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The Material Shortcomings of ESG Data & The SEC's Climate Disclosure Proposal

Dan Romito, Partner – Pickering Energy Partners

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Introductions:
PEP Is Fully Committed to the Entire Energy Space

Speaker Introduction

Dan Romito

Dan Romito is a consulting partner at Pickering Energy Partners focusing on quantitative ESG strategy and implementation.

- Dan has advised several hundred private companies, public issuers, and asset managers on how to optimize capital deployment strategies, pursue quality pools of capital and employ ESG-related directives.
- Experience and research on ESG, Index/ETF Ownership and Shareholder Activism has been featured in Harvard Business Review, the Harvard Law School Forum on Corporate Governance, CNBC, Bloomberg, TD Ameritrade Network, Global Investor Magazine, and IR Magazine.
- Developed several key technology solutions focused on investor behavioral analytics platform, ESG Advisory Service, Insight360 Analytics, the Activist Diagnostic, Capital Deployment Scenario Analysis, and the Small Cap Investor Targeting Service.
- Dan received a BA from the University of Chicago, an MBA in Finance from DePaul University, was working on his MS in Mathematics from the University of Chicago prior to COVID-19 (became a proverbial drop-out)
- Professor at Marquette University & board member on the Energy ESG Council

Consulting Nasdaq THE UNIVERSITY OF CHICAGO MARQUETTE UNIVERSITY BE THE DIFFERENCE. SASB SUSTAINABILITY ACCOUNTING STANDARDS BOARD ESG CERTIFICATE IN ESG INVESTING

Introduction To Pickering Energy Partners

- September 2019 spin out from TPH as an Investment Business
- Committed to establishing our team as the preeminent Energy-focused financial services
- Unapologetically focused and committed to the Oil and Gas space, **BUT...**
- We also embrace the utility and necessity of decarbonization strategies
- Expertise and services extend across Investments, Advisory, Consulting and Insights

Clients Spread Across the Entire Energy Spectrum

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Pickering Energy Partners Investments

Pickering Energy Partners Insights

Pickering Energy Partners Consulting

Pickering Energy Partners Advisory

MERGE ELECTRIC FLEET SOLUTIONS

Broad Subsector Coverage


Diversified Energy


Upstream


Minerals / Commodities / Natural Resources


Alternative Energy


MLPs & Midstream


Oilfield Services


Energy Storage


Electric Vehicles and Charging Infrastructure


Refining


Power & Infrastructure


Renewable Fuels


CCUS

Agenda – Instituting Practicality Back Into The Discussion

- Level Setting – Reaffirming the global importance of fossil fuels
- The pragmatic overview of the energy transition – good and bad
- Where are we at today?
- **Why the SEC's Climate Disclosure Proposal misses the mark**
- Strategic Considerations & Recommendations

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Part 1 - Level Setting: Reaffirming The Global Importance of Fossil Fuels

Investing In The Energy Transition And Energy Is NOT Mutually Exclusive

- The traditional Energy space must figure out how to participate in a **decarbonizing world**
- ESG-focused data & assumptions guiding the transition's narrative is infested with **data bias**
- These shortcomings **restrict access to capital** to the companies which are best suited to successfully execute the energy transition
- Both ends of the energy spectrum must learn to **capitalize on each other's talents** to successfully complete the energy transition
- The Energy Transition and ESG narrative will remain overburdened with incompetence as opposed to achievement until a **pragmatic balance** can be stuck

Net Zero Goals Are Aspirational But Not Necessarily Practical

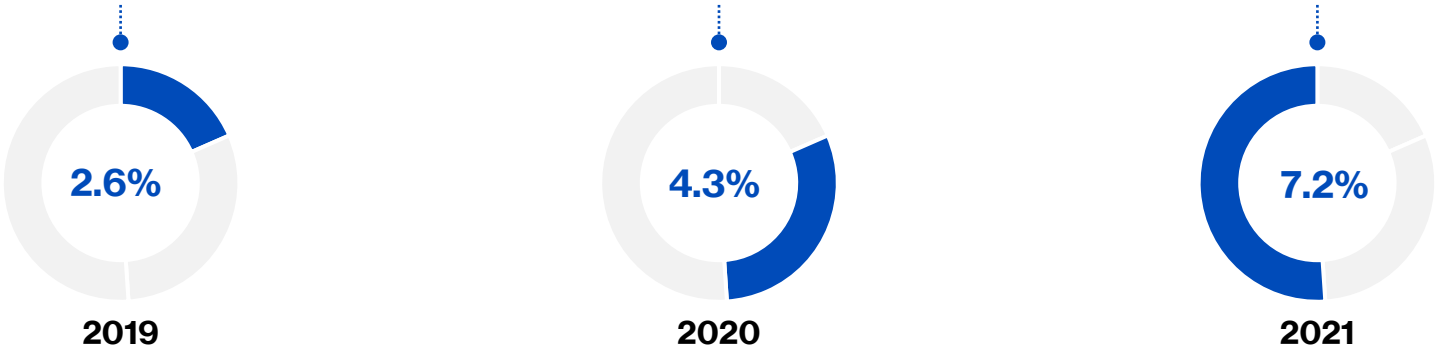
The world will have **~2B** more people by 2050, mostly in **developing countries**

Energy poverty must be a consideration when assessing the economics, adoption, impact and practically of new energy technology

"Governments **must work together** to implement coherent measures that cross borders"

NO new oil or gas fields after 2021

60% of total car sales will have to be EV by 2030



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IEA site

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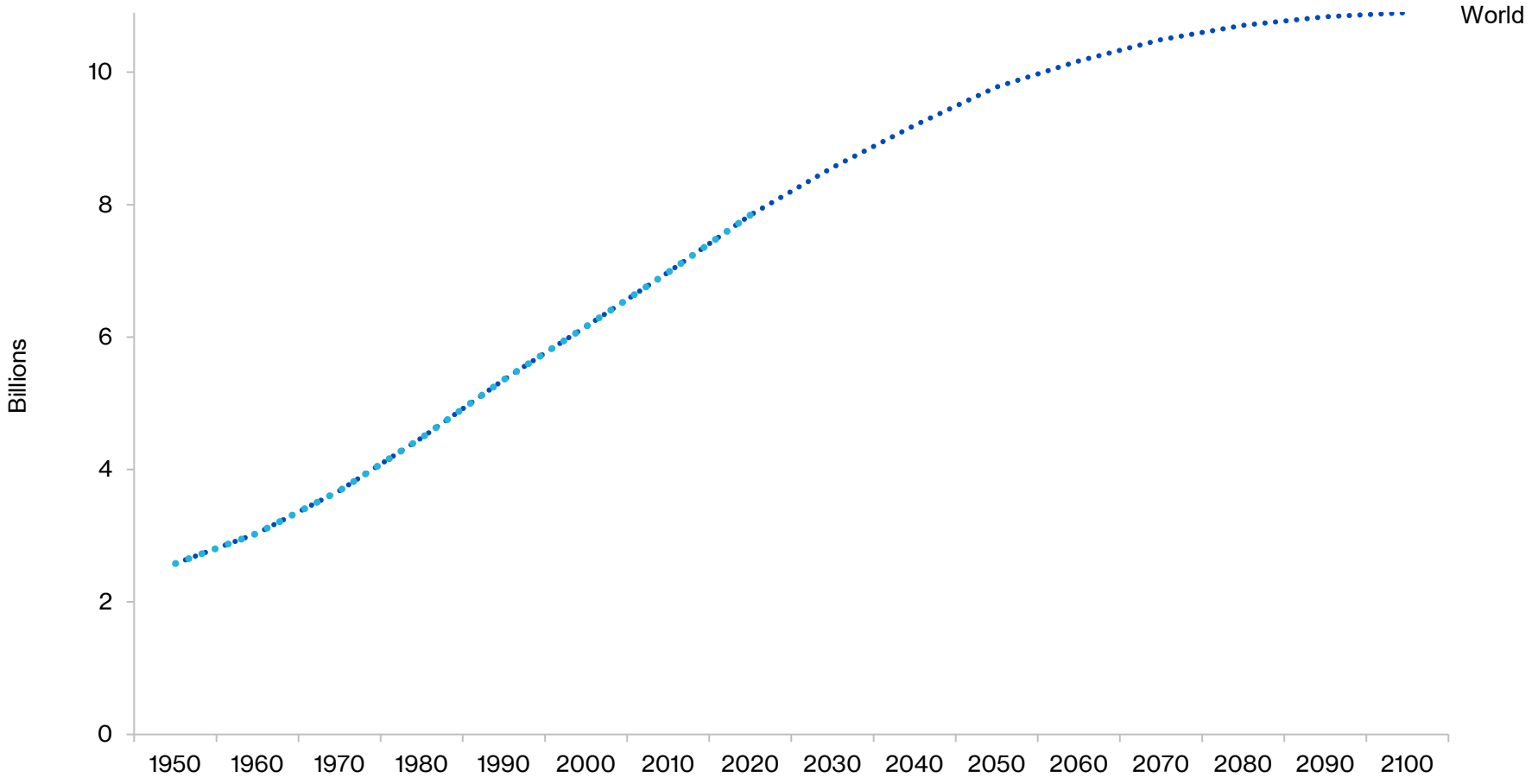
Global Population Trends Indicate The Continued Need For Hydrocarbons

Global Population Anticipated To Hit ~ >10B By 2060

Population projection by the UN, World, 1950 to 2100

Shown is the total population since 1950 and the 'medium variant' projections by the UN population division



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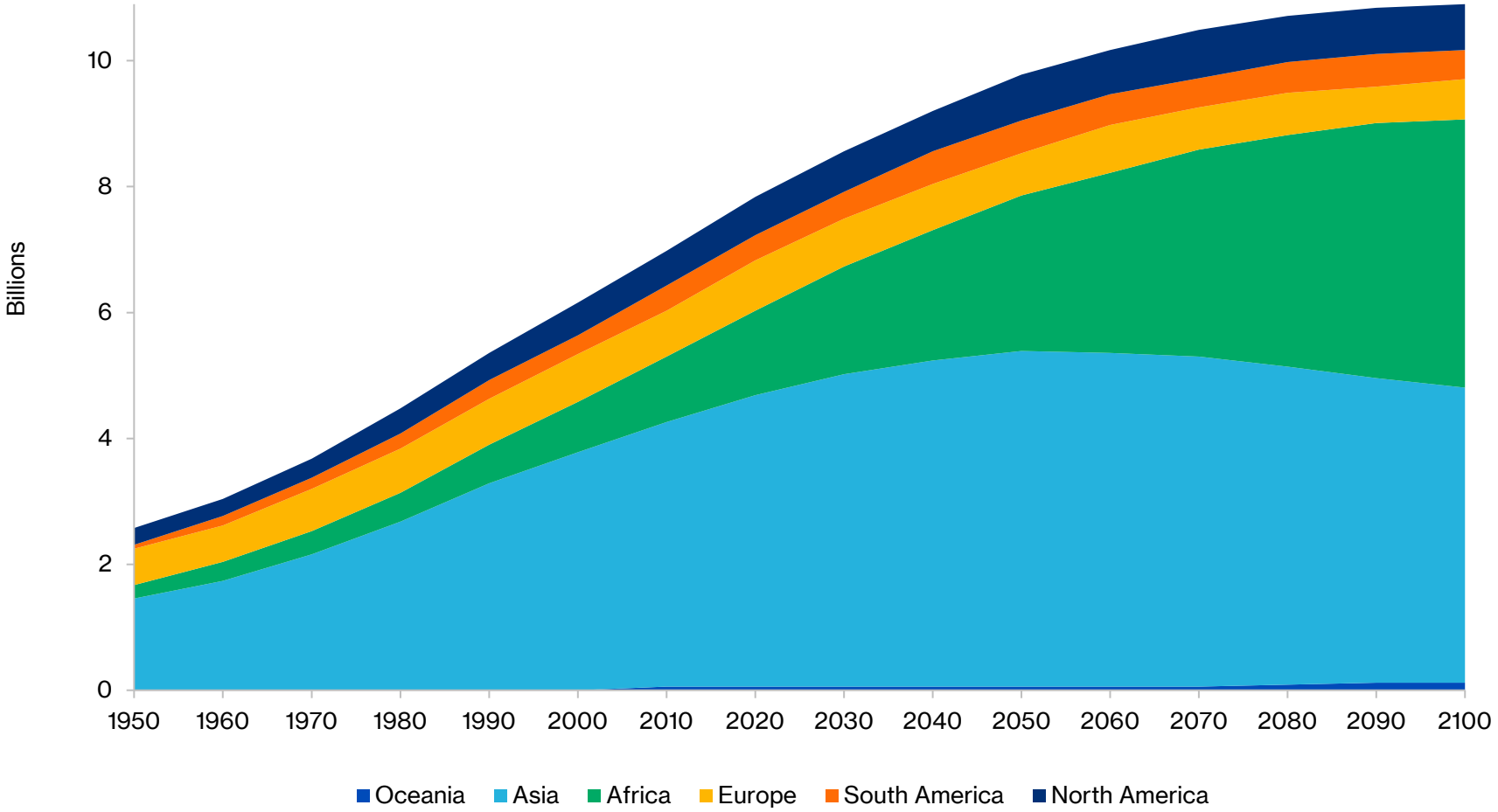
Source: UN(2019)
https://ourworldindata.org/future-population-growth

Growth Dominated By Areas Currently Experiencing Energy Poverty

World population by region

Projected population to 2100 is based on the UN's medium population scenario.



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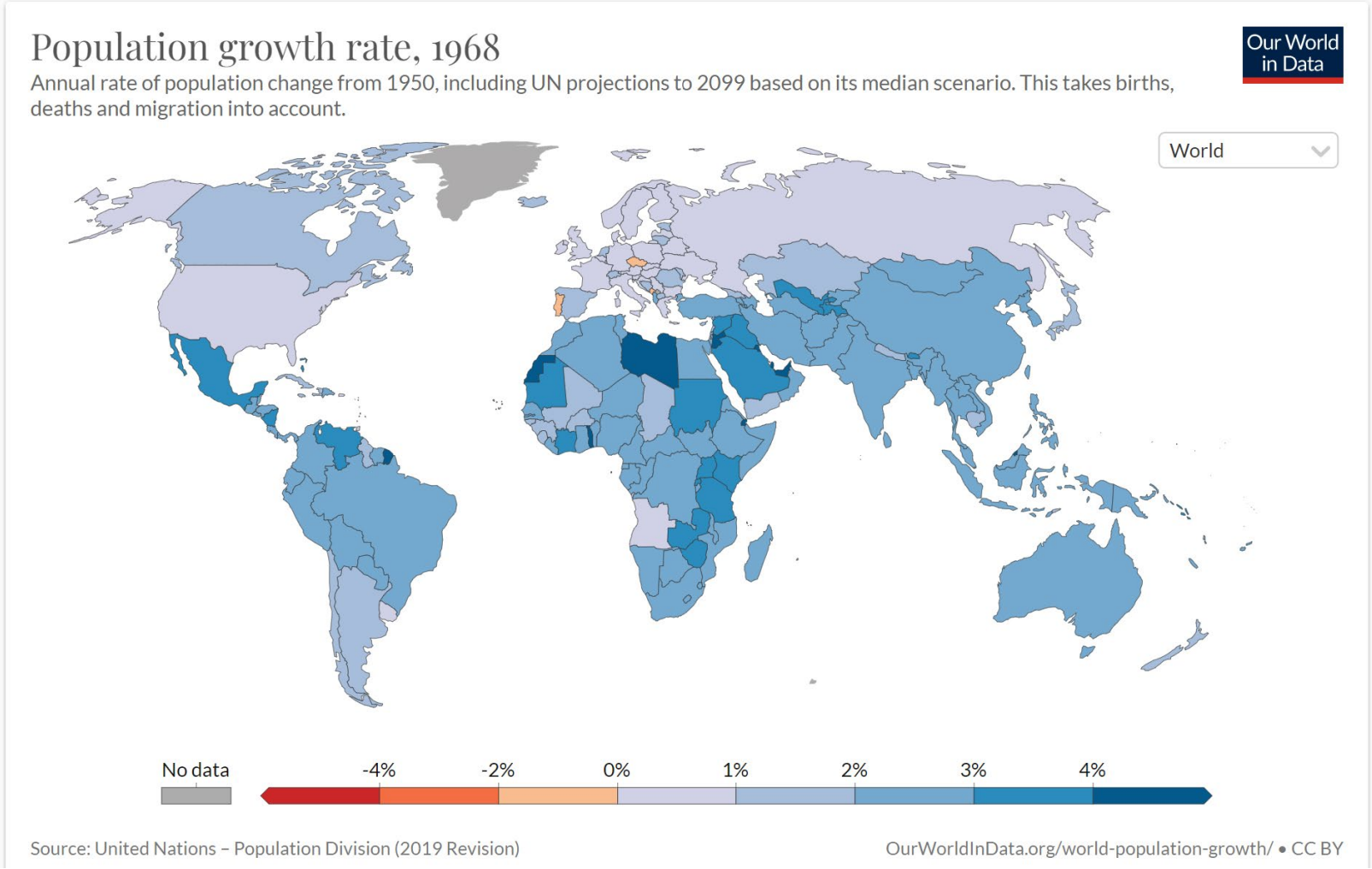
Source: Gapminder (v6,) HYDE (v3.2), UN (2019)
https://ourworldindata.org/future-population-growth

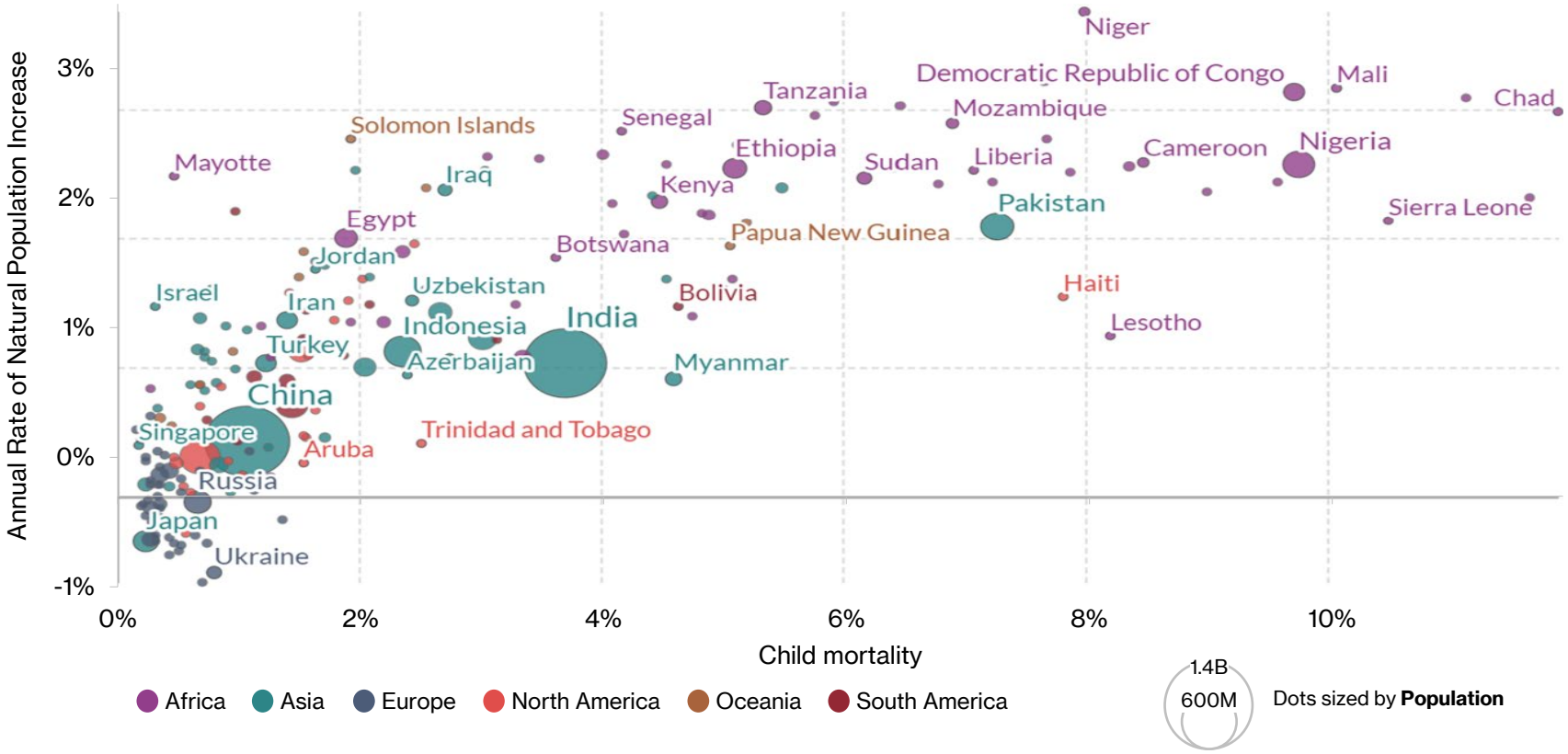
Developing Nations Display Greater Future Population Growth



Child Mortality Increases As Population Growth Increases

Population growth rate vs Child mortality rate, 2019

The child mortality rate measures the share of children that are born alive and die before they are five years old. The rate of natural population increase is determined by births and deaths only and migration flows are taken into account.



Child mortality is inversely correlated with population growth, i.e., **Where child mortality is high the population grows fast.**
A major reason for this correlation is that the fertility rate is high where child mortality is high

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Source: UN Population Division (2019 Revision)
https://ourworldindata.org/future-population-growth

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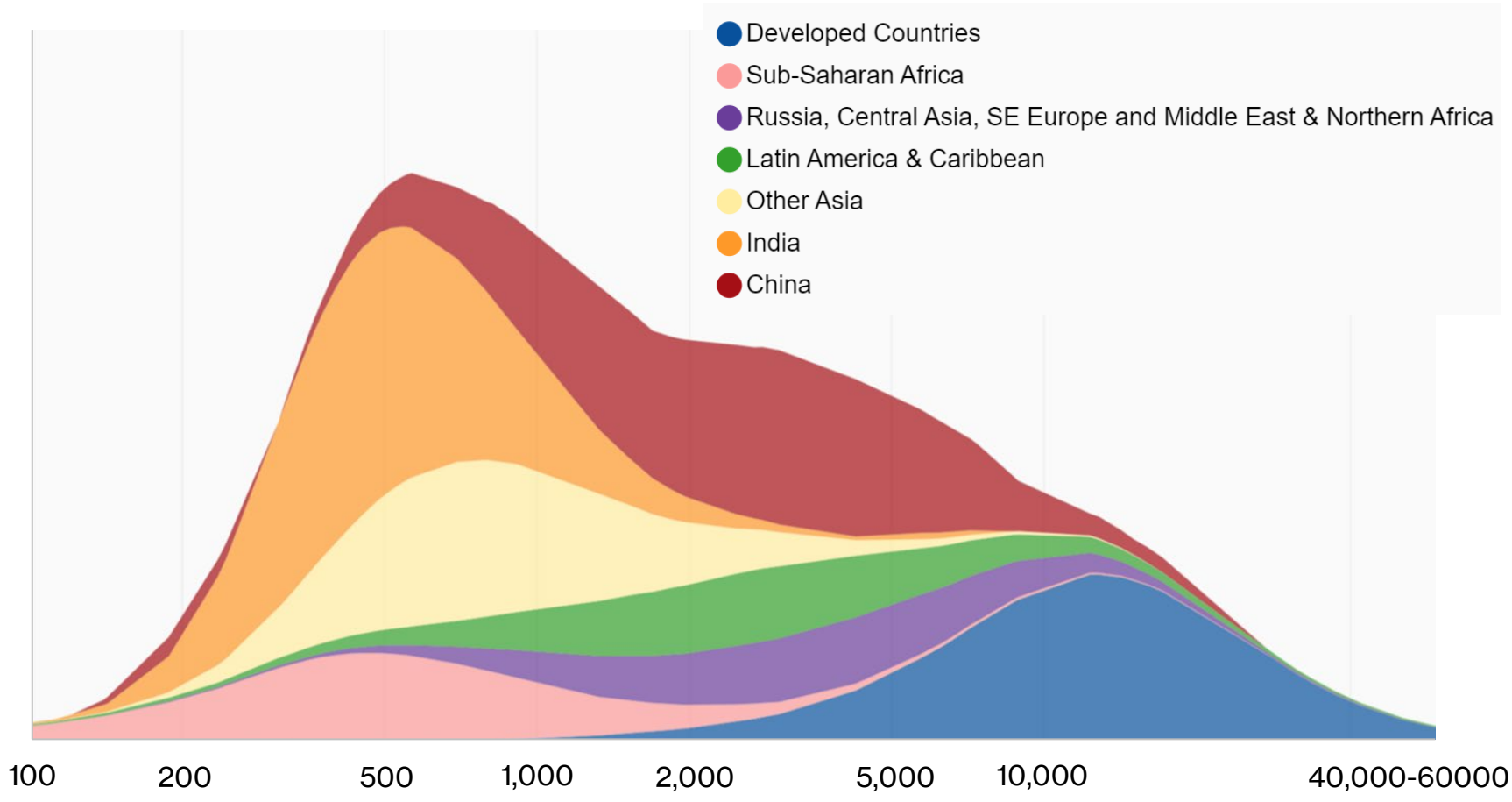
Income Trends Indicate A Continued Need for Affordable Energy

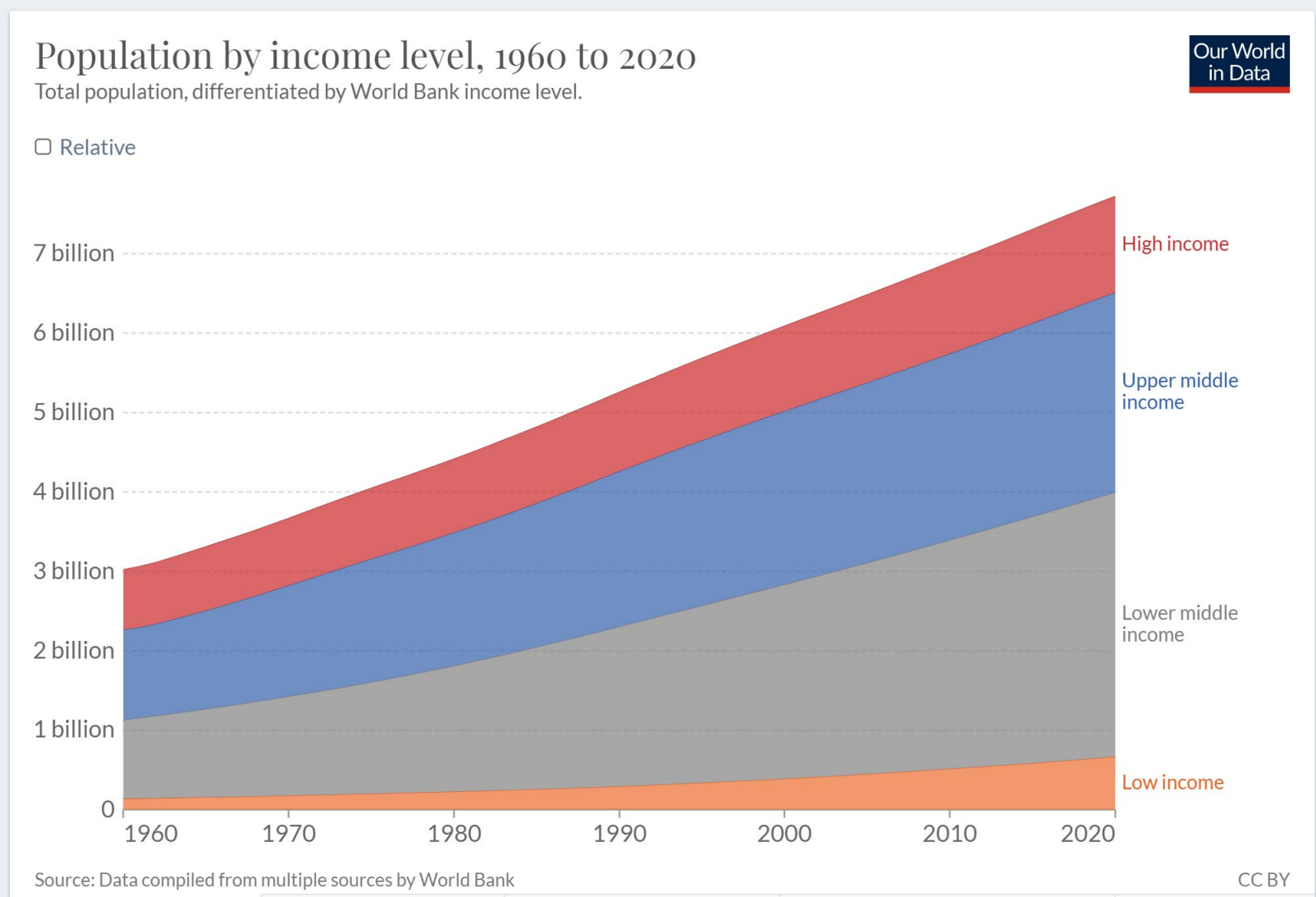
Household Income Substantially Lower In Developing Countries

Global Income Distribution 1988 to 2011



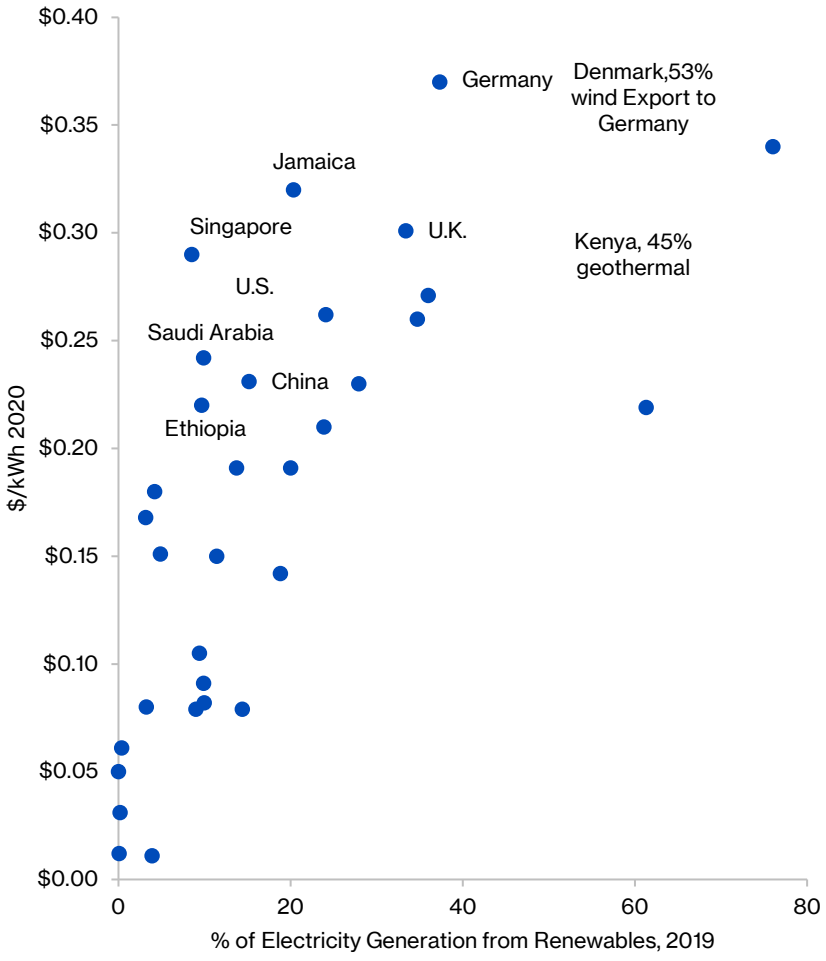
Yearly Income per Person (in PPP-adjusted 2005 US$; on a logarithmic axis)

Lower Middle Income & Below Will Struggle To Afford Renewable Options

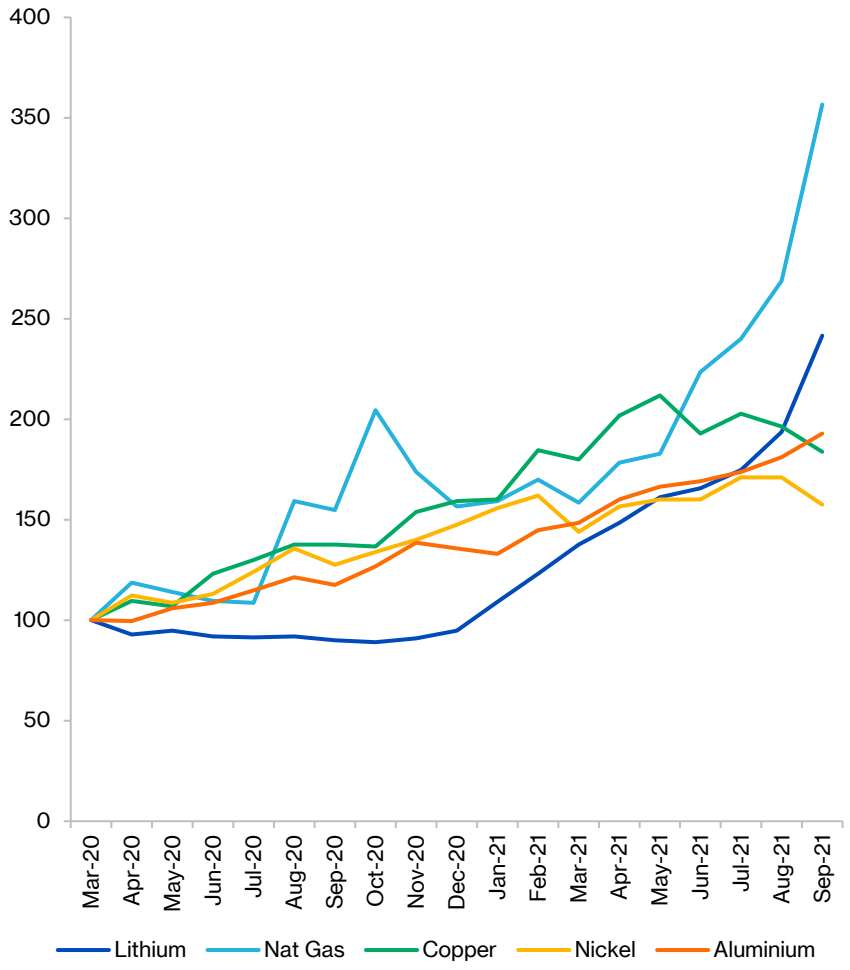


Electricity Prices Rise As Renewable Penetration Increases

Electricity Prices Correlated with Renewable Penetration[1]



Recent Commodity Price Changes[2]



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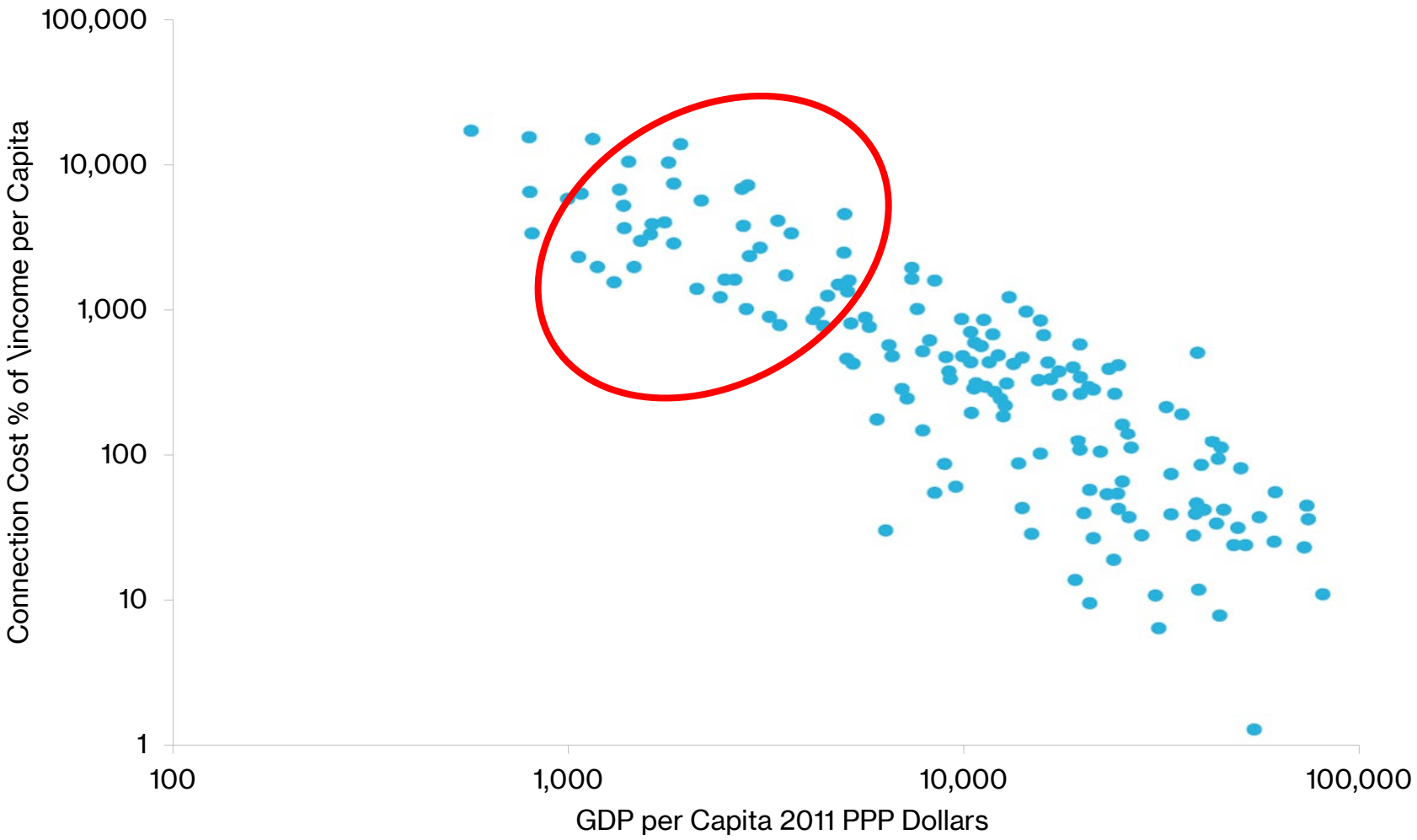
1. Source: Sailing Capital Partner, https://ourworkindata.org/grapher/share-elec-by-source?time=latest, https://www.statostocs/263492/electricity-prices-in-selected-countries

2. Source: Bloomberg

Energy Costs Decrease As GDP per Capita Increase

Relationship Between Energy Cost and Per Capita GDP[2]



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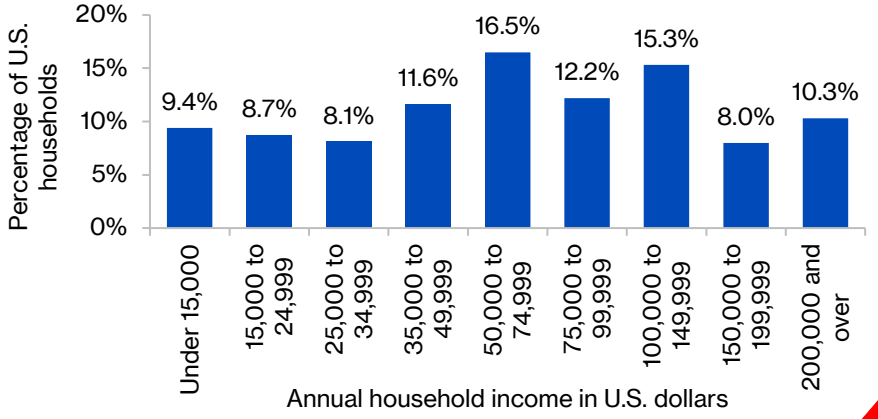
1. Source: ibid

2. Source: Stern, D.I, Burke, P.J, & Bruns, S.B. (2019). The Impact of Electricity on Economic Development: A Macroeconomic Perspective, UC Berkeley: Center for Effective, Global Action. Retrieved from http://scholarship.org/uc/ite,/7jb0015q

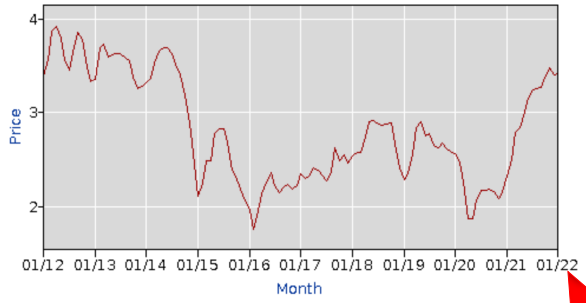
Energy Transition Will Result In Increased Inflationary Pressures

Percentage distribution of household income in the U.S. in 2020



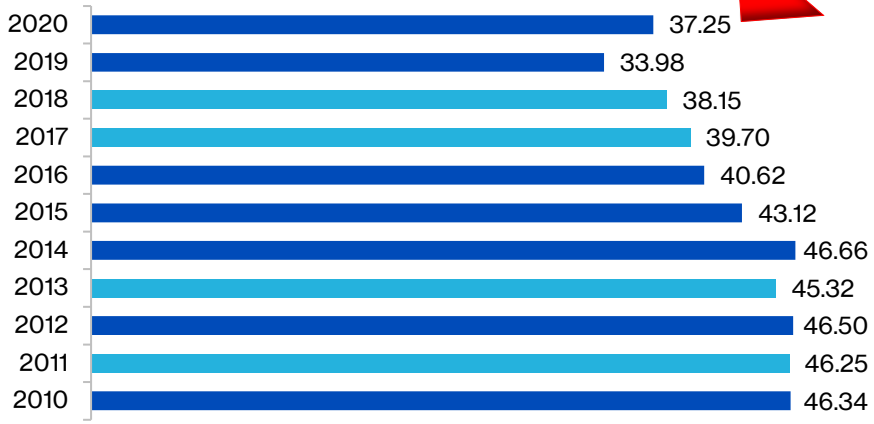
CPI Average Price Data, U.S. city average (AP)

Series Id: APU000074714
Series Title: Gasoline, unleaded regular, per gallon/3.785 liters in U.S. city average, average price, not seasonally adjusted
Area: U.S. city average
Item: Gasoline, unleaded regular, per gallon/3.785 liters



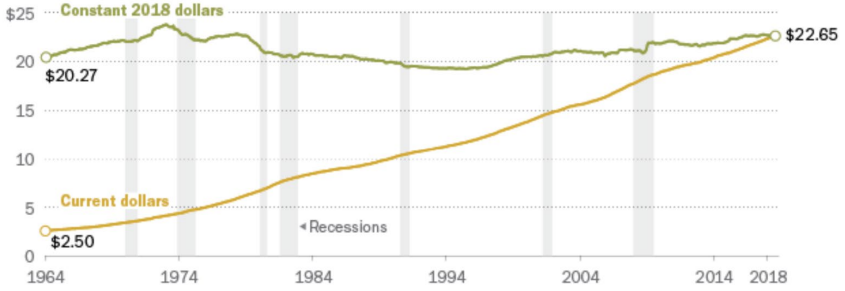
Number of people living below the poverty line in the United States from 1990 to 2020

(in millions)



American's paychecks are bigger than 40 years ago, but their purchasing power has hardly budged

Average hourly wages in the U.S., seasonally adjusted



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Source: U.S. Bureau of Labor Statistics;
Note: Data for wages of production and non-farm payrolls. "Constant 2018 dollars" describes wages adjusted for inflation. "Current dollars" describes wages reported in the value of the currency when received. "Purchasing power" refers to the amount of goods or services that can be bought per unit of currency

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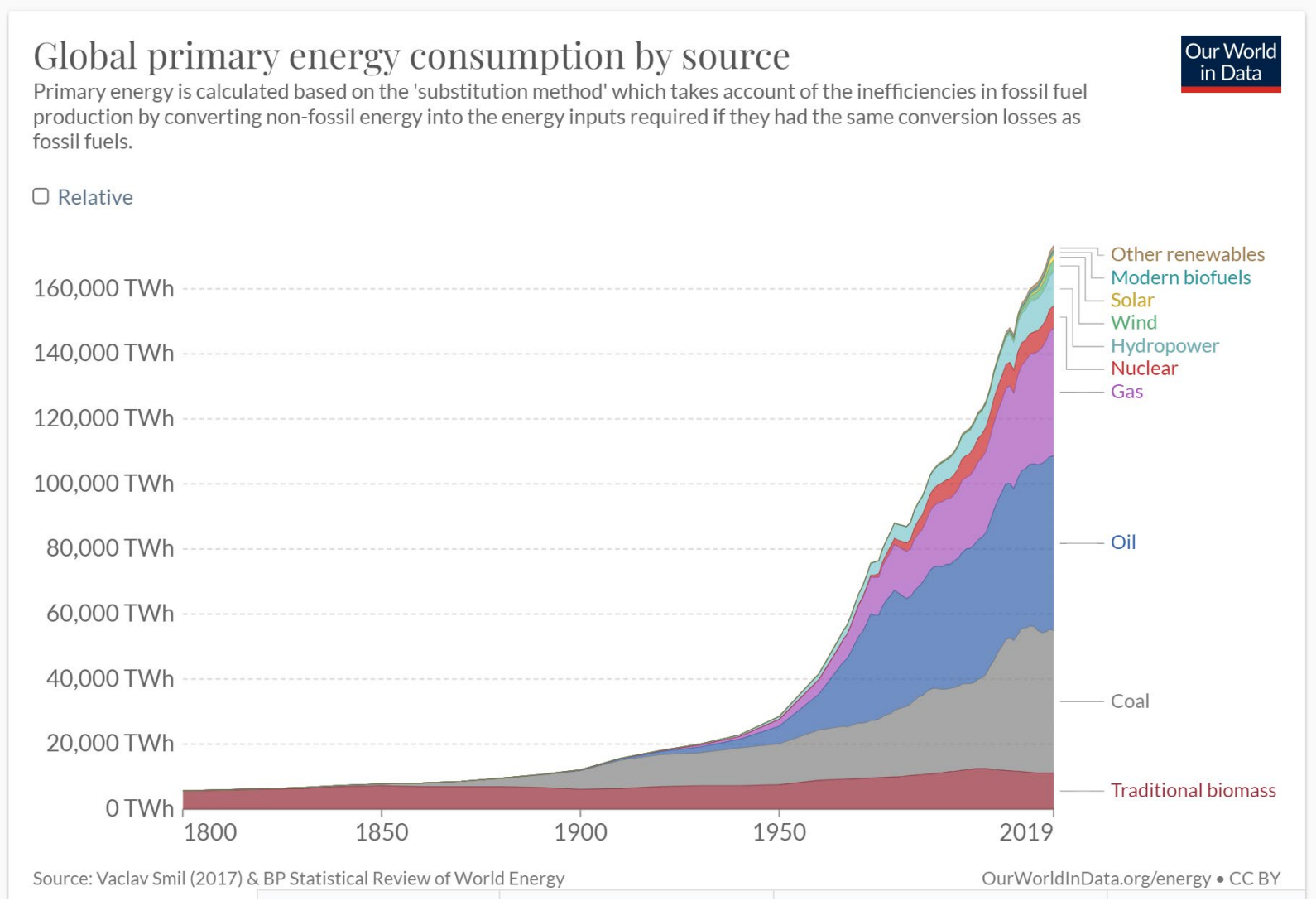
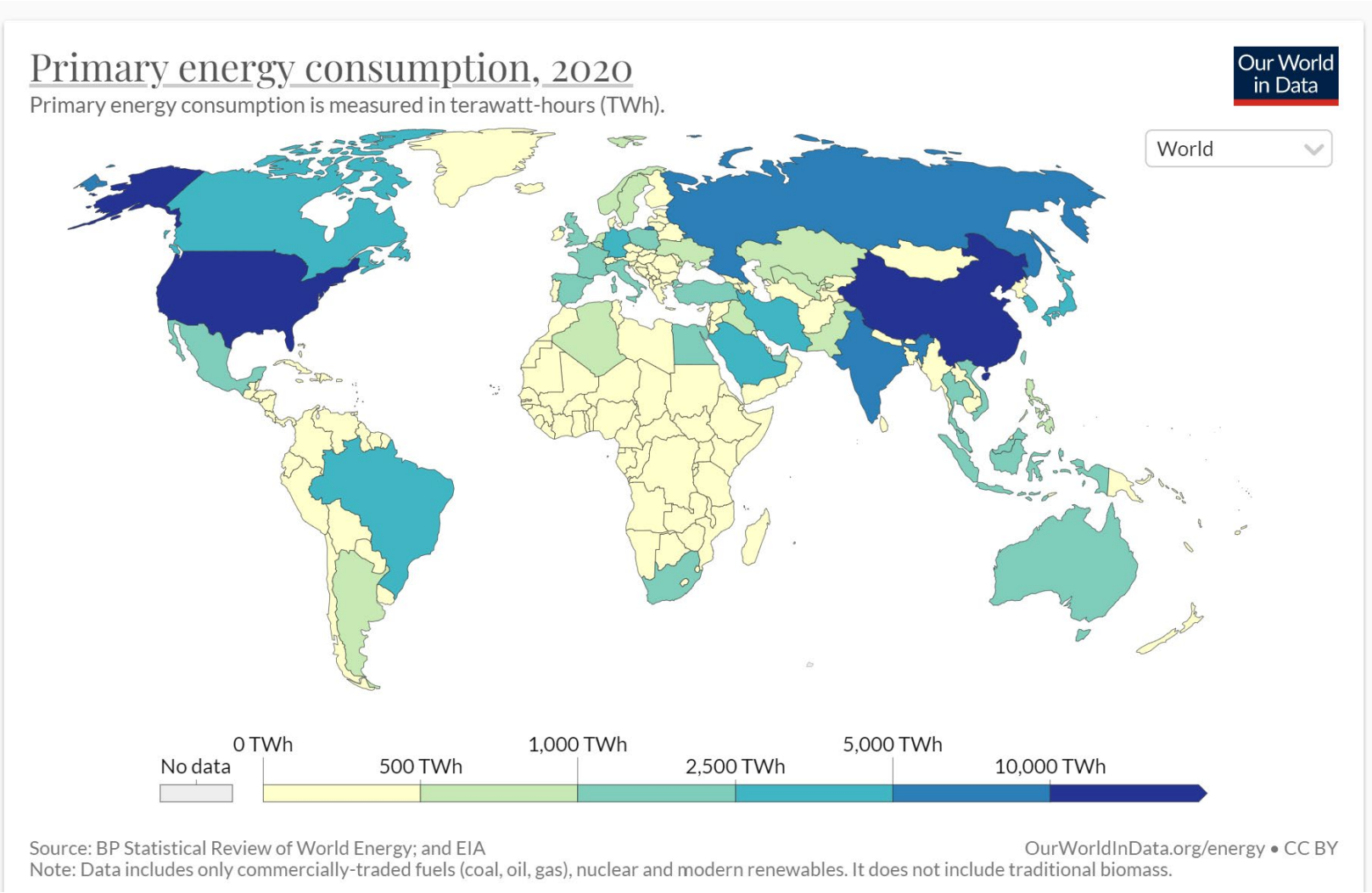
Global Energy Has To Come From Somewhere...

Developing Countries Will Rely On Oil & Coal For The Foreseeable Future



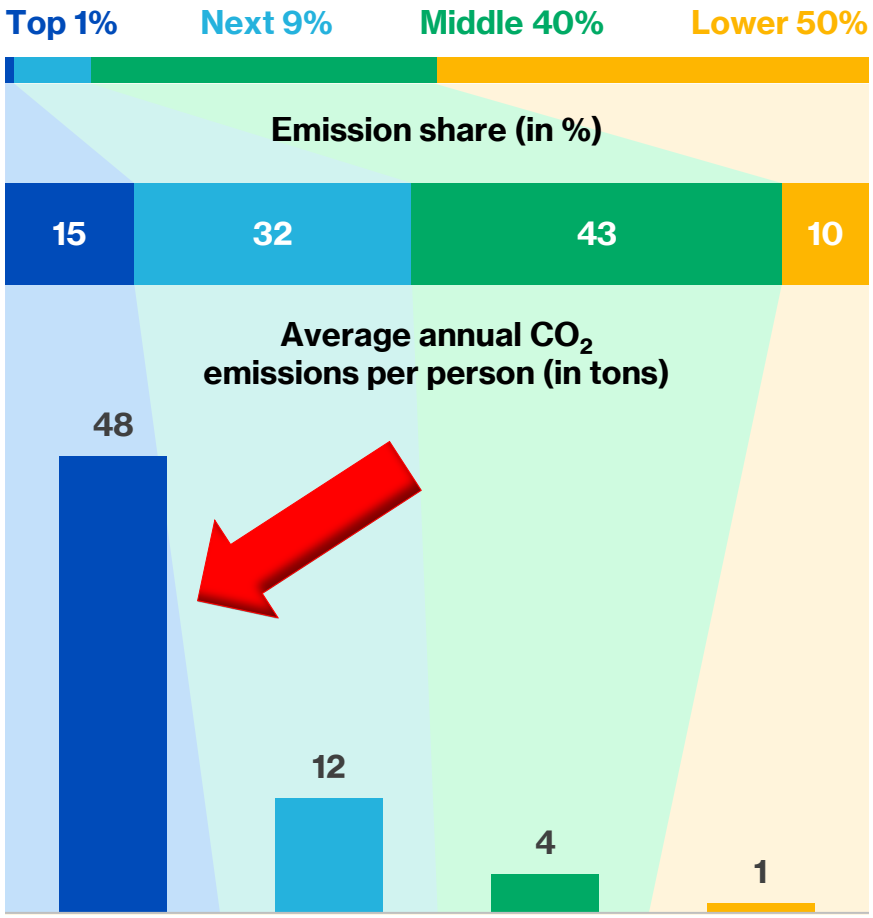
Energy Consumption Will Increase With Population Growth



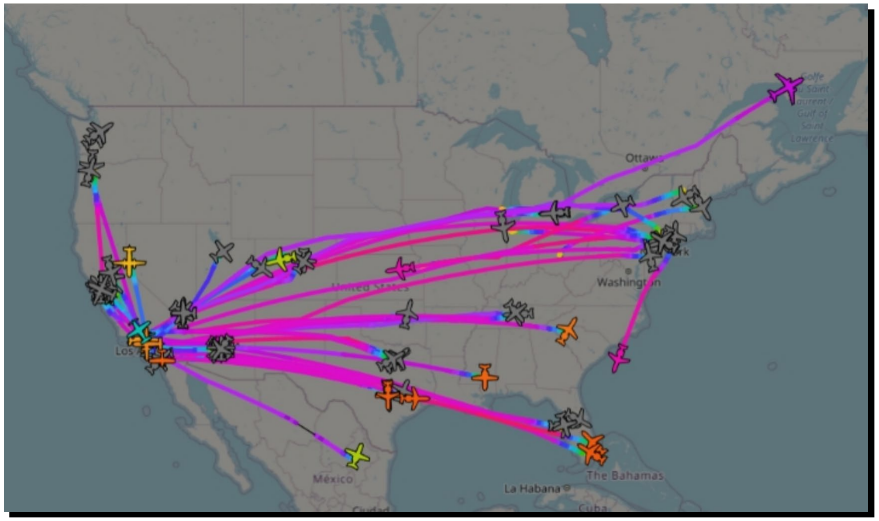
The Top 10% Account For Nearly Half Of The Globe's Carbon Footprint

The One Percent's Huge Carbon Footprint

Estimated global CO_2 emission share by income groups



Flight map showing over the 140+ private jets that left LA after Super Bowl LVI within the first 5+ hours after the game ended



Rising use of private jets sends CO2 emissions soaring

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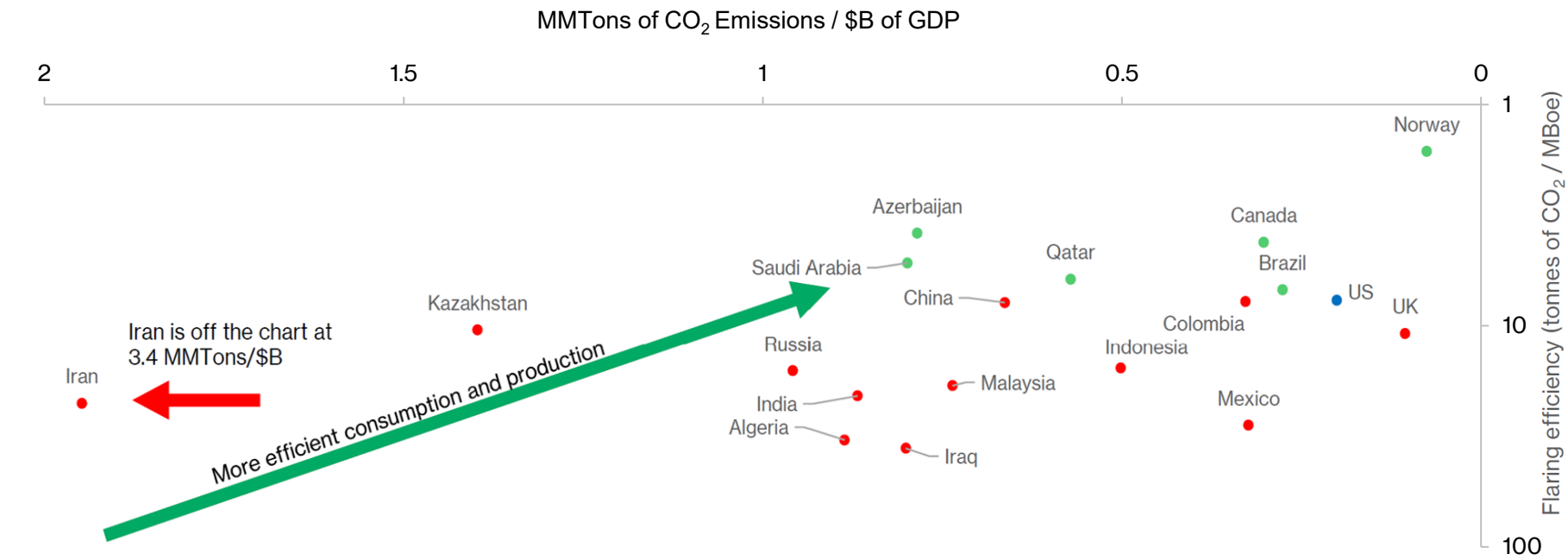
Source: Carbonbrief

United States, UK & Norway Are The Cleanest Producers

Emissions Relative to GDP vs. Flaring Efficiency



- **We have bellwether nations that should be imitated** – Norway leads the pack as the cleanest producer with the cleanest economy. Canada, Brazil, US, Qatar, Azerbaijan, and Saudi Arabia follow as relatively clean producers with cleaner economies
- **The energy transition can start by cleaning our current energy world** – There is significant progress that other countries can implement today that would dramatically improve the world's carbon footprint. Russia and Iran together make up 7% of the world's CO2 emissions and 26% of the world's CO2 from flaring.

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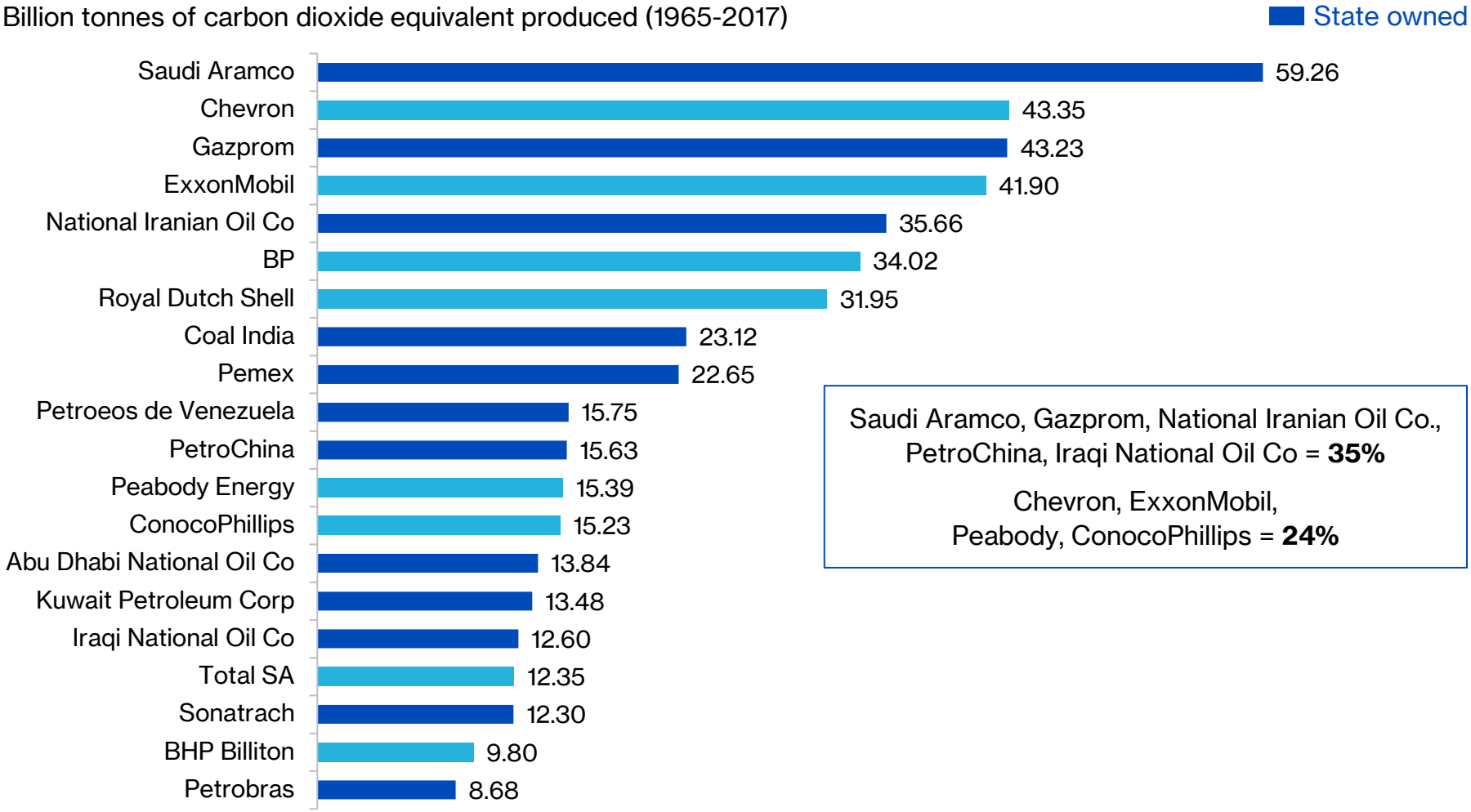
Source – BP Statistical Review of World Energy 2021, World Bank, Pickering Energy Partners Analysis

Some Of These Countries Do Not Necessarily Share Our Values...

20 Firms produced a third of global CO_2 emissions

Billion tonnes of carbon dioxide equivalent produced (1965-2017)



Saudi Aramco, Gazprom, National Iranian Oil Co., PetroChina, Iraqi National Oil Co = **35%**

Chevron, ExxonMobil, Peabody, ConocoPhillips = **24%**

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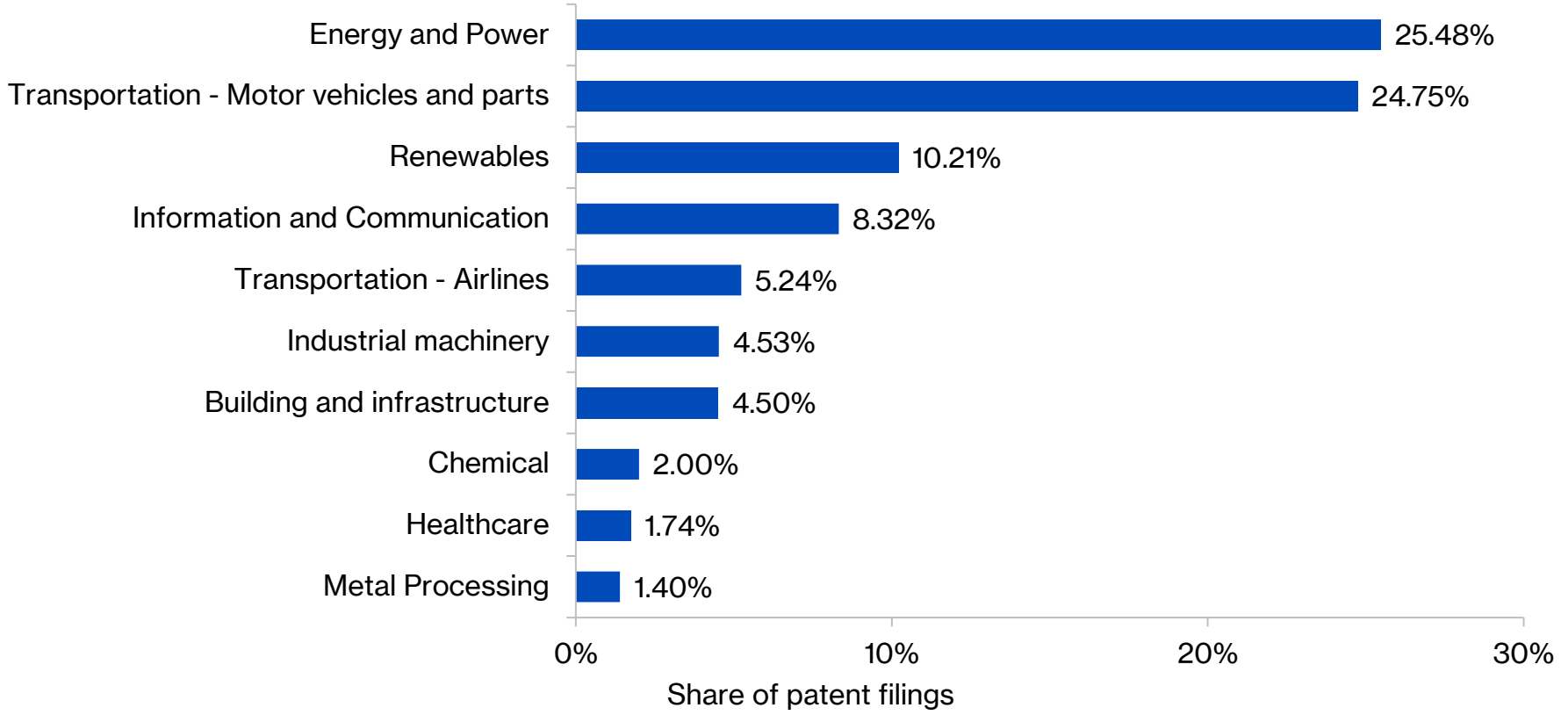
Source: Richard Heede at the Climate Accountability Institute via the Guardian

Restricting Capital To Fossil Fuel Companies Is Counter-Productive

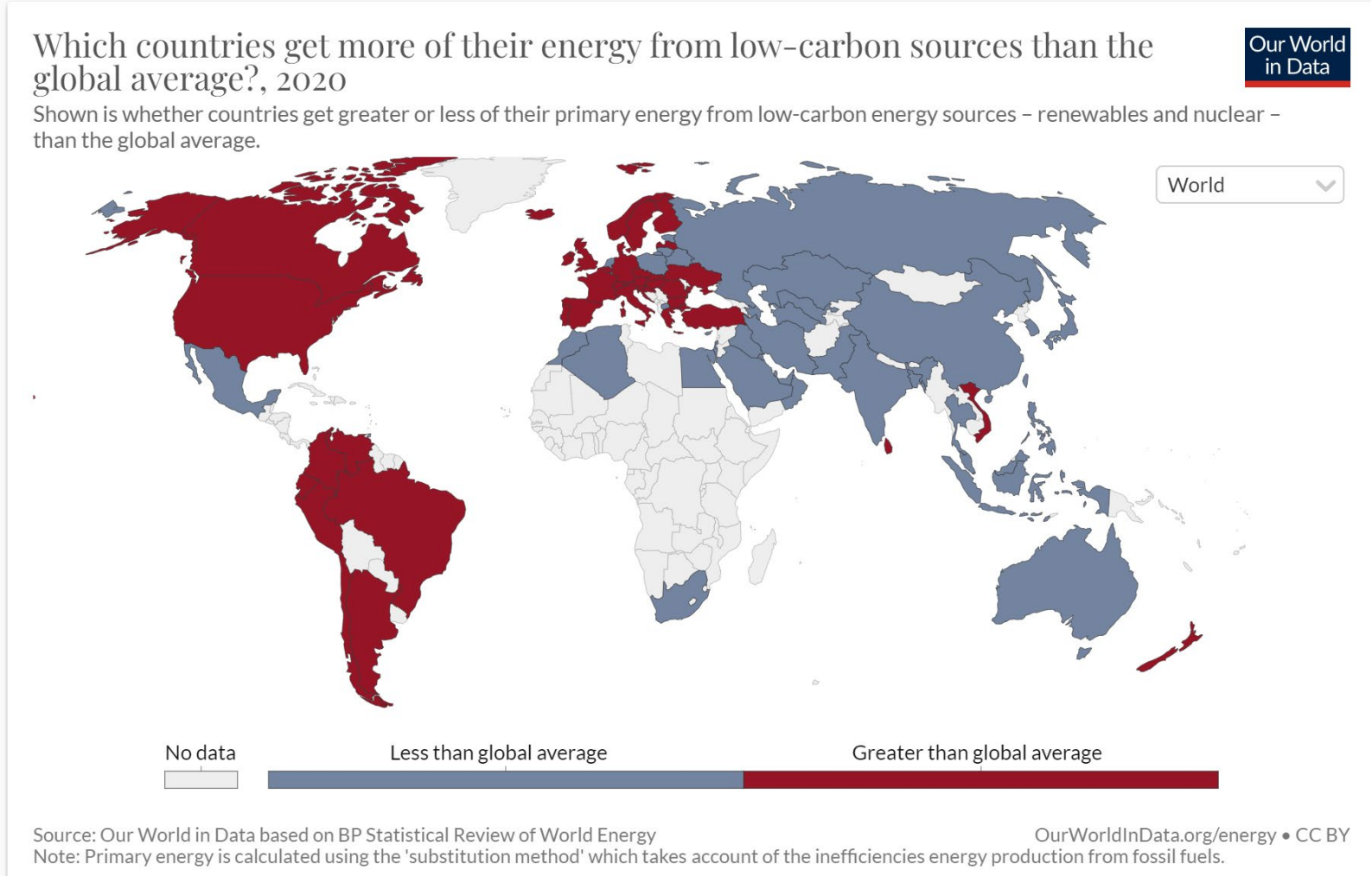
Distribution of green patent filings worldwide as of 2020, by industry



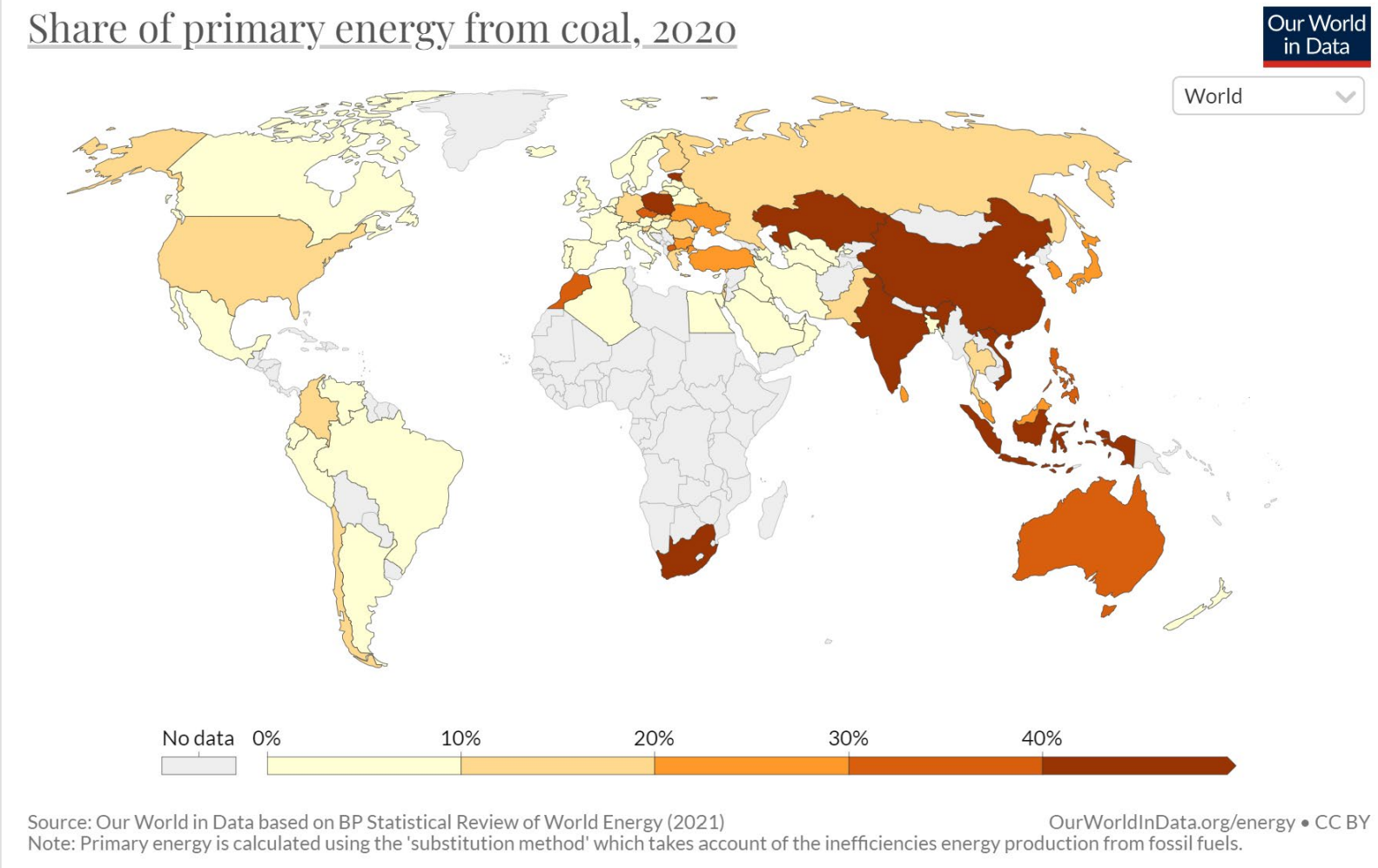
Despite destroying value for over decade, the Energy space remains perhaps best positioned in terms of capitalization to execute the transition

https://jsom.utdallas.edu/news/awardwinning-study-shows-greenpatent-results-dont-square-for-energy-industry

Low Carbon Strategies Already Penetrating North America



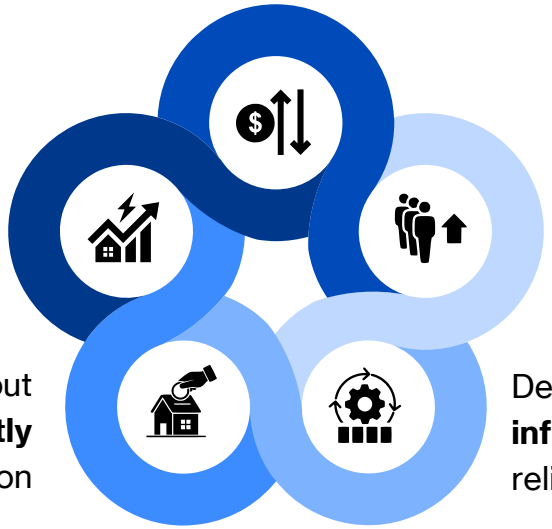
The U.S. Is Not As Reliant On Coal As One May Think



Summing Up The Global Energy Paradigm

Energy costs decrease as GDP per Capita increases

Electricity prices rise as renewables penetration increases



Population growth is anticipated to predominately come from **developing countries**

Household income through out developing countries **cannot currently support** renewable penetration

Developing countries **lack the infrastructure** to support renewable reliance

Key considerations:

As developing countries increasingly experience population growth, who will they rely on for affordable energy?

What is the geo-political impact of those decisions?

How do those decisions impact the pursuit of decarbonization strategies?

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Part 2 – Economic Reality: The Pragmatic Overview of the Energy Transition

Energy Transition Will Disproportionately Impact The Developing World

The Energy Transition is the most capital- and **resource-intensive** undertaking in the history of mankind

Pressure on raw material prices to facilitate **incremental supply**

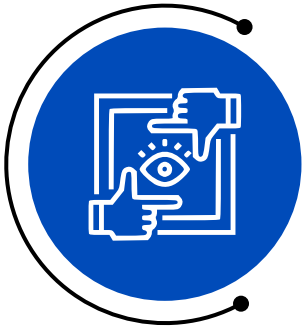
"Electrify everything" will **seriously pressure** commodity prices, namely nickel, cobalt and lithium

Represents severe geopolitical risk and coerces governments **NOT** to work together seamlessly

Putting Into Perspective The Capital Required For The Energy Transition

IEA estimates

$150T of investment required by 2050



Perspective

$400B capital deployed during U.S. shale boom

Largest year ever for energy capex (2014) – $900B

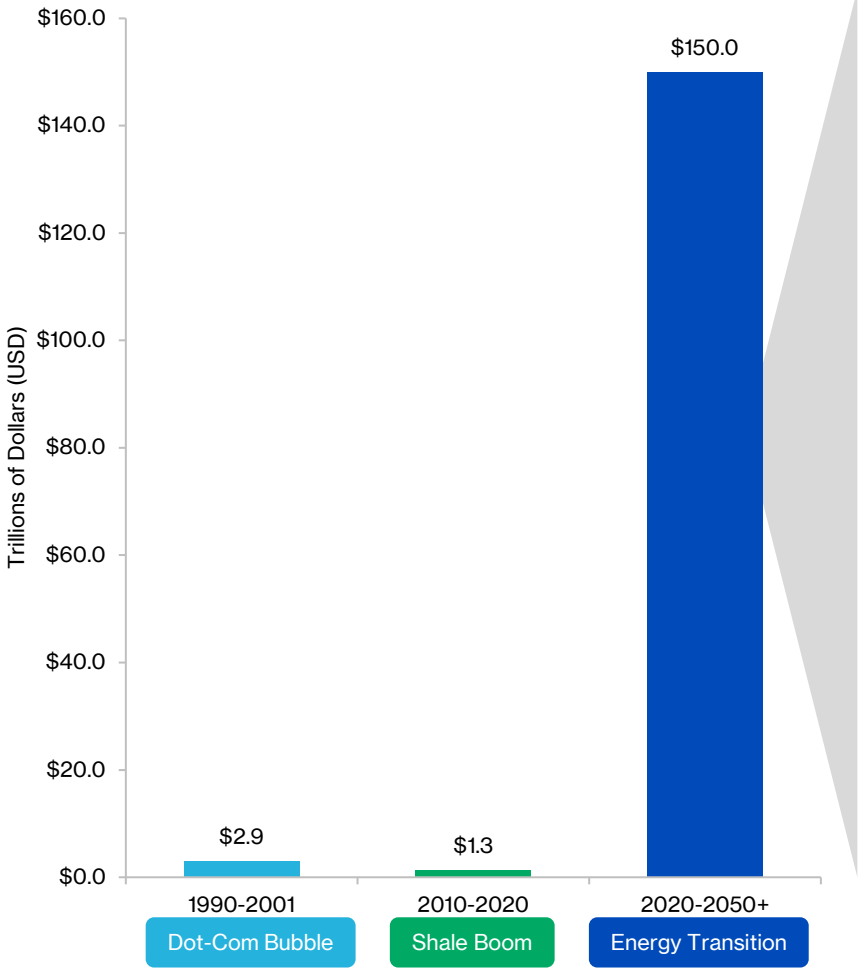
The importance of **capital discipline** moving forward

Monetary & Fiscal Policy

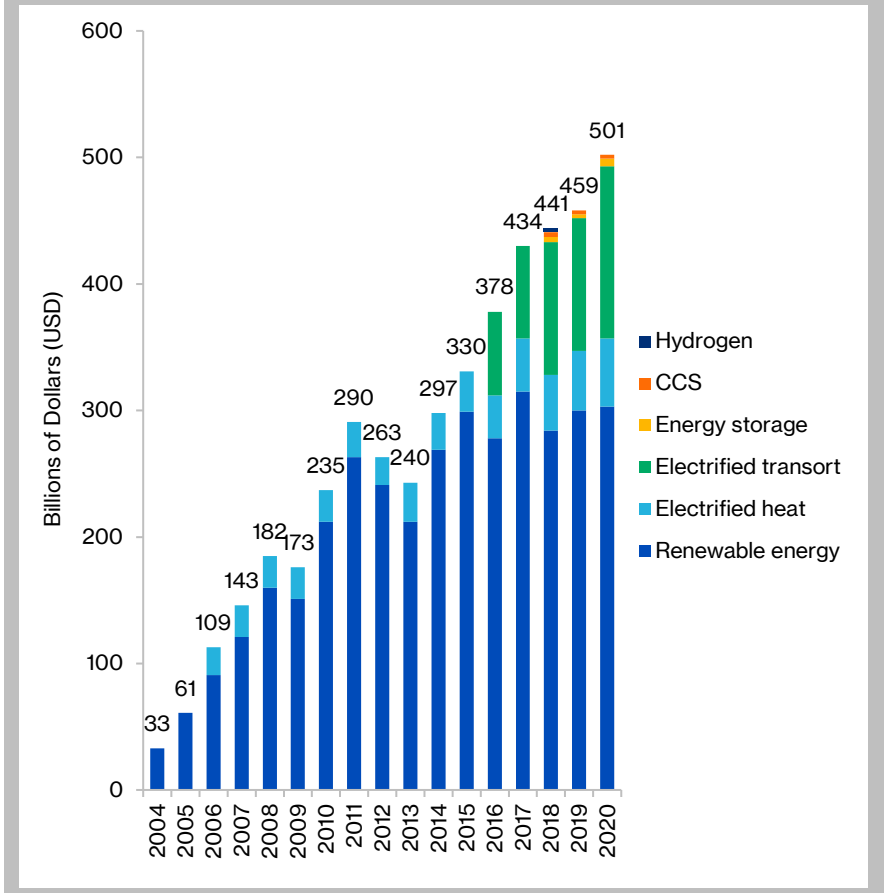
Zero consideration of government deficits, tax policies and voluntary developments

The Energy Transition Will Require 50x The Capital Of The Dot-Com Era

The Energy Transition in Context



$150 Trillion is a 10x increase in global investment from 2020 every year for the next three decades.



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Source: CNNfn and Birinyi Associates, Rystad Energy, BloombergNEF, and the International Renewable Energy Agency (IRENA)

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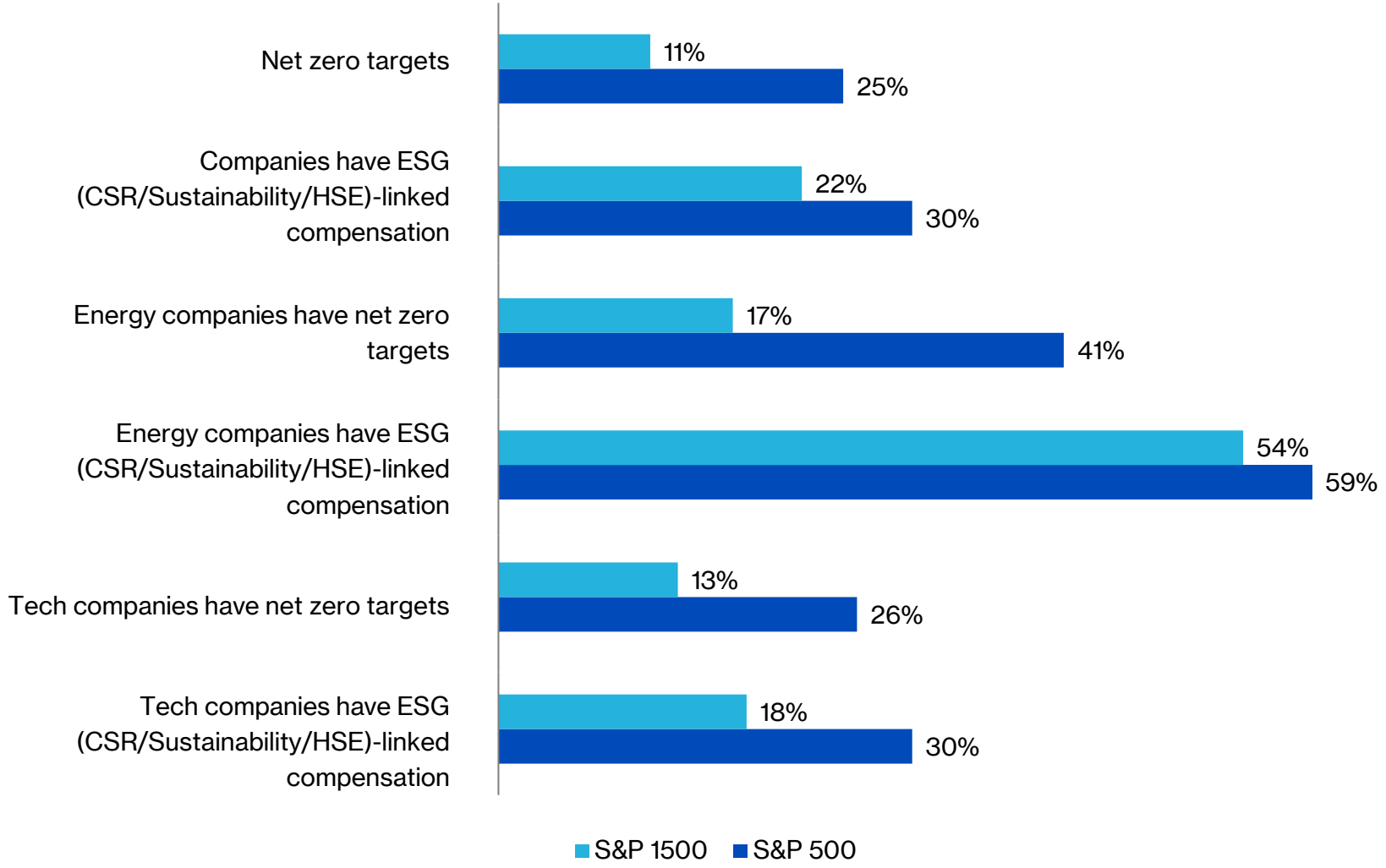
Part 3:
What Is The Status Of The Energy Transition Today?

Net Zero Targets Increasingly Influencing Market Perception

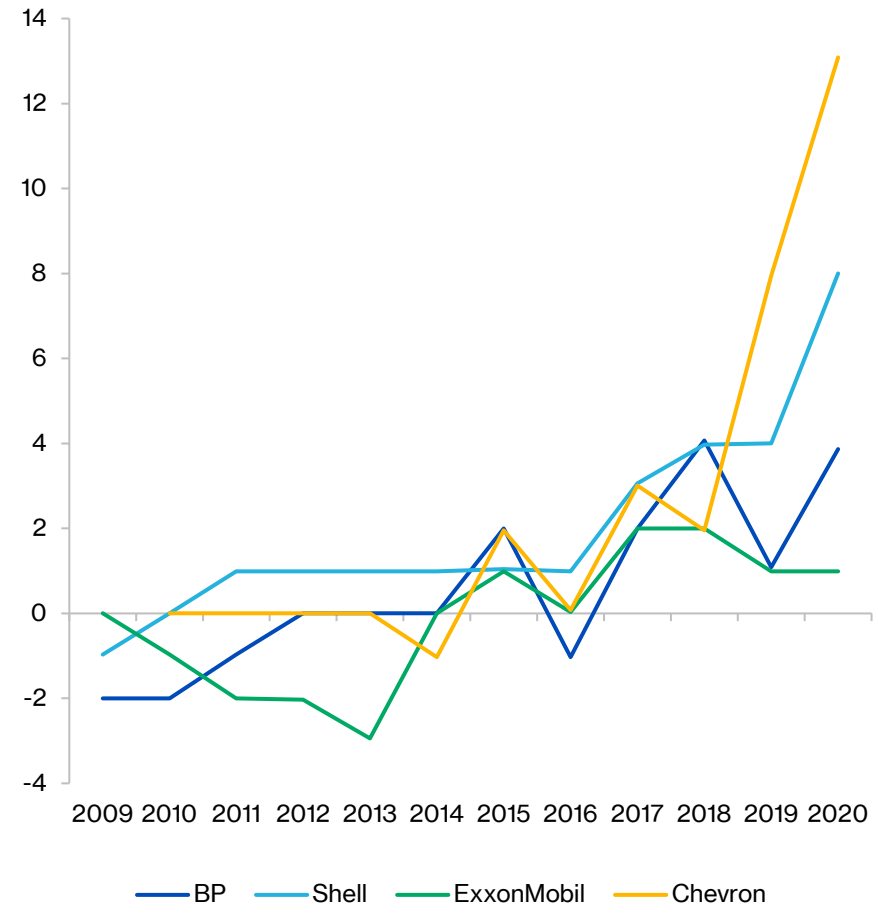


Source – Pickering Energy Partners Internal Analysis

Current Climate Actions Are Setting Energy Up To Fail

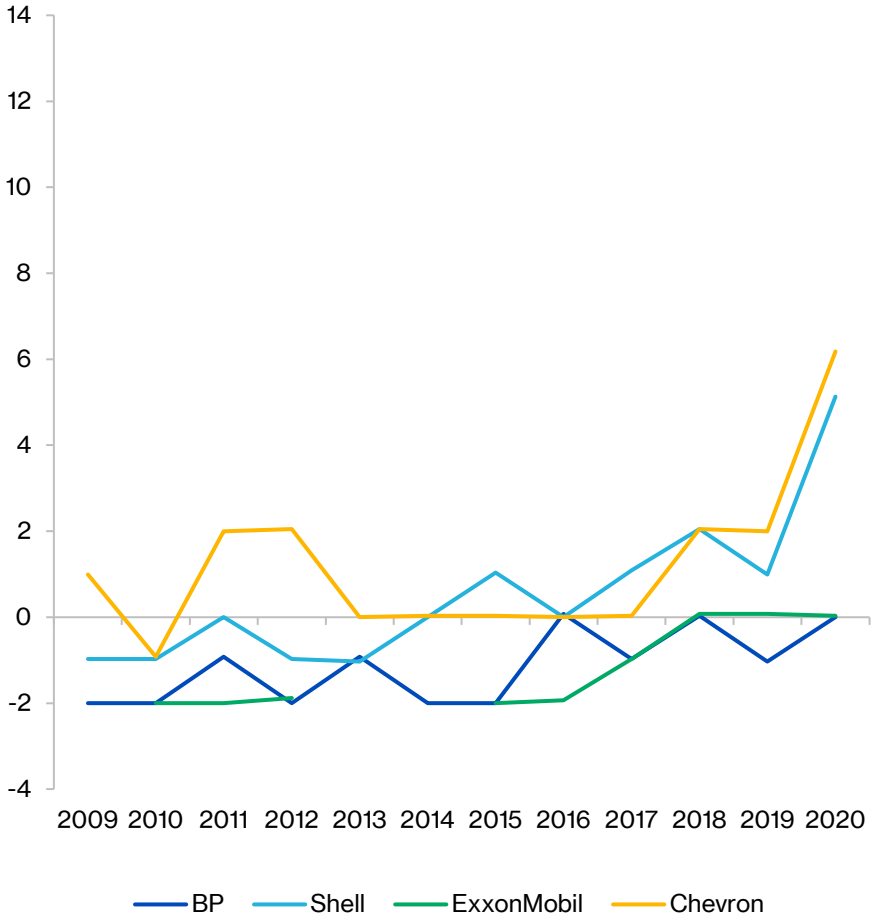
Fossil fuel companies have also been making more pledges to cut emissions

Score for climate pledges in business plan



The oil-and-gas majors' climate actions have not matched up to their pledges yet

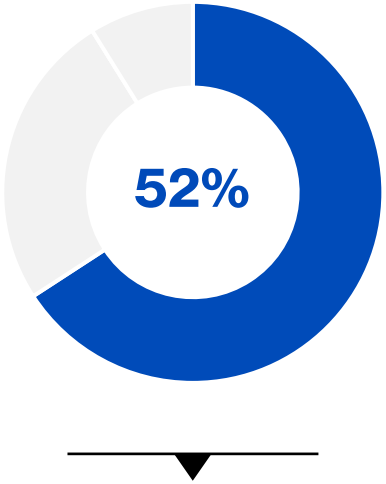
Score for climate actions in business plan



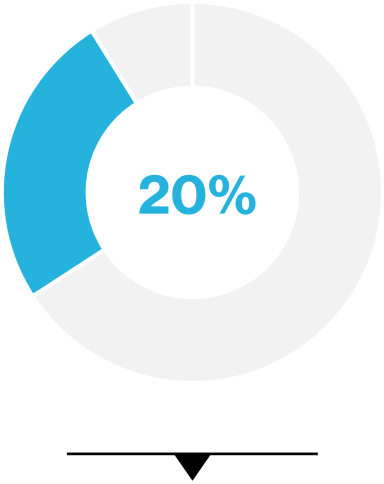
https://www.carbonbrief.org/oil-majors-not-walking-the-talk-on-climate-action-study-confirms?utm_campaign=Carbon%20Brief%20Daily%20Briefing&utm_content=20220217&utm_medium=email&utm_source=Revue%20Daily

Current Climate Actions Are Setting Energy Up To Fail

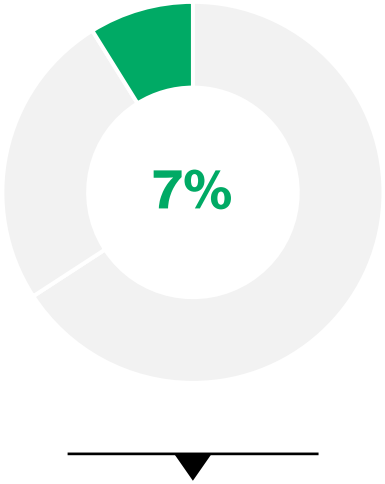
Data from the Climate Action 100+ Benchmark shows that



Of the world's largest emitters had net-zero goals, but only



had short and medium-term emissions reduction targets and only



had targets aligned with the Paris Agreement goals

https://www.carbonbrief.org/oil-majors-not-walking-the-talk-on-climate-action-study-confirms?utm_campaign=Carbon%20Brief%20Daily%20Briefing&utm_content=20220217&utm_medium=email&utm_source=Revue%20Daily

Net Zero, Efficient Capital Deployment & The Pursuit of Innovation

Net Zero

=

Operational Efficiencies

+

Offsets

Net Zero

=

Capex and R&D

V.

Offset Liability

Will companies be pressured to attain a net zero target at the expense of value creating innovation?

Efficiently Navigating the ESG Landscape Is Increasingly Complex

ESG data is uncorrelated, biased and incredibly influential

- ~6,500 unique data points exist in the ESG ecosystem
- Data is littered with a variety of biases:
  - Time, size, algorithmic, confirmation, belief perseverance

Reporting Frameworks constantly changing & increasingly complex

- Evolution of the PRI
- Influence of TCFD
- Emergence of VRF
- Rise of ISSB
- Revisions of GRI

Influential evaluation methodologies remain subjective and opaque

- Uncorrelated data sets across providers
- Inconsistent rating weightings
- Data sets still in their relative infancy

Shifting regulatory landscape ups the strategic ante

- SEC incessant focus on greenwashing
- Increased regulation focus on climate reporting and human capital management metrics
- The impact of EU's SFDR within the US

Too Many ESG Perspectives Jockeying For Ratings/Data Supremacy

Research Process	Sustainalytics	MSCI	ISS ESG	V.E. (Moody's)	S&P ESG	Refinitiv	FTSE Russell	CDP	RepRisk	Arabesque
Team Size	200+	270+	180+	120+	100+	150+	-	150+	100+	35
Coverage	12,000+	14,000+	6,000+	5,000+	7,000+	9,000+	7,000+	9,000+	170,000+[2]	7,000+
Rating Cycle	Annual[1]	Annual[1]	Annual[1]	Annual[1]	Annual[1]	Weekly	Annual	Annual	Daily	Daily
Rating Made Public	●	●	●	●	●	●	●	●	●	●
Indices Supplied	Solactive, STOXX, S&P	MSCI, Bloomberg	STOXX, Solactive	Euronext	S&P, DJSI	Refinitiv	FTSE	Euronext, STOXX	FTSE, DowJones, S&P	S&P

● Yes ● No

Pickering Energy Partners

Source: SquareWell
(1) Although full review of all rated companies is conducted annually, company information such as involvement in controversies is updated on a daily basis, which could lead to a score change any time during the year.
(2) Includes private companies

Low Score Correlations Exhaust Valuable Resources, Namely Sanity

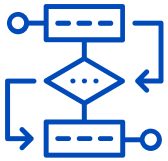
Limited Correlation Among Data Providers*				
	Refinitiv	**Morningstar**	**Inrate**	**Bloomberg**
Refinitiv				
Morningstar	76%			
Inrate	23%	30%		
Bloomberg	75%	71%	12%	
MSCI	42%	46%	32%	31%
Average correlation	**46%**			

- The majority of ESG data providers display relatively lower correlations
- Our research indicates data providers are more focused on establishing competitive uniqueness as opposed to empirical research
- Investors tend to utilize a variety of data providers in a mosaic fashion as opposed to relying on a single provider
- Regulators, particularly in Europe, are beginning to investigate and act on the opaqueness of rating agency methodology

Pickering Energy Partners

Source: CFA UK

Poor Data Quality & Inherent Scoring Bias Affects Energy Transition Too



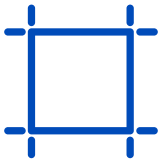
Algorithmic bias

Size bias

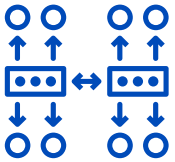
Sector bias

Confirmation bias

Timing bias

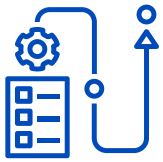


Framing bias



Uncorrelated ESG data sets

Anchoring bias

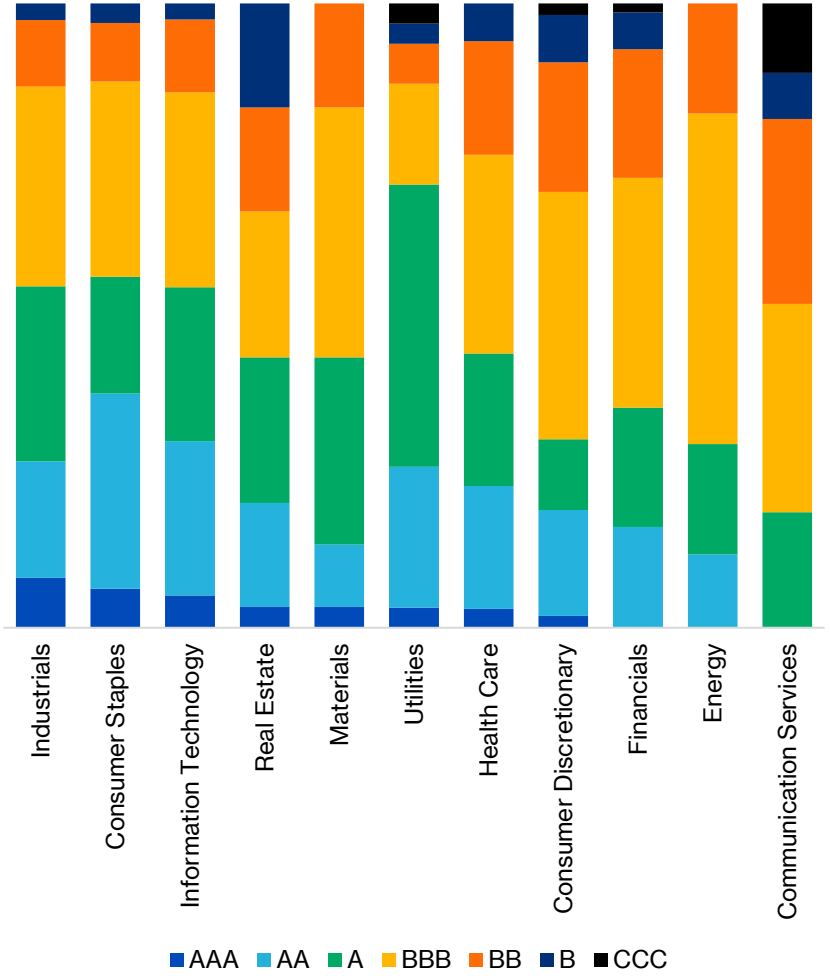


Black box “proprietary” methodologies

Lack of empirical inclusion

Ratings Methodologies Too Reliant On Top Down Instead Of Bottom Up

Energy Companies Have Lower MSCI Scores



Sector Comparison

	Energy	Utilities	Industrials	Materials	Tech
Top 5 "E" Topics for Energy					
Carbon Emissions	18%	12%	5%	12%	2%
Biodiversity	13%	5%	1%	4%	0%
Toxic Emissions & Waste	10%	9%	6%	13%	0%
Opportunities in Clean Tech	2%	0%	10%	4%	12%
Water Stress	1%	10%	0%	11%	2%
Top 5 "S" Topics for Energy					
Health & Safety	13%	3%	10%	7%	0%
Community Relations	9%	1%	1%	3%	0%
Labour Management	1%	0%	15%	7%	5%
Human Capital Development	0%	12%	1%	0%	20%
Privacy & Data Security	0%	1%	2%	0%	10%
Weight of "G"					
Governance	34%	35%	46%	33%	40%

https://www.msci.com/our-solutions/esg-investing/esg-ratings

ESG-Related Data for the Energy Space is Skewed & Biased

- Where companies do not disclose ESG data, third party aggregators, raters and detractors typically fill in the blanks
- Top-down guidelines tend to neglect individual bottom-up differentiation
- The adversities resulting from the methodologies employed by rating firms are more substantial for Energy than any other sector

amazon

Environmental		Social		Governance	
Issue	Average Weight	Issue	Average Weight	Issue	Average Weight
Product Carbon Footprint	7.9%	Privacy & Data Security	29.0%	Governance	40.7%
Carbon Emissions	4.6%	Labor Management	16.8%		
Raw Material Sourcing	0.4%	Product Safety & Quality	1.1%		
		Human Capital Development	1.0%		
		Supply Chain Labor Standards	0.9%		
		Consumer Financial Protection	0.6%		
		Opportunities in Nutrition & Health	0.2%		

Chevron

Issue	Average Weight	Issue	Average Weight	Issue	Average Weight
Carbon Emissions	14.0%	Health & Safety	13.0%	Governance	33.0%
Biodiversity & Land Use	13.9%	Community Relations	13.0%		
Toxic Emissions & Waste	13.0%	Labor Management	0.3%		

https://www.msci.com/our-solutions/esg-investing/esg-ratings

Algorithmic Bias A Critical But Overlooked Component Of Strategy

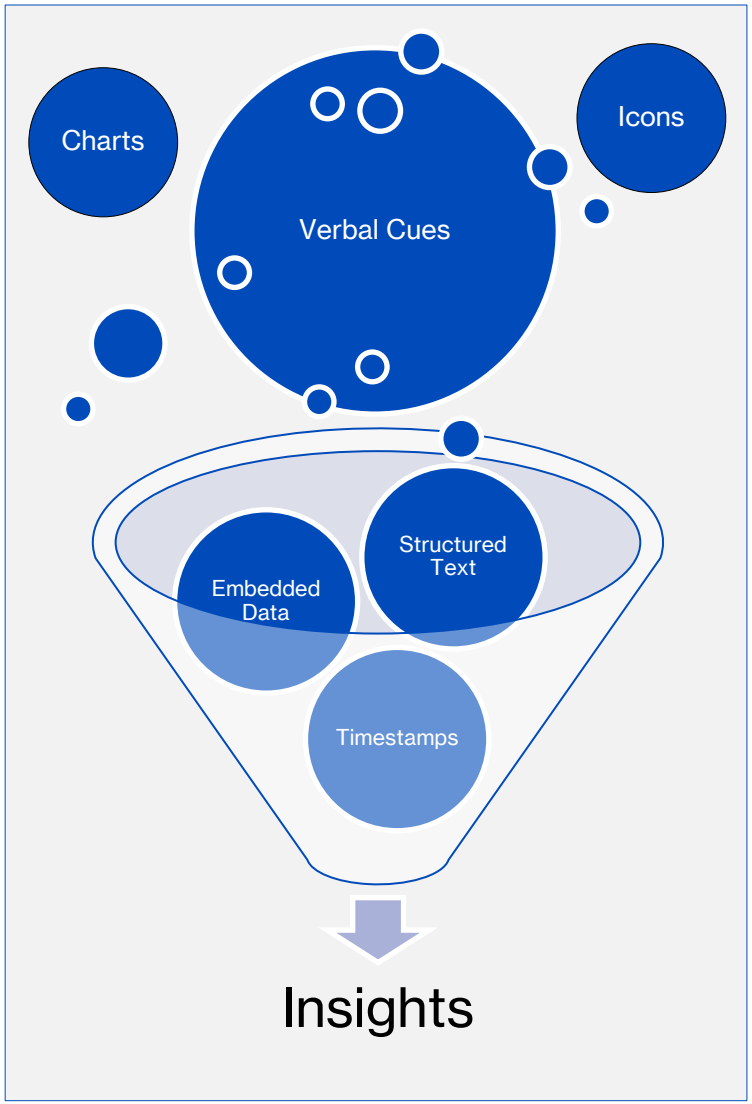
Investors are inundated daily with **unstructured data** in the form of news stories, investor presentations, research, and social media.

It is **impossible to derive insights** from all of this information without the use of natural language processing (NLP) algorithms.

There are many challenges in natural language processing, stemming from not only what is being reported but **how it's being reported.**

- If humans struggle to understand language, so do machines.
- Machine Learning **does not perform well** if it is fed incomplete or wrong data
- NLP tools struggle to interpret **charts** and graphs. If reporting is very graphic heavy, the machines will miss a lot of the content.
- Algorithms display **difficulty in achieving scale** in analysis

Decision precision and transparency of the rationality is an area best **controlled by subject matter experts**, rather than by machines.



Rating Agencies & Data Increasingly Influencing Portfolio Construction

Research Process	MSCI	Vigeo Eiris	Sustainalytics	Other	Total AUM (ESG EFTs)
Amundi AM	●				$6,259,229,441
BlackRock	●		●	●	$43,159,713,145
BNP Paribas AM		●			$1,029,485,878
Credit Suisse AM	●				$1,205,691,791
DWS Investments	●				$9,362,196,860
First Trust Advisors				●	$1,999,312,383
Invesco				●	$7,120,431,799
Legal & General IM				●	$1,354,956,961
Lyxor AM				●	$2,276,798,452
UBS AM	●				$6,886,701,114
Vanguard	●		●	●	$4,565,560,641
Total AUM	$69,150,330,803	$1,029,485,878	$47,725,273,786	$55,911,212,740	**$85,220,078,465**

Pickering Energy Partners

Source: SquareWell, Refinitiv/Lipper and MSCI ESG Research LLC as of Dec. 31, 2020

Pickering Energy Partners

Part 4:
The SEC's Climate Disclosure Proposal Misses the Mark

SEC Climate Disclosure Proposal Is Likely To Pass

- **Scope 1 & 2 emissions calculation now require 3rd party attestation**
- **Take effect fiscal year 2023 / SEC Filings 2024**
- **Endorses 'TCFD' Reporting Framework**
- **Impacts periodic reporting (i.e., 10K, 10Q) & registration documents (i.e., S-1, S-3)**

Key strategic considerations / proposal requirements include:

- ✓ **the oversight and governance of climate-related risks by the company's board and management;**
- ✓ **how climate-related risks identified by the company have had or are likely to have a material impact on its business and consolidated financial statements**
- ✓ **how climate risks affect its strategy, business model and outlook;**
- ✓ **outline processes for identifying, assessing and managing climate-related risks and whether any such processes are integrated into the company's overall risk management system or processes;**
- ✓ **Scope 1 and 2 greenhouse gas ("GHG") emissions, separately disclosed, expressed in absolute terms (not including offsets) both:**
  - by disaggregated constituent greenhouse gases and in the aggregate, and
  - in terms of intensity;
- ✓ **Scope 3 GHG emissions and intensity, if material, or if the company has set a GHG emissions reduction target or goal that includes its Scope 3 emissions; and**
- ✓ **to the extent applicable, details on the company's public climate-related targets or goals (including any use of carbon offsets or renewable energy certificates ["RECs"] to achieve such targets and goals), transition plan, use of scenario analysis and/or use of internal carbon pricing.**

https://www.sec.gov/rules/proposed/2022/33-11042.pdf

Unintended Consequences of SEC's Climate Disclosure Proposal

1. Regulatory mandates of this nature **will act as a deterrent** for future companies to go public and/or remain publicly traded, thereby negatively impacting technological innovation

2. These measures will lead to an incredible number of **frivolous lawsuits**, ultimately harming investors and taking attention away from creating functional solutions

3. Regulation addressing climate issues should center on implementing a variety of **positive incentives** which encourage incremental innovation, efficiency, and results

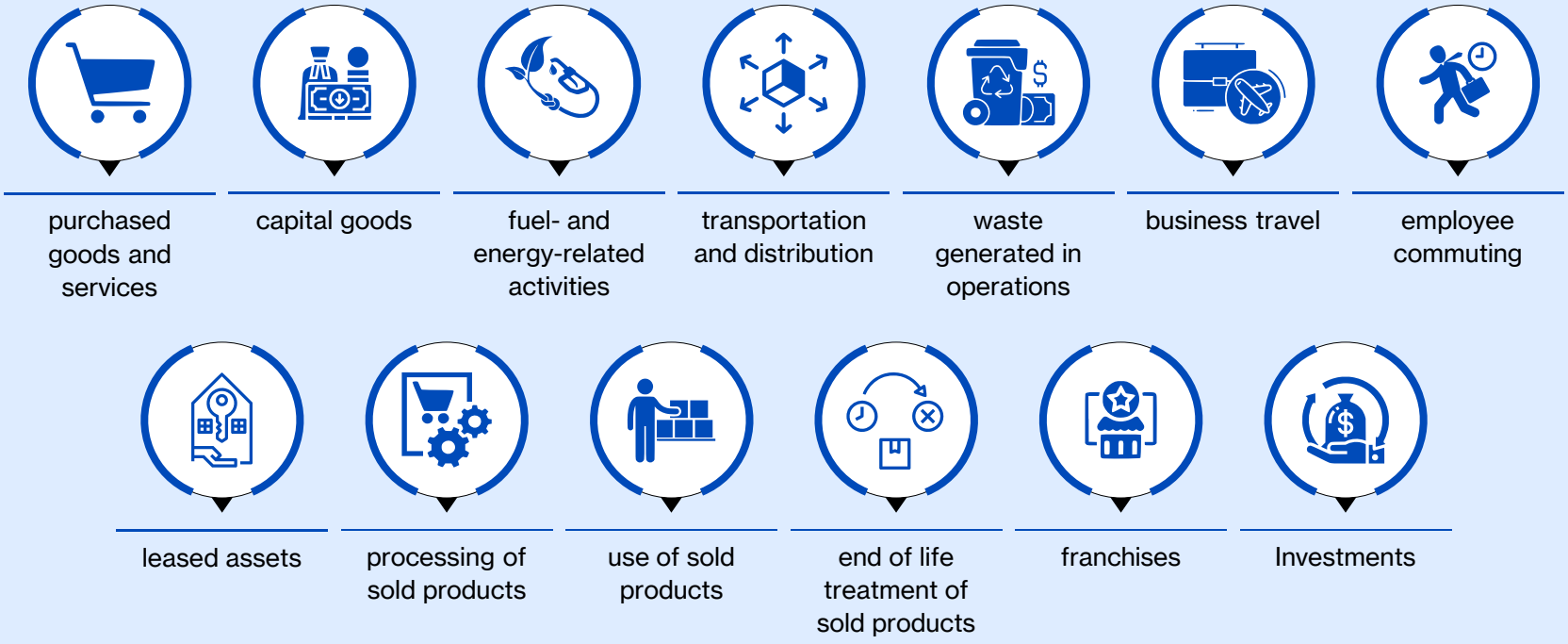
4. Precedent indicates that **market forces are materially more effective**, efficient, and impactful in creating solutions than regulatory

5. The reallocation of resources to monitor climate has the potential to **destabilize the credibility** of the U.S. capital markets

Private Companies Will Feel The Burden of Climate Disclosure As Well

Proposed to take effect fiscal year 2023 / SEC Filings 2024

Large filers mandated to report Scope 3

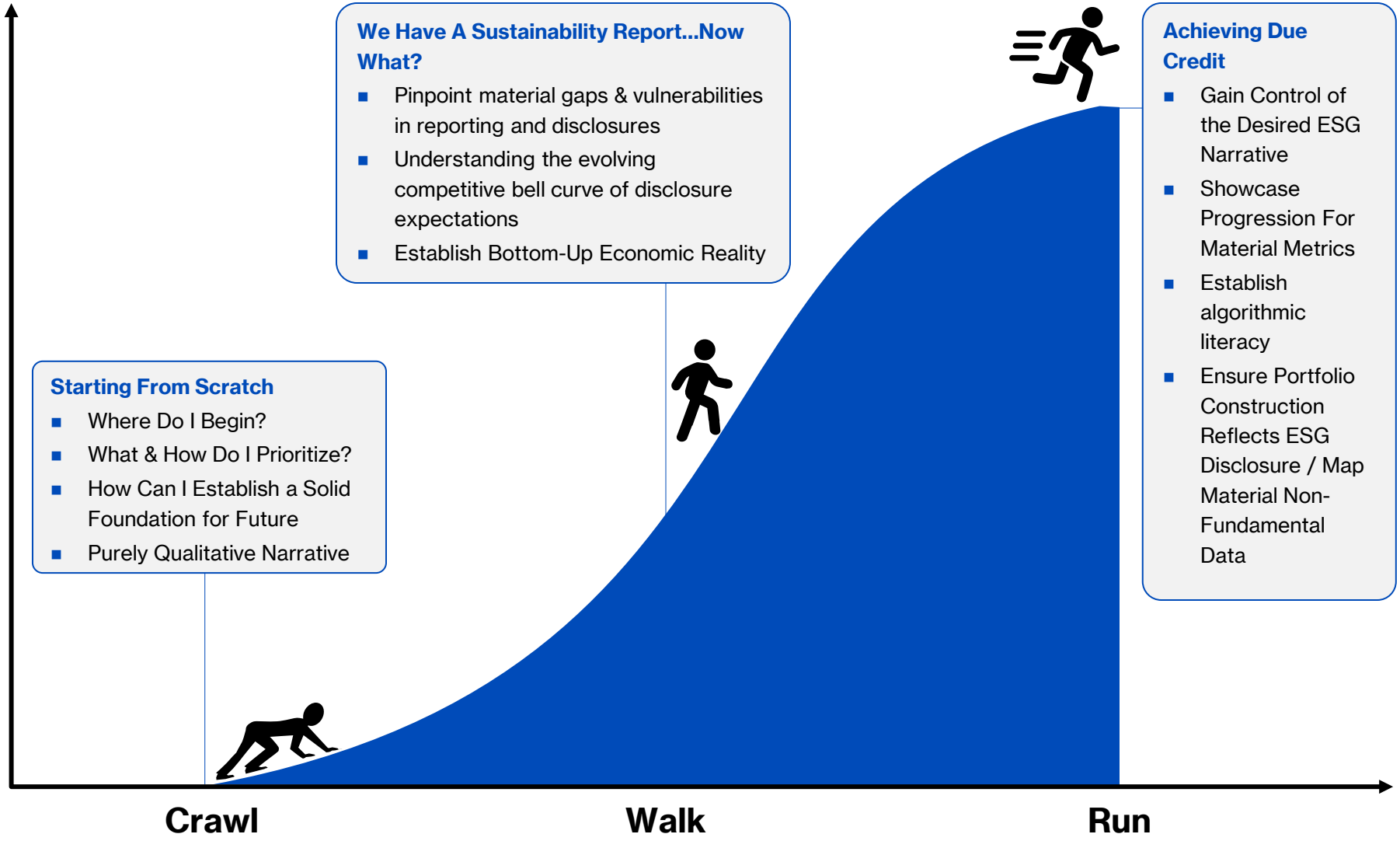


Public companies will be forced to utilize their private partners to aggregate emissions data

Pickering Energy Partners

Part 5:
Recommended Action Items & Strategic Considerations

One ESG Size & Strategy Does Not Fit All



ESG Becoming a Key Emphasis in Large-Scale M&A

Public disclosures around large-scale energy M&A have increasingly highlighted ESG attributes and rationale

NEWS RELEASE

ConocoPhillips Announces Significant Enhancement to Multi-Year Plan with All-Cash Permian Asset Acquisition; Increases Ordinary Dividend; Improves 2030 Emissions Intensity Reduction Target

SEPTEMBER 20, 2021

Download .PDF

HOUSTON – ConocoPhillips (NYSE: COP) today announced several actions to further enhance its compelling, distinctive investment proposition. The actions are consistent with the company's financial framework, its stated capital allocation priorities and its commitment to playing a valued role in the energy transition. Materials describing today's actions are provided at www.conocophillips.com/investor. The actions include:

- A complementary, highly accretive acquisition of Shell Enterprises LLC's prolific Delaware basin position for $9.5 billion in cash. The assets include ~225,000 net acres and producing properties located entirely in Texas, as well as over 600 miles of operated crude, gas and water pipelines and infrastructure. Estimated 2022 production from these assets is expected to be approximately 200 MBOED, roughly half of which is operated.
- An increase in the company's quarterly ordinary dividend from 43 cents per share to 46 cents per share, representing a ~7% increase and a current dividend yield of 3%. The dividend is payable on December 1 to stockholders of record at the close of business on Oct. 28, 2021.
- In conjunction with this transaction, the company also announced it will improve its Scope 1 and 2 GHG emissions intensity reduction targets. The prior 2030 reduction target of 35-45% on a [illegible] operated basis will be increased to 40-50%, versus a 2016 baseline, on both a net equity and gross operated basis.

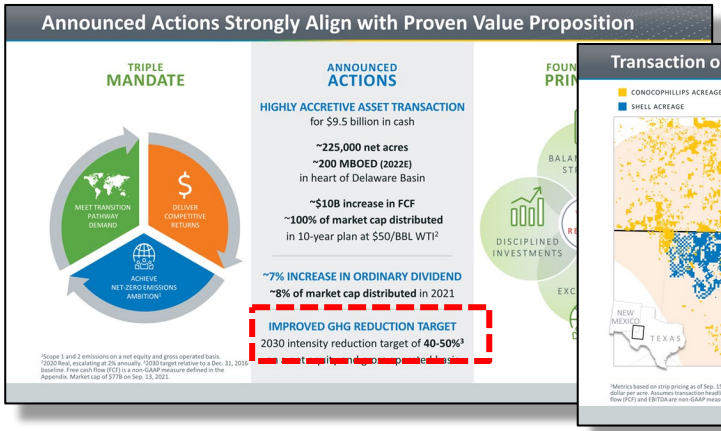
"We were presented with a unique opportunity to add premium assets at a value that meets our strict cost of supply framework and brings financial and operational metrics that are highly accretive to our multi-year plan," said Ryan Lance, ConocoPhillips chairman and chief executive officer. "Our financial strength allowed us to structure a competitive offer for this transaction and we are very excited to enhance our position in one of the best basins in the world with the addition of Shell's high-quality assets and talented workforce. The transaction will be funded from available cash while still retaining a significant level of cash on the balance sheet for general purposes. Our underlying business drivers will be stronger as the expanded cash flows derived from this transaction mean shareholders will benefit from higher returns of capital consistent with our commitment to return of capital of at least 30% of cash from operations."

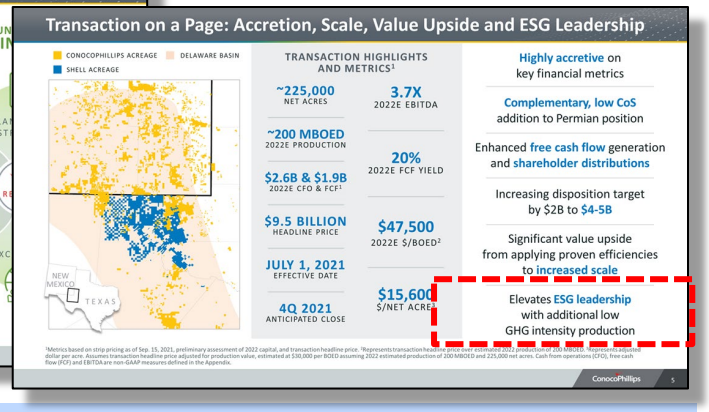
Lance added, "In addition to enhancing our base plan, this transaction also enhances our ability as an E&P company to have a valued role in energy transition by accelerating progress on our Triple Mandate. The objectives of the mandate are to responsibly produce energy to meet transition demand, generate compelling returns on and of capital, and achieve our Paris-aligned targets and 2050 net zero ambition. The assets we're adding are consistent with our low cost of supply strategy, which is designed to position our portfolio as the most likely to be developed as the energy transition progresses and the need for oil and gas is reduced over time. The assets we're adding improve our ability to generate returns that are consistent with what investors demand through cycles. And the assets we're adding will bring more low GHG intensity barrels to our mix. This deal hits on all the objectives of our mandate."

Repeated ESG Emphasis in Press Release, Presentation and Commentary

"In addition to enhancing our base plan, this transaction also enhances our ability as an E&P company to have a valued role in energy transition by accelerating progress on our Triple Mandate. The objectives of the mandate are to responsibly produce energy to meet transition demand, generate compelling returns on and of capital, and achieve our Paris-aligned targets and 2050 net zero ambition. The assets we're adding are consistent with our low cost of supply strategy, which is designed to position our portfolio as the most likely to be developed as the energy transition progresses and the need for oil and gas is reduced over time. The assets we're adding improve our ability to generate returns that are consistent with what investors demand through cycles. **And the assets we're adding will bring more low GHG intensity barrels to our mix.** This deal hits on all the objectives of our mandate"

- Ryan Lance, COP Chaiman and CEO (Sep 20, 2021)





Thoughtful Preparation of Key ESG Announcement Criteria is Critical to the Value Maximization Strategy

Pickering Energy Partners

Sources: Company disclosures

Utilizing Data Management To RETAKE Control Of The Narrative

Strategic Directives

Strengths, Vulnerabilities

Data Mapping

Data Verification & Audit

Data Consolidation

Data Capture

Fossil Fuel Investments Are Part Of Energy Transition Investments

- The Energy Transition ***cannot*** happen without the material participation of conventional Energy
- Energy companies attempting to access quality pools of capital without a comprehensive ESG strategy is **increasingly more difficult**
- ESG strategies lacking **trending quantitative data** are generally considered weak, incomplete and lazy
- There is an influential contingent of Energy detractors **obsessed with vilifying** the space as opposed to partnering in attempt to find solutions
- Energy companies must figure out how to remain competitive in a world increasingly **obsessed with decarbonization**

Pickering Energy Partners

Questions & Discussion