support education in the KRG, wherever it can make a greater impact.

During 2020, GKP supported 16 villages close to Shaikan, with over 450 people benefiting from the water project. Examples of recent initiatives include:

Agriculture:

- Provision of wool clippers and shears to over 130 sheep breeders.
- Training courses provided to 44 beekeepers to develop in a wide range of bee husbandry and marketing.
- Donation of 164 beehives, smokers, wax, ventilated jackets with veil, gloves, bee brushes, hive tools and honey jars.

Education and training:

These courses were designed to prepare students for entry into the job market, teaching interview skills, CV writing and ethic value workshops:

- computer literacy;
- English language; and
- business planning support for small businesses.

Through a local non-governmental organisation, over 35 locals participated in two vocational training courses in welding and air conditioning repair – the training gave first-hand experience at repairing all air conditioning units in the youth centre and building of an awning. Following course completion, GKP donated tools and welding machines to the participants to enable them to find work or to set up their own business.

The Company has also been involved in a number of local "Good Neighbour" infrastructure projects, including the drilling of a water well and construction of a water supply network. Additionally, GKP has provided firefighting equipment, flood relief packages and essential medical equipment. We aim to focus our support in the areas most needed by the community.

In January 2021, GKP entered into a collaboration with the American University in Kurdistan ("AUK") under which Gulf Keystone employees teach two courses on HSE and Environmental Management. Further plans to expand this collaboration to include teaching English to GKP staff and working with the Company on its Engineering Apprenticeship Programme are being explored.

Sustainability criteria

In assessing the suitability of social responsibility initiatives, we have developed a "SMART" criteria framework against which each proposed initiative is mapped. This scores the proposal against a number of criteria including effectiveness of the project, the overall need for it, the delivery and cost of the project versus alternatives, and the longer-term sustainability of the project. The sustainability criterion is key to this; ultimately, we are looking to implement projects which provide real long-term benefit to the communities and which can be sustained from a financial and education perspective.

Case study

COVID-19 support

During the COVID-19 pandemic, the Company donated essential medical equipment such as personal protective equipment, COVID-19 test kits and sterilisation equipment to nearby hospitals. GKP also helped a local fire department in Qasrok by supplying high specification personal protective equipment ranging from oxygen masks to boots and helmets.

A commitment to ensuring the highest standards in health and safety remains a core Company value.

Sustainability report continued

Material factors

Our people

At Gulf Keystone, we recognise that our success is underpinned by the quality, motivation and commitment of our people. 2020 was a challenging year for GKP and our people and, at the time of writing this report, the COVID-19 pandemic is still affecting the health and welfare of millions of people around the world. Gulf Keystone has worked very hard to confront and overcome the effects of the pandemic on our employees. We are extremely proud of the way that, during these difficult times, our people have demonstrated outstanding levels of commitment, loyalty and hard work and have delivered excellent results under incredibly challenging circumstances. We have been fully engaged to support them during this time in terms of health care, provision of personal protective equipment, testing and flexibility to ensure their continued health, safety and wellbeing. We have also implemented a Working from Home policy to help safeguard those office-based employees who are able to work remotely.

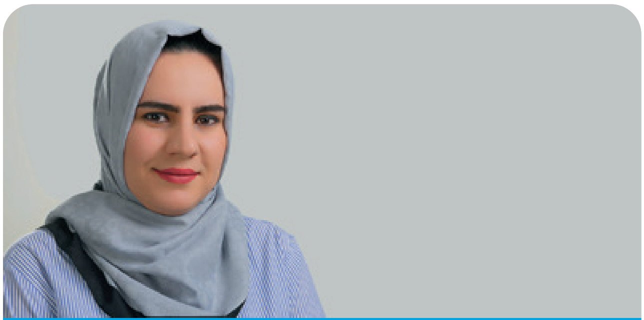
GKP's management team recognises that our organisational strategy has to include a significant focus on employee development and the localisation of our Kurdistan workforce in a structured way, ensuring the safe and effective development and operation of the Shaikan Field.

There are several strategies in place to help meet these requirements which will protect our good standing with our employees, the MNR and local stakeholders:

- our organisation development and objectives are aligned with our business strategy;
- we have a clear succession planning and localisation strategy and programme; and
- our resourcing, employment, learning and development decisions take into account our commitment to develop our Kurdistan workforce both technically and professionally.

Our current proportion of local employees in Kurdistan is around 84% (up from 74% last year). This is one of the highest localisation percentages in our sector of the oil and gas industry in Kurdistan. Since 2018, over 70 employees have been promoted into more senior positions and, of those, eight employees have replaced expatriate staff in senior technical or management positions. Zhalla Sediq was promoted to Environmental Manager in October last year and we are pleased to include her testimonial.

We work hard to attract and retain the most talented individuals and develop them into high calibre professionals. Our skills level within the local workforce is monitored carefully to ensure that our development plans are working well and we are pleased to report that 75% of our local employees are considered by the Company to be "skilled" or above. This category includes trained operations staff, technicians, supervisors and managers. In terms of engagement, our employee retention rate is excellent with a 2020 voluntary turnover level of 3.5%, below our target of 5%, and we are proud that 69% of our local workforce has been with the Company for over five years. This is a strong indicator of the positive employee engagement and culture within our business.



Staff testimonial
Zhalla Sediq

I was born in Erbil and have a degree in Environmental Science from Salahaddin University. I am also ISO, EIA and Oil Field Waste Management Certified.

I have over seven years' experience in oil and gas operations, including HSE Officer and line manager of the Compliance, Monitoring and Inspection team at the MNR HSE Department. The last seven years have been focused primarily on the environmental sector, working on environmental management systems.

I joined GKP's HSE department in 2017 as an Environmental Officer. This was the start of my career with GKP and my role has grown considerably over the last few years – I was quickly promoted to Environmental Specialist and then Environmental Manager last October.

I have been able to develop my talents and skills to support GKP and I am proud of my success with the Company. I have had a wide range of training and development opportunities including technical training, mentoring and leadership development training. GKP is one of the best companies in the country and I am delighted to be working here. GKP is committed to creating a workplace that sees strength in diversity – where everyone is treated fairly and with respect in a spirit of collaboration. Our goal is to have a positive impact on the environment at Shaikan and also minimise any impact on the natural environment and local communities.

We believe that our positive work environment and open communication style help to support the development and engagement of our people as well as our drive for exceptional performance. Our positive culture motivates employees to work collaboratively, safely and productively. Regular meetings, briefing sessions, town hall sessions as well as "coffee chats" and surveys give our employees and contractors the opportunity to feel close to the organisation, to listen and discuss progress and help to facilitate the interaction between employees at all levels, providing insight into our performance and Company growth objectives.

We treat people fairly, equally and without prejudice irrespective of gender, age, race, disability, sexual orientation or other attributes and this is reflected in our Diversity and Equal Opportunities policies. We make a concerted effort to attract female employees to improve our gender diversity. We have annual performance reviews for all employees and our approach to salary, bonus and equity provision is applied across the organisation from the top down. All employees participate in the annual bonus scheme, which is calculated with direct reference to the Company's key performance indicators ("KPIs"). A number of the KPIs are ESG and safety related, thus linking remuneration directly to the Company's safety and sustainability performance. Furthermore, all employees receive an annual equity award under the Long-Term Incentive Plan ("LTIP") which is a three-year equity plan with vesting subject to attainment of performance conditions. On 1 February 2021, the 2018 LTIP plan vested with a 68.7% performance achievement.

Learning and development

To support our ambitious development objectives, we have invested heavily in employee development programmes such as our best-in-class Competency Based Framework, a fully assessed university-based training and development programme for operational employees; the bespoke Gulf Keystone Management Development Programme for supervisors and managers; the Coaching and Mentoring Programme; the Subsurface Development Programme; and provision of online educational and soft skills learning through Harvard's "Manage Mentor" programme. We also support development assignments for employees in the UK or other locations through office-based development or through sponsorship of Masters programmes. We also plan to implement our Engineering Apprenticeship Programme in 2021.

Alongside our formal learning and development programmes, we have enhanced our coaching and mentoring expertise to ensure that our employees receive the internal support they need to develop professionally.

As part of our outreach and community commitment to learning and development, GKP has provided training and experience for a large number of students from various Kurdistan universities and technical institutes, including: technical and professional internships in Erbil and the field; operational and scientific field trips; development and presentation of virtual seminars for Petroleum Engineering students; HSSE lecturing at the American University of Duhok and many others.

Indirect employment

We prioritise the engagement of local subcontractors as well as requiring that our contractors hire personnel from the Shaikan area wherever possible. The incentive to contract with subcontractors from our area of operation represents one of the most impactful contributions the Company can make to the socio-economic environment in Shaikan – delivering direct benefits to the economic prosperity of the region. CSR and HR teams engage with local stakeholders to ensure that direct and indirect employment is shared amongst the villages surrounding the Shaikan operations.

Staff testimonial

Omar Ismael

I have been with GKP for over six years, starting as a Control Room Operator in 2015. This role required an ability to work under pressure and helped me gain a thorough understanding of our production facilities. Joining a company that values the safety of its employees was a refreshing change and I quickly adopted the same safety culture, realising that these work practices were first and foremost aimed at keeping us free from harm and protecting company assets.

I was promoted to Lead Operator where I managed a team of Plant Operators. This role proved the necessity of good teamwork and helped develop my leadership skills. I am now Process Supervisor where I plan work scopes, review the performance of field-based operations teams and provide leadership, ensuring safe and productive operations.

My career progress is a good example of the opportunities GKP provides. The Company values the safety of its employees and rewards employees who incorporate these into their roles and responsibilities.

The mentoring programme aims to develop the skills and expertise of local staff and makes me proud to be a part of GKP. It is delivered through different technical and management courses and workshops by reputable and credited institutes.

GKP's reputation is that of a company that values its workforce and local communities and strives to provide a safe and productive working environment.

Sustainability report continued

Material factors

Environment

Our overall objective is to leave the environment where we operate in the same or better condition than when we started. Moreover, while we are operating, the environment should be considered a safe and secure place to live and work.

Impact assessment

An integral part of any project is to undertake an environmental and social impact assessment ("ESIA") during the design phase so any potential impacts can be identified and mitigation plans agreed with the KRG before construction. Over the life of Shaikan's development, GKP has undertaken nearly 30 individual ESIAs to support modifications in plant design, the construction of individual well pad access roads and drilling individual wells. To streamline this process, in January 2019, a Master ESIA was prepared to support a proposed seven-well development drilling campaign. The ESIA was designed to meet both GKP's project management requirements and the KRG's MNR ESIA requirements(1) and was approved by the MNR.

Impact management

We recognise that the construction of well pads access roads, drilling and flowlines for oil production impacts the environment. To enable this activity to occur with minimal impact, the ESIA includes proposed mitigation measures. The specific measures adopted include:

1. Site selection and locating well pads, access roads and flowlines are as far as possible away from environmentally sensitive targets, such as human habitations and places of ecological and cultural significance. GKP maximises the use of existing field infrastructure and studies survey data for site selection.
2. Implementing civil engineering designs that prevent or minimise impacts on the natural hydrology, drainage systems and erosion patterns; maximise the use and reuse of local fill material from the area of land disturbance; ensure potentially hazardous materials are contained on site (this will include drainage systems that capture, for example, contaminated run-off from accidental spills and leaks) and enhance future site restoration plans.
3. Equipment specification, maintenance and operational control. Selecting equipment that is fuel efficient, maintaining the equipment so it meets specification and minimises emissions, and controlling operations.
4. Operational management control: ensuring documentation is in place to deliver the drilling programme in line with project environment, social and safety objectives; the requirements of GKP's Health and Safety and Environmental Management systems are met; and the recommendations of the development environmental management plan are adhered to. This involves demonstrable design and planning documentation together with inspection and reporting regimes to assure GKP management and the MNR that environmental and social impacts are kept to a minimum by GKP and its contractors.
5. Unplanned events: emergency response and contingency plans are developed, resourced and rehearsed to mitigate unforeseen events that could have a significant environmental or social impact.

Case study

Recycling plastics

GKP has plans in 2021 to make water irrigation pipes from plastic waste.

This project was identified through regular surveys finding new effective recycling opportunities that currently exist in the Kurdistan Region of Iraq. Through these types of opportunities, GKP aims, together with local communities and the KRG, to maximise the benefits of recycling in the region and contribute to a waste management culture.

Through researching recycling options, GKP has found a company that will accept the following types of plastic: LDPE, HDPE and PP for recycling and partly used to produce irrigation water pipes. The waste will be segregated onsite at the company yard and shredded into small pieces, then mixed with other materials to make irrigation plastic pipes. An excellent example of turning plastic waste into a new product – achieving an improved and more sustainable recycling process.

(1) MNR Technical Instruction No.1 and Guidelines on Environmental Impact Assessment March 2015.

Soil remediation

We aim to manage contaminated soil, surface water and ground water to prevent, minimise or mitigate risks to public health and safety of the environment.

All waste drilling cuttings and fluids must be managed in line with Kurdistan legislation, and pits should be remediated after drilling operations are completed. Gulf Keystone has completed remediation of all pits.

Before the remediation process starts, samples are taken from each pit and are analysed in an authorised laboratory. The remediation plan for each pit is based on the level of contamination. Contaminated soil, gravel and other materials from inside and outside the pit are removed and managed, which includes recycling of the material at an MNR-approved facility, as outlined under waste management. Once all waste oils are removed from the pits, the liner of the pit is removed and taken to an incineration facility approved by the MNR. Samples from each pit are then sent away to be tested to ensure that the soil is clean.

After the remediation process is finished, the pits are backfilled and prepared in such a way that the topography of the surrounding environment is adopted. The process of soil sampling during the remediation was closely monitored by the MNR, who also reviewed soil laboratory analyses taken at the start of the project and prior to final backfilling of the pits. The four pits that were left after drilling activities at SH-12 were remediated during 2019 and 2020. All waste oils were removed from the pits and sent to a refinery for recycling. The contaminated soil was removed and treated with quick lime.

Water management

Water at both production facility camps is supplied via water wells; these are sampled and analysed on a monthly basis to ensure they meet the World Health Organization ("WHO") guidelines; site water storage tanks are chlorinated on a weekly basis. In 2020, GKP installed water meter devices at both facilities to record the water consumption on a daily basis.

Waste management

Gulf Keystone maintains high standards in waste management and, during 2020, recycled approximately 92% of its waste. All the waste recycled had cradle-to-grave traceability. To ensure third parties comply with Company requirements and local legislation, tools such as GPS vehicle tracking, waste transfer documentation and quarterly contractor auditing were used.

Sewage wastewater was continuously treated via sewage treatment units, with samples taken from the inlet and outlet streams to ensure the units were operating efficiently and the quality of the effluent met World Bank Guidelines.

Wastewater with oil traces is collected and transported via vacuum trucks to an MNR-approved refinery that specialises in producing engine oil and lubricants of different grades from waste containing oil/hydrocarbons. One of the products from this process is engine oil which is then sold locally.

Sustainability report continued

Material factors

Emissions

Our aim is to reduce greenhouse gas emissions to as low a level as reasonably practicable and eliminate gas flaring from all our operations, save where necessary for safety considerations. While GKP currently meets Kurdistan standards for air quality, the Company aims to reduce its emissions levels.

Our aspiration, as reported in our 2019 Sustainability report, is to reduce our scope 1 and 2 CO_2 emissions per barrel by at least 50% by 2025, subject to the finalisation of the GMP with our partner MOL and the KRG. We are also considering a number of other projects in our opportunity register that can reduce our environmental impact whilst the GMP is being finalised.

Our emissions

Set out below is a table showing 2020 and 2019 CO_2 emissions from our operations (calculated at 80% WI).

Scope ($ktCO_2e$)	2020	2019
Scope 1	**407** (due to increased production)	372
Scope 2	**8**	10

Air quality monitoring

Air quality is continuously measured as part of the Company's air quality monitoring ("AQM") programme. During 2020 we were pleased to report that the air quality tested was well within the Kurdish regulatory limits. The Company is committed to improving its processes and quality of research and thus has expanded its AQM plan with the installation of new monitoring stations and equipment.

In 2020, new air quality monitoring devices (Scentinal SL-50) have been installed at PF-1, PF-2, Kani Falla and Magara Village (close to Shaikan), and continually monitor CO, CO_2, SO_2, NO_2, CH_4, H_2S, O_3, PID, NMHC, PM10 and PM2.5 – providing GKP with a more in-depth and thorough analysis.

The Sensor Information Management System ("SIMS2") is the new platform which has been installed for analysing continuous monitoring data; replacing the previous system. The new SIMS2 are more reliable and capable of handling a large amount of data. This new platform provides raw and processed data in the form of reports and charts, as well as averaging data over different time periods from 15 minutes to up to one year, allowing us to closely monitor different stages of a cycle. These time intervals are set to meet the MNR's air quality standard for each sensor.

We continue to deploy passive diffusion tubes at ten locations near the Shaikan Field and neighbouring villages to ensure the levels of H_2S, O_3, VOC, SO_2 and NO_2 remain below Kurdish stipulations. These tubes are deployed and recovered monthly for analysis. In addition to mobile field monitoring, the Company uses a handheld Photo-ionisation Detector ("PID"), which can detect more than 400 gaseous pollutants, providing a helpful, portable method for tracking air quality.

Future Shaikan gas management

While we currently meet required Kurdistan standards for air quality, we aim to improve our emissions levels continually. We aim to reduce greenhouse gas emissions to as low a level as reasonably practicable, and eliminate operational flaring of gas from our operations, save where flaring is necessary for safety considerations.

To deliver measurable improvements, we have focused on an efficiency metric, core to our business measures. In 2019 and 2020 CO_2 emissions were c.38 kg of CO_2/bbl of oil processed. A large part of these emissions are the result of flaring, which we target to significantly reduce by agreeing with the MNR and implementing a gas management plan.

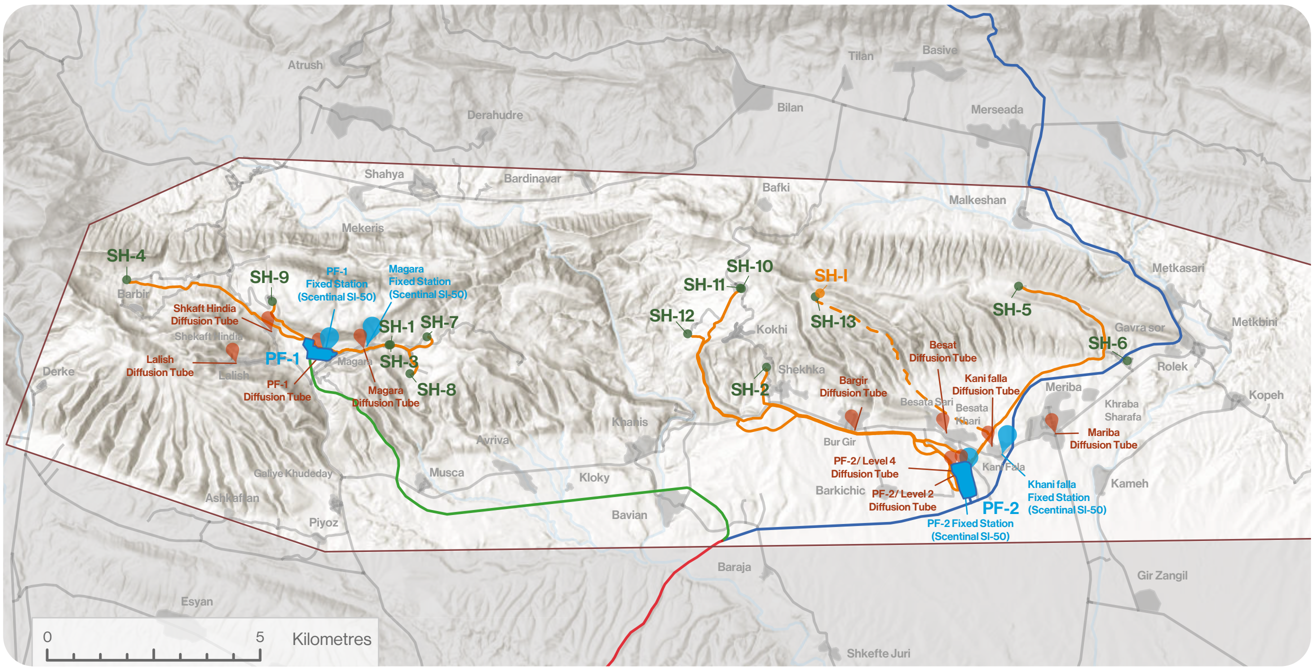
In recognition of the challenge, the Company has set an ambitious target to reduce its current scope 1 and 2 carbon emissions per barrel by more than 50% by 2025.

Case study

Gas survey

As reported previously, we conducted a survey over the Shaikan block in late 2019, aimed at identifying any natural gas seeps at surface level, which would provide insights to the underlying geology. The survey was conducted using very sensitive hydrogen detectors deployed from a land vehicle, together with sensors deployed from a drone to cover inaccessible areas. This survey confirmed the presence of three known natural seeps, together with the discovery of a fourth natural seep in the area. It was recommended that the activity of these seeps be monitored over time, and it is planned to repeat the survey this year.

Shaikan gas monitoring



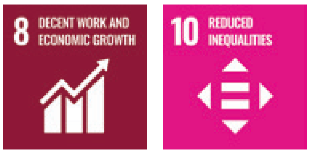
Key

- Diffusion tube
- Fixed station (Scentinal SI-50)
- Completed (13 wells)
- Existing facilities
- Block licences
- Villages
- Flowline – in progress
- Shaikan flowline
- Kurdistan oil pipeline
- Export line PF-2-Atrush
- PF-1 export line
- River network
- Roads

Sustainability report continued

Material factors

Governance



Governance is the umbrella under which all major environmental and social issues are managed. It will become even more important for natural resource companies such as ours to ensure their governance structures are robust and fit-for-purpose. It is crucial that our leadership team is not only attuned to these ESG concerns but is also willing to make tough strategic and commercial decisions today that will protect value for all stakeholders in the long term.

Our Safety and Sustainability Committee is a committee of the Board of Directors of the Company which is primarily responsible for ensuring that appropriate systems are in place to manage health, safety, security and environmental risks and corporate social responsibility. This includes the measurement of relevant KPIs and making recommendations for improvement where appropriate.

The Company has implemented remuneration KPIs linked to our sustainability strategy. These KPIs will be used to determine bonus entitlements right through the organisation, thus helping to ensure that all staff are fully cognisant of the importance of ESG to the organisation's future success.

Board oversight

The Board of Gulf Keystone Petroleum Limited meets regularly to consider strategy and policy, major capital expenditure and all aspects of the Group's activities and business operations. This includes active involvement in the environmental, safety, social and governance matters relating to the Company's operations. The Board has a formal schedule of matters reserved specifically for decision by the Board. Effectively, no decision of any material consequence is made other than by the Directors and all Directors participate in the key areas of decision-making.

The Board is committed to high standards of governance and aims to create a culture which demands the same commitment and performance from all our employees and contractors and in all our business activities. We continue to build organisational capacity and improve our management processes and procedures as the Company continues to develop. We seek to strike a balance between entrepreneurial risk-taking and prudent risk management, maintaining high standards of corporate governance without compromising Gulf Keystone's unique culture.

Internal control and policies

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. The Board is accordingly satisfied that effective controls are in place and that risks have been mitigated to an acceptable level.

Alongside the governance structure, the Company has in place a number of policies which support the Company operating in a manner which is ethical and responsible. These include the Anti-bribery Policy, Whistleblowing Policy and the Information Handling Policy. We are committed to maintaining the highest standards of business ethics in the conduct of our operations.

Further details on the Company's governance structure and policies can be found in the corporate governance report on pages 64 to 101 of the annual report.

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Bermuda
Gulf Keystone Petroleum Limited
c/o Coson Corporate Services Limited
Cedar House
3rd Floor
41 Cedar Avenue
Hamilton HM12
Bermuda

Kurdistan Region of Iraq
Gulf Keystone Petroleum
International Limited
3rd Floor
UB Centre
Bakhtyari
Erbil

United Kingdom
Gulf Keystone Petroleum (UK) Limited
6th Floor
New Fetter Place
8-10 New Fetter Lane
London EC4A 1AZ

Further details regarding shareholder information can be found on our website.

www.gulfkeystone.com