



About **This Update**

Reporting Timeline

This environmental, social and governance (ESG) Update provides an overview of ARC Resources Ltd.'s (ARC or the Company) 2022 ESG performance, highlighting key metrics, initiatives and accomplishments that were achieved from January 1 to December 31, 2022.

Unless otherwise stated, this report includes historical performance data inclusive of the Business Combination that was completed on April 6, 2021. ARC's historical performance can be found on our website 🕗 .

Scope

The scope of this document includes all businesses, assets, and partnerships that are owned and operated by ARC as at December 31, 2022. Unless otherwise noted, all references to "dollars," "\$" or "C\$" are to Canadian dollars. All amounts are provided on a beforetax basis, unless otherwise stated.

ARC's reporting cycle involves the publishing of a comprehensive ESG report on a biennial basis, with additional performance updates published annually. The comprehensive report provides a detailed overview of all ESG topics deemed material to the Company's current and future operations and highlights performance data across operational activities. The performance update offers yearover-year data reporting to demonstrate the progress ARC has made towards achieving its ESG goals and targets and features select initiatives and accomplishments achieved over the last year. ARC published a comprehensive ESG report in 2022 and will provide its next full report in 2024.

Assurance

ARC maintains a detailed greenhouse gas (GHG) emissions inventory that covers emissions sources across the Company's operations. ARC's GHG emissions are externally verified in accordance with ISO 14064-3 and ISO 14065. GHD Limited has undertaken a limited level of assurance verification of ARC's 2022 scope 1 and scope 2 emissions for its Alberta and British Columbia (BC) facilities.

Standards & Frameworks

Where applicable, indicators used in this report are aligned to internationally recognized standards and frameworks relevant to the energy industry. This report is aligned to the Task Force on Climaterelated Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), and Global Reporting Initiative (GRI) reporting frameworks.

In addition to this document, further information about our commitment to sustainability, performance and ESG-related policies and initiatives, is available on our website, SEDAR profile, or via our additional reporting and disclosure:

Management Information Circular 🕗

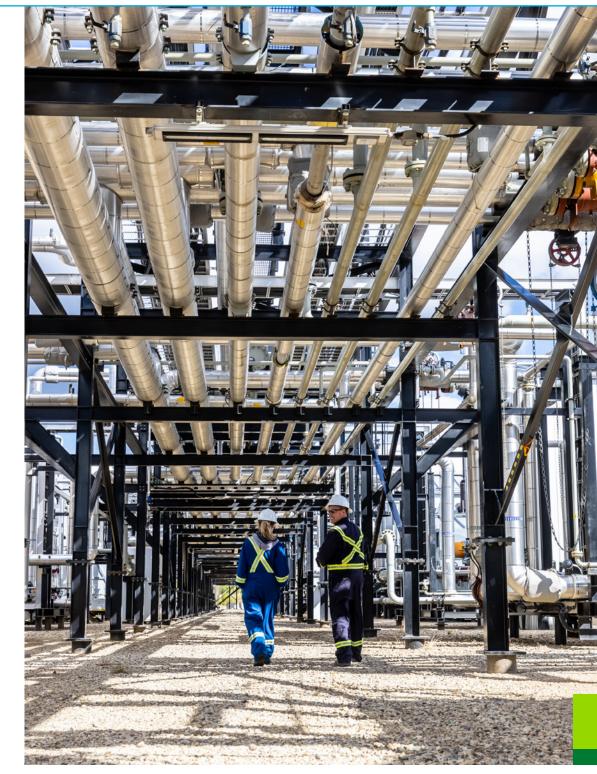
Annual Report 🔼

Annual Information Form 🕗



Share Your Feedback

Continuous improvement is an important part of ARC's culture. Please send your feedback on this ESG Update to our Sustainability team at Sustainability@ARCResources.com.



Message From Our CEO & Board Chair



Terry AndersonPresident &
Chief Executive Officer



Harold KvisleBoard Chair

As the world continues to experience rapid change, the need for clean, affordable, and reliable energy grows greater by the day.

Over the last year, geopolitical events have continued to disrupt global energy markets, highlighting the need for trusted trading partners and supply security. These events, combined with concerted efforts by governments and industries to respond to climate change and reduce global emissions, make a compelling argument for Canadian energy and the important role of natural gas in a low-carbon future.

These global challenges are bigger than any one company. As Canada's third-largest natural gas producer, we are committed to being a part of the solution by living our values, demonstrating environmental leadership, generating economic value, and maintaining accountability.

Responsible Energy Development

We believe our energy creates a better world for everyone. By producing low-cost, lowemissions energy we can help meet the world's energy needs, while lowering global emissions. This opportunity is shaping our strategy to be the best-in-class responsible energy producer.

Collaboration with stakeholders, Indigenous communities and peers is critical to address the complex energy and environmental challenges the world faces. We proactively engage with federal and provincial governments in support of clear and effective policy that balances these priorities and serves all Canadians.

Recently, our commitment to responsible development was acknowledged when we received certification on 100 per cent of our assets under Equitable Origin's EO100™ Standard for Responsible Energy Development. This process verified our ESG performance across multiple measures and included independent engagements with stakeholders and Indigenous communities. With approximately 350,000 barrels of oil equivalent (boe) per day, we now have the largest production base certified under this global standard in Canada.

Focusing on Safety

Safety is always our #1 priority. Throughout 2022, we executed the largest capital program in our Company's history and completed our largest planned maintenance program on record – all while outperforming our safety targets for total recordable injury frequency (TRIF) and lost-time incident frequency (LTIF). We are incredibly proud of these results and grateful to each of our employees and service providers for their continued focus on the safe execution of our business.

In addition to physical safety, we have also invested in technologies and resources to strengthen our cybersecurity posture to safeguard our digital assets. Events over the past year have highlighted how critical digital safety is to minimize risk and protect our assets. Technology alone is not enough. We have been diligent in educating our people on risks related to cybersecurity to ensure every member of our team is a part of ARC's digital defences.

Reducing Emissions through Innovation and Cleantech

We continue to make progress against our emissions reduction targets of reducing our GHG and methane intensities by 20 per cent from our 2019 baselines and implementing a minimum of 70,000 tCO₂e of emissions reduction projects by 2025.

Through the application of technologies, process optimization, retrofitting existing facilities, and low-emissions facility design, we are making good strides. As at year-end, we have reduced our GHG emissions intensity by approximately eight per cent and our methane emissions intensity by 20 per cent against our 2019 baselines.

In June 2023, we also completed the electrification of our Dawson III and IV natural gas plants, which will result in approximately 125,000 tCO $_2$ e of emissions reduction each year. With this project completed, we have effectively met our target to implement 70,000 tCO $_2$ e of emissions reduction projects.

In 2022, we also committed \$50 million that will be used to accelerate the development and adoption of clean technologies as opportunities arise that align with our emissions reduction efforts. By investing in emerging technologies directly or indirectly, we are helping de-risk cleantech startups so they can achieve commercial scale quicker. We are also piloting technologies with the potential to further reduce emissions in our operations and more broadly across the energy industry.



Supporting Diversity, Equity & Inclusion

We take pride in our values of respect, integrity, trust, and community, and have established a corporate goal to provide a work environment where 100 per cent of our employees feel they belong. In 2022, we established key <u>Diversity</u>, <u>Equity and Inclusion</u> objectives to prioritize areas of focus to establish equitable practices, enhance employees' knowledge, and maintain a culture of celebration and belonging.

Contributing to Community

Giving back is core to our culture. Thanks to the success and profitability of our business, we invested approximately \$3 million to support several local organizations and long-term partners like United Way, STARS, and Brown Bagging for Calgary's Kids. With food insecurity on the rise, \$435,000 of our donations went to supporting food banks in Calgary, Dawson Creek and Grande Prairie.

From a broader perspective, we are proud of the significant value that we generate that benefits thousands of Canadians. In 2022, through salaries, dividend payments, taxes, land payments, and supplier contracts, we contributed approximately \$4.6 billion to the Canadian economy.

Enhancing Indigenous Engagement

ARC is committed to proactive engagement with the <u>Indigenous</u> communities neighbouring our operations, and we look to provide employment and contracting opportunities to support economic inclusion whenever possible. With the announcement of the sustainable

development framework in BC and following proactive engagement with the Indigenous community neighbouring the project, this year we announced the sanctioning of our next major development opportunity -Attachie Phase 1.

Additionally, in 2022 we continued to create opportunities to educate our employees in support of Indigenous reconciliation. Last year, 275 of our leaders and employees completed cultural awareness training to gain a better understanding of Indigenous histories and cultures, and to better inform our approach to Indigenous engagement.

Connecting Canadian Natural Gas to Global Markets

As part of our marketing strategy, we are working to deliver our lowemissions energy to key consuming regions at the lowest cost. Our diversified transportation portfolio provides access to the Canadian West Coast and the U.S. Gulf Coast connecting us to the global LNG market.

In 2022, we announced our second long-term natural gas supply agreement, which will see ARC provide Cheniere Energy, Inc. with 140,000 MMBtu of natural gas per day for 15 years following completion of Cheniere's Corpus Christi Stage III expansion. We also signed a Memorandum of Understanding with Cedar LNG – a proposed floating LNG export facility and what's to be Canada's first Indigenous majority-owned LNG facility – to supply and liquefy approximately 200 MMcf per day of natural gas for an anticipated 20-year term.

Moving Forward

Looking ahead, we are very excited about where our Company is heading. With our world-class assets, industry-leading GHG emissions intensity, and investment-grade credit rating, we have established a strong and resilient energy company that's well-positioned to meet the world's energy needs into the future. We are committed to prioritizing strong ESG governance practices and maintaining our leading ESG performance through a focus on operational excellence and continuous improvement across our Company.

On behalf of our Board of Directors and Management team, we'd like to thank our employees, shareholders, stakeholders, Indigenous communities, service providers, and partners for their continued support.

Sincerely,

Terry Anderson

President & Chief Executive Officer **Harold Kvisle Board Chair**

Our Approach to **Sustainability**

ARC's corporate strategy is to be the "Best-in-Class Responsible Energy Producer."

Our approach to running a profitable, long-term business begins with our commitment to continuous improvement and delivering industry-leading performance in all aspects of our business. Through sustainable business results, innovation and responsible development activities, we create longterm value for communities, partners, employees, and shareholders.



Our Purpose

Our Energy Creates a Better World for Everyone

Our Corporate Strategy

Best-in-Class Responsible Energy Producer

Our ESG Framework

Environment / Social / Governance Focus Areas and Guiding Principles

OUR ESG FRAMEWORK

To support ARC's broader strategy and risk management framework, we have established specific guiding principles to maintain leading ESG performance. These principles inform our approach to business activities and provide specific and measurable guidelines and targets to embed ESG practices across the organization.



Environment

Minimize our environmental impact, with a focus on being a top-quartile emissions intensity producer

ARC is a global leader in environmental stewardship. Through continuous improvement, innovation, and the application of clean technologies, we are committed to further minimizing our environmental impact.

Guiding Principles:

- Provide low-carbon energy for the future

Goals & Targets 🔗



Social

Deliver shared value for our people, stakeholders, and **Indigenous communities**

Our unwavering commitment to the health and safety of our people, contractors, and communities is core to our approach. Through our operations, we aim to create positive and lasting impacts by providing meaningful employment, local contracting, and community support.

Guiding Principles:

- Be an industry leader in health, safety, and environmental practices and performance
- Form strong relationships with Indigenous communities
- Develop a diverse, equitable, and inclusive workforce

Goals & Targets 🔗



Governance

Commit to sound governance practices and strong corporate leadership

ARC's commitment to sound governance practices and strong corporate leadership guides our efforts and ensures alignment with the interests of our stakeholders.

Guiding Principles:

- Ensure appropriate focus and oversight of ESG strategies and practices
- Continually improve our governance structure and processes
- Ensure a strong link between executive compensation and performance, including the assessment of ESG metrics

Goals & Targets 🔗



Prioritized and Transparent Disclosure

Our ESG goals and targets are supported by our policies and commitment to transparency. We will maintain ARC's position as an ESG leader through enhanced reporting and disclosure. Our reporting is grounded in relevant reporting frameworks and standards, and our performance is assessed through our participation in prioritized ESG ratings and in alignment with the Equitable Origin EO100™ Standard for Responsible Energy Development.

SOCIAL



ENVIRONMENT

ARC is committed to leading environmental performance and the responsible development of our assets.

This is possible through innovation, the application of clean technologies, and collaboration amongst our people, service providers, industry partners, and governments.

Performance Highlights

GOALS & TARGETS

Reduce ARC's corporate GHG emissions intensity and strive to be the lowest GHG emissions intensity upstream oil and gas producer in North America.

PROGRESS

- ARC continues to have one of the lowest GHG intensities among our industry peers.
- Through our ongoing commitment to operational excellence and responsible development, we are implementing new technologies and exploring opportunities to further reduce our emissions and maintain our top-quartile performance.

Top-quartile GHG emissions intensity producer

- 2 Reduce GHG emissions intensity by 20 per cent by 2025, relative to the Company's 2019 baseline.
- As of year-end 2022, we have reduced our GHG emissions intensity by approximately eight per cent from our 2019 baseline. We continue to progress towards this emissions intensity reduction target.

8% reduction in GHG intens from 2019 basel

- Reduce overall methane emissions intensity by 20 per cent by 2025, relative to the Company's 2019 baseline.
- Through enhanced facility designs and the application of new technologies, we continue to make great progress in reducing our methane emissions intensity. In 2022, we met our target of 20 per cent reduction in methane intensity compared to our 2019 baseline.

Key initiatives implemented in 2022 include:

- Enhanced continuous methane monitoring with the installation of Qube sensors at 12 ARC sites.
- Continued execution of ARC's Fugitive Emissions Management Program (Alt-FEMP) through the use of enhanced aerial screening.
- Successfully implemented several methane reduction technologies including: zero-vent well pad
 designs across our assets, electrification projects, flare reduction projects, conducting leak, detection
 and repair (LDAR) assessments during turnaround operations, utilizing enhanced LDAR technologies to
 increase speed of leak detection and response.

Achieved
20% reduction target

- Implement a minimum of 70,000 metric tonnes of carbon dioxide equivalent (tCO₂e) emission reduction projects by 2025.
- Our major emissions reduction focus continues to be on exploring opportunities to electrify our facilities in northeast BC. The planned electrification of our Dawson III and IV facilities in 2023 will position us to achieve our 70,000 tCO₂e reduction target.

On Track



Performance Highlights

GOALS & TARGETS

SOCIAL

Reinvest up to 100 per cent of carbon offset revenues into clean technology development and application to further reduce our corporate emissions profile.

PROGRESS

• In 2022, we continued our track record of reinvesting 100 per cent of carbon offset revenues into clean technology initiatives. Last year, \$15.8 million was directed to post-combustion emissions capture technology evaluations, electrification, vent reduction, flare optimization, as well as improving our measurement and detection capabilities.

100% (\$15.8 million) reinvested into clean technologies

- Invest an average of \$15 million per year in asset retirement activities over the next 10 years to actively manage our corporate environmental liability.
- In 2022, we invested \$19.3 million in asset retirement activities:
- \$12.2 million on abandonment of wells 100 per cent owned and operated by ARC
- \$7.9 million on reclamation and remediation of wells 100 per cent owned and operated by ARC
- \$0.9 million on abandonment and reclamation work where ARC is a minority stakeholder
- The Government of Alberta provided additional funding of \$1.7 million to support 2022 asset retirement activities in Alberta.

\$19.3 million invested into asset retirement

- Reduce average abandonment, reclamation, and remediation costs by 10 per cent through the application of new technologies, area-based closure programming, and procurement strategies.
- Through our commitment to continuous improvement, we continue to refine our processes, enhance efficiencies, and increase collaboration to coordinate work and reduce costs.
- In 2022, due to the effects of inflation and increased vendor, fuel and equipment costs that impacted businesses across industries, we did not meet our 10 per cent cost-reduction target. We will continue to advance our abandonment, reclamation, and remediation efforts, while pursuing annual cost-savings going forward.

Continue to pursue annual cost savings



ARC's Northeast BC **Electrification Journey**

As a responsible energy producer, we strive to play a leading role in the transition to a lower-carbon economy by reducing emissions from our operations and providing low-emissions energy to end users.

A major focus of our emissions reductions efforts has been reducing our scope 1 and 2 emissions through the electrification of our northeast BC assets. By connecting to the BC provincial grid, which is largely powered by clean hydroelectricity, we have limited our scope 2 emissions to approximately three per cent of our total emissions profile.

Our journey to electrify our assets began in 2011 with the electrification of our Dawson I and II facilities. Over the last decade, we have continued our efforts by enhancing facility designs and adding infrastructure to electrify our major facilities at Parkland, Sunrise, and most recently, at Dawson III and IV. These projects were made possible in part by the Government of BC's Clean Industry Fund.

The investments we have made, combined with access to clean hydroelectricity, have resulted in infrastructure that can deliver industryleading, low-emissions production. Today, all of ARC's major facilities in northeast BC are electrified. Through electrification of these facilities, we reduce our GHG emissions by approximately 420,000 tCO₂e per year – the equivalent of taking more than 91,000 cars off the road.

Moving forward, we will continue to evaluate opportunities to electrify our operations where clean electricity is available. This includes small-scale conversions of natural gas-fired compressors at Dawson 01-34, and new builds like Attachie Phase 1 which will collectively avoid an additional 142,000 tCO₂e per year – the equivalent of removing 31,000 cars off the road.



Through the electrification of our BC facilities, ARC reduces emissions by approximately 420,000 tCO₂e/year – the equivalent of taking more than 91,000 cars off the road.

Northeast BC Electrification Timeline:



2011: Dawson I & II



Emissions reduction = 80,000 tCO2e/year



Equivalent of 17,000 cars/year 2018:

Parkland & Sunrise

Through electrification and design, we have reduced emissions at Sunrise by 97 per cent. Today, the facility is near zero emissions – emitting approximately 3,000 tCO₂e of scope 1 emissions per year, making it one of the lowest GHG-intensive natural gas processing facilities in Canada.



Emissions reduction:

Parkland = 90,000 tCO₂e/year Sunrise = 125,000 tCO₂e/year



Equivalent of 47,000 cars/year 2023:

Dawson III & IV



Emissions reduction = 125,000 tCO2e/year



Equivalent of 27,000 cars/year 2024: **Attachie Phase 1**

& Dawson 01-34 **Compressor Station**

Planned electrification of the Attachie natural gas processing facility will reduce GHG emissions by approximately 127,000 tCO₂e/year

Electrification of the Dawson 01-34 compressor station will reduce 15,000 tCO₂e/year



Equivalent of 31,000 cars/year



ENVIRONMENT

At the core of our business is a deep care for people and a strong safety culture.

In communities where we operate, we strive to create lasting and positive benefits through employment, local contracting, and charitable giving.

Performance Highlights

GOALS & TARGETS

Deliver industry-leading safety performance in total recordable injury frequency (TRIF) and lost-time incident frequency (LTIF).

PROGRESS

- In 2022, we achieved a year-over-year improvement on our key safety metrics by proactively undertaking initiatives to reduce harm and lost-time incidents across our business.
- · As we embarked on the largest capital program in our company's history, operational activity increased and the percentage of short service workers in our workforce grew. With the increase in temporary workers, we focused on mitigating the risk of injuries by selecting top-tier vendors, increasing our assurance programs, and enhancing upfront planning to ensure contractors understood the scope and our safety expectations prior to beginning work.
- 2022 TRIF was relatively flat at 0.43, compared to 0.42 in 2021. 2022 LTIF improved to 0.04, compared to 0.07 in 2021 – a 43 per cent improvement year-over-year ¹.
- Reduce incidents with the potential to seriously harm people and the environment.
- Through ongoing leadership engagement, the increased use of safety systems and strong participation from employees and contractors, we significantly increased the number of site audits and inspections, Life Saving Rule (LSR) verifications, and hazard identifications (IDs) completed. This strong engagement enabled us to significantly reduce incidents with the potential to cause harm.

increase in audits, inspections, LSR verifications and hazard IDs

- Acknowledge the role of business in reconciliation and form meaningful relationships with Indigenous communities where we operate.
- In 2022, we reaffirmed our commitment to reconciliation by further educating our workforce on the unique culture and heritage of Indigenous Peoples:
- Completed company-wide cultural awareness training with 275 leaders and employees.
- Launched an educational series to recognize National Indigenous Peoples Day and the National Day for Truth and Reconciliation.
- Launched an Indigenous Relations learning library offering a curated collection of books and resources by Indigenous authors to support our employees' learning and reconciliation journey.

leaders and employees completed Indigenous cultural awareness training

¹ The 2021 published TRIF of 0.36 has been adjusted based upon the revised exposure hour calculation methodology from Energy Safety Canada (ESC) which ARC adopted in 2022.

OVERVIEW SOCIAL **ENVIRONMENT BUSINESS ETHICS & CORPORATE GOVERNANCE**



Performance Highlights

GOALS & TARGETS

Continue to demonstrate leadership through active engagements with stakeholders and Indigenous community members on subjects such as noise mitigation and induced seismicity.

PROGRESS

- We maintain regular communications with community stakeholders and Indigenous communities through in-person meetings, phone calls, electronic correspondence and events.
- We meet and consult regularly with landowners and Indigenous communities to ensure concerns are understood and may be addressed accordingly.

PERFORMANCE

- We proactively engage in development planning with the Indigenous communities in our operating areas to reduce cumulative impacts.
- Commit an annual budget of \$3 million to community development initiatives.
- In 2022, we continued our commitment to invest in the places where we live and work by donating approximately \$3 million to more than 190 community organizations, including many of our long-term partners:











• In response to the growing issue of food insecurity, we focused our efforts on local organizations working to feed families in our communities. Donations included: our ongoing support and volunteerism with Brown Bagging for Calgary's Kids, and approximately \$435,000 in donations to food banks in Calgary, Dawson Creek and Grande Prairie.

Approximately

\$3 million donated to community organizations

- Create a formal strategy to build a diverse and inclusive workforce and strong culture of belonging.
- In 2022, we updated our corporate Diversity, Equity & Inclusion (DE&I) policy, outlining our guiding principles and key areas of focus going forward.
- We remain committed to maintaining a safe and welcoming workplace where the benefits of diverse thoughts, skills, and experiences are recognized. Throughout 2022, we took several steps to evaluate and enhance our culture of inclusion with a focus on what matters most to employees. This included continuing to advance our recruitment strategy to ensure our workforce reflects different backgrounds, varying perspectives, and innovative ideas to contribute to our future success.
- We have set a corporate goal of having a diverse, equitable, and inclusive workplace where 100 per cent of our employees feel respected and that they belong.

In Focus:

Empowering Front-line Safety Leadership & Delivering Record Results

At ARC, safety is our #1 priority. We believe that maintaining a safe work environment is a shared responsibility that requires proactive actions and informed decisions to ensure that everyone goes home safely at the end of the day.

In 2022, we executed the largest capital program in our Company's history, investing \$1.4 billion to deliver record annual average daily production of 345,613 boe per day, while completing our largest maintenance program on record.

During a year of tremendous activity, we never wavered in our commitment to safety excellence, as we successfully executed our operations and capital activities – outperforming our safety targets for total recordable injury frequency and lost-time incident frequency.



Strengthening our Industry-leading Safety Culture

Our 2022 performance was supported by an increased focus on strengthening our safety culture. In 2022, we launched a new safety strategy across ARC to reinforce our commitment to safety, outline our expectations and individual responsibilities, and highlight our organizational approach to safety.

"Together Preventing Harm" focuses on three key areas:



CARE - COMMIT - COLLABORATE - IMPROVE



SYSTEMS

1. Strong Systems

Taking a risk-based approach to assess what could impact us the most and implement the controls to prevent the potential for harm.

- Ensuring a clear understanding of our health and safety risks, and building confidence in our programs and tools to manage those risks.
- · Collecting meaningful performance data to identify leading and lagging indicators to inform our approach.
- Implementing fit-for-purpose systems and tools to reduce harm.



2. Trained and **Empowered Teams**

Creating an environment that fosters engagement to ensure alignment and collaboration to continuously improve safety.

- Establishing a clear and structured process for health and safety training.
- Outlining clear safety expectations to ensure role clarity for all individuals.
- Providing an environment where best practices are shared freely across the organization so learnings can be leveraged to the benefit of all.



3. Visible and **Accountable Leadership**

Fostering a culture of empowered safety leadership where we all have a role to play.

- Equipping all safety leaders with foundational training to manage safety with a people-first approach.
- Implementing an assessment and coaching model to support the soft skills of safety leadership.
- Offering transparent measurement tools to hold ourselves and others accountable.

The program has helped to strengthen our safety culture and ensure we remain focused on continuous improvement. Following the launch, we conducted 13 workshops with nearly 400 supervisors and front-line workers to develop action plans to continuously improve our systems, teams and leadership.

OVERVIEW SOCIAL PERFORMANCE **ENVIRONMENT BUSINESS ETHICS & CORPORATE GOVERNANCE**



In 2022, the energy industry began ramping up following a period of slower activity resulting from the pandemic. At ARC, 2022 marked the largest capital and maintenance program in our history. Both undertakings required support from third-party service providers to successfully complete.

To mitigate the risk of injuries and to keep our worksites safe with an increase in activity, we focused on proactive safety leadership to ensure short service workers were set up for success. This included enhanced planning, training, vendor selection and assurance activities. We also increased onsite monitoring to ensure safeguards were implemented prior to completing high risk tasks.

As a result of these efforts, our teams increased the number of audits, inspections, hazard identifications, and LSR verifications by 130 per cent and we safely executed these major projects without a contractor lost-time incident.

Maintaining Asset Integrity

Maintaining the integrity of our infrastructure is critical to ensuring the safety of our people, the communities in which we operate, and protection of the environment. In 2022, we began evaluating and standardizing our approach to asset integrity and reliability across our facilities. Throughout the year, we conducted live onstream inspections of each facility to gain a holistic view of our pipeline infrastructure and to enhance our spill mitigation program. By proactively assessing pipelines, piping and interconnecting hoses, we were able to identify areas with corrosion prior to failure, inspect the system and associated components, assign a risk ranking to each facility, conduct preventative maintenance, and apply additional controls to reduce the risk of future spills.

This approach ensures our high-quality assets are operated to the design specifications, potential issues are identified proactively, and accountability is enhanced.



Implementing New Tools and Technology

As part of our efforts to ensure early detection and ongoing improvement of our safety performance, we use a centralized health and safety reporting system to record all incidents, near misses, hazard identifications, inspections, verifications, and audits. With this tool in place, workflows are auto-generated to ensure targeted risk mitigation and corrective action is taken immediately to prevent hazards from becoming incidents.

In 2022, we fully implemented and integrated two legacy systems and leveraged a business intelligence dashboard to provide real-time monitoring of safety analytics and early identification of trends in leading and lagging indicators.





Sound corporate governance supports strong business performance and builds trust with our stakeholders and Indigenous partners.

Our actions are guided by our values and supported by a clear governance framework that ensures proper oversight and accountability.

Performance Highlights

GOALS & TARGETS

Promote diversity and inclusion and continue with the established target of 30 per cent female representation on the **Board and in Management.**

PROGRESS

• We are committed to equity and inclusion, and recognize the benefits of diverse thought, skills and experiences in decision-making and overall corporate performance. In 2022, we maintained female gender diversity of 36 per cent on our Board, 33 per cent on our Executive team, and 28 per cent in Management².



PERFORMANCE

28% Management

- **Ensure appropriate Board oversight on ESG** matters through sub-committees.
- ESG practices and performance are embedded across ARC's entire business. In 2022, we completed a thorough review of our Board and Committee ESG oversight responsibilities to assign current and emerging ESG topics and monitor best practices.
- **Maintain Board structure of independent** directors including the Board Chair.
- In 2022, we maintained our existing structure of an independent Board Chair, and primarily independent directors, which included the appointment of Ms. Carol Banducci.
- **Expand scope of third-party assurance of** key ESG performance metrics.
- We have historically received third-party assurance on our emissions metrics, and have selected GHD Limited to provide assurance of our GHG emissions data collection methodologies and reporting going forward.
- Incorporate key performance metrics, including ESG-related metrics, into the **Corporate Performance Scorecard to** determine executive compensation.
- ESG metrics have always been tied to our executive compensation program. In 2022, we redesigned our compensation program to assign ESG metrics to both our short and long-term incentive programs.

More information related to our approach to executive compensation can be found in our *Management* Information Circular.

² ARC's considers Management to be comprised of executive leaders, managers, and supervisors.

In Focus:

Enhancing ESG Governance at ARC

Sound corporate governance is foundational to our business. Good governance practices drive strong operational, financial and ESG performance.

Recognizing the evolving significance of ESG oversight, in 2022, ARC completed a formal review of the responsibilities of our Board of Directors, Board Committees and Management team related to the oversight of ESG matters and risks.

The review was led by the Policy & Board Governance Committee and involved interviews with the Board Chair and Committee Chairs with the goals of ensuring:

- · Critical ESG oversight accountabilities are clearly defined and key topics are monitored and discussed on an ongoing basis.
- Our approach most effectively and efficiently supports the business within the evolving energy industry landscape.

Following the assessment, the recommendations were presented to the Board for review, and approved at the 2022 year-end Board meeting.

Clear Accountabilities

Effective governance begins with clearly defined and communicated accountabilities. Through the existing committee structure, the Policy & Board Governance Committee identified opportunities to further clarify and strengthen the accountabilities of ESG oversight between the Board, its Committees, and Management. Maintaining division of oversight responsibilities across Committees supports thorough and enriched discussion of each matter, and reflects the integrated nature by which ESG is managed at ARC. The division of accountabilities include:

Board of Directors

Accountable for the oversight of ARC's ESG strategy and risk management activities

PERFORMANCE

- · Oversight of material ESG matters including:
- climate change, carbon emissions goals and measurement
- energy transition
- Indigenous relations, social and diversity policies
- government policy and regulation
- Manages the delegation of ESG responsibilities to the Committees

Committees

- Assigned specific ESG topics for oversight by the Board of Directors (outlined in Figure A) topics assigned align with the overarching mandate of each Committee
- Accountable for the oversight of each matter and regular reporting to the Board of Directors

Management

- Recommends ARC's overall ESG strategy
- Identifies ESG-related capital requirements and presents to the Board for approval
- Operationalizes ESG policies within the business
- Regularly reports to the Board and its Committees on ESG performance, progress and risks

OVERVIEW SOCIAL **BUSINESS ETHICS & CORPORATE GOVERNANCE ENVIRONMENT**

ESG Governance Framework & **Accountabilities**



Figure A

BOARD OF DIRECTORS

PERFORMANCE

- Overall ESG strategy and risk management
- Delegation of specific ESG responsibilities to committees

- Climate change and carbon emissions goals and measurement
- Energy transition

- · Indigenous relations and social and diversity policies
- Government policy and regulation

BOARD COMMITTEES

Policy & Board Governance

- Major corporate and governance related policies delegated to the Commitee or not specifically in the remit of another committee
- · Code of Business Conduct and Ethics
- Board composition, skills and succession
- Corporate governance structure, including committee mandates

Safety, Reserves & **Operational Excellence**

- Environment and safety targets and performance
- Operations impact on communities (land use, air, water, road use, noise, induced seismicity)
- Review material Indigenous relationships and community impact initiatives that have direct operational impacts
- Lead committee to coordinate ESG reporting for the Board

Human Resources & Compensation

- · Social indicators: culture. succession planning, workforce, DE&I
- Executive compensation decisions and determining and assessment of corporate scorecard performance metrics

Audit

· Review of disclosure in quarterly and annual reporting and filings related to ESG

Risk

- Cybersecurity
- Monitoring the process of corporate risk identification and mitigation strategies for the Board and as delegated to other committees

MANAGEMENT

• Recommend ESG strategy, priorities and ESG-related capital allocation decisions to the Board

- Report to the Board on ESG performance, indicators and policy considerations
- Safe, responsible execution of business plans



ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas¹	boe/day	342,322	345,613	EM-EP-000.A
Number of offshore sites	number	0	0	EM-EP-000.B
Number of terrestrial sites	number	2021 Annual Information Form p.7-9 outlines all onshore operations	2022 Annual Information Form p. 7-9 outlines all onshore operations	EM-EP-000.C
ENVIRONMENT				
Direct energy consumption	GJ	26,695,626	26,796,537	GRI 302-1
Production energy intensity	GJ/m³oe	1.32	1.31	GRI 302-3
GREENHOUSE GAS EMISSIONS				
Total direct GHG emissions (scope 1) ²	metric tonnes CO₂e	1,819,007	1,827,985	EM-EP-110a.1
Combustion emissions	metric tonnes CO₂e	1,415,190	1,440,705	EM-EP-110a.2
Flaring emissions	metric tonnes CO₂e	162,774	156,257	EM-EP-110a.2
Vented emissions	metric tonnes CO₂e	47,645	49,714	EM-EP-110a.2
Fugitive emissions	metric tonnes CO₂e	50,010	49,098	EM-EP-110a.2
Drilling & completions emissions	metric tonnes CO₂e	143,388	132,211	EM-EP-110a.2
Methane emissions	metric tonnes CO₂e	285,073	275,597	
Methane (as % of scope 1 emissions)	percentage	14.7	14.7	EM-EP-110a.1
Covered under emissions-limiting regulations	percentage	90	91	EM-EP-110a.1
Indirect GHG emissions from energy purchased and consumed (scope 2) ²	metric tonnes CO₂e	41,531	49,941	
Intensity (scope 1 and scope 2)	metric tonnes CO₂e/boe	0.0149	0.0149	
Intensity (methane)	metric tonnes CO₂e	0.0023	0.0022	
Flared gas	thousand m ³	65,698	61,783	
Vented gas	thousand m ³	4,866	4,760	
Solution gas conservation rate	percentage	99	99	
AIR EMISSIONS				
NO _x (excluding N ₂ O)	metric tonnes	6,250	6,495	EM-EP-120a.1
SO _x	metric tonnes	60	145	EM-EP-120a.1
Volatile organic compounds	metric tonnes	1,242	1,756	EM-EP-120a.1
Particulate matter	metric tonnes	193	201	EM-EP-120a.1





ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
WATER				_
Total fresh water withdrawn³	m³	2,878,862	2,907,935	EM-EP-140a.1 GRI 303-3
Total fresh water consumed ³	m^3	2,878,862	2,907,935	EM-EP-140a.1 GRI 303-5
Volume of produced water and flowback generated ³	m³	5,473,757	5,750,970	EM-EP-140a.2 GRI 303-4
Water discharged	percentage	0	0	EM-EP-140a.2
Water injected ³	percentage	85	85	EM-EP-140a.2
Water recycled ³	percentage	15	15	EM-EP-140a.2
Hydrocarbon content in discharged water	metric tonnes	N/A	N/A	
Hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	percentage	100	100	EM-EP-140a.3
Hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	percentage	0	0	EM-EP-140a.4
WASTE				
Total waste recycled/reused	metric tonnes	Not previously reported	637	GRI 306-4
Total waste disposed	metric tonnes	Not previously reported	424,962	GRI 306-5
Waste landfilled	metric tonnes	Not previously reported	211,356	GRI 306-5
Waste incinerated with energy recovery	metric tonnes	Not previously reported	0	GRI 306-5
Waste incinerated without energy recovery	metric tonnes	Not previously reported	0	GRI 306-5
Waste otherwise disposed:				
Cavern	metric tonnes	Not previously reported	0	GRI 306-5
Class 1B disposal well	metric tonnes	Not previously reported	0	GRI 306-5
Oilfield waste processing facility	metric tonnes	Not previously reported	212,969	GRI 306-5
Recycling facility (excluding used oil)	metric tonnes	Not previously reported	421	GRI 306-5
Used oil recycler	metric tonnes	Not previously reported	216	GRI 306-5
Waste with unknown disposal method	metric tonnes	Not previously reported	0	GRI 306-5





ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
HAZARDOUS WASTE				
Total hazardous waste recycled/reused	metric tonnes	Not previously reported	345	GRI 306-4
Total hazardous waste disposed	metric tonnes	Not previously reported	17,484	GRI 306-5
Hazardous waste landfilled	metric tonnes	Not previously reported	126	GRI 306-5
Hazardous waste incinerated with energy recovery	metric tonnes	Not previously reported	0	GRI 306-5
Hazardous waste incinerated without energy recovery	metric tonnes	Not previously reported	0	GRI 306-5
Hazardous waste otherwise disposed:				
Cavern	metric tonnes	Not previously reported	0	GRI 306-5
Class 1B disposal well	metric tonnes	Not previously reported	0	GRI 306-5
Oilfield waste processing facility	metric tonnes	Not previously reported	17,013	GRI 306-5
Recycling facility (excluding used oil)	metric tonnes	Not previously reported	341	GRI 306-5
Used oil recycler	metric tonnes	Not previously reported	3	GRI 306-5
Hazardous waste with unknown disposal method	metric tonnes	Not previously reported	0	GRI 306-5
BIODIVERSITY IMPACTS				
Number of hydrocarbon spills	number	7	11	EM-EP-160a.2
Volume of hydrocarbon spills	bbl	854.79	212.32	EM-EP-160a.2
Volume of hydrocarbon spills in Arctic	bbl	0	0	EM-EP-160a.2
Volume of hydrocarbon spills impacting shorelines with ESI rankings 8-10	bbl	0	0	EM-EP-160a.2
Volume of hydrocarbon spills recovered⁴	bbl / percentage	835.92 / 98%	212.26 / 99%	EM-EP-160a.2
Proved reserves in or near sites with protected conservation status or endangered species habitat	percentage	55	33	EM-EP-160a.3
Probable reserves in or near sites with protected conservation status or endangered species habitat	percentage	45	24	EM-EP-160a.3





ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
RECLAMATION				
Active wells (net operated)	number	1,718	1,721	
Inactive wells (net operated)	number	341	484	
Shut-in	percentage	25	46	
Suspended	percentage	75	54	
Abandoned wells (net operated)	number	272	254	
Active wells (net non-operated)	number	21	20	
Inactive wells (net non-operated)	number	36	37	
Shut-in	percentage	37	42	
Suspended	percentage	63	58	
Abandoned wells (net non-operated)	number	34	32	
Active reclamation ongoing (gross)	number	315	304	
Certificates received (gross)	number	15	5	
PIPELINE INCIDENTS				
Number of reportable spills	number	11	10	
Reportable non-pipeline spills	number	8	8	
Reportable pipeline spills	number	3	2	
Total volume of reportable spills	m³	577	69	
Volume of non-pipeline reportable spills	m³	12	62	
Volume of pipeline reportable spills	m³	565	7	
Pipeline incident rate	incidents per 1,000 km	0.37	0.65	
Number of fines and penalties	number	0	2	





ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
HEALTH & SAFETY				
LOST-TIME FREQUENCY				
Full-time employees ⁵	cases per 200,000 work hours	0.00	0.36	EM-EP-320a.1 GRI 403-9
Contractors ⁶	cases per 200,000 work hours	0.09	0.00	EM-EP-320a.1 GRI 403-9
RECORDABLE FREQUENCY				
Full-time employees ⁵	cases per 200,000 work hours	0.18	0.55	EM-EP-320a.1 GRI 403-9
Contractors ⁶	cases per 200,000 work hours	0.45	0.41	EM-EP-320a.1 GRI 403-9
FATALITIES				
Full-time employees and contractors	cases per 200,000 work hours	0.00	0.00	EM-EP-320a.1 GRI 403-9
NEAR MISS FREQUENCY RATE				
Full-time employees⁵	near misses reported per 200,000 work hours	0.55	0.18	EM-EP-320a.1 GRI 403-9
Contractors ⁶	near misses reported per 200,000 work hours	0.27	0.00	EM-EP-320a.1 GRI 403-9
SOCIAL				
WORKFORCE PROFILE		849	905	
Full-time	number	516	578	
Part-time	number	6	6	
Contractors and temporary employees	number	327	321	





ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
EMPLOYEES BY LOCATION				
Field (permanent)	number	205	239	
Office (permanent)	number	317	345	
Field (contractors and temporary)	number	304	275	
Office (contractors and temporary)	number	23	46	
GENDER DIVERSITY (PERMANENT ONLY)				
Women in workforce	percentage	29	29	GRI 405-1
Supervisory/professional positions	percentage	38	40	GRI 405-1
Management & executive team	percentage	30	28	GRI 405-1
Board of Directors	percentage	42	36	GRI 405-1
EMPLOYEE AGE CATEGORY (PERMANENT ONLY)				
30 years and under	number	58	58	GRI 405-1
30 years to 50 years	number	388	417	GRI 405-1
50 years and over	number	76	109	GRI 405-1
EMPLOYEE TURNOVER (PERMANENT ONLY)				
Total turnover ⁶	percentage	27	9	GRI 401-1
Voluntary turnover	percentage	4	7	GRI 401-1
Employee new hires	number	55	111	GRI 401-1
EMPLOYEE TRAINING (PERMANENT ONLY)				
Total Spending on Training	\$ millions	1.3	3.2	
Spending per Employee	\$	1,507	3,505	
COMMUNITY INVESTMENT				
Total donations	\$ millions	Not previously reported	2.7	
Number of organizations supported	number	Not previously reported	190	





ACTIVITY	UNITS	PRO FORMA 2021	2022	INDICATOR
SECURITY, HUMAN RIGHTS & RIGHTS OF INDIGENOUS PEOPLES				
Proved reserves in or near areas of conflict	percentage	0	0	EM-EP-210a.1
Probable reserves in or near areas of conflict	percentage	0	0	EM-EP-210a.1
Proved reserves in or near Indigenous land ⁸	percentage	0	0	EM-EP-210a.2
Probable reserves in or near Indigenous land ⁸	percentage	0	0	EM-EP-210a.2
BUSINESS ETHICS & TRANSPARENCY				
Proved reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index ⁹	percentage	0	0	EM-EP-510a.1
Probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index ⁹	percentage	0	0	EM-EP-510a.1
CRITICAL INCIDENT RISK MANAGEMENT				
Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1) ¹⁰	(total Tier 1 PSE count /total work hours) x 200,000 work hours	0.55	0.22	EM-EP-540a.1
ECONOMIC				
Value generated ¹¹	\$ millions	4,140.8	7,088.2	GRI 201-1
VALUE DISTRIBUTED TO				
Suppliers ¹²	\$ millions	2,246.2	2,674.3	
Providers of capital ¹³	\$ millions	314.8	377.1	
Governments ¹⁴	\$ millions	568.6	1270.3	
Employees ¹⁵	\$ millions	259.7	240.1	
Landowners ¹⁶	\$ millions	3.2	5.0	
Communities ¹⁷	\$ millions	1.7	2.7	
Value retained ¹⁸	\$ millions	746.6	2,518.7	
RESERVES VALIDATION & CAPITAL EXPENDITURES ¹⁹				
Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	million barrels (MMbbls), million standard cubic feet (MMscf)	See Price Case Table	See Price Case Table	EM-EP-420a.1
Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	metric tonnes CO₂e	300,681,500	307,269,900	EM-EP-420a.2
Amount invested in renewable energy, revenue generated by renewable energy sales	\$	0	0	EM-EP-420a.3



2022 ESG

PRICE CASE		TOTAL F	PROVED			TOTAL PI	ROBABLE		TO	TAL PROVE	D + PROBAI	BLE
SCENARIO	Oil (MMbbl)	Gas (MMscf)	TOTAL (MMboe)	Tonnes CO ₂ e	Oil (MMbbl)	Gas (MMscf)	TOTAL (MMboe)	Tonnes CO ₂ e	Oil (MMbbl)	Gas (MMscf)	TOTAL (MMboe)	Tonnes CO ₂ e
IEA Current Pricing	19	4,782,363	1,207		13	2,313,687	620		32	7,096,051	1,826	
IEA Stated	18	4,726,245	1,194	307,269,900	14	2,329,742	624	160,200,200	32	7,055,988	1,818	467,470,100
IEA Sustainable	17	4,592,199	1,164		11	2,220,415	597		27	6,812,614	1,761	

- 1 Pro forma 2021 production is calculated as the combined annual production for both ARC Resources Ltd. and Seven Generations Energy Ltd. for the three months ended March 31, 2021, is excluded from ARC's annual consolidated financial statements for the year ended December 31, 2021. Production reported for subsequent years alian to ARC's annual consolidated financial statements.
- Methodology used to collect activity data and calculate scope 1 and scope 2 emissions is in accordance with the Alberta Technology Innovation and Emissions Reduction (Reg. 133/2019, TIER), British Columbia Reporting Regulation 249/2015 (GGERR) which follows Western Climate Initiative (WCI) quantification methods, Canadian Association of Petroleum Producers (CAPP) Calculations Greenhouse Gas Emissions, 1999, 2003, 2005; American Petroleum Institute (API) Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2021; and National Inventory Report (2022).
- ³ 2021 pro forma data for this metric has been restated to reflect a methodology improvement.
- ⁴ Does not include spills 0.159m3 (1 bbl) or less.
- ⁵ Employee hours from Seven Generations Energy Ltd. prior to the Business Combination is not included in proforma health and safety data reported for 2021.
- ⁶ 2021 pro forma data for this metric has been adjusted based upon the revised exposure hour calculation methodology from Energy Safety Canada (ESC) which ARC adopted in 2022.
- 7 At the closing of the Business Combination, all permanent employees were assumed by ARC Resources.
- * ARC defines Indigenous lands as crown-held reserve land. While ARC does not have operational assets or mineral rights within Indigenous lands, a portion lies within the traditional territory occupied by both Treaty 6 and Treaty 8 First Nations and by the Métis people.
- ⁹ All of ARC's reserves are within Canada and therefore not in countries in the 20 lowest rankinas.
- 10 For 2022, the calculation used to establish the PSE Tier 1 rate has been adjusted to include both employee and contractor hours. The pro forma 2021 PSE Tier 1 rate reported previously reflects employee hours only.
- 11 Economic value generated comprises sales of crude oil, natural gas, condensate liquids and other income, before the reduction of any royalty obligations, gains and losses on risk management contracts and gains and losses on asset dispositions and business combinations. All figures are presented on an accrual basis.
- 12 Economic value distributed to suppliers comprises all operating, transportation and general and administrative costs as well as capital expenditures that are paid to suppliers other than employees, landowners, governments and for purposes of charitable donations. All figures presented on an accrual basis.
- 13 Economic value distributed to providers of capital includes interest expense paid in cash, cash dividends paid and common shares distributed through ARC's Dividend Reinvestment Program and Stock Dividend Program.
- 14 Economic value distributed to governments includes Crown royalty obligations, corporate income taxes, property and business taxes as well as consideration paid to governments for surface rights of Crown-owned land and government licenses, fees and permits. Excludes contributions to government pension plans and apovernment employment insurance premiums made on behalf of employees. All figures presented on an accrual basis. Due to the use of different reporting frameworks, figures presented will not necessarily conform to those presented in ARC's annual reporting under the Extractive Sector Transparency Measures Act ("ESTMA"). For more information or to view ARC's annual ESTMA report, please refer to ARC's website at www.arcresources.com.
- 15 Economic value distributed to employees comprise salaries, employee benefits and compensation associated with ARC's share-based compensation plans, all presented on an accrual basis.
- 16 Economic value distributed to landowners comprise land access payments and royalty obligations to individuals and corporations associated with non-Crown owned lands. Reduction in value distributed to landowners over a five-year time span attributed to reduction in total well count.
- ¹⁷ Economic value distributed to communities comprise contributions to charitable and not-for-profit organizations.
- 18 Economic value retained represents Economic value generated minus total Economic value distributed as presented herein. Economic value retained does not have any standards ("IFRS") and should not be confused with retained earnings, net income, comprehensive income or any other measure prescribed by IFRS. May not be comparable to similar measures presented by other entities. measures presented by other entities.
- ¹⁹ Reserves analysis completed by GLJ Ltd.



Disclaimers

This 2023 ESG Update (the "Update") is for information purposes only and is being made available by ARC to provide information on ARC, its business and its approach to ESG matters.

This Update does not constitute an offer to sell to any person, or an offer to the public of, or the solicitation of an offer to subscribe or purchase, any securities of ARC, nor shall this Update or any part of it, or the fact of its delivery or availability, form the basis of, or be relied upon in connection with, or act as an inducement to enter into, any contract or commitment whatsoever with respect to any securities.

Forward-Looking Statements

This Sustainability Update contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this Update contains forward-looking information and statements pertaining to the following: the continuing discussion around the energy transition and continued progress on lowering emission; that ARC will continue to advance its strategy to be the best-in-class responsible energy producer and deliver on its corporate purpose; ARC's commitment to the continuous improvement of its performance; the expectation that ARC will maintain its position as an ESG leader through enhanced reporting and disclosure; ARC's intended sustainability reporting and performance metrics; ARC's climate-related goals and targets and related expectations including but not limited to reducing ARC's GHG and methane emissions intensity by 20 per cent by the end of 2025 relative to ARC's 2019 baseline and implementing a minimum of 70,000 metric tonnes of carbon dioxide equivalent emission reduction projects by 2025; ARC's electrification plans and the anticipated timing and benefits thereof; ARC's intention to continue to assess energy efficiency measure to reduce the emissions intensity of its assets; the intention to continue to increase electrification; ARC's ability to reinvest carbon offset revenues into clean technology development; expectations that future electrification will further reduce methane and support ARC's methane targets; the electrification of ARC's Dawson III and IV facilities and the anticipated benefits thereof; that air quality around select ARC sites will be constantly measured to assist ARC in meeting or exceeding methane targets; expectations that health and safety focus areas will inform ARC's future efforts, improve ARC's health and safety performance and effectively manage risks; ARC's goals and targets with respect to social responsibility and corporate governance and the timing thereof; expectations that ARC will continue to demonstrate leadership through active engagement with stakeholders; expectations that ARC will continue to seek opportunities to engage proactively and advance its knowledge in partnership with Indigenous communities near its operations; ARC's plans with respect to diversity, equity and inclusion in the workplace; expectations that ARC's ESG performance will continue to improve; the continued execution of ARC's Fugitive Emissions Management Program and anticipated reduction of fugitive emissions.

The forward-looking information and statements contained in this Sustainability Update reflect several material factors, expectations and assumptions of ARC, including, without limitation: the general continuance of current industry conditions; that innovation and the application of clean technologies will continue to be the major drivers behind ARC's leading emissions performance; anticipated results of various technologies; that electrification will play a significant role; that over the long term, natural gas will be a pivotal component of the global energy mix; that there will continue to be a growing emphasis on energy security; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; expectations that a growing emphasis on energy security will provide added support for natural gas demand from stable regions such as Western Canada; that there will be increased global demand for LNG; the Company's capital budget and operational plans for 2023; expectations that continuous monitoring can lead to reducing emissions; the ability to complete the infrastructure projects on the proposed timelines and within the proposed budget; the ability to implement new technologies; the ability to obtain all necessary regulatory approvals on the anticipated timelines; certain commodity price and other cost assumptions for 2023 the continuity of community priorities; that taking a balanced approach to responsible development led by certain quiding principles will be key in harmonizing the environment and the economy; the retention of ARC's key properties; access to equipment and qualified personnel; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove

The forward-looking information and statements included in this Update are not quarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in ARC's plans regarding the implementation of new technologies, facilities replacement and construction, and operations based on key learnings and experience gained through the design and implementation of such plans; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; delays and cost overruns in respect of the proposed projects; the inability to obtain the necessary regulatory approvals within the anticipated timelines; changes in commodity prices; changes in the demand for or supply of ARC's products; the impact of the economic development of emerging economies on demand for fuel products; changes in development plans of ARC or by third-party operators of ARC's properties; changes to the government; increased debt levels or debt service requirements; loss of key personnel; limited, unfavorable or a lack of access to capital markets; deterioration of relations with Indigenous groups; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in ARC's public disclosure documents (including, without limitation, those risks identified in this Update and in ARC's Annual Information Form for the year ended December 31, 2022 (the "AIF") which is available on ARC's profile on SEDAR at sedar.com).

The internal projections, expectations or beliefs are based on the 2023 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this Update speak only as of the date of this Update, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Oil and Gas Information

Oil related terms and measurements

Millions of barrels (1 barrel = 159 litres)

MMscf Million standard cubic feet

MMboe Millions of barrels of oil equivalents

Barrels of Oil Equivalent

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf. 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Reserves

The estimates of ARC's reserves set forth in this presentation have been derived from a report of GLJ Ltd. ("GLJ") with an effective date of December 31, 2021 and a preparation date of January 24, 2022 (the "GLJ SASB Report"), which was prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluations Handbook (the "COGEH") and using GLJ's forecast prices and costs as at January 1, 2022. The reserves in the GLJ SASB Report were analysed within the context of an evaluation of a distinct group of properties in the aggregate and do not represent all of ARC's reserves. The reserves reported in the GLJ SASB Report are subject to the limitations and assumptions therein. A complete statement of reserves data and oil and gas information in accordance with NI 51-101 for the year ended December 31, 2021 can be found in the AIF which is available on ARC's profile on SEDAR at sedar.com.

"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated "proved plus probable" reserves.

All of ARC's reserves disclosed herein are located in Canada. The estimates of reserves provided in this document are estimates only, and there is no quarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein.



May 31, 2023

Independent practitioner's limited assurance report on ARC Resources Ltd. Performance Table for the year ended December 31, 2022

To the Board of Directors and Management of ARC Resources Ltd.

GHD Limited was retained by ARC Resources Ltd. to verify the corporate inventory. GHD has undertaken a limited assurance engagement in respect of the Scope 1 emissions in Alberta and British Columbia and Scope 2 greenhouse gas ("GHG") emissions in Alberta and British Columbia as reported in ARC Resources Ltd. ("ARC Resources") ESG Performance Table for the year ended December 31, 2022, and for the changes from December 31, 2021 to December 31, 2022 in Scope 1 and 2 GHG emissions (the "Subject matter").

Subject matter

GHG emissions in tonnes CO₂e for the year ended December 31, 2022 and changes in GHG emissions from December 31, 2021 to December 31, 2022,

Scope	As at December 31,	As at December 31,	
	2022	2021	2021 to December 31, 2022 (tonnes CO2e)
	(tonnes CO2e)	(tonnes CO2e)	
Total Scope 1	1,827,985	1,819,007	8,978 increase in Scope 1 GHG emissions
Total Scope 2	49,941	41,531	8,410 increase in Scope 2 GHG emissions

ARC Resources management responsibilities

Management is responsible for preparation of the Reports in accordance with the Alberta Technology Innovation and Emissions Reduction Regulation (Reg. 133/2019, TIER), British Columbia Reporting Regulation 249/2015 (GGERR) which follows Western Climate Initiative (WCI) quantification methods, Wes Canadian Association of Petroleum Producers (CAPP) Calculations Greenhouse Gas Emissions, 1999, 2003, 2005; American Petroleum Institute (API) Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2021; and National Inventory Report (2022) (together, the criteria).

Management is also responsible for such internal control as management determines necessary to enable the preparation of the Reports that is free from material misstatement.

Our responsibility

The purpose of verification was to have an independent third-party assess ARC Resources' 2022 Corporate GHG inventory which will ultimately be used within their compliance with the requirements of ISO 14064-3 and associated guidance. The objective of the verification was to provide ARC Resources with assurance that there are no material misstatements in the 2022 Corporate GHG Inventory and that the information reported is accurate.

ARC Resources has reported Scope 1 and Scope 2, emissions. GHD verified ARC Resources' Scope 1 and Scope 2 emissions in accordance with the requirements of the ISO 14064-3.

The verification was conducted to a limited level of assurance in accordance with the requirements of ISO 14064-3. Based on this level of assurance, GHD verified that ARC Resources' assertion is:

- Materially correct and is a fair representation of the GHG data and information.
- Prepared in accordance with the applicable GHG quantification, monitoring, and reporting, standards or practice.

The quantitative materiality for this verification is set at plus or minus five percent of the reported 2022 emissions as per general industry practice and recommended by the GHG Protocol. In addition, a series of discrete errors, omissions or misrepresentations or individual or a series of qualitative factors, when aggregated may be considered material.

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Our independence and quality control

GHD is accredited by the ANSI National Accreditation Board (ANAB) under ISO 14065 as a Greenhouse Gas Validation and Verification Body. Our ANAB accreditation can be viewed at the ANAB GHG Accreditation Services website (Link). GHD maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Because of the inherent limitations in any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the procedures performed on the relevant internal controls were on a test basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The verification opinion expressed in this report has been formed on the above basis.

GHD's review of the 2022 GHG inventory included only the information discussed above. GHD did not conduct any direct field measurements and has relied on the primary measurement data and records provided by ARC Resources as being reliable and accurate. No other information was provided to GHD or incorporated into this review. GHD assumes no responsibility or liability for the information with which it has been provided by others.

The information and opinions rendered in this report are exclusively for use by ARC Resources. GHD will not distribute or publish this report without ARC Resources' consent except as required by law or court order. The information and opinions expressed in this report are given in response to a limited assignment and should only be evaluated and implemented in connection with that assignment. GHD accepts responsibility for the competent performance of its duties in executing the assignment and preparing this report in accordance with the normal standards of the profession but disclaims any responsibility for consequential damages.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject matter in ARC Resources Reports, prepared in accordance with the criteria during the year ended December 31, 2022 and for the changes from December 31, 2021 to December 31, 2022 is not fairly stated, in all material respects.

Purpose of statement and restriction of use and distribution

The Reports have been prepared to assist ARC Resources for internal use. As a result, the Reports may not be suitable for another purpose.

Statements from GHD's Verification Report must use the language in which the statement was issued, and reference the date of issuance of GHD's report, the applicable verification period and the associated program for which the verification was conducted. The GHG assertion provided by GHD can be freely used by ARC Resources for marketing or other purposes other than in a manner misleading to the reader. The GHD mark shall not be used by ARC Resources in any way that might mislead the reader about the verification status of the organization. The GHD mark can only be used with the expressed consent of GHD and then, only in relation to the specific time period verified by GHD.

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