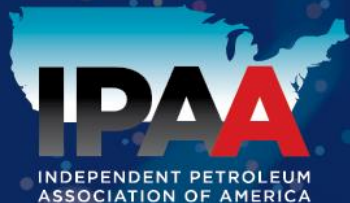


**INDUSTRY
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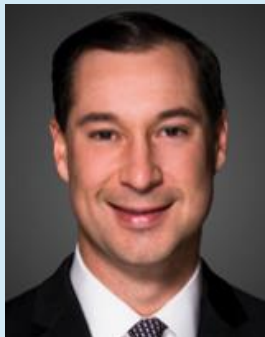
Building an Authentic Approach to ESG

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Building an Authentic Approach to ESG



TRAVIS WINDLE

Pittsburgh, Energy & Natural Resources, FTI Consulting

Travis Windle is a Senior Managing Director in the Energy & Natural Resources sector within FTI Consulting's Strategic Communications segment. Mr. Windle advises clients on a broad range of matters, including crisis preparedness and response, transactions, investor activism as well as public affairs and corporate positioning programs. He also supports clients in managing regulatory investigations and related litigation matters that present reputational and financial risk. Prior to joining FTI Consulting in 2009, Mr. Windle served as Press Secretary for the U.S. House Republican Conference, as Communications Director for the House Financial Services Committee and as an advisor to two senior members of Pennsylvania's congressional delegation.



BEN HERSKOWITZ

New York, Capital Markets
FTI Consulting

Ben Herskowitz is a Senior Director at FTI Consulting and is based in New York. Mr. Herskowitz has extensive experience covering multiple industries including greater industrials, FinTech, renewables, and energy. In these sectors, Ben's experience encompasses optimizing investor messaging, capital-allocation-focused strategic repositioning, enhancing shareholder engagement, maximizing enterprise value around transformative announcements, sustainability/ESG program construction, and shareholder activism preparedness. Mr. Herskowitz has worked on multiple M&A deals in his career, perception due diligence studies, investor/sell-side targeting and NDR formation, in addition to IPO-readiness strategies.



JESS ROSTON

Chicago, Corporate Reputation
FTI Consulting

Jessica Roston is a Senior Director in the Strategic Communications segment of FTI Consulting, specializing in corporate reputation. Ms. Roston has more than a decade's worth of experience developing and managing integrated corporate reputation strategies and public relations campaigns for a broad range of organizations across the Energy and Industrials sectors, including utilities and renewable energy companies. Ms. Roston frequently helps clients develop corporate positioning strategies, which aim to protect and enhance reputation and drive brand awareness. She brings a wide breadth of experience which includes developing and coordinating thought leadership platforms, media relations campaigns, CEO/executive positioning plans, integrated content strategies, corporate narrative and message development.



DANA GEMMILL

New York, Energy & Natural Resources
FTI Consulting

Dana Gemmill is a Senior Director with FTI's Energy & Natural Resources team, responsible for developing comprehensive external and internal communication plans, public relations strategies and stakeholder engagements for companies in the oil and natural gas sector. Dana's work focuses on crisis preparedness and response, public affairs, ESG-driven audits and campaigns, restructurings and litigation.





Building an Authentic Approach to ESG

History of Partnering with IPAA



ENERGYINDEPTH®



Showcasing Environmental, Social, and Governance (ESG)

An Opportunity for Oil and Gas Companies to Authentically Demonstrate Long-Term Sustainability

Oil and Gas Company Investments Serve as a Foundation for Comprehensive ESG Framework

The approach to environmental, social and governance (ESG) issues across the oil and natural gas industry is an evolving, critical component of a company's social license to operate. More than anything, ESG is risk management.

The oil and natural gas industry continuously invests in innovative technologies, people and stewardship best practices aimed at further enhancing environmental and operational safety.

From water recycling and the use of solar power to monitor remote operations, to partnerships with third party environmental organizations and enhanced employee and contractor training programs, the industry continues to advance strong ESG-related progress.

Building an authentic, dynamic and tailored ESG program is a critical business imperative. Sharing these risk management systems, targeted investments and measurable progress against very clear commitments with stakeholders ranging from employees to investors, independents can protect their license to operate, enhance market reputation, and position operators to access and compete for capital as well as credit.



The Growing Necessity of ESG

- ✓ ESG is an entirely new—and rapidly growing asset class. According to research firm Opimas, the value of global assets applying ESG data to drive investment decisions has almost doubled over four years, and more than tripled over eight years, to \$405 trillion in 2020.
- ✓ According to a State Street Global survey, 88% of institutional investors take ESG issues into account when making investments decisions.
- ✓ The world's largest institutional investors and pension funds, as well as proxy advisors, are compelling companies to adopt strong ESG reporting metrics—including climate risk factors—to promote sustainability.
- ✓ The SEC's investor advisory committee has studied and recommended the adoption of new rules to require all companies to disclose information related to ESG concerns, and legislation to mandate the SEC to adopt such regulations have passed the U.S. House of Representatives.



BUILDING AN AUTHENTIC & HIGHLY EFFECTIVE ESG PROGRAM

Developing and maintaining a successful ESG program is a journey. There is no one-size-fits-all approach and every company faces unique issues that demand tailored solutions. Whether a company is just starting out, facing roadblocks or trying to seize opportunity, key milestones can be adapted to meet a company's business objectives.

No matter where you are in your ESG journey, several essential elements can build and drive success your strategy.

ESG Strategy & Positioning Leadership Training

A tailored board or executive-level strategy session can help breakdown, distill and prioritize ESG-related risks and opportunities. The sessions focuses on the current operating environment and trends toward more robust ESG strategies and tactics. The journey forward, including an overview of key reporting frameworks, the process for index inclusion and ESG rating providers, and opportunities for ESG leadership.

ESG Assessment

A thorough ESG assessment can evaluate strengths and weaknesses in a current ESG program compared to best practices, proxy peers, and shareholder expectations. This may include:

- Identifying key ESG factors that are most material to the oil and gas industry, geography and specific operations to ensure ESG strategy is tied to long-term business strategy.
- Examining industry trends and whitespace opportunities to identify positioning opportunities to take credit for and elevate a company's ESG profile.
- Evaluating best practices for ESG reporting frameworks, developing disclosures, establishing goals/KPIs and reputational drivers.

Sustainability Reporting

A comprehensive annual sustainability report can succinctly tie ESG priorities to a broader business strategy in a way that also meets best practice reporting standards.

- Position as central hub for all key ESG disclosures
- Define approach to ESG including objectives, strategy, governance and policies supporting the program.
- Provide progress updates against stated goals, KPIs and initiatives.

Stakeholder Engagement

Enhance, strengthen, and help position ESG messaging to improve stakeholder understanding and receptivity through engagement with:

- The investment community to ensure key influencers fully understand how ESG aligns with and underpins the larger equity story.
- ESG rating agencies and proxy advisors to optimize offering and receive credit.
- Employees, partners and customers to highlight the important stewardship work you are doing to protect and defend your license to operate.

IPAA President and CEO on Board of newly formed Energy ESG Council



The Energy ESG Council is a non-profit organization, formed to create a forum for Upstream, Midstream, Downstream and Renewable Energy companies to collaborate and agree on a sensible ESG reporting and measurement framework for investors and the general public. It's mission is to educate all stakeholders, encourage better materiality, greater transparency and accountability.

Questions on Your Mind

- *Given the movement of ESG towards stronger goals, how can a business keep up and keep ahead of the situation?*
- *Can I use ESG to improve access to capital?*
- *How should I understand -- and address -- the lack of standardization around ESG measurement and reporting?*
- *Is there a way for the oil and gas sector to win over stakeholders with respect to ESG?*
- *How can the oil and gas industry be duly recognized in developing and meeting meaningful ESG programs?*
- *How do I navigate the ESG landscape when everyday it feels like a new standard or group?*
- *Social issues have grown in the ESG realm. How can we best engage in that area?*

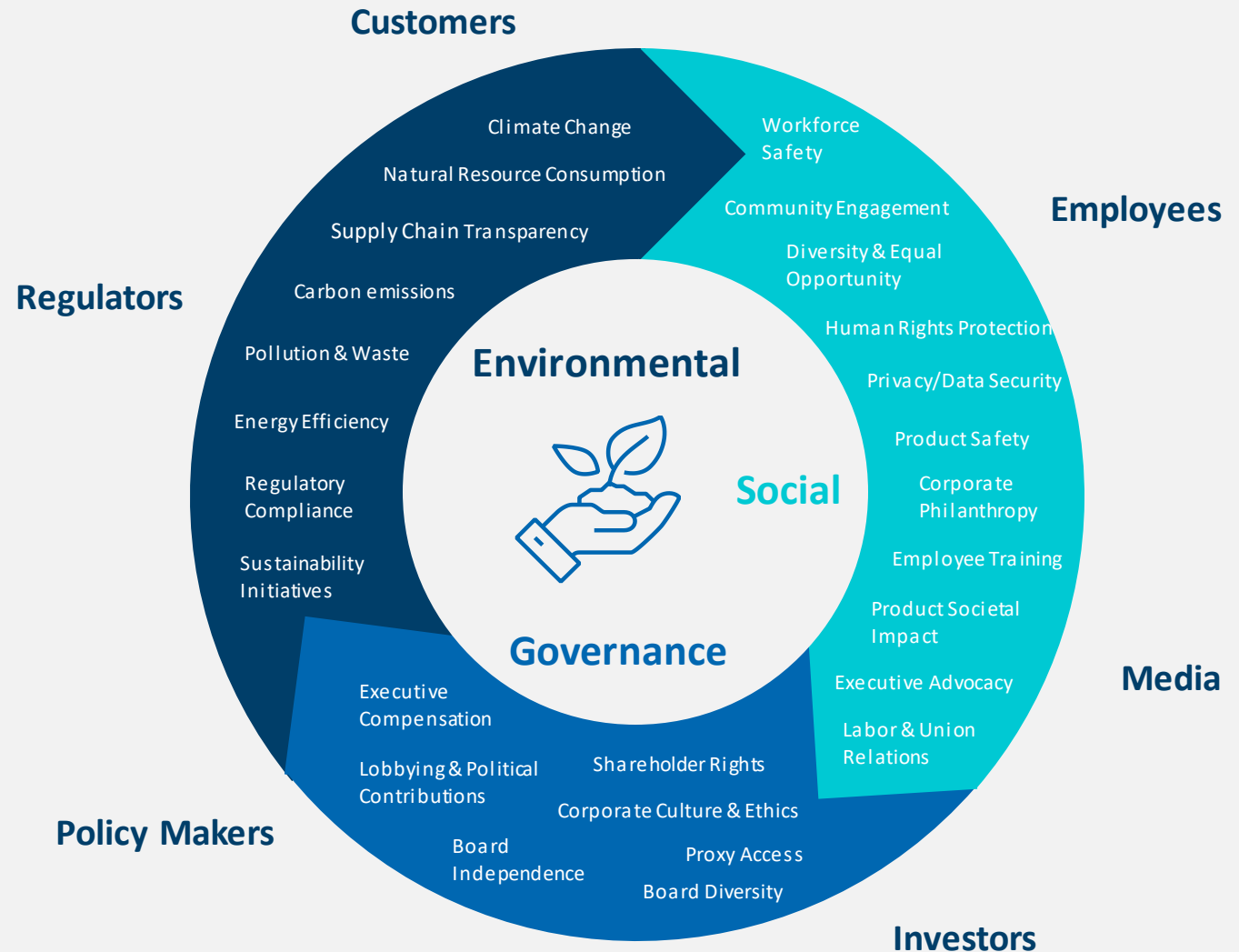


The Increasing Demand for ESG Accountability

The concept of ESG addresses many topics relevant to all stakeholders.

Strategy development and reporting through the lens of ESG is focused -- **systematic identification, assessment, and management of risks in addition to opportunity identification and alignment with corporate strategy.**

Ultimately, sound ESG reporting provides stakeholders - including the investment community - with **key metrics to supplement traditional financial reporting** to assess performance and risk.



Investor View: Why is ESG Important?

Capitalize on massive transfer of wealth from baby-boomers to millennials

Largest asset managers are becoming more vocal and more active

Top active holders and private equity are increasingly integrating ESG factors into their allocation decisions



88%

of institutional investors take ESG issues into account when making investment decisions.



90%

of Millennials want to grow responsible investments in the next 5 years.



75%

of employees between the ages of 18-34 expect their employer to take a stand on important social issues. (Glassdoor 2017)



67%

of investors say strong ESG practices help mitigate company risk.



\$30 trillion

wealth transfer from baby boomers to 90 million millennials over the next few decades.



3% - 19%

premium valuation multiples to the top performers in ESG. (Cone Communications 2016)

ESG & Sustainability: Key Players

Sustainability Reporting Frameworks



ESG Rating Agencies and Proxy Advisors



Sustainability and ESG Indices

Rating Agency



Sustainability Index

Investors



Why now is the time for private equity to invest in ESG

Addressing Misconceptions

Companies in the energy sector cannot achieve strong ESG ratings due to environmental concerns

ESG ratings are **based on a multitude of factors** within E, S, and G dimensions, with specific dimension weights within rating models varying based on subsector. ESG ratings are **largely based on disclosure and management of risk**, not exposure to risk.



Sustainable and impact investing are one in the same

As opposed to impact investing where the goal of financial returns is secondary to 'social good', ESG investors largely use **an integration-centric method where ESG criteria is incorporated into traditional fundamental analyses** to enhance long-term return and manage risk.



Sustainable investment strategies involve only screening out 'sin' stocks

Some institutional investors currently use exclusionary screening. However, investors are **increasingly taking a positive approach to sustainability by integrating ESG factors** into fundamental analysis.



Sustainable investing is only applicable to equities

Fixed income securities of ESG Leaders (AAA, AA) exhibited **tighter credit spreads during market turbulence** in both 2016 and 2020, outperforming ESG Laggards (CCC,B). ESG factor integration into credit analyses by allows investors to reduce volatility and construct more resilient portfolios.*



Multi-Stakeholder View: Enhancing License to Operate

An effective ESG strategy has the ability to drive optimal performance and returns and enhance corporate reputation.



“The company would soon appoint someone from outside the oil industry to enforce better environment, social and governance performance at QEP’s companies, Mr. Van Loh added.”

“As a further commitment to ESG, Duke has announced a net-zero methane target in its natural gas business by 2030.”

“Oil, gas companies talk up role in advancing clean energy transition”

“Wyoming industry and ranchers combine forces to take on wastewater issue”

“Oil and gas industry, New Mexico works to curb greenhouse gas emissions, fight climate change”

Where to Start: Mitigate Risk, Capture Opportunity



PROTECT

We support clients developing authentic ESG-focused programs **that protect their permission to operate and position them for long-term business success.**



PROMOTE

We help clients get credit for good work they are doing and **enhance their position among their peers, employees, communities and customers.**

The Path to ESG Success

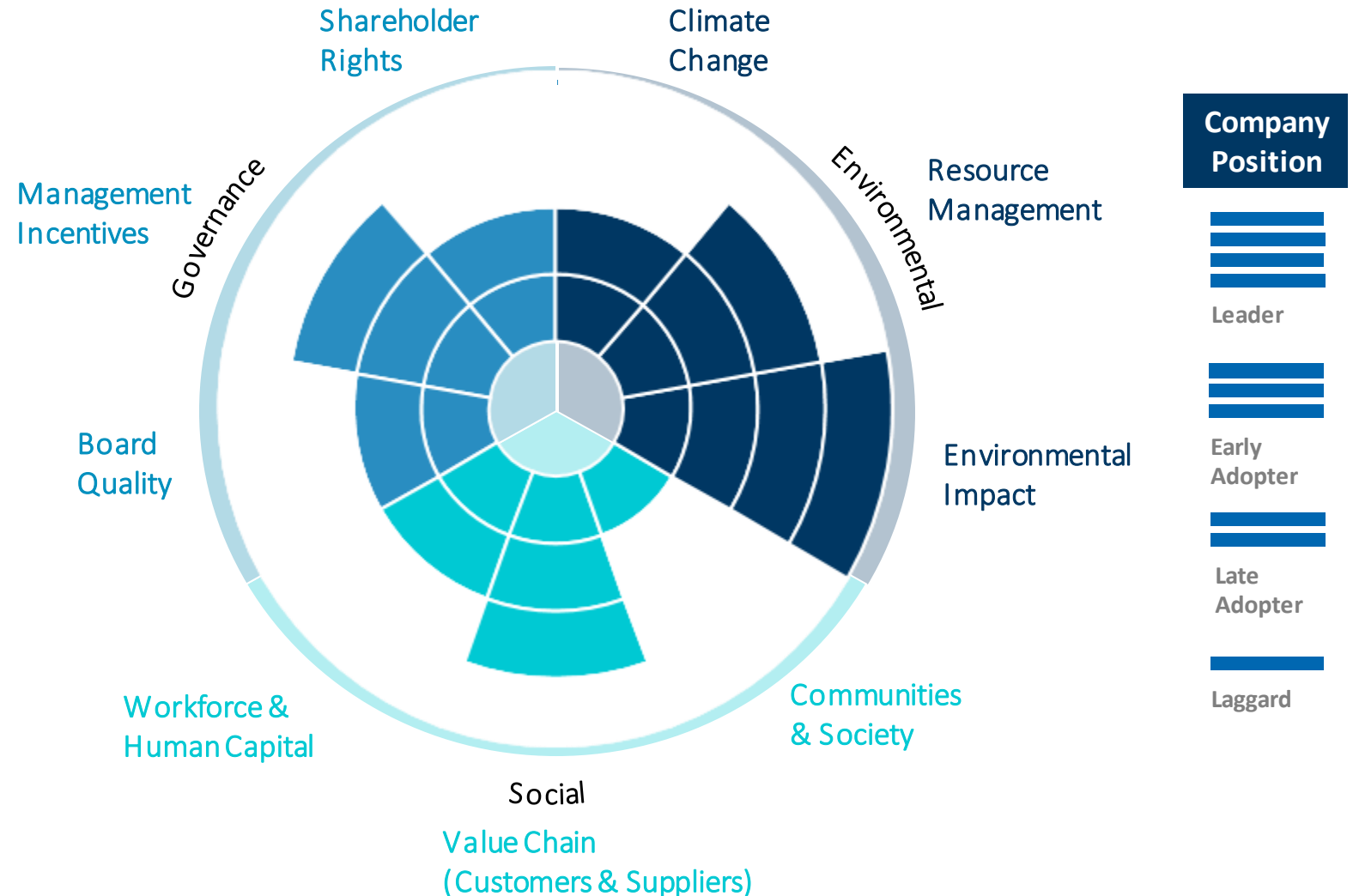


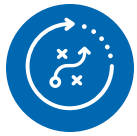


Program & Landscape Assessment

Every engagement begins with some level of research to inform the strategy and positioning recommendations.

We have developed a proprietary tool that helps us identify and assess strengths and weaknesses in the company's ESG program within each component, in addition to gaps and opportunities in how the company is telling its ESG story.

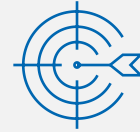




Strategy Design & Positioning Platform Development



ESG Reporting Framework(s)



Disclosures, Goals/KPIs, and ESG Narrative

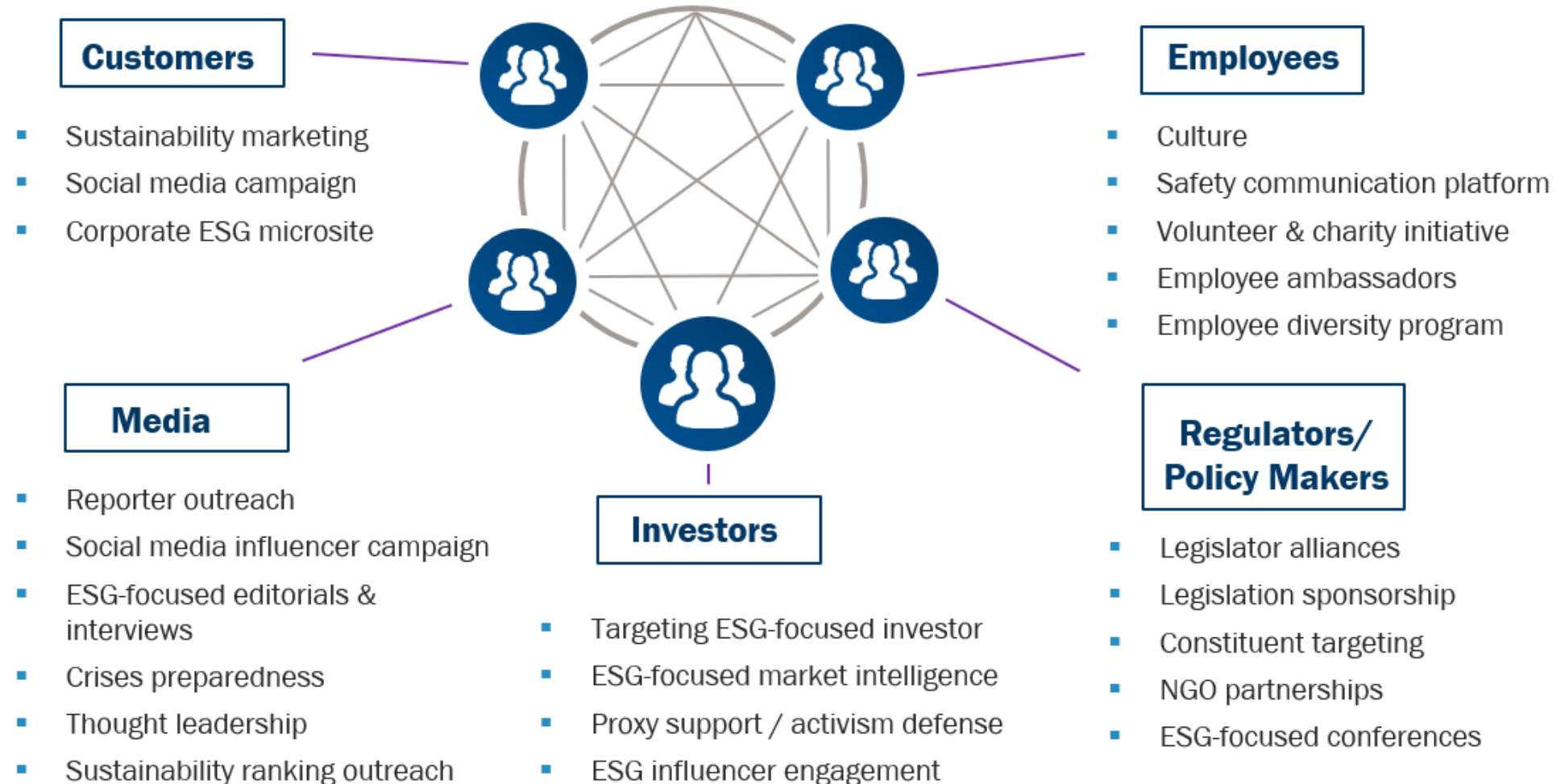


Sustainability Report and Engagement Strategy





Messaging Amplification & Stakeholder Engagement



Creatively Leverage ESG Programs



learn more in the 2019 corporate sustainability report



In Summary: Questions to Leave You With

- *Are you aligned internally on an ESG-focused program?*
- *Do you know how you stack up against your peers?*
- *Where does the company feel it has a “right to win” in the ESG space?*
- *What are authentic goals for your company?*
- *Have you engaged with investors on ESG to date?*
- *What are you hearing from customers, suppliers, and community members?*
- *What structure do you have to organize, align, and share commitments?*
- *Are you getting credit for your efforts?*



Questions? Thank you!

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