



**Grenadier Energy Partners II, LLC**  
**Sustainability Report**  
For the year ended December 31, 2019

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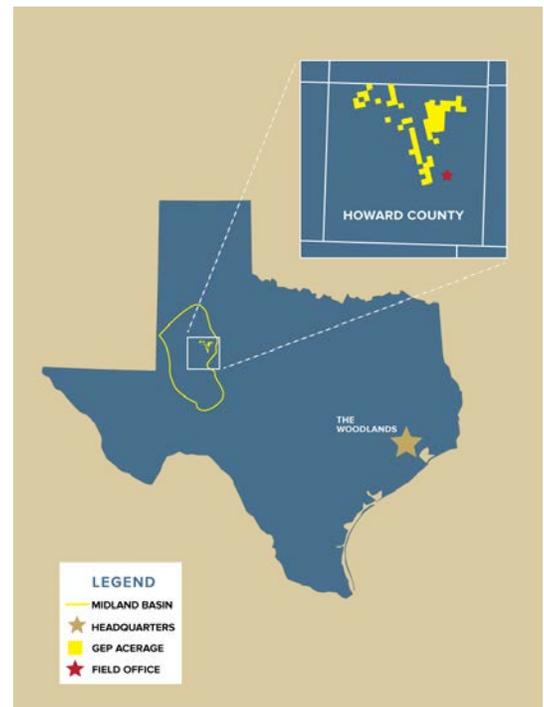
## Overview of Grenadier Energy Partners II, LLC

Grenadier Energy Partners II, LLC (“Grenadier” or “the Company”) is a Woodlands, Texas-based, privately held upstream oil and gas company focused on onshore properties in the lower 48 states. Our primary business is to acquire, develop, and commercially exploit assets to create a significant enterprise value entity. We apply advanced technology to boost production and access hard-to-recover reserves. Our activities are generally in new or emerging plays that lend themselves to scalability for future development.

- We built our acreage position to more than 21,000 acres and 33 operated producing horizontal wells within the Midland Basin.
- We concentrate on low risk, resource plays offering predictable and repeatable results and lower risk profile.

Grenadier believes that integrating environmental, social, and governance (ESG) considerations into our business decisions is essential to drive long-term value for all stakeholders; from our investors, to our employees in our offices and out in the field, to our customers who rely on our services, to the communities in which we operate.

This sustainability report reflects our commitment and highlights our values and identifies the key risks and opportunities of our business. We have identified disclosure topics relevant to the oil and gas exploration and production sector and tailored them as applicable to our company to focus on those that support our long-term financial performance.



## To our Stakeholders,

At Grenadier Energy Partners II, LLC, we are embarking on an exciting time in the growth of our company and the growth of sustainability across the upstream oil and gas sector. We strive to be a strong partner with our communities, investors, employees, and industry collaborators. It is through these partnerships that Grenadier can grow and create long-term value for our stakeholders.

Our near-term financial goals include a focus on lease-and-drill strategies in known producing onshore U.S. basins. We are building on our background of creating value in the upstream sector by identifying “liquid rich assets” and using cutting-edge technologies through the drilling, completion and production phases of the well.

In combination with our financial objectives, we also began the process of reporting on sustainability initiatives at Grenadier. We worked in tandem with our investment partners to identify our significant sustainability issues, and the key risks and opportunities for our business. Our efforts focused on identifying ESG metrics that have a significant impact on our core business strategy. It is our intention to further integrate these metrics into our core operations in an effort to continue to grow and create long-term value.



This sustainability report charts the beginning of our sustainability journey and is a first step in the process of managing and reporting on those initiatives. We are committed to working alongside our investors, customers and communities to make more meaningful advances in preparing our company for a sustainable future. Thank you for your interest in our ongoing sustainability progress at Grenadier.

Patrick Noyes | President and Chief Executive Officer

# Sustainability at Grenadier Energy Partners II, LLC

At Grenadier, sustainability means *long-term* financial performance while operating in an ethically, environmentally, and socially responsible manner. We conduct our business with a deep respect for the environment, the land owners who live in the areas in which we operate, and for our co-workers. We seek to ensure that our business practices comply fully with all applicable laws and regulations. Our company has committed to focusing on integrating sustainability across our business to propel our success and differentiate us from our competitors. We believe that management of significant sustainability issues has the potential to affect our profits, assets, liabilities, and cost of capital, therefore impacting long-term value creation.

Our fundamental strategy and ESG building blocks are summarized as follows:

<p>Business Strategy</p>	<ul style="list-style-type: none"> <li>• explore for oil and natural gas in known producing onshore U.S. basins</li> <li>• profitably develop long-lived oil and natural gas reserves by applying cutting edge technology through the drilling, completion and production phases of our wells</li> <li>• find long-life reserves that can be developed with low risk and moderate capital requirements</li> </ul>		
<p>Focus Areas</p>	<p>ENVIRONMENTAL</p>	<p>SOCIAL</p>	<p>GOVERNANCE</p>
	<p>Greenhouse Gas Emissions</p>	<p>Workforce Health &amp; Safety</p>	<p>Business Ethics &amp; Transparency</p>
	<p>Water &amp; Wastewater Management</p>	<p>Community Impact Diversity &amp; Inclusion</p>	<p>Sustainability Management</p>

# Grenadier Disclosure Topics

Our vision of creating value rests on a foundation of listening to our stakeholders. Therefore, in partnership with our investors, Grenadier conducted our first assessment to identify, assess, and prioritize the ESG topics that are most relevant to our business and our stakeholders. We identified the significant sustainability topics relevant to the oil and gas exploration and production sector and tailored them as applicable to our company. The topics identified from this process are the focus of our sustainability strategy and reporting and are outlined in the following table:

	Disclosure Topic	Page Reference
<b>GOVERNANCE</b>		
<b>Business Ethics &amp; Transparency</b>	Description of the management system for the establishment of conduct codes and delivery of information throughout the value chain	7
<b>Sustainability Management</b>	Description of the approach to incorporation of environmental, social, and governance considerations into the long-term business strategy	7
<b>SOCIAL</b>		
<b>Workforce Health &amp; Safety</b>	(1) Total reportable days away from work due to injury or illness and (2) total reportable days worked without injury or illness	8
<b>Community Impact</b>	Discussion of company's involvement in the community in which it operates	8
<b>Employee Diversity &amp; Inclusion</b>	Percentage of gender and racial/ethnic group representation for equity owners and all other employees	9
	Discussion of company initiatives and programs in place to improve diversity in the workforce	9
<b>ENVIRONMENTAL</b>		
<b>Greenhouse Gas Emissions</b>	Discussion of company initiatives and programs in place to manage and improve greenhouse gas emissions	10
<b>Water &amp; Wastewater Management</b>	(1) Total volume of produced saltwater generated and (2) volume and percentage of the saltwater produced desalinated and used for fracing	11
	(1) Total volume of water used for fracturing wells and (2) volume and percentage of water reclaimed from saltwater from a producing well	11
	Discussion of company initiatives and programs in place to improve water and wastewater management	11

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# Discussion of Sustainability Metrics

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## GOVERNANCE

Grenadier Energy Partners II, LLC has elected to align itself with two private equity partners with substantial experience in energy investments, EnCap Investments, LP, and Kayne Anderson Capital Advisors . Both partners believe that responsible investment practices are in the long-term interests of their clients and consistent with their fiduciary duties as asset managers.

Our management team members are fully aligned with our capital partners' ESG building blocks and have a like-minded ESG policy and supporting policies and procedures in place. Grenadier reports on significant ESG issues and provides details of ongoing ESG developments during each quarterly Board meeting. This information is used by our capital partners to qualitatively measure our ESG activities and their impact on our overall financial performance.

## Business Ethics & Transparency

Grenadier is committed to operating ethically and exceeding regulations. Our management team is committed to high standards of professional and ethical business practices. The company advocates for an environment where employees act with honesty and integrity, and are respectful in dealings with customers, employees, and in the communities in which we operate.

Grenadier has a formal set of written rules and policies governing employee conduct, including gifts and entertainment, non-discrimination, diversity and equal opportunity, and whistleblowing,. We also advocate for increased transparency relative to sustainability metrics and disclosures. We respond to annual questionnaires with our investment partners regarding our operational, environmental, safety and regulatory data in order to determine the quality of our performance and measure of continued improvement. We ensure our reported sustainability data aligns with our investors' strategic plans and that our results are communicated timely during quarterly Board meetings.

## Sustainability Management

Grenadier believes exploration and production companies can make efforts to reduce their impact on the environment while safely and profitably providing reliable and affordable energy. We strive to integrate sustainability into our corporate strategy and have adopted a formal written ESG policy in an effort to manage and drive progress towards integrating ESG considerations into our operations. In addition, we have designated our Vice President and Controller, Lenny Lilja, as our point person responsible for oversight of all ESG matters to better link our short- and long-term financial performance to our strategic ESG performance. We anticipate these efforts to contribute to an ultimate reduction in our overall environmental

footprint and to guide us towards a more sustainable future. Further discussion on our progress towards sustainability management strategies is included in the **ENVIRONMENTAL** section on page 10 of this report.

## SOCIAL

### Workforce Health & Safety

Grenadier takes pride in developing and retaining the best talent and we are committed to the well-being of our employees, as well as the safety of the many vendors and suppliers with whom we do business. Given the nature of our work and the conditions under which it is performed, we strive to have a zero-incident rate. Employee health and safety is a central pillar that supports and strengthens each project we undertake. We strive to maintain a strong safety culture in the communities in which we live, work and operate. We believe that exceeding industry performance standards and having a zero-incident rate is achievable through a culture that promotes caring for each other and continued improvement of safety management systems.

In order to analyze our performance relative to health and safety and to identify areas of improvement, we have focused on the following metrics in 2019:

#### Workforce Health & Safety Metrics

#### (1) Total reportable days away from work due to injury or illness and (2) total reportable days worked without injury or illness

	Number of Days
Days away from work due to injury or illness (as reported on OSHA Form 300A) <sup>1</sup>	0
Days worked without injury or illness (subject to reporting on OSHA Form 300A) <sup>1</sup>	4,500

<sup>1</sup> The U.S. Occupational Safety and Health Administration (OSHA) provides resources for determining if injuries or illnesses are considered recordable incidents in its guidance for OSHA Form 300A. The reported days worked without injury or illness is calculated based on 250 average work days per employee per year.

In this OSHA report, we have focused on the above metrics as an indicator of the implementation of sound policies, procedures, and processes to record, report, and manage work-related injuries and illnesses for office employees. As a company, we are making plans to expand our reporting to include other workforce health and safety metrics such as fatality rate, near miss frequency rate (NMFR), average hours of health safety, and emergency response training for full-time and contract employees in the field..

### Community Impact

Grenadier is a strong advocate for community engagement programs that make positive tangible contributions to improve the quality of life in the communities where we operate, and to build strong relationships with local community members. We take pride in the numerous ways we provide employees the opportunity to volunteer and in the financial

contributions we make to our local communities. In 2019 Grenadier Energy made financial contributions in excess of \$20,000 to various organizations surrounding Houston including the Small Steps Nurturing Center, His Kids International, Chinquapin Prep School (a private college prep school for financially and academically underserved students), HOPE (The Will Herndon Research Fund) and the Montgomery County Food Bank.

Sharing resources with our communities enhances our connection between business and purpose.

## Employee Diversity & Inclusion

At Grenadier, we believe that each person has a voice and an opinion that is understood and appreciated. Their contribution to the overall growth of the organization is clearly recognized and of significant value. As part of our core values, we recognize that genuine value is added to an organization when thoughts are shared among individuals with varying perspectives in an effort to generate better ideas and reach more balanced decisions. While it is our policy and practice to provide equal opportunity and employment to all employees and applicants, we have set ambitious goals to identify the gaps in both gender and racial/ethnic group representation across our organization and continue to foster an environment in which diversity of all types can flourish.

In order to analyze our performance relative to diversity and inclusion and to identify areas of improvement, we have focused on the following metrics in 2019:

### Diversity & Inclusion Metrics

#### Percentage of gender and racial/ethnic group representation for (1) equity owners, and (2) all other employees

##### Gender Representation (%)

	Female	Male	Total
Equity Owners <sup>2</sup>	0%	39%	39%
All Other Employees	22%	39%	61%
Total	22%	78%	100%

##### Racial / Ethnic Group Representation (%)

	Black or African American	Asian or Pacific Islander	Native American	Hispanic	White	Two or More Races & Other	Total
Equity Owners <sup>2</sup>	0%	0%	0%	0%	39%	0%	39%
All Other Employees	0%	0%	0%	0%	61%	0%	61%
Total	0%	0%	0%	0%	100%	0%	100%

<sup>2</sup> In the gender and racial/ethnic group representation tables above, the category of "equity owners" includes those employees who are investing partners in the company.

## ENVIRONMENTAL

### Greenhouse Gas Emissions

Grenadier engages in exploration and production (E&P) activities, which generate direct greenhouse gas (GHG) emissions from a variety of sources. With natural gas production from shale resources expanding, the management of methane emissions from oil and gas E&P systems has emerged as a significant operational, reputational, and regulatory focus area for our company.

We have an opportunity to drive accelerated performance through specific reduction targets that exceed regulatory mandates through the development of formal processes, procedures, systems, and controls. We are investigating and continually working toward increased energy efficiency, use of less carbon-intensive fuels, and process improvements to reduce emissions, venting, and flaring, and to provide benefits to our company in the form of improved environmental regulatory compliance and lower costs.

The management of emissions, including greenhouse gases, is an integral part of our overall environmental management approach. We are leading the effort in limiting methane venting by using vapor recovery units (VRU's) on all newly developed batteries and tanks. We have instituted the use of instrument air on all of our pneumatic controls for new tank battery installations to minimize fugitive emissions. We have also employed the use of a FLIR (forward-looking infrared) camera on an ongoing basis to check tank batteries for fugitive emissions. If leaks are detected, corrective measures are taken to address the leaks. We strive to meet or exceed all regulatory requirements and continuously improve the emissions of our operations. We believe these practices will enhance our performance as we incorporate specific reduction targets in our operations.

### Water & Wastewater Management

Upstream E&P activities require significant quantities of water to produce the most profitable amount of oil and gas. The possibility of reduced water availability, regulations limiting usage, or related cost increases, particularly in water-stressed regions must be closely monitored. In addition, the process of oil and gas production creates "saltwater," which must be safely discarded.

Companies can recycle wastewater, injecting it back into working reservoirs to improve oil and gas recovery, or they can discard it at a saltwater well disposal site, increasing costs. Reducing freshwater use and wastewater generation is a focus for Grenadier. These strategies also minimize regulatory and water supply risks and improve community relations.

As a result, we have focused on the following metrics to measure our progress towards water and wastewater management for 2019:

## Water & Wastewater Management Metrics

(1) Total volume of produced saltwater generated and (2) volume and percentage of the saltwater produced desalinated and used for fracing

	2019
Total volume of produced saltwater generated (in bbls)	7,783,286
Total volume of produced saltwater desalinated and used for fracking (in bbls)	0
Percentage of volume of produced saltwater that is desalinated and used for fracking	0%

(1) Total volume of water used for fracturing wells and (2) volume and percentage of water reclaimed from saltwater from a producing well

	2019
Total volume of water used for fracturing wells (in bbls)	9,095,141
Total volume of water reclaimed from saltwater from a producing well (in bbls)	0
Percentage of water reclaimed from saltwater from a producing well	0%

Grenadier reports all freshwater usage for hydraulic fracturing of wells through FracFocus.org and through Texas Railroad Commission filings. We recognize that we have opportunities to look for ways to improve water usage and recycling in hydraulic fracturing operations to reduce stress on local watersheds. We moved to 100% "in basin" sand sourcing and commissioned and completed a study on moving to recycling produced water for reuse in completions and are currently evaluating its implementation.

## About this Report

The information included in this report has been subjected to the company's policies surrounding the disclosure of financial and non-financial data. The information included in this report is as of and for the year ended December 31, 2019. Any financial information and all non-financial data included in this report was not subject to a third-party audit verification process.

## Forward-Looking Statements

Certain information contained in this Sustainability Report may constitute forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements regarding the company's plans to: incorporate sustainability metrics into its overall strategy, make additional efforts to contribute in local communities, foster programs regarding diversity and inclusion, and implement projects or initiatives to improve performance relative to environmental matters. Readers are cautioned not to place undue reliance on forward-looking statements as they are subject to a number of assumptions and known and unknown risks and uncertainties that may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements contained herein are made as of the date of this document. The company assumes no obligation to update or otherwise revise these forward-looking statements, whether as a result of new information, future events, or otherwise.