

ESG - Implications for the Suriname-Guyana Basin and other Emerging Areas

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Endeavor



AGENDA

Session goals:

- Shared understanding of ESG
And implications for new oil and gas developments
- Promote discussion of opportunities for Endeavor

Agenda items:

- ESG and current trends
- Old news or new dynamics?
- Climate Risk
- Potential Implications
- ESG opportunities and challenges for basin stakeholders
- Endeavor opportunities

ESG

“Using Environmental, Social and Governance factors to evaluate companies and countries...once enough data has been acquired ...they can be integrated into the investment process when deciding what equities or bonds to buy”

“Stakeholder capitalism is not about politics. It is not a social or ideological agenda...*It is capitalism*, driven by mutually beneficial relationships between you and the employees, customers, suppliers, and communities your company relies on to *prosper*.”

Make no mistake, the fair pursuit of profit is still what animates markets; and long-term profitability is the measure by which markets will ultimately determine your company’s success.”

Larry Fink Blackrock CEO 2022

“For investors considering investing in National Oil Companies (NOCs) or sovereign debt, a strong understanding of the ESG risks NOCs face is critical to assess alignment with ESG values and risk appetite.”

Sustainalytics 2022

Examples of ESG Issues

Environmental Issues

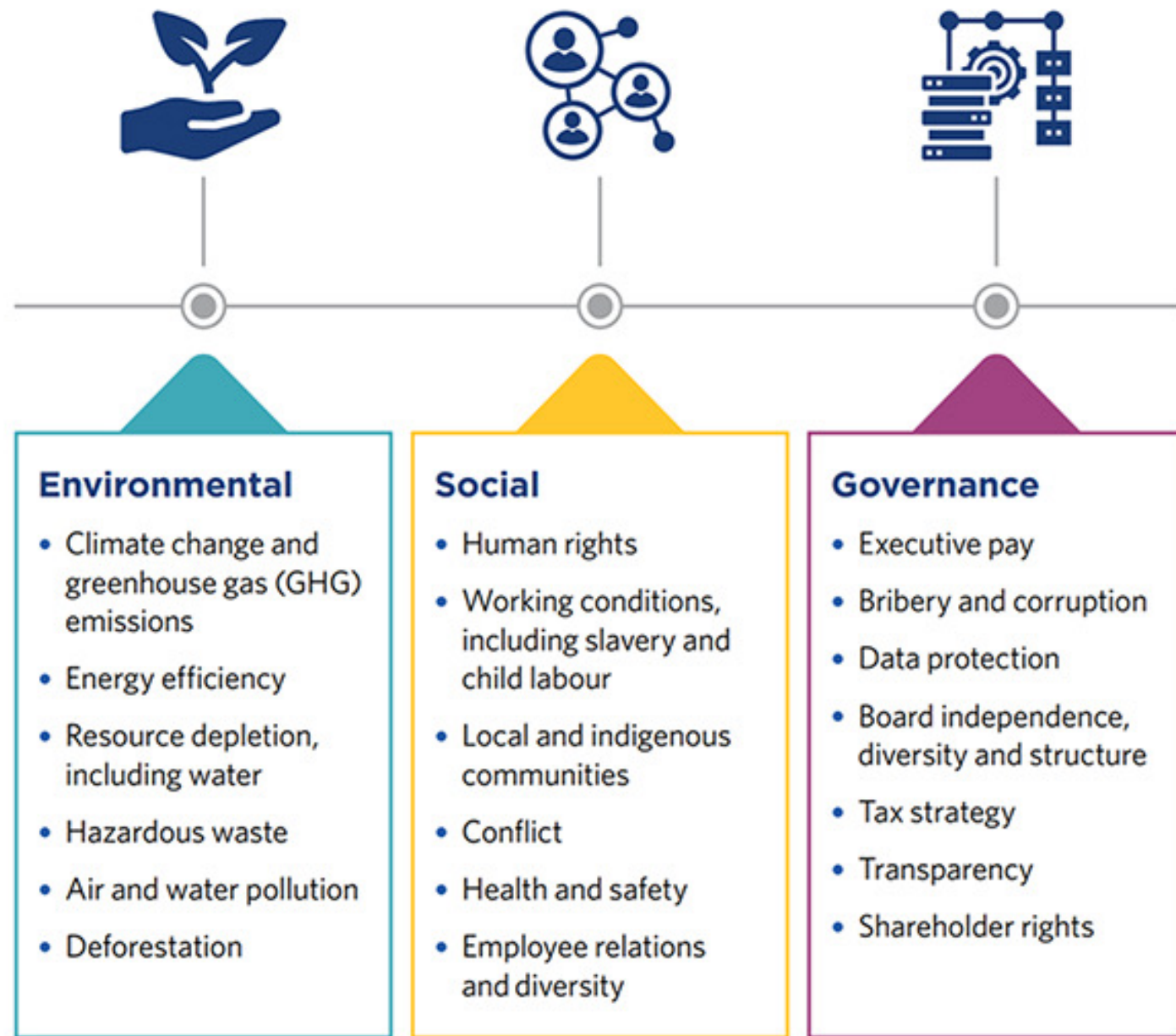
- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

Social Issues

- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards

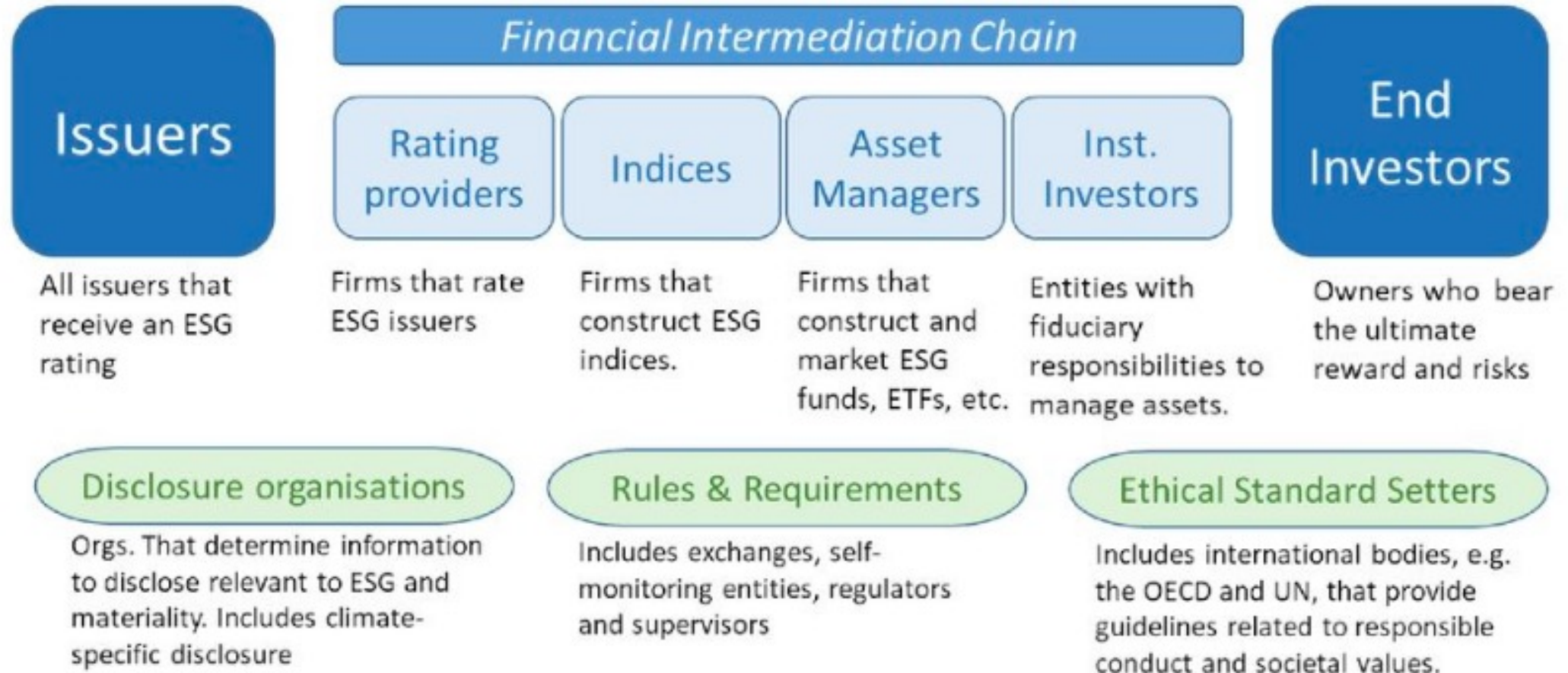
Governance Issues

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower schemes



Source: 2018 Thomson Reuters

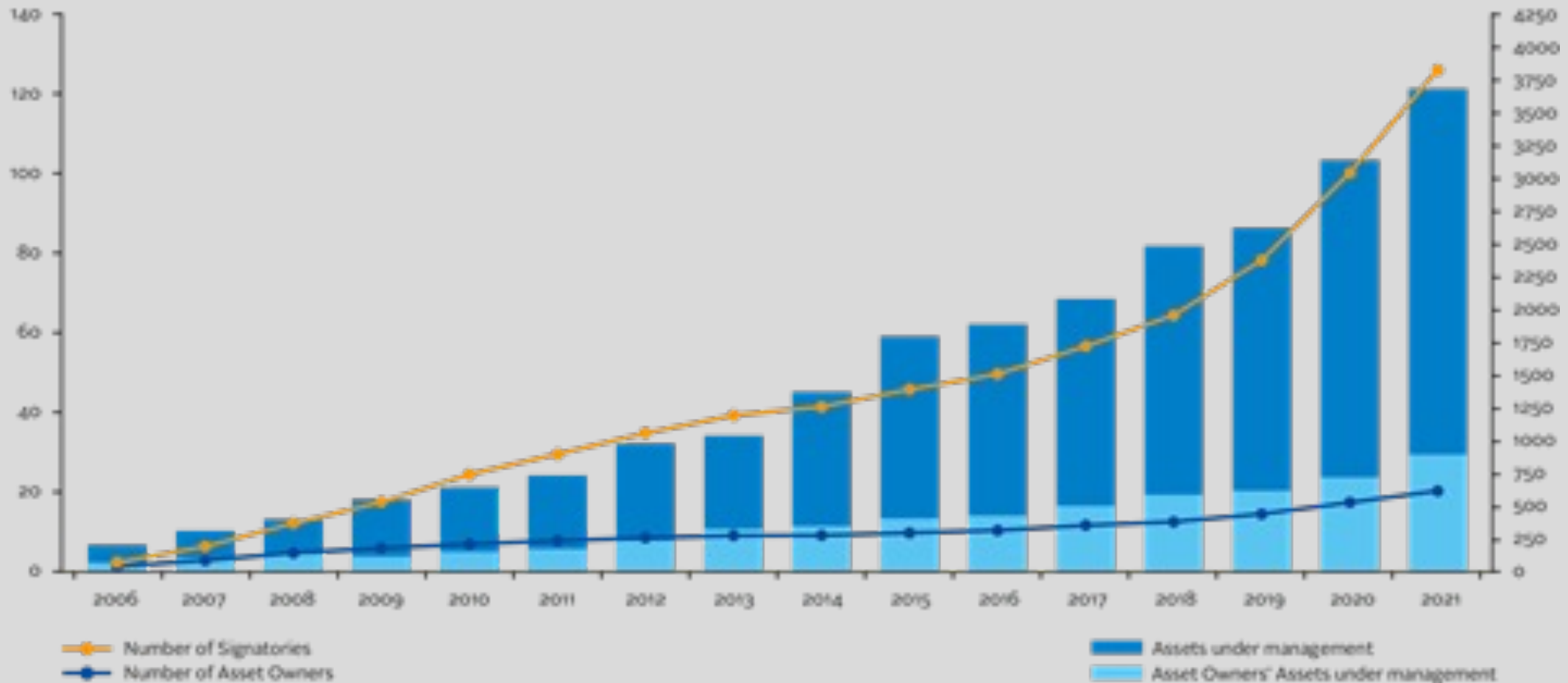
PLAYERS IN THE ESG ECOSYSTEM (OECD)



PRINCIPLES FOR RESPONSIBLE INVESTMENT

Assets under management (US\$ trillion)

N° Signatories



OLD NEWS?



ENVIRONMENTAL CONCERNS

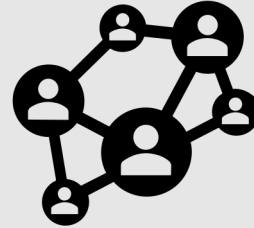
climate, biodiversity,
water, waste, emissions,
land use



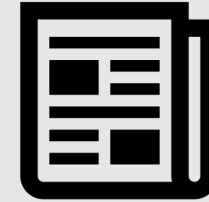
LABOR AND HUMAN RIGHTS



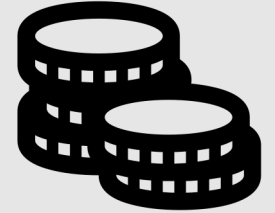
COMMUNITY RELATIONS



SOCIAL IMPACT



LOCAL CONTENT



REVENUE MANAGEMENT



USE OF SECURITY



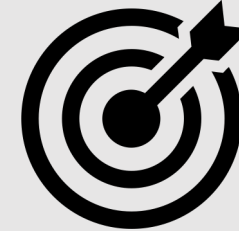
SUSTAINABILITY REPORTING AND TRANSPARENCY



NON-TECHNICAL RISK IDENTIFICATION AND MITIGATION



STAKEHOLDER ENGAGEMENT



IFC PERFORMANCE STANDARDS AND EQUATOR PRINCIPLES



FREE PRIOR INFORMED CONSENT

NEW DYNAMICS?

- Growth of ESG-related Screening, Ratings and Benchmarks
- Investor actions on climate and associated corporate commitments
- Corporate Governance developments
- Regulatory Evolution:
 - US SEC Rulemaking
 - EU Taxonomy
 - Multilateral Organizations' Criteria
- Evolution of standards, guidelines and expectations
 - TCFD, EITI, UNGPs, SDGs
- Focus on social impact and benefits
- Social Justice, Gender
- Attracting talent
- Changing societal expectations


But what about...

Energy security

Security

Higher prices/return of capital

High profile ESG failures



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

- Established in 2015 by Financial Stability Board (FSB) – which is made up of central banks and other public financial institutions
- **FSB role** : promotes international financial stability; coordinating national financial authorities and international standard-setting bodies
- **TCFD remit** –
develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change
- **Mark Carney – (Former Governor Bank of England, chair of FSB)**
“Changes in climate policies, new technologies and growing physical risks will prompt reassessments of the values of virtually every financial asset.

Organizations that invest in activities that may not be viable in the longer term will likely be less resilient to the transition to a lower-carbon economy.

Investors, lenders, and insurance underwriters need adequate information on how companies are preparing for a lower-carbon economy.”



RECOMMENDATIONS

- **Governance**
The organization's governance around climate-related risks and opportunities
- **Strategy**
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
- **Risk Management**
The processes used by the organization to identify, assess, and manage climate-related risks
- **Metrics and Targets**
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

SEC Rule

Securities and Exchange Commission

On March 21, the Securities and Exchange Commission (SEC) proposed rules that would require public companies to disclose extensive climate-related information in their SEC filings, to require disclosure of:

- Climate-related risks that are reasonably likely to have a material impact on a public company's business, results of operations, or financial condition
- Greenhouse gas ("GHG") emissions associated with a public company that includes, in many cases, an attestation report by a GHG emissions attestation provider
- climate-related financial metrics to be included in a company's audited financial statements

Definition of Risks

SLIDE 1 of 2

- The actual or potential negative impacts of climate-related conditions and events on the registrant's consolidated financial statements, business operations or value chains, as a whole, and includes both physical and transition risks
 - How it defines short-, medium-, and long-term time horizons, including how it takes into account or reassesses the expected useful life of assets and the time horizons for the registrant's planning processes and goals
- How climate-related risks have affected or are likely to affect the registrant's strategy, business model, and outlook, including a time horizon for each impact
 - If, as part of a disclosed net emissions reduction strategy, a registrant uses carbon offsets or renewable energy credits or certificates (RECs), the proposed rules would require it to disclose the role that carbon offsets or RECs play in the registrant's climate-related business strategy

Definition of Risks

SLIDE 2 of 2

- If a registrant has adopted a transition plan to mitigate or adapt to climate-related risks, it must describe its plan, including the relevant metrics and targets used to identify and manage physical and transition risks and how it plans to mitigate or adapt to any identified transition risks
 - This disclosure would need to be updated yearly to describe the actions taken during the previous year to achieve the plan's targets or goals
- All registrants would be required to disclose their Scope 1 and 2 GHG emissions
 - Registrants would be required to disclose Scope 3 GHG emissions, in both absolute and intensity terms, if: (i) those emissions are material, or (ii) if the registrant has set a GHG emissions reduction target or goal that includes its Scope 3 emissions
 - Scope 3 emissions typically include a company's indirect emissions not accounted for in Scope 2, such as GHG emissions from the use of a company's products by a customer
 - **For a registrant in the oil & gas sector, for example, Scope 3 emissions would be expected to represent the overwhelming majority of the GHG emissions associated with the registrant**

Backdrop to Activity in the Basin

Investing in new fossil fuels is 'moral and economic madness'

– UN Chief

End new oil, gas and coal funding to reach net zero.

– IEA

Dutch bank ING ends financing for new oil and gas projects.

Why supporting natural gas can put public finances at risk (Inter-American Development Bank (IDB))

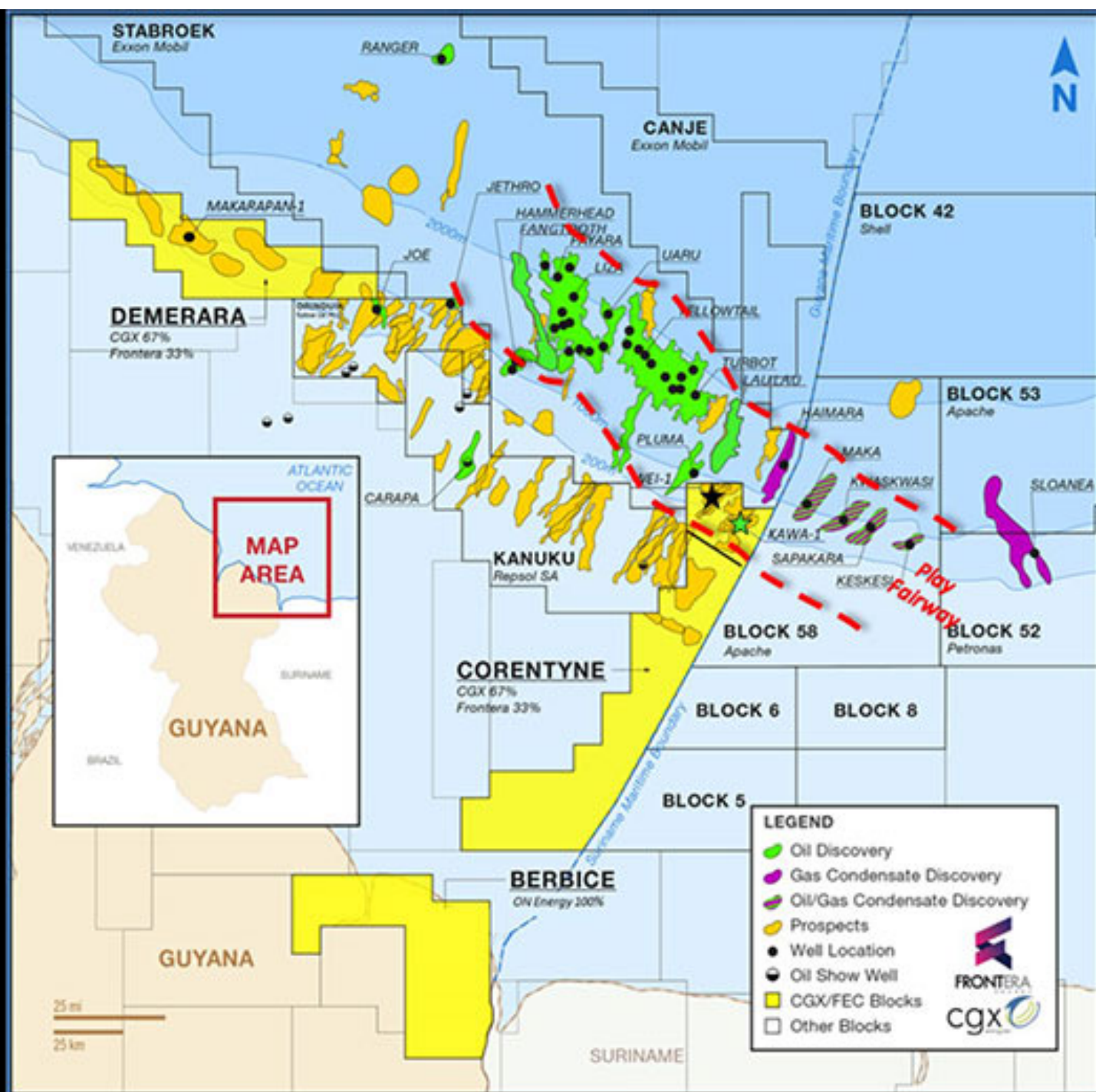
- Half of the region's gas reserves could become stranded
- Governments should not bet on continued revenues from gas extraction
- Technology and climate policy put the natural gas industry at risk



GUYANA

- ExxonMobil makes final investment decision on Yellowtail, fourth Guyana offshore project
- Expected to produce an additional 250,000 barrels of oil per day starting in 2025
- Guyana has discovered a recoverable resource of more than 10 billion oil-equivalent barrels
- Exxon anticipates up to 10 projects on the Stabroek Block to develop this resource
- More than 20 discoveries since 2015
- 1.2 million barrels per day of oil and gas (boed) by 2027





Update Contract Acreage

Block 47, 54 and 62 – Blocks relinquished in 2021

Block 5 – PSC signed by Chevron (Farm in Shell)

Block 6, 7 & 8 – Under negotiation

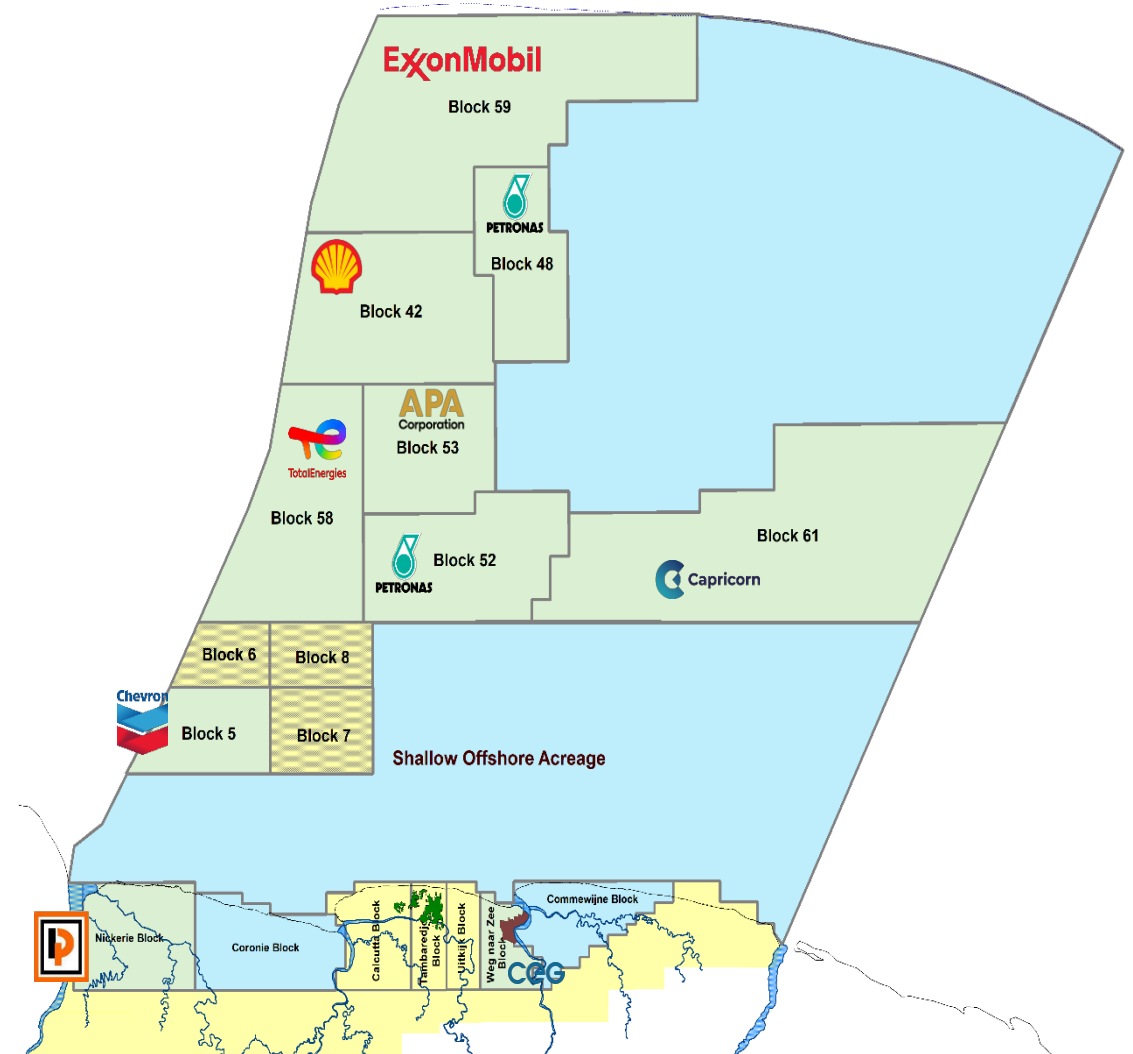
Block 42 – Exploration Drilling planned in Q3

Block 53 – Exploration Drilling planned in Q1

Block 58 – Exploration and Appraisal Drilling Ongoing

Nickerie Block – Exploration Drilling planned in Q2

Weg naar Zee Block – Well testing planned in Q2



POTENTIAL IMPLICATIONS FOR BASIN DEVELOPMENT

- Not a question of IF but HOW to manage development
- A spotlight on new resource development
- Stranded assets?
- Focus spreads from energy transition to other topics
- Emboldened stakeholders
- Cumulative Impacts
- Need to demonstrate progress on corporate and national commitments
- Competing objectives and imperatives
- High stakes for all stakeholders



OPPORTUNITIES AND CHALLENGES

- Vision – the exemplar of 21st Century Responsible Development
- What do we want to be known for? How do we get there?
- Be bold and ambitious ...
 - **Here's what 8 billion barrels of oil could do.....**
- Impacts/benefits – Sovereign Wealth Funds
- Collaboration - e.g. Regional Gas Plan, oil spill response, workforce development, supply chains
- Leverage focus on forestry and biodiversity
- Seizing on ESG-related scrutiny to find innovative solutions
- Partnerships across sectors



- Balancing Development Needs with Climate Goals
- Balancing local, corporate and international expectations
- Scope for cross-border and pan-basin opportunities
- Anticipating cumulative impacts
- GHG reduction measures utilized elsewhere in portfolios
- Seconding and sharing limited resources to important but not urgent needs

ENDEAVOR OPPORTUNITIES IN ESG

Help clients Envision the Future

- What do we want to be and why
- Business case, risks, value
- Assessing business environment and ESG “astuteness”
- Leadership alignment

Integrating ESG

- Materiality Assessment
- Governance
- Engaging the organization
- Change Management
- Coaching and culture
- Goals and targets
- Processes and systems
- Policies
- Performance and reporting



Technical expertise to help deliver goals across any number of issues, e.g.:

- Field Development
- Projects Management
- Emissions Management
- GHG-related technologies and processes
- Water management
- Impact Assessments
- Waste and Recycling
- Decommissioning, legacy
- Biodiversity, Land Use
- Energy usage, efficiency
- Workforce
- Legal and Regulatory compliance
- Health and Safety
- Engagement and Communications
- Human Rights