xebec

ESG Report 2020

Environmental, Social,
and Governance issues report

xebecinc.com

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MESSAGE FROM THE CEO

Now more than ever, companies need to generate positive social and environmental impacts, as wealth distribution to all their stakeholders is fundamental for societies to thrive. In light of the recent global events, companies need to become beacons of truth and a force for good, creating a better future for employees and communities.

The pandemic has been, in many ways, a catalyst to ignite the transition to more sustainable business practices among a wide spectrum of industries. It has also brought forward the necessity to prioritize the safety of our employees, and I am truly grateful to our team for their proactivity in the implementation of covid related safety protocols, communication channels and support initiatives, all of which allowed our operations to continue despite the great challenges we faced.

Today, Xebec is fortunate to experience a period of continued growth, fuelled by the growing demand for clean energy solutions that address the pressing systemic risks associated with a changing climate. Our company currently provides clean technology solutions that deliver low-carbon renewable gases, and our development focus is on decentralized gas production and on-site gas generation, thus reducing transportation impacts while offering a more cost effective product with increased efficiency. We continue to work on the integration of recent acquisitions that will enable us to offer an even wider range of solutions addressing climate change related risks.

We are committed to building our capabilities to collect, monitor and disclose environmental, social, and governance (ESG) data, as a way to embed a sustainable development model that integrates economic growth with social and environmental responsibility at the core of our strategic decisions. We understand that addressing ESG related matters requires an "all hands on deck" approach, where associated initiatives are cascaded across all functions and levels of the organization. This is an opportunity to remove silos, foster cross-functional collaboration, and establish a corporate culture around meaningful values.

This report supports the practice of accountability on sustainability-related issues that are intrinsic to our company's long-term success. It constitutes a tool for continuous improvement in how we conduct our business. As we progress, we intend to collect additional data, set targets, and identify initiatives that will improve our ESG performance. We are also in the process of establishing an ESG integration framework, including a dedicated ESG committee, to hold ourselves to our ambition of reconciling our business interests with our economic, social, and environmental responsibility.

Generating positive impact

Sustainable development ultimately aims to address the major challenges we face, for a fairer, more prosperous world. As a company, we believe that one of the most significant roles we can have is addressing the growing wealth gap by redistributing the wealth we create to our stakeholders, and particularly to our employees and their families. This is largely the motivation behind the employee pension plan and share purchase plan we implemented in the first half of 2020.

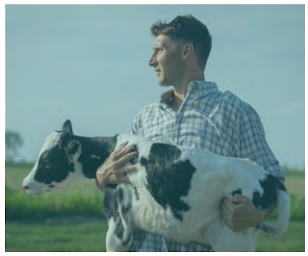
"Our business partners and shareholders have new expectations of Xebec. From meeting ESG requirements to financial and policy accountability, sustainability and resilience are the new drivers for our organization. We have put forth a mission focused on responsible, resilient and sustainable solutions. As part of our corporate strategy, our team is committed to contributing to a better future while scaling the green economy."

Michael Nadeau, VP Corporate Development and Integration

Kurt Sorschak
Chairman of the board, CEO and President of Xebec Adsorption Inc.

2020 HIGHLIGHTS

February 12, 2020
Xebec announced a $27 million U.S. Dairy Farmer project



July 31, 2020
Xebec finalized its third acquisition of North Carolina based Air Flow

August 25, 2020
Xebec announced the appointment of Sara Elford to the Board of Directors

August 31, 2020
Xebec finalized its fourth acquisition of British Columbia based Applied Compression Systems

October 31, 2020
Xebec finalized its fifth acquisition of Pennsylvania based The Titus Company

December 17, 2020
Xebec entered the hydrogen and renewable natural gas markets in Germany with a definitive agreement for the acquisition of Inmatec, a world leader in on-site oxygen and nitrogen generation products

December 30, 2020
Xebec closed its $143.8 million bought deal public offering and $63.3 million concurrent private placement with Caisse de dépôt et placement du Québec

December 31, 2020
Xebec completed its transformative acquisition of HyGear, a leading provider of local hydrogen through steam methane reforming and electrolysis technologies

FEBRUARY | JULY | AUGUST | OCTOBER | DECEMBER

For more announcements visit: https://xebecinc.com/news/

ABOUT THIS REPORT

This is Xebec's second ESG report related to the Company for the 12-month period ending December 31, 2020. As on December 31, 2020, Xebec and its subsidiaries comprises a total of 17 facilities (including manufacturing, R&D, warehouse, sales and service centers) across North America, Europe, Middle East and Asia. However, in this report, we have reported quantitative data mainly for Quebec based facilities which include a manufacturing site and a warehouse. Where this is the case, it has been clearly indicated. The rationale behind the scope of this pilot phase is to establish a solid foundation for the quantification and reporting of ESG issues. Over time, our objective is to increase the scope of coverage of our reporting data to include all of our operating subsidiaries globally.

This report on our material ESG issues is based on the standards of the Sustainability Accounting Standards Board (SASB)[1] for the Industrial Machinery & Goods industry of the Resource Transformation sector, as defined by SASB's Sustainable Industry Classification System®. We also used the Task Force on Climate-related Financial Disclosures (TCFD)[2] framework as a guide to the context and narrative for our sustainability approach in general as well as how we address each material issue specifically. Our ESG report remains in partial compliance with the above mentioned references.

The contents of this report were internally reviewed by the executive management team and the Board of Directors. They have not been externally assured, with the exception of financial information stemming from our audited financial statements for the year that ended December 31, 2020. Unless otherwise stated, all dollar amounts are in millions of Canadian dollars.

In this report, unless otherwise indicated or required by the context, "Xebec", "the Company", "we", "us", "our", "our Company", "the Group" and "our Group" designate, as the case may be, Xebec Adsorption Inc. or Xebec Adsorption Inc. and its subsidiaries.

For more information about this report or about our sustainability approach and our material ESG issues, please contact info@xebecinc.com.

(1) The Sustainability Accounting Standards Board (SASB) is a US-based non-profit organization that has established industry-specific disclosure standards across environmental, social, and governance (ESG) topics in order to facilitate communication between companies and investors about financially material, decision-useful information. (www.sasb.org)

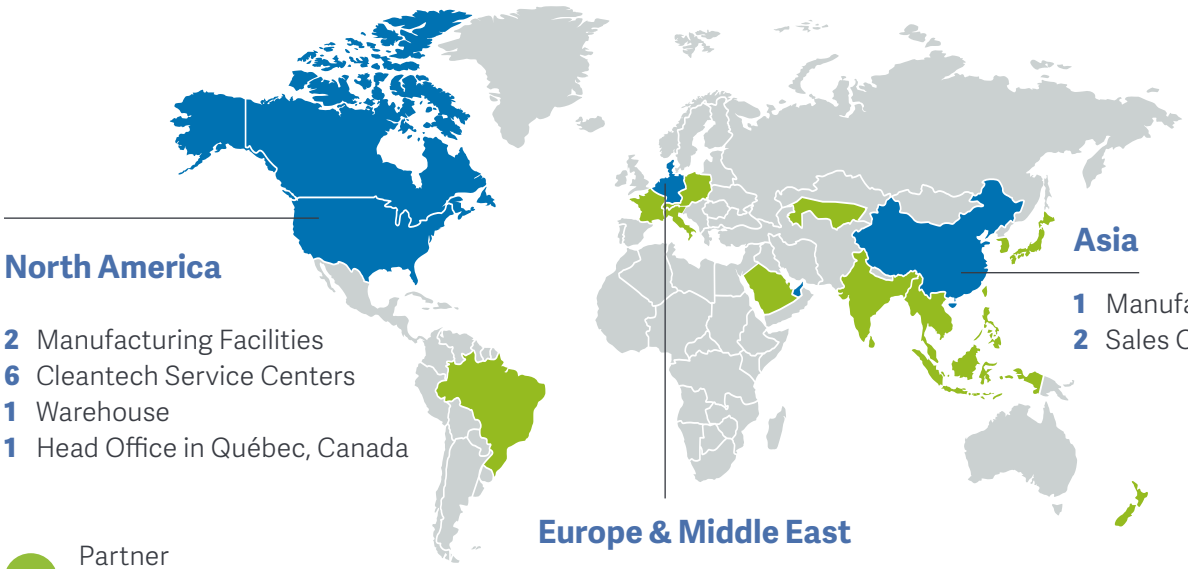
(2) The Task Force on Climate-related Financial Disclosures (TCFD) was established by the international Financial Stability Board to develop voluntary, consistent climate-related financial risk and opportunity disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. (www.fsb-tcfd.org)

ABOUT THE COMPANY

Xebec is a global provider of clean energy solutions for distributed generation of renewable and low carbon gases used in energy, mobility and industry applications. The company specializes in deploying a portfolio of proprietary technologies for the distributed production of hydrogen, renewable natural gas, oxygen and nitrogen. By focusing on environmentally responsible gas generation, Xebec has helped thousands of customers around the world reduce their carbon footprint and operating costs. Headquartered in Québec, Canada, Xebec has a worldwide presence spanning over four continents. Xebec trades on the Toronto Stock Exchange under the symbol (TSX: XBC).

For more information, xebecinc.com

Company global presence and employees



North America

2 Manufacturing Facilities
6 Cleantech Service Centers
1 Warehouse
1 Head Office in Québec, Canada

Asia

1 Manufacturing Facility
2 Sales Offices

Europe & Middle East

2 Manufacturing Facility
2 Cleantech Service Centers
3 Sales Offices
1 Hydrogen R&D Facilities

Partner Network

(Note: Map depicts Xebec global facilities as on 31st March 2021. For more information on Inmatec acquisition, please refer to Xebec's 2020 Management's Discussion and Analysis and 2020 Annual Information Form.

Company global presence and employees

XEBEC GLOBAL FACILITIES	As on Dec. 31st 2020	As on March 1st 2021
Head office (Stand alone)	0	1
Warehouse	1	1
Manufacturing (includes Head office as on Dec 31st 2020)	4	5
Sales Office	4	5
Cleantech service centers	7	8
Hydrogen R&D facilities	1	1
Total	**17**	**21**

As on Dec. 31st 2020	Employees (#)		Employees (%)	
COUNTRY	2020	2019	2020	2019
Canada	158	110	46%	69%
USA	67	6	19%	4%
Italy	7	23	2%	14%
Netherland	73	0	21%	0%
Singapore	7	0	2%	0%
China	34	21	10%	13%
Total	**346**	**160**	**100%**	**100%**

2020

- Acquisition of Applied Compression Systems, a British Columbia Compressor Packaging Solutions company
- Acquisition of HyGear, a Global leader in decentralized and onsite hydrogen generation systems
- Acquisition of The Titus Company, a Pennsylvania Service Company
- Export Development Canada (EDC) recognizes Xebec as one of the most innovative Canadian cleantech companies
- Expanded Cleantech Service Network with Acquisition of North Carolina Based Air Flow

2019

Acquisition of CDA Systems,a California service Company

2018

- Acquisition of CAI, an Ontario service company
- Xebec honoured by Export Development Canada (EDC) as its Cleantech Export Star

2017

Creation of Xebec Adsorption Europe S.R.L.

2016

- PSA: development of a more efficient recovery solution (>99%)
- $9.6M in revenues

2015

ISO 9001: 2015 implemented in our facility in China

2014

Opening of a sales office in Houston, Texas (USA)

2012

PED certification

2009

- Merger with Questair
- Xebec goes public
- Improvement of our PSA technology

2008

- International Organization for Standardization (ISO) 9001:2008
- Opening of the manufacturing plant in China

2004

Development of renewable gas solutions – i.e., BGX, H2X

2000

Major investment in our HQ office space in Blainville, Quebec

1997

Development of natural gas purification systems

1967

Creation of Xebec starting with dehydration technology for natural gas

Xebec's evolution

Xebec's origins date back more than 50 years, when it began as a manufacturer of air purification equipment. In 2009, it diversified into the cleantech sector with the reverse takeover of publicly listed QuestAir Technologies, acquiring an impressive portfolio of gas purification and renewable gas production technologies. This transaction came on the heels of the global financial crisis and ensuing economic recession. It was also an idea before its time, as global awareness of climate-related risks was only beginning to gain momentum. As a result, Xebec experienced a difficult period, both operationally and financially, up until 2017, when the growing focus on the transition to a low-carbon economy reached critical mass, resulting in a surge in demand for the Company's end-to-end solutions for gas purification and renewable gas production. As a result, since 2018 Xebec has been experiencing very rapid growth. Through internally generated funds and additional financings, it is building the financial resources to capitalize on its climate-related opportunities, pursuing more and larger contracts, accelerating its growth through strategic acquisitions and implementing more rigorous management processes throughout the Company.

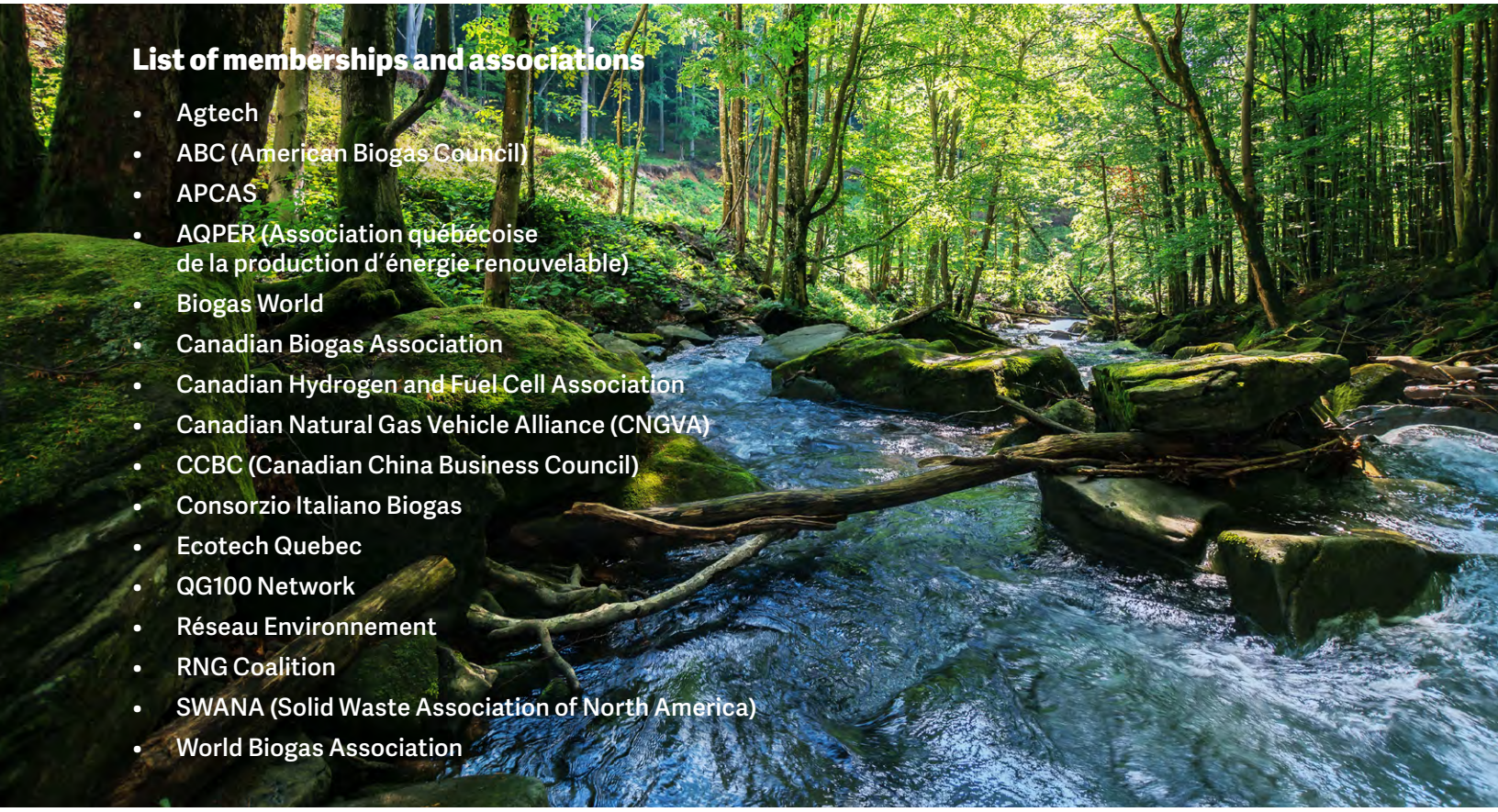
Our sustainability approach

Xebec abides by the Brundtland Commission's definition of sustainability, that is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This definition guides us in our strategic and operational choices and in reconciling our business interests with our economic, social, and environmental responsibilities. We seek to operate in ways that secure our long-term economic performance while avoiding short-term behavior that is socially detrimental or environmentally wasteful.

Each and every day, our people work towards the goal of helping our world transition to a low-carbon future, by deploying major energy regeneration projects around the world and developing turnkey gas purification solutions. Through our renewable gas solutions, we are effectively taking part in the transition to a more sustainable world.

We seek to extend this goal beyond the products and solutions we provide to our customers. Our business operations support economic growth while striving to avoid any kind of social or environmental harm. Furthermore, we focus on creating, along with many of our industry partners and competitors, leading-edge technologies that meet or exceed the requirements of regulation and industry codes and standards to shift industries to alternative fuels, delivering low-or zero-emission fuel solutions that will meet the demand for high-efficiency, high-performance, and low-carbon needs.

We are proud to have laid the foundation for the integration of sustainability into our core business strategy during the course of 2020. Recognizing that sustainability related issues are cross-functional, we have hired an external partner to help us set up the internal processes to measure and disclose our ESG performance, and to support the creation of an ESG Committee to ensure continuous monitoring and improvement. These activities are explained in more detail in the section on Corporate Governance.



List of memberships and associations

- Agtech
- ABC (American Biogas Council)
- APCAS
- AQPER (Association québécoise de la production d'énergie renouvelable)
- Biogas World
- Canadian Biogas Association
- Canadian Hydrogen and Fuel Cell Association
- Canadian Natural Gas Vehicle Alliance (CNGVA)
- CCBC (Canadian China Business Council)
- Consorzio Italiano Biogas
- Ecotech Quebec
- QG100 Network
- Réseau Environnement
- RNG Coalition
- SWANA (Solid Waste Association of North America)
- World Biogas Association

Our material ESG issues

We chose the SASB standards as the basis for our sustainability reporting because we found that the ESG issues identified as material for the Industrial Machinery & Goods industry are indeed material to our business activities and prospects. We have also added climate change as a material issue on which to report, given our strategic focus on supporting the transition to a low-carbon economy by accelerating the production of renewable gases, in order to address this unprecedented global systemic risk.

We understand that materiality is a dynamic concept that requires us to periodically revisit the risks and opportunities that are most significant to our business. In addition to the material issues identified by the SASB standards, issues like product safety, employee attraction, retention and gender diversity, as well as corporate culture are also the focus of ongoing monitoring by management. In addition, we intend to continue consulting our stakeholders to gain a better understanding of the issues that are most important to them, and use this knowledge to expand and refine the list of material issues we explicitly manage and report on.

"For Xebec, a diverse workforce with more than a dozen nationalities and languages from the global community brings together various backgrounds, ideas and perspectives that generates innovation and contributes greatly to our success."

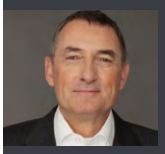
Vanessa De Bonville, Director of Human Resources and EHS

CORPORATE GOVERNANCE

Xebec's Board of Directors is composed of seven directors, up from six in 2019, five of which are independent, i.e. having no direct or indirect relationship with the Company that could reasonably be expected to interfere with the exercise of independent judgment. The CEO's 2019 commitment to improve gender diversity at the board level was followed with the appointment of a first female board member in 2020, and at the time of writing, we have appointed a second female board member and have nominated a third, as mentioned in the latest company circular.

Due to the fact that the CEO, Mr. Sorschak, is not considered to be independent, the Board of the Corporation appointed Mr. William Beckett, an independent Director, as lead director (the "Lead Director"). The Lead Director assumes the responsibilities of the Chair during meetings of the Board when Directors who are not independent declare a conflict or otherwise excuse themselves from discussion on an agenda item and do not participate in a vote. The Lead Director is responsible to take reasonable measures to ensure that the meetings of independent Directors (or agenda items during which Directors who are not independent excuse themselves) are conducted in such a way as to promote discussion and allow for the efficient and effective review and discussion of the issues submitted to the independent Directors.

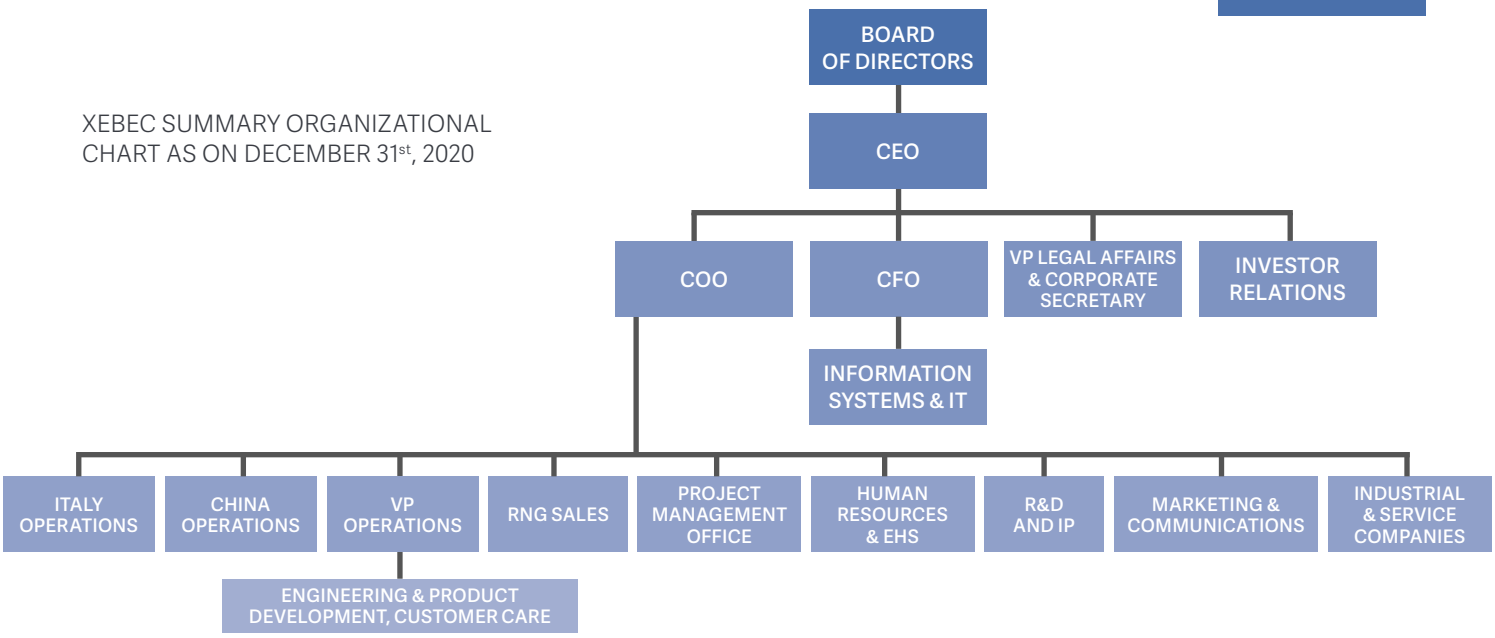
By the very nature of the Company's business activities, the issues of climate change and energy policy are specifically addressed by the Board of Directors, as they pertain to the strategic business opportunities the Company is seeking to capture. Other sustainability-related issues will be addressed through a more formal reporting process, of which this report is a key component. As at the end of 2020, no director or Board committee had explicit sustainability or ESG oversight. Starting in 2021 the Board Governance charter will explicitly include ESG matters, which will be part of the Corporate Governance committee's oversight duties.



"Recognizing the strategic benefits of gender diversity, we are on track to meeting our commitment of having at least three women directors by the end of 2021."

Chairman of the board, CEO
and President of Xebec Adsorption Inc.

XEBEC SUMMARY ORGANIZATIONAL CHART AS ON DECEMBER 31st, 2020



Executive Management Team

During 2020, the Company expanded its senior management team to better support its rapid expansion with the appointments of a Vice-President, Legal Affairs and Corporate Secretary, Vice-President, Industrial, President, Xebec Europe. Pursuant to the transition plan in view of the retirement of the Chief Financial Officer (CFO), the Company announced the appointment of a new CFO in November 2020.

In 2020, the executive management team held meetings every two weeks to report on operations, finance, sales and special projects with the Chief Operating Officer (COO), who reports to the Chief Executive Officer (CEO). Reporting financial performance is channeled to the Chief Financial Officer (CFO), who also reports to the CEO monthly. The CEO, CFO, COO, and VP Legal Affairs and Corporate Secretary report operating and financial performance, risk management and strategic initiatives to the Board at least quarterly.

Enterprise risk management

The Company is currently working on its control processes to formalize an Enterprise Risk Management program. As of the end of 2020, the Management team was responsible for identifying and assessing business risks. These were captured through the reporting process described previously and managed on an ongoing basis by the CEO and COO. Any risk deemed significant is brought to the attention of the Board on an ad hoc basis. Our recent senior management appointments in legal and finance will support the implementation of the Enterprise Risk Management program in 2021.

To strengthen our internal reporting, risk management, regulatory and policy compliance, in 2020 we initiated the implementation of a significant upgrade to our Enterprise Resource Planning (ERP) system, as this will help structure company-wide operating data, including ESG related performance indicators. We are making good progress, albeit at a slower pace than expected because of the pandemic. The revised target deployment date for the Quebec facilities is now set for the second half of 2021, with a plan to gradually extend to other facilities including newly acquired companies.

We implemented the requirements associated with securities regulation 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), which were necessary to enable CEO and CFO certification of our annual and interim disclosures, as a key enabler to the uplisting of Xebec's securities from the TSX Venture Exchange to the Toronto Stock Exchange.

ESG Committee

The need for a more formal senior management level committee to oversee ESG related matters was highlighted in our inaugural ESG Report. As of the writing of this report, the committee has been formed and officially launched. It is chaired by the CEO and includes members from finance, legal, operations, human resources, R&D, IS/IT, marketing and communications. The purpose of the ESG Committee is to support the Company's on-going commitment to environmental, health and safety, corporate social responsibility, corporate governance, and other sustainability related matters relevant to the Company. The short-term objectives of the committee will be to support the efforts required to collect and disclose ESG performance metrics, reinforce management practices around ESG issues and establish a robust ESG reporting process to meet stakeholders' information needs.

Furthermore, as the Company's operating priorities remain focussed on managing the rapid growth and acquisition plan along with implementing more formal systems and processes, the management expects to articulate its sustainability-related priorities once the baseline assessment of the quantitative metrics are completed. In turn, these are expected to be reflected as specific Board agenda items.

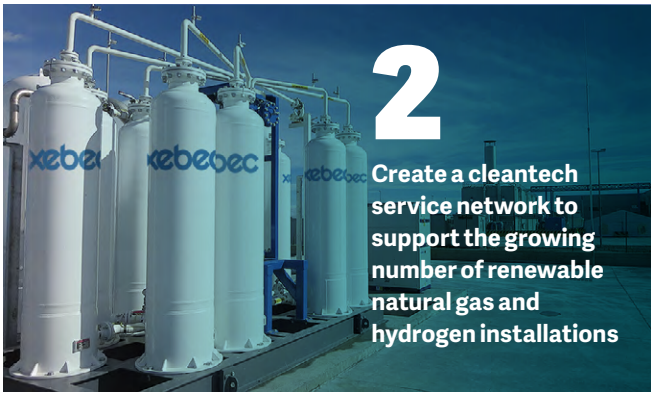
For more information about our corporate governance practices, including board composition and director biographies, please refer to Xebec's 2021 Management Information Circular.

STRATEGY

We are fortunate to have a clear general strategic direction over a 30+ year horizon, as the world mobilizes to transition to a low-carbon economy. The challenge becomes how to best position ourselves in this rapidly evolving field, how to leverage our technological know-how, size, and flexibility to capture opportunities arising from successively emerging technologies and equipment that have a life cycle of approximately 15 to 20 years.

To translate this long-term clarity into a series of short-term strategic priorities, we have implemented a rolling three-year plan approach. Our current three-year strategic plan is articulated around three axis: →

1 **Offer low and zero carbon gases through significant expansion of our biogas upgrading plants and deployment of on-site and decentralized hydrogen production systems**



2 **Create a cleantech service network to support the growing number of renewable natural gas and hydrogen installations**

3 **Focus on profitable growth for a sustainable future**

While each of the sustainability-related issues described in the following sections of this report is intrinsically connected to our ability to meet demand for our products, generate revenues, manage costs, increase profitability, and ultimately create value, two issues in particular explicitly influence our current strategy execution.

The first is climate change, which is the overarching driver of rapidly growing demand for low-carbon energy sources. Our cleantech products enable the capturing and upgrading of biogas to high purity natural gas (methane) that can be injected into the natural gas distribution grid or used as a transportation fuel, and that produces environmentally benign by-products (organic fertilizer and animal bedding). The regulatory, technology, and market drivers represent transition opportunities that accelerate the growing demand for our products (**page 19**).

The second is fuel economy and emissions in use-phase, which speaks not only to the fact that our products help reduce our clients' emissions, but they offer several competitive advantages, as they are more fuel efficient, consume no water, and have significantly less impact on the environment than competing technologies. Renewable natural gas and renewable hydrogen are ideal fuels and present cost-effective options for carbon abatement (**page 29)**.

Acquisitions generating positive impact
The acquisition of HyGear in December 2020 positions Xebec to execute and accelerate its distributed hydrogen generation strategy. The acquired technology and the access to new markets enables Xebec to launch a commercially viable renewable (green) hydrogen product offering. We aim to work on specifying more information on the associated environmental benefits, including avoided emissions, in the future.

Research & Development

Xebec's research and development activities are conducted at Xebec's main facility in Blainville, Quebec, and at the HyGear hydrogen R&D facility in Arnhem, Netherlands. Xebec utilizes in-house resources for its research activities, allowing it to maintain control over its intellectual property related to the design, process and manufacturing of Xebec's products. Xebec also partners with research departments of many universities.

In 2020, the R&D expenditure was $1.2 million compared to $0.1 million in 2019. Xebec's development activities are presently focused on the development of high-performance biogas upgrading systems, standardization and containerization of biogas systems, generation and purification of renewable hydrogen systems for fuel cell vehicles and the development of methanation technology related to energy storage solutions in the field of power-to-gas applications.

ECONOMIC CONTRIBUTION

Xebec's goal is to build a sustainable business that will drive long-term shareholder and stakeholder value. Over the years, we invested considerable amounts ($1.2 million in 2020) in research and development to bring technologies to market that deliver cost-effective, low-impact solutions for the generation and purification of renewable natural gas and hydrogen.

With the rising awareness of climate-related risks and the global mobilization to transition to a low-carbon economy and the need for decentralized gas production, we have been experiencing growth in both revenues and profits in recent years.

We expect to continue to benefit from favourable tailwinds in the coming years:

The recognition of climate change as a global systemic risk, driving a transition from fossil energy sources towards renewable, zero-carbon energy.

Continued build-out of clean natural gas refueling infrastructure in the U.S., Canada, and Europe combined with rapidly increasing demand for renewable natural gas as a transportation fuel.

Implementation of low carbon fuel standards driving demand for renewable natural gas and hydrogen as a low-carbon transportation fuel and establishment of renewable natural gas assets.

Increasing demand for small scale decentralized hydrogen production and purification solutions for fuel cell applications in transport and industrial applications.

Emphasis on ESG performance and actions against climate change from a range of stakeholders has accelerated the adoption of cleantech solutions as a pathway to a low-carbon economy.

Hydrogen purification technologies poised to experience robust growth in the U.S., China, Japan, Canada, Germany, and India in refining and electronics industries.

Increasing demand for compressed air and gas equipment across the food & beverage, medical and pharmaceutical industries that can deliver cleaner, purer, oil-free, dry and sterile compressed air, combined with the trend in reshoring industries to North America.

In the broader context of sustainability, our financial performance also measures the economic value we generate and distribute through our activities.

"The pandemic has brought the spotlight towards on-site production of oxygen with increasing demand in the health services industry; Xebec's strategic advantage with the acquisition of Inmatech in 2021 caters to this technology."

Nathalie Théberge, Vice-President, Legal Affairs & Corporate Secretary

ECONOMIC VALUE GENERATED AND DISTRIBUTED (IN MILLIONS OF DOLLARS)

	2020	2019
Revenues	$56.5	$49.3
(less)		
Operating costs	$65.3	$34.5
Employee wages and benefits	$19.0	$10.7
Payments to providers of capital (interest, dividends)	$2.7	$1.6
Payments to governments (taxes, penalties)	$1.4	$0.2
Community investments (including donations) (equals)	—	—
Economic value retained	($32.0)	$2.3

For more information about our consolidated financial performance, please refer to Xebec's 2020 Management's Discussion and Analysis and Consolidated Financial Statements.

2019 figures have been re-stated and aligned with latest financial statements.

Green hydrogen has a promising future in Québec

— "Thanks to our local talent, Xebec has developed world leading renewable natural gas and hydrogen technologies that are sold around the world. We are very pleased to see the government's confidence in the potential of both RNG and green hydrogen in Québec. Our strong presence in the province will allow us to offer local, reliable and economical solutions to organizations that will develop projects in these sectors. We are ready to take up the challenge and contribute to job creation and enrich our local economy, while transitioning the world to a clean energy future," said Kurt Sorschak, Chairman of the Board, CEO and President of Xebec Adsorption Inc.

MATERIAL ISSUES

The industry specific guidelines from SASB, alongside analysis and interactions with internal and external stakeholders have resulted in identifying the six issues material to the company described below. In order to maintain relevance over time, we plan to conduct periodic reviews of the materiality assessment. As on December 31st 2020, Xebec comprises a total of 17 facilities (including manufacturing, R&D, warehouse, sales and service centers) across North America, Europe, Middle East and Asia. In this report, we have mainly reported quantitative data for Quebec based facilities which include a manufacturing site and a warehouse. The rationale behind the scope of this pilot phase is to establish a solid foundation for the quantification and reporting of ESG issues, before expanding to other facilities worldwide.

1. Climate Change

Why it matters

The issue of climate change is core to Xebec's mission of helping our world transition to a low-carbon future by accelerating the production of renewable gases. Our business strategy is to meet the growing market demand for energy efficient and low-emission sources of energy, to service new customers and maintain strong growth in revenues and operating profitability. Our operating and financial performance are predicated on leveraging policy and technology developments, such as low carbon or renewable fuel standards that facilitate the development of low-carbon solutions, such as renewable natural gas and hydrogen. We intend to be a facilitator in the rapidly evolving global energy transition space.

For example, Xebec's renewable gas purification systems treat biogas (methane) generated from organic waste from farms and municipalities and convert it into renewable gases (RNG). In doing so, our systems help customers reduce overall greenhouse gas emissions (as well as soil and water pollution), as organic waste conversion into renewable gases is carbon neutral, and sometimes even carbon negative. The combustion of these renewable gases can displace higher-emission fossil fuels in transportation and industrial applications, such as glass, steel and other manufacturing sectors.

For more information about the market drivers for our cleantech products, please refer to our 2020 Annual Information Form.

How we manage it

The nature of our business is such that the global transition to a low carbon economy is more likely to represent business opportunities than risks for Xebec. Although we have intuitively been navigating these rapidly changing risks and opportunities over the years, the formal strategic review initiated in 2019 assessing the political, economic, social, technological, environmental, and legal (PESTEL) factors affecting – or likely to affect – our cleantech business, was paused in 2020, mainly because the pandemic brought with it a host of uncertainties that would have rendered the analysis less relevant. We plan to resume the strategic review with North America and Europe in 2021 and aim to include Asia in 2022. This regional strategy assessment will enable Xebec to better align with the local factors influencing its business.

We continue to leverage our technology and are ramping up development activities to ensure that we offer products that consume as little energy to operate as possible while having the longest service and maintenance intervals possible, thus delivering superior life cycle costs and environmental benefits. We are increasing our participation efforts as active members of several renewable gas industry associations and will continue to collaborate in our efforts to promote the cleantech industry (**page 9**).

We also seek to expand the market itself by gearing up to deploy several renewable gas production facilities that can help meet current provincial requirements but also future requirements under proposed federal legislation (Canadian Clean Fuel Standard), for which our recent partnership announcement with the Fonds de solidarité FTQ marks the first step.

REVENUE BREAKDOWN BY BUSINESS ACTIVITY
(IN MILLIONS $)

OPERATING BUSINESS REVENUE	2020	2019
Systems [1]	$28.1	$37.8
Support [2]	$28.4	$11.5
Total	**$56.5**	**$49.3**

1. Systems (Cleantech) – Includes Renewable Natural Gas, Hydrogen and Renewable Hydrogen for a variety of applications, from fuel cells to fossil fuel replacement applications for low carbon transportation fuels.
2. Support (Industrial Air and Gas Products, Parts, Service and Operational Support) – foundational recurring revenue model.

Infrastructure is no longer reported in the revenue breakdown, due to its activities being included into a Joint-Venture with Fonds de solidarité FTQ.

GNR QUÉBEC CAPITAL

Creation of the GNR Québec Capital L.P.

In June 2020, Xebec and the Fonds de solidarité FTQ announced the creation of the GNR Québec Capital L.P. investment fund. First of its kind in Quebec, this new investment vehicle aims to increase renewable natural gas production in the province, in particular through the creation of facilities that treat organic waste from the agricultural and municipal sectors. This initiative supports the just transition to a low-carbon economy by creating jobs and supporting local economies with additional revenue streams for farmers, municipalities, and industry.

FONDS de solidarité FTQ

50:50 SPLIT RNG INVESTMENT FUND

- RNG investment fund with Fonds de solidarité FTQ, Québec's largest capital development fund, $15.6 billion AUM
- Potential of $100 million in equity, 75:25 debt to equity, total investment pool of $400-500 million over next decade, could fund 12-15 RNG projects in Québec, Canada
- Provides Xebec with RNG equipment sale and 15-year O&M contracts

How we measure performance

Proportion of revenues by business activity

In 2020, Systems (Cleantech) represented 50% of the total revenues compared to 77% in 2019. The 26% year-over-year revenue decrease is mainly due to revenue adjustments in the last quarter due to extraordinary items resulting from the impact of the COVID-19 pandemic and other operational issues, which substantially increased product, operational and installation costs. The Support business segment represented 50% of revenue in 2020 and grew by 147% compared to 2019. The increase is mainly explained by the acquisitions of CDA, Air Flow, Titus and ACS as well as organic growth.

For more information please refer to Xebec's 2020 Management's Discussion and Analysis

GHG emissions

In 2020 we began measuring our greenhouse gas (GHG) emissions, as we consider this an important issue, despite the relatively small amount of emissions our activities generate, and as our stakeholders are asking for this information. As a first step, we have measured emissions for our operations in Quebec, consisting of one manufacturing facility and a warehouse. The associated Scope 1 and Scope 2 emissions are presented in the table. Though the emissions increased by 38% in 2020 compared to 2019, the overall level of emissions remains relatively low because the grid electricity we use in the province of Quebec is almost entirely generated from renewable sources (99.59% in 2019).

This exercise has enabled us to understand the requirements of GHG emissions reporting and to identify improvement opportunities. Indeed, since 94.3% of our emissions come from the use of natural gas for heating and ventilation, we have initiated discussions with our supplier to assess the possibility of using renewable natural gas instead of fossil natural gas, which would greatly reduce our emissions from our Quebec facilities. We plan to gather learnings from this exercise to extend the measurement of our GHG emissions to all our facilities around the world, including acquired companies.

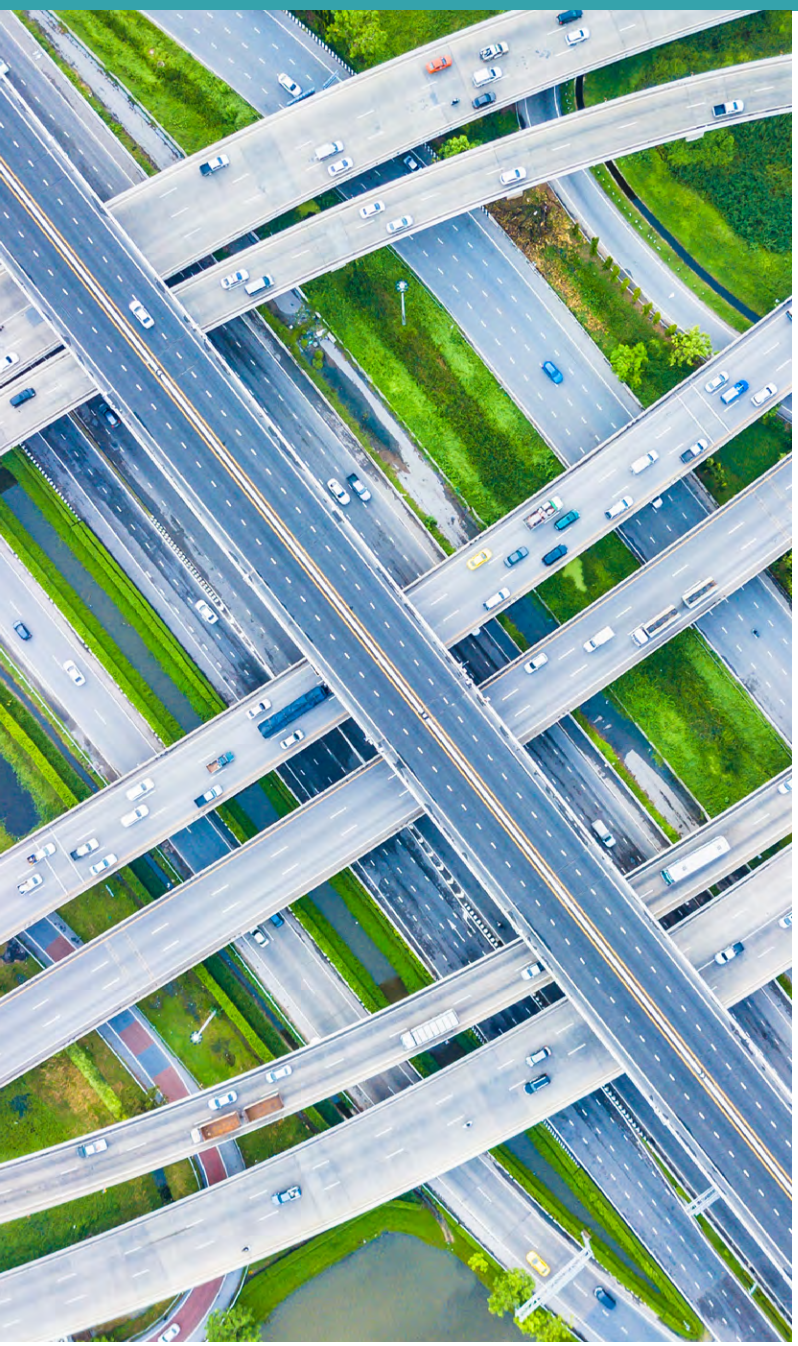
SCOPE 1 AND SCOPE 2 EMISSIONS TABLE (QUEBEC FACILITIES)

GHG EMISSIONS TONNES CO_2 EQ	2020	2019	% change YoY
Scope 1	141.63	102.53	38.1%
Scope 2	1.08	1.02	6.6%
Total	**142.72**	**103.55**	**37.8%**

We do not currently measure our Scope 3 emissions and avoided emissions of our products (as these depend on our customers' own energy sources and other operating conditions). However, we present a generic case in the section on Fuel economy and emissions in use-phase (see section Fuel Economy & Emissions in Use-Phase, **page 29**).

Note that certain KPIs are for Quebec facilities only

2. Energy Management



Why it matters

Energy is an input in industrial products manufacturing, stemming mainly from electricity consumption and fuel purchases, so managing how our energy is sourced and how much we consume is part of controlling costs as well as any potential impacts from regulations or taxes on fossil fuels.

At Xebec, energy management is part of an overarching preoccupation with efficient use of resources and materials, despite representing only a small portion of our operating costs. Another mitigating factor is that our main manufacturing facility is located in Quebec, Canada, where electricity is sourced almost exclusively from renewable sources (mostly large hydro). Our sources of energy are predominantly electricity, natural gas and propane.

For more information about the market drivers for our cleantech products, please refer to our 2020 Annual Information Form

How we manage it

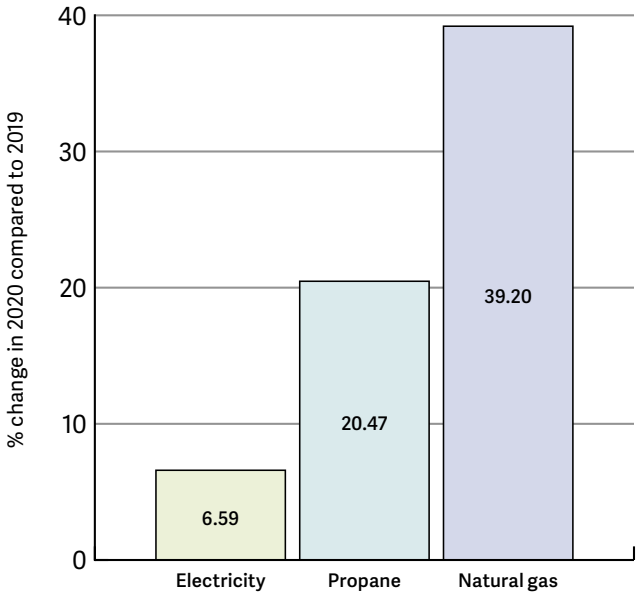
Our manufacturing activities are not particularly energy intensive, with energy consumed mainly for heating, ventilation, and lighting, as well as the pressure vessel welding performed at our Blainville plant to assemble our units using components procured from independent suppliers.

As mentioned in the climate change section, we initiated discussions with our supplier to assess the possibility of using renewable natural gas to displace fossil natural gas currently being used as an energy source for our heating and ventilation needs at our Quebec facilities. Though Xebec does not purchase renewable energy directly, the electricity purchased from Hydro Quebec is produced largely from renewable sources (99.59% in 2019).*

We are currently monitoring energy consumption for our two Quebec based sites. Over time, we plan to assess the energy sources for all our facilities, including those added through acquisitions, in order to get a better understanding of the associated cost ratios and environmental impact, and implement measures to improve energy sourcing and associated costs, if warranted.

* Source: **https://www.hydroquebec.com/data/developpement-durable/pdf/etiquette-metrique2020-an.pdf**

Energy consumption increase by type - year on year (%)



How we measure performance

Our total energy consumption in Quebec for 2020 was 5112.55 GJ (4190.46 GJ in 2019) of which grid electricity constituted 44.91% (51.41% in 2019). The 22% increase in energy consumed can be attributed to increased demand for our products, which required the addition of a night shift. The limited scope of our energy consumption data prevents us from making a fulsome analysis; moving forward, we plan to gather these data for all our other facilities and monitor our performance on a global scale. The grid electricity being largely (99.59% in 2019) generated from renewable sources limits the risk in Quebec, however, a review in other geographies will be needed to assess associated actions for transitioning to low-carbon energy sources.

Note that certain KPIs are for Quebec facilities only

3.
Human Capital Management

A. HEALTH & SAFETY

More than 30% of employees work in manufacturing, at our facilities. They face health and safety risks from exposure to machinery and equipment. This is especially the case for welding activities and manipulating very large and heavy metal components. Employee safety is a priority at Xebec, and we continuously conduct health and safety meetings and improvement actions. Besides the personal well-being of our employees, safety is important to address because it helps optimize productivity, ensure that we fulfill our contracts in a timely manner, maximize productivity, and minimize unexpected costs. As the Company grows and its production levels increase, more and longer shifts are increasing the risks of injury.

How we manage it

The Company's Health and Safety Committee, composed of an equal number of plant workers and management, oversees policies and procedures and meets monthly to address health and safety issues on an ongoing basis. A sub-committee analyses each incident that occurs to identify and implement preventive measures.

Xebec is a member of a prevention mutual, which groups businesses together based on their workplace health and safety records to help them benefit from improved labour standards contribution rates (namely to the CNESST or the labour standards, pay equity and workplace health and safety board). Through this group, the Company also benefits from services such as advice, training, as well as prevention and injury management and support. A safety assessment was performed in 2020 using one of these services, and an increased periodicity of audits is planned for future years.

Recognizing that prevention is an important component of health and safety practices, we put in place an employee assistance program to complement our benefits package that provides free and confidential access to medical and mental health professionals to all employees and their families.

How we measure performance

Injuries are documented and reported to senior management on a weekly basis, and major incidents are reported immediately. For Quebec sites, in 2020, the total recordable incident rate (TRIR) was 2.33 (6.58 in 2019). Improvement is mostly explained by a greater application of H&S measures. As in every other prior year, there were no fatalities in 2020 and there were 3 lost-time incidents during the year (4 in 2019). While a Health and Safety program is available at both sites, efforts are underway to strengthen our practices by implementing standards based protocols, forming better habits through culture and training, and measuring performance through specific metrics. This includes a more robust process for the reporting of the Near Miss Frequency Rate (NMFR) indicator for which we currently do not have data. Over the medium term, we have set a goal to achieve compliance with American Occupational Safety and Health Administration (OSHA) standards.

Note that certain KPIs are for Quebec facilities only

Developing a culture of Safety

Developing a culture of safety is proving challenging in the face of the Company's very rapid expansion over the last few years, during which time the number of employees has grown significantly, our product offering has expanded, new companies were acquired, and new processes and systems need to be implemented. Thus, restructuring the company by adding new executives, integrating businesses across regions for scalability and accelerating decision making are envisioned in the near future. We are committed to improving our Health & Safety measures on a continuous basis through the creation of a culture of safety and prevention, aligned with internationally recognized standards, as this is paramount to the success of our organization. In that regard, we are currently in the process of hiring a dedicated resource to handle H&S related matters going forward.

B. EMPLOYEE ATTRACTION AND RETENTION

Profitable growth is a key driver to attract and retain great talent

Profitable growth for a sustainable future is not only a key motivator for the investment community but a key driver to attract and retain great talent for our growing organization. Xebec recognizes that successful companies need engaged, motivated and skilled employees who are committed to their work, their environment, and their colleagues. Employees feel engaged when they receive positive interpersonal and workplace support. They feel motivated when they know they are making a difference. They feel valued when they see their work appropriately compensated.

One aspect of our corporate culture that remains constant is the genuine respect and appreciation for employees that senior management demonstrates through regular walkabouts, impromptu exchanges, regular town halls, and formal recognition. Employees are one of the key stakeholders that enable Xebec's growth. Their physical and mental well-being, health, and safety are of utmost importance to the Company.

Xebec believes that innovation stems from both gender and cultural diversity and strives to provide equal opportunities for participation across all levels of the company. Our gender profile by seniority (for Quebec facilities only) is represented in the table below, and continuous monitoring along with targeted efforts will allow us to reach and maintain a healthy gender balance. This will be extended to all sites globally as we expand the scope of our ESG metrics going forward.

Gender mix by seniority (for Quebec sites only)

EMPLOYEE CATEGORY/ LEVEL	2020				2019			
	Male employees		Female employees		Male employees		Female employees	
	(#)	(%)	(#)	(%)	(#)	(%)	(#)	(%)
C-Level	3	100%	0	0%	3	100%	0	0%
VPs	1	50%	1	50%	0	0%	0	0%
Directors	13	81%	3	19%	9	82%	2	18%
Managers	7	88%	1	13%	3	75%	1	25%
Supervisors	2	67%	1	33%	1	100%	0	0%
Team leaders	6	100%	0	0%	5	100%	0	0%
Other employees	69	72%	27	28%	55	77%	16	23%
TOTAL	**101**	**75%**	**33**	**25%**	**76**	**80%**	**19**	**20%**

Note that certain KPIs are for Quebec facilities only

C. EMPLOYEE ENGAGEMENT AND SKILLS DEVELOPMENT

Our employee count for Quebec facilities in 2020 increased to 134 (95 in 2019), driven by the growing demand for our products and the need to increase our production capacity. Our rapid expansion over the last few years has been a challenge for our entire team, which resulted in a higher rate of employee turnover. In order to address this, we plan to conduct an employee engagement survey in 2021 to highlight the most pressing issues faced by our collaborators. We will translate the results into a work plan that will shape our employee related imperatives for the coming years, identify the performance indicators that will allow progress monitoring, and perform periodic check-ins to make sure we are concentrating our efforts in the right areas. This survey will also serve as a baseline to create a corporate culture aligned with our values, identity and diversity, while leveraging the unifying potential that ESG represents for our organization.

Our Training & Development (T&D) efforts in the year 2020 were limited as our focus was predominantly on responding to the pandemic. For Quebec facilities, our spending on T&D was 0.03% of revenue in 2020 (0.04% in 2019). Management of Hazardous Waste and Health & Safety training, among others, were conducted for all employees in accordance with the requirements of professional standards.

COVID response

We greatly appreciate the resilience and cooperation of our staff through the pandemic. The Business Continuity Committee consisting of Directors from different departments and the VP of Operations was set up to promptly enact decisions about the pandemic related policies and measures required to be put in place. The top priority was to focus on the health of our employees and the importance for the managers to have continuous contacts with them through different channels like weekly newsletters, daily briefings, posters at the facilities and facilitated access to a local testing facility. We are proud of the resilience shown by our entire team in establishing COVID related protocols and safety measures. Our combined efforts allowed our facilities to keep running throughout the year despite challenges faced in these trying times.

4.

Fuel Economy & Emissions in Use-Phase

Why it matters

Emissions in use-phase is an important characteristic of our cleantech products, to meet customers' evolving needs and cost imperatives. It serves as an important competitive differentiator and allows us not only to capture the growing demand for gas purification and renewable gas production systems, but also to capture a growing share of the market. Given the relatively high fixed cost nature of our business, higher growth and revenues can quickly translate to higher profitability.

Energy efficiency is an important consideration for customers and is often included in requests for proposals as energy or electricity costs represent a significant portion of their operating costs. Lower energy costs over the 15 to 20-year lifespan of the equipment can result in significant savings. Lower energy may also mean lower emissions depending on the source of the electricity used to power our systems, so our products also help our customers address regulatory risks associated with more stringent emissions standards or carbon pricing schemes.

How we manage it

We believe our gas purification systems are the most energy efficient on the market. Energy is consumed by the compressor in processing biogas to upgrade it to renewable natural gas. We measure our energy consumption at 0.16 - 0.22 kWh per cubic meter of biogas processed, compared with an estimated 0.25 - 0.35 kWh per cubic meter for competing technologies, representing approximately 35% to 40% less energy consumption. Our cleantech control systems are designed to measure and report energy efficiency on a daily basis.

The efficiency of our systems is measured by the gas recovery rate, which we have been able to increase through research investments and currently guarantee to clients in the 97% to 99% range.

Our systems also provide additional environmental and cost benefits in that they require no water or chemical consumption and generate less solid waste than other technologies.

To maintain our competitive advantage, we must remain vigilant and deploy efforts to continuously improve our technology and solutions in the rapidly evolving renewable natural gas and hydrogen fields. As mentioned above, we continue to leverage our technology, and we are ramping up development activities in gas purification and recovery to ensure that we offer the highest efficiency and lowest emissions products.

How we measure performance

While we closely track the energy consumption rates of our cleantech systems as mentioned above, we do not measure the emissions they generate in use-phase, either individually or on a sales-weighted basis. Our products only use electricity for operating and therefore generate less emissions (indirect emissions from the consumption of electricity) compared to those using fossil fuel. They also provide avoided emissions that benefit our customers. We facilitate these calculations for each customer, which will depend on their choice of fuels and how they process gases in the exhaust stream (vent, flare, or thermal oxidization). Customers are responsible for making sure they comply with air emissions permits.

5. Materials Sourcing

Why it matters

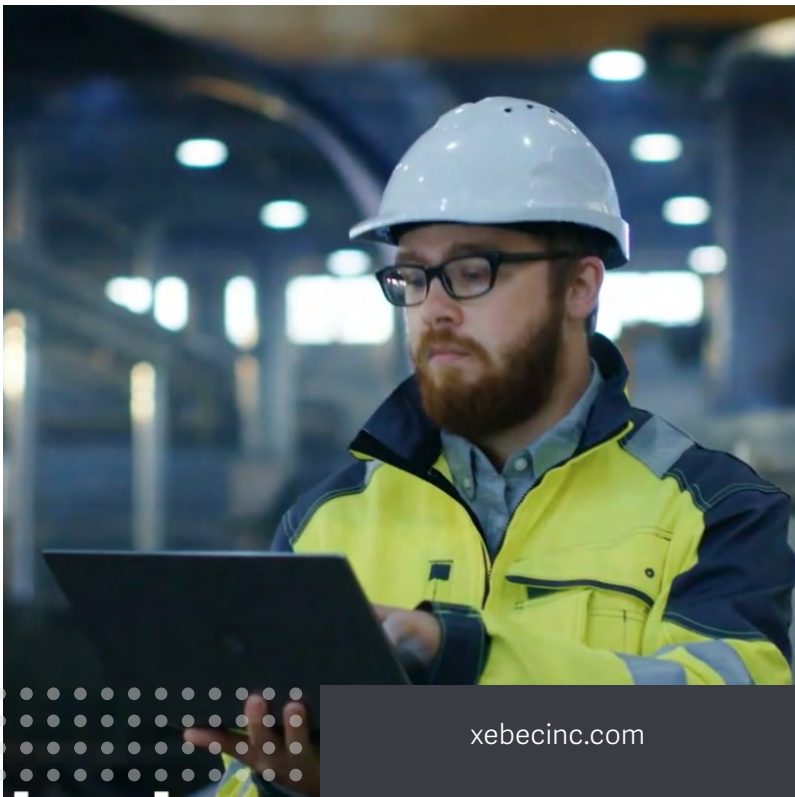
While we design all our products, our manufacturing activities mainly involve the assembly of gas purification units using components and materials procured from third parties. In this regard, we are dependent on a few suppliers and if they become unable or unwilling to provide us with enough materials and components that meet our quality, quantity, cost, and delivery requirements, we may be unable to obtain suitable substitute materials and components from other suppliers, which would adversely affect our revenue generation and profit margins.

How we manage it

We are working to strengthen our procurement practices in several ways. In 2021, we plan to perform an internal global audit of our supply chain in order to determine a baseline and establish a forward looking strategy to mitigate associated risks. This strategy will include formal supplier audits and periodic vetting processes, dual sourcing of materials and components, and the inclusion of a list of criteria containing, among others, specific ESG elements to our screening process and selection of new suppliers. This audit will also include our recent business acquisitions as we look for synergy opportunities, in order to solidify our vendor portfolio.

In 2020, the pandemic generated additional stress on our supply chain that resulted in a higher proportion of local suppliers. This enabled us to maintain uninterrupted production while being favourable from an ESG standpoint, despite generating additional pressure on our profit margins. Our on-going efforts will include hiring to support the sourcing process and setting up in-house testing, allowing us to be more efficient and cost effective going forward.

As technologies continue to evolve, we will also incorporate sourcing considerations in the design of new products, either choosing specific materials for which multiple sources can be secured or working with key suppliers to custom design materials that meet our specific needs and for which we would secure exclusive long-term supply agreements.



6.
Remanufacturing Design & Services

Why it matters

The remanufacturing of equipment and components may offer opportunities to reduce costs by reducing raw material purchases, generate new revenue streams and strengthen customer relationships by better meeting their need for parts, as well as helping them divert resources from disposal or recycling channels.

How we manage it

Currently, Xebec does not yet actively integrate remanufacturing into the design and servicing of its products.

Refurbishing opportunities are limited to a few specific components, as over time the materials in gas purification units become too fatigued for core systems to be reclaimed and remanufactured. The Company does refurbish certain compressor parts and returns them to the customer as spare parts, which are held to reduce downtime in case of repair or maintenance. In the medium term, we will be looking into opportunities to increase the reconditioning of components, such as compressors, vacuum pumps, and blowers as part of our after-sales service. While customer demand for refurbished equipment is not significant presently, we recognize this is likely to change in the future.

How we measure performance

We do not record revenues from remanufactured products and services, as they currently represent a negligible proportion of revenues. Going forward, we plan to conduct a formal business case assessment and are considering the integration of metrics that will allow better visibility on the size, viability and potential returns of this market segment.

SASB INDEX

DISCLOSURE TOPICS AND ACCOUNTING METRICS FOR INDUSTRIAL MACHINERY & GOODS INDUSTRY UNDER THE RESOURCE TRANSFORMATION SECTOR

CRITERIA ID NUMBER	DESCRIPTION OF METRIC	2020	2019	LOCATION	FULL OR PARTIAL
ENERGY MANAGEMENT (Quebec facilities only)					
RT-IG-130a.1	(1) Total energy consumed	5112.55 GJ	4190.46 GJ	Page 24	Partial
	(2) Percentage grid electricity	44.91%	51.41%	Page 24	Partial
	(3) Percentage renewable[1]	—	—	Page 24	Partial
EMPLOYEE HEALTH & SAFETY (Quebec facilities only)					
RT-IG-320a.1	(1) Total recordable incident rate (TRIR)	2.33	6.58	Page 25	Partial
	(2) Fatality rate	0	0	Page 25 Xebec has never had a fatality.	Partial
	(3) Near miss frequency rate (NMFR)	—	—	Page 25	Nil
FUEL ECONOMY & EMISSIONS IN USE-PHASE					
RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	—	—	Not applicable – Xebec does not manufacture heavy-duty vehicles	N/A
RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	—	—	Pages 29-30	Partial
RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators			Not applicable – Xebec does not manufacture stationery generators	N/A
RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	—	—	Not applicable – Xebec does not manufacture engines	N/A
MATERIALS SOURCING					
RT-IG-440a.1	Description of the management of risks associated with the use of critical materials			Page 31	Partial
REMANUFACTURING DESIGN & SERVICES					
RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services			Not measured Page 32	Nil

[1] The electricity supplier for Quebec facilities, Hydro Quebec produced 99.59% of electricity from renewable sources in 2019, it is not considered in the above 'percentage renewable' KPI because of the specification of the SASB sector guide which says, "The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy." For more information please refer to SASB Industry Standard for Industrial Machinery and Goods, section 3.3.3 and https://www.hydroquebec.com/data/developpement-durable/pdf/etiquette-metrique2020-an.pdf

Note that certain KPIs are for Quebec facilities only

SASB Index [continued]

ASSOCIATED ACTIVITY METRICS

CRITERIA ID NUMBER	DESCRIPTION OF METRIC	2020	2019	LOCATION	FULL OR PARTIAL
RT-IG-000.A	Number of units produced by product category	—	—	—	N/A
RT-IG-000.B	Number of employees (Quebec facilities only)	134	95	Pages 6, 28	Full
CLIMATE CHANGE (Quebec facilities only)					
N/A	GHG emissions (1) Scope 1 emissions	141.63 tons CO_2 eq	102.53 tons CO_2 eq	Page 22	Partial
	(2) Scope 2 emissions	1.08 tons CO_2 eq	1.02 tons CO_2 eq	Page 22	Partial
	(3) Scope 3 emissions	Not included	Not included	Page 22 We are currently improving the availability of the data for scope 1 and 2 emissions and will be adding relevant scope 3 emission sources in the future.	Nil
	Total GHG Emissions (Scope 1 and 2)	142.72 tons CO_2eq	103.55 tons CO_2 eq	Page 22	
N/A	Percentage of revenues from low-carbon alternatives or «green» products	50	77	Page 22	Partial
N/A	Percentage of R&D dedicated to low-cabon or "green" products	100	100	100% of the Company's research and development expenditures are dedicated to renewable gas production	Full

Note that certain KPIs are for Quebec facilities only

ESG DATA TABLES

NOTE THAT CERTAIN KPIs ARE FOR QUEBEC FACILITIES ONLY.

LEADERSHIP AND GOVERNANCE				
TOPICS	**KPI**	**UNIT**	**2020**	**2019**
Risk Management	ERP system implementation	%	0	Nil
Board structure	Board independence	% (#)	71% (5)	67% (4)

ENVIRONMENT (QUEBEC FACILITIES ONLY)				
TOPICS	**KPI**	**UNIT**	**2020**	**2019**
Emissions	GHG Emissions Scope 1	tons CO_2 eq	141.63	102.53
Emissions	GHG Emissions Scope 2	tons CO_2 eq	1.08	1.02
Emissions	Total GHG Emissions (Scope 1 and 2)	tons CO_2 eq	142.72	103.55
Energy	Total energy consumption	GJ	5112.55	4190.46
Energy	% grid electricity	%	44.91	51.41
Energy	% renewables[1]	%	N/A	N/A

HUMAN CAPITAL (* MEANS FOR QUEBEC FACILITIES ONLY)				
TOPICS	**KPI**	**UNIT**	**2020**	**2019**
Health and safety	TRIR*	ratio	2.33	6.58
Health and safety	Fatality rate*	#	0	0
Health and safety	Availability of written Health & Safety Program*	Y/N	Yes	Yes
Human capital management	% Revenue spent on Employee Training & Development*	%	0.032	0.037
Human capital management	Number of employees*	#	134	95
Human capital management	% Employees by geography	%	refer table below	
Non-discrimination and diversity	Gender mix by seniority*	%	refer table below	
Human capital management	Board gender diversity	% Female	14	0

[1] The electricity supplier for Quebec facilities, Hydro Quebec produced 99.59% of electricity from renewable sources in 2019, it is not considered in the above 'percentage renewable' KPI because of the specification of the SASB sector guide which says, "The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy." For more information please refer to SASB Industry Standard for Industrial Machinery and Goods, section 3.3.3 and https://www.hydroquebec.com/data/developpement-durable/pdf/etiquette-metrique2020-an.pdf

ESG DATA TABLES [continued]

BUSINESS MODEL AND INNOVATION				
TOPICS	KPI	UNIT	2020	2019
Climate change	% Revenue: low-carbon products	%	50	77
Climate change	% R&D: low-carbon products	%	100	100
Product Design & Lifecycle Management	Energy consumption of cleantech system	kWh/m^3 gas	0.16-0.22	0.16
Product Design & Lifecycle Management	Gas recovery rate	%	97-99	98.5-99
Product Design & Lifecycle Management	Individual Sales-weighted emissions	CO_2eq / hour	—	—

% EMPLOYEES BY GEOGRAPHY				
(AS ON 31 DEC 2020)	EMPLOYEES (#)		EMPLOYEES (%)	
COUNTRY	2020	2019	2020	2019
Canada	158	110	46%	69%
USA	67	6	19%	4%
Italy	7	23	2%	14%
Netherlands	73	0	21%	0%
Singapore	7	0	2%	0%
China	34	21	10%	13%
TOTAL	**346**	**160**	**100%**	**100%**

GENDER MIX BY SENIORITY (FOR QUEBEC SITES ONLY)								
EMPLOYEE CATEGORY/ LEVEL	2020				2019			
	MALE EMPLOYEES		FEMALE EMPLOYEES		MALE EMPLOYEES		FEMALE EMPLOYEES	
	(#)	(%)	(#)	(%)	(#)	(%)	(#)	(%)
C-Level	3	100%	0	0%	3	100%	0	0%
VPs	1	50%	1	50%	0	0%	0	0%
Directors	13	81%	3	19%	9	82%	2	18%
Managers	7	88%	1	13%	3	75%	1	25%
Supervisors	2	67%	1	33%	1	100%	0	0%
Team leaders	6	100%	0	0%	5	100%	0	0%
Other employees	69	72%	27	28%	55	77%	16	23%
TOTAL	**101**	**75%**	**33**	**25%**	**76**	**80%**	**19**	**20%**

ANNEX - DETAILS ON THE REPORTING OF GHG EMISSIONS

The GHG Emissions inventory reported in the ESG report 2020 is prepared according to the GHG Protocol Corporate Accounting and Reporting Standard and includes scope, data and results from Xebec's GHG inventory for the calendar years 2020 and 2019. The inventory is based on the "operational control" consolidation approach of the GHG Protocol. Under this approach, Xebec is required to account for 100% of the emissions from operations, facilities and sources over which it has operational control and is not required to account for GHG emissions from operations in which it owns an interest but over which it has no operational control. The operational boundary for this report is limited to Quebec facilities only and will incrementally include the other subsidiaries in the coming years.

Reasonable efforts were made to include data specific to this period. In some cases, we had to consider average values to align the billing period with the reporting period (for electricity). Due to unavailability of data, only direct emissions from stationary combustion sources are included for Scope 1 and efforts will be made to incorporate mobile combustion, process and fugitive emissions going forward. The table below describes the fuel, data source, calculation method and source of emission factors. The scope 1 emissions were derived from the Calculation Tool For Direct Emissions From Stationary Combustion by WRI/ WBCSD[1].

SCOPE 1			
ACTIVITY / FUELS	**DATA SOURCE**	**CALCULATION METHOD**	**SOURCE OF EMISSION FACTOR**
Propane	Report (written correspondence) from the supplier	Emission factor	Transition Énergétique Québec[2]
Natural Gas	Utility bill from supplier	Emission factor	Transition Énergétique Québec[2]

SCOPE 2			
ACTIVITY / FUELS	**DATA SOURCE**	**CALCULATION METHOD**	**SOURCE OF EMISSION FACTOR**
Electricity	Utility bill from supplier	Emission factor	National Inventory Report 1990 - 2017: Greenhouse Gas Sources and Sinks in Canada. Part 3, Table A13-6[3]

1. https://ghgprotocol.org/calculation-tools
2. https://transitionenergetique.gouv.qc.ca/fileadmin/medias/pdf/FacteursEmission.pdf
3. http://publications.gc.ca/collections/collection_2020/eccc/En81-4-2018-2-eng.pdf

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