



2022 ENVIRONMENT SOCIAL & GOVERNANCE UPDATE



LETTER FROM OUR PRESIDENT AND CEO

I am pleased to share our 2022 Environmental, Social, and Governance (ESG) update. As a co-founder of STEP Energy Services, I am proud of the company we have built over the last 12 years and excited to take on the role of CEO and President as we continue to provide safe, efficient, and reliable energy services to our clients. This update provides our shareholders, employees, clients, and other stakeholders with information about our key 2022 ESG-related activities and performance.

This is an exciting time to be at STEP. We achieved record financial results in 2022, significantly lowered our net debt, and we are optimistic about the future demand for reliable, responsibly produced energy from North American producers. In 2022, we acquired four ultra-deep capacity coiled tubing units and a team of highly skilled professionals from ProPetro Holding Corp. in the U.S., further strengthening our ability to serve U.S. clients who are drilling deeper, more challenging wells.

Our laser-focus on safety is a differentiator. Since launching our company in 2011, we have maintained our relentless focus on the execution of safe projects. Our procedures, processes and most importantly our mindset, are grounded in a culture of safety that is the foundation of everything we do. Our safety performance in 2022 reflects that mindset and I am incredibly proud of our professionals and their commitment to Goal Zero.

I believe our STEP-family is made up of the best professionals in the business. And the best professionals generate the best results. This last year, I've seen unprecedented collaboration across business units and regions with positive impacts not just for STEP, but for our clients and communities. Our solid safety performance and reduction in turnover in 2022 is, I believe, a reflection of professionals who feel more connected to our core values, engaged with our purpose, and are willing to share and learn from each other. This supports safe workplaces, more efficient operations and improves our ability to deliver the very best service to our clients. Our communities benefit, too. We raised a record \$207,000 during our annual Christmas Spirit Campaign, an incredibly proud milestone for all of us at STEP, and much-needed support for the communities where we live and work.

We are taking steps to lower the emissions associated with our services. As a service provider in the energy industry, we have a role to play in helping our clients reduce their environmental footprint. In 2022, we entered into a unique, client-backed program to upgrade a pressure pumping fleet with Tier 4 dual-fuel engines. The program is a novel partnership that enables us to refurbish an existing diesel fleet with dual-fuel engines that are capable of displacing up to 85% diesel fuel with natural gas. In typical STEP fashion, we've taken an innovative idea and executed it in a way that will benefit our company, our clients and stakeholders. By working together we can provide energy the world needs while taking steps to reduce the environmental impact of our operations.



Thank you, as always, to our professionals, clients, vendors, and Board for your continued support. I look forward to reporting more on the exceptional things to come.

A handwritten signature in black ink, appearing to read 'Steve Glanville'.

Steve Glanville

President and CEO – STEP Energy Services

ABOUT STEP ENERGY SERVICES

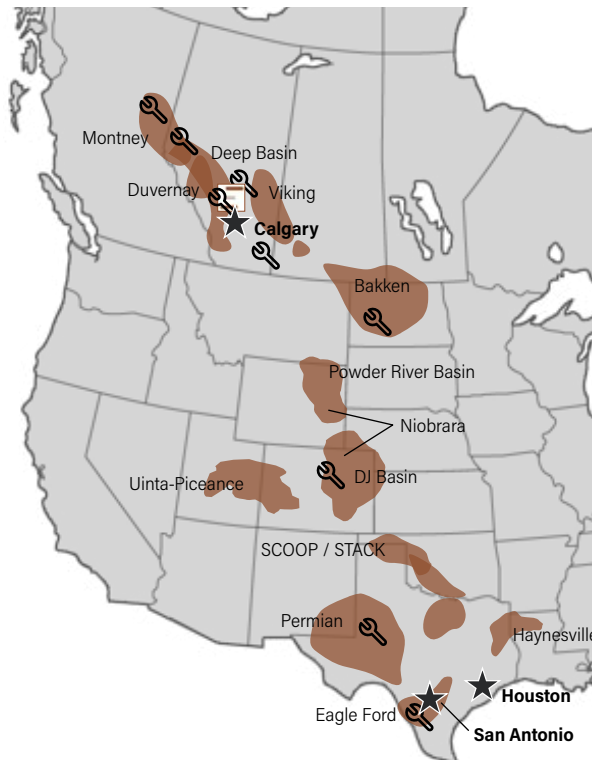
STEP is an energy services company that provides hydraulic fracturing, deep-capacity coiled tubing and ancillary services. Our combination of modern equipment along with our commitment to safety and quality execution has differentiated STEP in plays where wells are deeper, have longer laterals and higher pressures. STEP has a high-performance safety-focused culture, and our experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to our oil and gas exploration and production clients.

\$989 MILLION

in sales

~1,400

professionals



★ **3**

offices

Calgary, CA – Head Office
Houston, U.S. – Corporate Office
San Antonio, U.S. – Corporate Office

🔑 **9**

service centers

strategically located in active
North American basins

🏠 **1**

training centers

OUR SERVICES

HYDRAULIC FRACTURING

Hydraulic fracturing involves injecting a combination of fluids, chemicals and sand into a well at high pressure to create a controlled fracture in tight rock formations, stimulating the flow of trapped hydrocarbons to increase the volume that can be recovered.

COILED TUBING

Coiled tubing refers to a continuous string of steel pipe – typically 1 to 3.25 inches (25 to 83 millimeters) in diameter and up to 8,300 meters (27,230 feet) – that is spooled on a large reel for use in a wide range of well intervention operations including milling plugs, annular fracturing, and recompletions.

ANCILLARY SERVICES

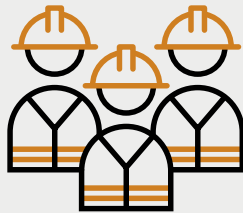
Ancillary services primarily includes STEP's fluid and nitrogen pumping. These services support fracturing and coiled tubing operations as well as a variety of stand-alone well stimulation, industrial plant, and pipeline service applications.

2022 HIGHLIGHTS

We are proud to share some of our 2022 accomplishments, made possible by the hard work and collaboration of our professionals.

30%

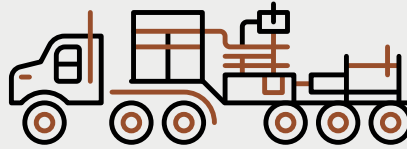
reduction in our total recordable incident rate since 2020



\$336k+

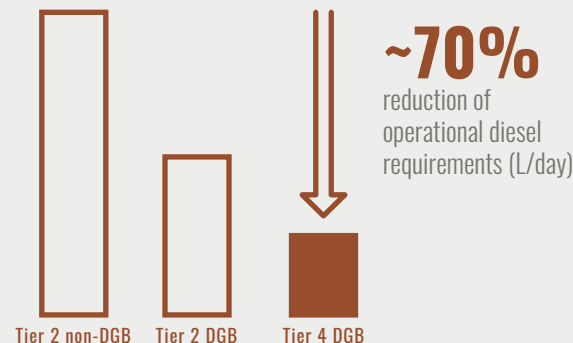
in corporate and individual donations to support our communities

16 UNITS



We partnered with a client to convert an entire fleet of pressure pumping units – 16 pumps in total – from conventional diesel to Tier 4 dual-fuel, reflecting our shared commitment with a valued client to reduce the greenhouse gas impacts of our operations

ESTIMATED REDUCTION IN DAILY DIESEL CONSUMPTION



Note: Tier 2 DGB based on 58% substitution; Tier 4 DGB based on 73% substitution; hourly requirements based on recent client pad, assuming 20 hours pumping/day. See [page 5](#) for more details.

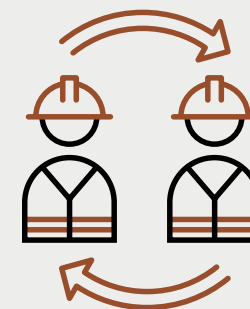
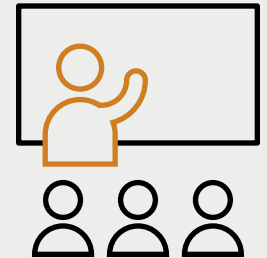


22%

We increased our headcount by 22%

45,000

We provided more than 45,000 hours of training to new and existing team members



21%

Reduced our voluntary turnover by 21% by making employee retention a strategic focus area in 2022

2022 ESG ACTIVITIES

1 UPHOLDING SAFETY AS OUR #1 VALUE

Our strong safety performance in 2022 was achieved through our continued focus on Goal Zero (zero injuries or accidents), our ASAP mindset (Always Safe, Always Professional), increased collaboration and sharing of best practices, and the introduction of mini-audits that focused on our professionals' understanding and use of safety procedures in the field.

Mini-audits are used to verify that our equipment and processes are adequate and that our professionals are following procedures as they are written. Audits involve site visits and a review of policies, procedures and training for each topic. Results are used to make changes to our processes and target communications to support continual improvement in safety.

Take silica management as an example. The use of silica sand for fracturing requires stringent health and safety procedures to prevent long-term health impacts from inhalation of silica dust. Our Canadian audit of five fracturing sites with five different clients in 2022 found 100 percent compliance with the use of personal protective equipment (PPE) as required and 97 percent compliance with dust mitigation procedures and dust-control equipment maintenance. In addition to identifying opportunities for improvement, the auditors also reviewed silica workplace hazard policy, procedure and training elements and provided recommended updates for those documents and processes.

Ongoing mini-audits and the sharing of their results across the organization serve as a continued reminder that safety is a shared responsibility and that it takes a collective effort to uphold safety as our number one core value.

2 PARTNERING TO SCALE EMISSIONS REDUCTIONS

In 2022, we signed a novel partnership agreement with a Canadian client to upgrade the engines on an existing fleet of hydraulic fracturing pumps with CAT Tier 4 dynamic gas blending ("DGB") technology. After retrofitting these 16 pressure-pumping units, our dual-fuel capability in Canada is expected to represent 71 percent of our Canadian fracturing fleet (including Tier 2 and Tier 4 dual-fuel assets). We believe this major equipment partnering model with a client is unique in the Canadian pressure pumping space and reflects our shared commitment to lower emissions, fuel consumption and overall carbon footprint from oil and gas development. It also reflects the trust we have earned over many years to deliver on our commitments.

Client benefits of using dual-fuel engines to displace some of their diesel use with natural gas include:

EMISSIONS BENEFITS

CAT Tier 4 DGB engines adhere to the strictest EPA emissions standards for nitrogen oxides, non-methane hydrocarbons, particulate matter and carbon monoxide. Carbon emissions reductions are also achieved by displacing diesel with cleaner-burning natural gas.

Recent use of both Tier 4 DGB and Tier 2 DGB assets on the same pad in the Montney allowed us to collect and extrapolate performance data to provide fleet estimates for daily diesel requirements by asset class. Estimated daily reductions of diesel consumed in lieu of cleaner burning natural gas are presented on [page 4](#).



ECONOMIC BENEFIT

CAT Tier 4 DGB engines allow clients to displace up to 85 percent of the diesel consumed during operations with natural gas. STEP's experience has shown that over a 12-month period at high utilization, Tier 4 DGB engines could save clients up to \$20 million in fuel costs while enhancing reliability of the operation.*

* Estimates based on 2023 fuel prices for a highly utilized, hydraulic fracturing crew in standard Montney operations. Total fuel savings may vary depending on operating parameters and consumption values up to 75,000 liters per day for deep, high-pressure, proppant-intensive operations.

2022 ESG ACTIVITIES

3 WORKING AS ONE TEAM TO INCREASE RETENTION

At STEP, our goal is to attract and retain the best people – professionals with the expertise and discipline to maintain safe operations, lead the industry in innovation and deliver exceptional services to our clients.

To improve retention, STEP employed an enterprise-wide program to help translate strategy into action. This program involved setting one extremely important goal, focusing on outcomes or behaviors that lead to positive results, and having a cadence of shared accountability to help achieve a goal that previously seemed unattainable.

Over the course of six months, a team of leaders met weekly to set key goals, established key performance indicators for the goals, and track progress. By maintaining a sense of shared accountability across product lines and departments, we were able to develop new programs to support our culture and build a higher level of mutual trust and respect among our leaders and front-line professionals. This in turn resulted in a 16 percent reduction in voluntary turnover from the previous year. We are continuing these activities in 2023.

This is another example of how we are increasing collaboration and working together to identify opportunities for improvement across the company.



4 LIVING OUR VALUES TO SUPPORT OUR COMMUNITIES

We believe in giving back to our local communities. Together, with our professionals and the support of our trusted vendors, we raised a record \$207,000 during our 2022 Christmas Spirit Campaign in support of local charities. That is 80 percent higher than our previous record set in 2021 and allowed us to support 11 charities across nine communities in our operating areas.

Held in the six weeks leading up to Christmas, this campaign has been a STEP tradition since our inception and showcases our collaborative yet competitive company culture. Each STEP location planned its own fundraising initiatives and chose local beneficiaries, with more than half of our 2022 donations going to local food-related charities such as food banks and breakfast programs for children.

The success of our 2022 campaign reflects the trust and support we have with our vendors and the passion and competitive drive that STEP professionals bring to everything they do.



PERFORMANCE TABLES

OPERATIONS	UNIT	2019	2020	2021	2022
Number of service centers	number	NR	NR	9	9
Pressure equipment to support fracturing services	hp	NR	NR	490,000	490,000
Number of coil tubing units available	units	NR	NR	29	35
Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions	percent	NR	NR	16%	16%
ENVIRONMENT	UNIT	2019	2020	2021	2022
FUEL CONSUMPTION					
Total fuel consumed ¹	GJ	NR	NR	4,559,374	4,827,276
Fuel consumed by on-road vehicles and equipment ¹	GJ	NR	NR	429,647	529,089
Fuel consumed by off-road equipment ¹	GJ	NR	NR	4,129,727	4,298,187
Diesel consumed in operations	liters	NR	NR	83,602,194	79,435,244
Natural gas consumed in operations	m ³	NR	NR	21,002,061	29,552,590
SERVICE CENTERS ²					
Electricity consumed in service centers ³	GJ	NR	NR	10,823	14,897
Natural gas/heating consumed in service centers ⁴	GJ	NR	NR	90,447	63,662
WATER MANAGEMENT SERVICES					
Total volume of water handled in operations	m ³	10,645,687	9,049,439	13,411,504	15,669,585
CHEMICALS MANAGEMENT					
Volume of hydraulic fracturing fluid used	m ³	10,645,687	9,049,439	13,411,504	15,669,585
Percentage of hydraulic fracturing fluid considered hazardous according to the Global Harmonization System	percent	0.20%	0.30%	0.37%	0.55%
SPILLS					
Total spills	number	2	0	0	1
Total spills volume	m ³	0.25	0	0	25

NR – Not Reported

¹ Our 2021 number has been restated since the publication of our 2021 ESG report. The fuel consumption was 6.5% lower than previously published.² Electricity and natural gas consumption for service centres represents the majority of our facility but excludes a few buildings that do not have energy data tracking capabilities.³ A change from our 2021 report in electricity consumption is due to improved data collection.⁴ Our 2021 number has been restated since the publication of our 2021 ESG report. The natural gas consumption at service centres, albeit small, is 44% higher than previously published.

SOCIAL	UNIT	2019	2020	2021	2022
WORKFORCE HEALTH AND SAFETY					
Total number of hours worked by all employees	hours	3,875,680	2,080,669	2,920,972	3,768,734
Lost time injury rate — corporate	injuries per 200,000 hours worked	0.00	0.09	0.00	0.13
Total recordable incident rate (TRIR) — corporate	injuries per 200,000 hours worked	0.67	1.05	0.95	0.74
Fatalities — employees and contractors	number	0	0	0 ⁵	0
Recordable vehicle incident rate	incidents per million km	1.01	1.42	0.08	0.19
Km driven by employees	km	24,743,850	14,753,817	22,277,192	26,816,200
HUMAN RESOURCES					
Total number of employees	headcount	1,389	888	1,175	1,439
Employees — office/service centers	headcount	430	264	337	406
Employees — field	headcount	959	624	838	1,033
Turnover rate, voluntary	percent	28%	35%	35%	28%
WOMEN IN THE WORKPLACE					
Women — office	percent	19%	22%	18%	21%
Women — field	percent	4%	3%	3%	1%
Women — total	percent	9%	8%	7%	7%
TRAINING					
Total hours of training taken by employees	hours	NR	NR	29,246	45,467
Total hours of safety training taken by employees	hours	NR	NR	18,784	26,139
Average hours of health, safety, and emergency response training for (a) full-time employees	hours	NR	NR	16.0	18.2
GOVERNANCE	UNIT	2019	2020	2021	2022
BUSINESS ETHICS AND PAYMENTS TRANSPARENCY					
Number of employees who completed ethics training	number	NR	NR	1,296	1,460
Number of employees who completed respectful workplace training ⁶	number	NR	NR	1,289	1,198

⁵ In 2021, one of our professionals lost his life in a motor vehicle accident. In accordance with OSHA safety regulatory requirements, it is recorded as a motor vehicle accident and not as a work-related fatality.⁶ This includes anti-harassment and violent prevention training. Some of this training has been offered every 18 months instead of annually.



REPORTING SCOPE

- Unless otherwise noted, this update covers quantitative and qualitative performance for the year ended December 31, 2022. When available, historical data is provided for the two previous years.
- This update covers ESG activities and data for our Canadian and U.S. operations. Exceptions are noted.
- Unless noted, data does not cover third-party service providers.
- Financial data is in Canadian dollars and environmental data is in metric units.
- The accuracy of this update is important to our company. Senior management and relevant subject matter experts within STEP have reviewed all information and believe it is an accurate representation of our performance. Third-party assurance of this update was not conducted.
- The terms STEP, our, we, us, the company and the corporation refer to STEP Energy Services Ltd.

STEP ENERGY SERVICES

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FORWARD-LOOKING INFORMATION ADVISORY

Certain statements contained in this report constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities legislation (collectively, “forward-looking statements”). These statements relate to management’s expectations about future events, results of operations and STEP’s future performance and business prospects.

All statements other than statements of historical fact are forward-looking statements. In particular, statements regarding anticipated efficiencies, potential reductions, projections, and the ability to support clients during an energy transition are forward-looking statements. The use of any of the words “capable”, “continue”, “could”, “expected”, “forecast”, “will” and similar expressions are intended to identify forward-looking statements. These 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 statements. While we believe these forward-looking statements are reasonable, no assurance can be given that they will prove to be correct so they should not be unduly relied upon.

Additional information regarding forward-looking statements, risks, and risk factors can be found in STEP’s Annual Information Form dated March 1, 2023, and in STEP’s Management Discussion and Analysis for the three- and twelve-month periods ended December 31, 2022, which are both available under STEP’s profile on SEDAR. The forward-looking statements included in this presentation are expressly qualified by the foregoing cautionary statements, and STEP does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.