THE NEXT FRONTIER:

Elevating ESG Performance in Non-Controlled Joint Ventures in the Natural Resources Sector

By Joshua Kwicinski, James Bamford, Shishir Bhargava, and Geoff Walker

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TODAY, as environmental, social, and governance (ESG) issues take increased prominence and companies invest heavily to reduce their environmental footprints, natural resource companies have made only tentative steps to actively manage and shed light on the ESG performance of their non-controlled joint ventures.[1]

We recently benchmarked 31 large publicly listed oil and gas, mining, and chemical companies to understand how these firms report on issues related to ESG for non-controlled ventures. We looked at 20 ESG metrics, including emissions, human rights, fatalities, community engagement, and corruption. We found the largest companies in these sectors provide little or no public reporting or commitments on ESG performance in this asset class. While a handful of companies, including Chevron, BP, BHP, and Rio Tinto, have made commendable recent advances, they are the exception rather than the rule.

This matters for two reasons. First, non-controlled ventures account for a material portion – and in some cases, such as Shell, ExxonMobil, and Total, a majority – of companies' production **(Exhibit 1)**. This means that joint ventures also have a material contribution to the ESG profile of their owners and industry. Second, investors and activists are increasingly asking probing questions about what companies are doing to get a handle on ESG issues in these assets. For instance, Rockefeller Asset Management and the Environmental Defense Fund (EDF) recently published "Emission Omission," a report highlighting the paucity of disclosures and commitments among oil and gas companies on greenhouse gas emissions from non-controlled ventures.[2]

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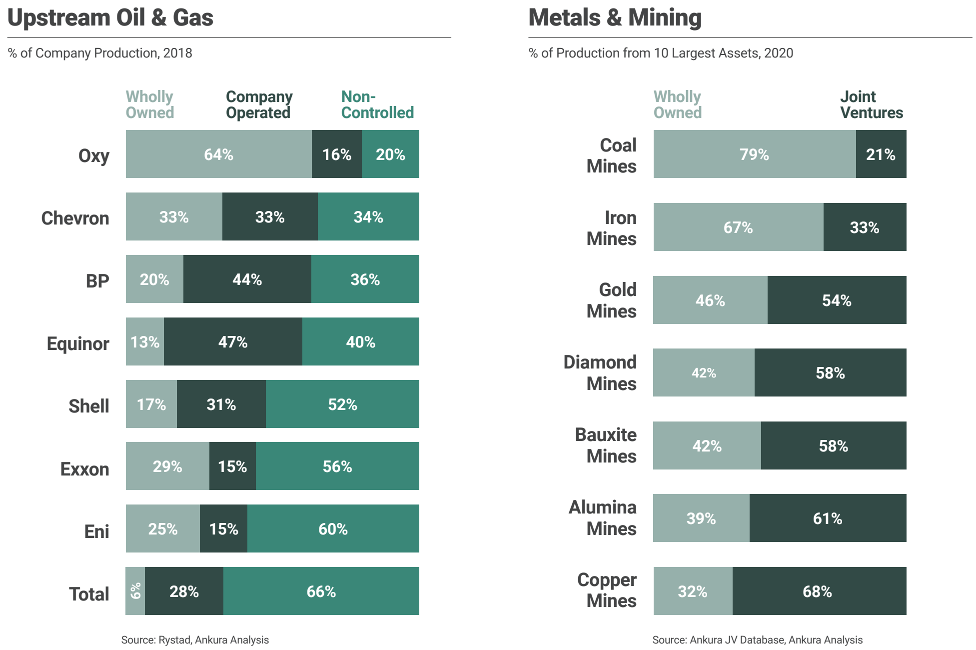
[1] We use the phrase "non-controlled joint ventures" for consistency across this article. Other terms commonly used include non-operated JVs, non-managed JVs, partner-operated JVs, and operated-by-others (OBO) assets. These non-controlled ventures may be incorporated JVs with separate legal entities, or unincorporated JVs in which no new entity is established. In some cases, these ventures may be operated by one partner, while in others the JV itself may be the operator.

[2] *Emission Omission: A Shareholder Engagement Guide to Uncovering Climate Risks from Non-Operated Assets in the Oil and Gas Industry,* Rockefeller Asset Management and The Environmental Defense Fund, 2020.

EXHIBIT 1 | **JV Importance in the Natural Resources Sector**



With many natural resource companies seeking to claim the mantle of ESG responsibility as a source of competitive advantage and corporate identity, the early leaders bringing transparency and focus to their non-controlled venture ESG performance could substantially burnish their credentials. In contrast, slow movers may find their credibility challenged and share price suppressed for telling only half the ESG story.

The purpose of this briefing paper is to summarize the findings from our benchmarking, describe the key barriers companies face in reporting on and improving ESG performance in their non-controlled ventures, and outline some ideas for addressing these barriers – all while making the case that companies can, and should, do more.

CURRENT STATE OF ESG REPORTING AND COMMITMENTS

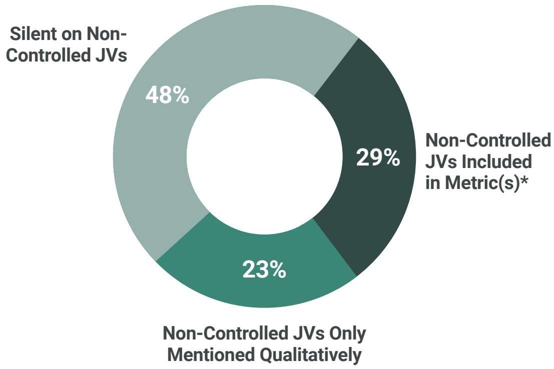
It's axiomatic that data collection and reporting are the first steps to driving performance improvement. Facing sustained pressure from investors, governments, local communities, customers, and the public, natural resource companies have embraced the goal of better ESG performance. Such moves also make good business sense. A meta-analysis of over 2,000 empirical studies on the impact of corporate focus on ESG performance shows that 63% of studies demonstrate positive equity returns from such focus, while only 8% demonstrate negative returns.[3]

[3] Gunnar Friede, Timo Busche, and Alexander Bassen, "ESG and Financial Performance," *Journal of Sustainable Finance & Investment*, December 2015.

EXHIBIT 2 | **Limited Presence of Non-Controlled JVs in ESG Reporting**

Non-Controlled JVs – ESG Reporting Prevalence

N = 31 Natural Resource Companies

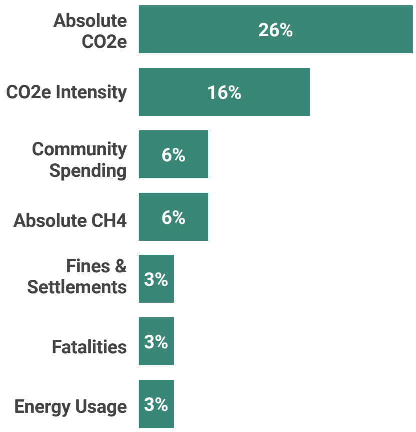


* Of the 9 companies that report explicit ESG metrics in non-controlled JVs, the median company reported just two (of 20+ possible) metrics; CO2 emissions was the most commonly-reported metric

Source: Public Filings 2021; Ankura Analysis

Non-Controlled JVs – Metrics Prevalence

N=31 Natural Resource Companies' Sustainability Reports, 2020



Yet our benchmarking of the most recent sustainability reports from 31 natural resource companies shows that almost half *do not make a single reference* to non-controlled JVs **(Exhibit 2)**. A further 23% only mention non-controlled JVs qualitatively – for example, by disclosing in commentary that the company discussed ethical behavior with its JV operators – but provide no data on the actual performance of non-controlled ventures. Only 20% of companies provide quantitative ESG performance data on non-controlled JVs. Of the 20% of companies that provide such data, the median company only provides data on two of the 20 ESG topics. Typically, such reporting is limited to greenhouse gas (GHG) emissions.

Not all industries are equal. No chemical company in our dataset offers *any* ESG data on their non-controlled JVs, while 45% of the oil and gas companies and 33% of the mining companies provide at least one data point related to their non-controlled JVs. That said, the vast majority of benchmarked companies only covered non-controlled JV environmental performance by reporting on their equity share of GHG emissions in all assets, which leaves no way to tell what portion comes from the non-controlled JV portfolio – and by extension, no way to track improvements over time within that asset class.

Four companies– Chevron, BP, BHP, and Rio Tinto – have gone the furthest when it comes to ESG reporting and commitments **(Exhibit 3)**. BHP reports its share of emissions from its material non-controlled mining JVs, which it categorized as “Scope 3” emissions under the GHG Protocol. Scope 3 is an optional category for companies to catalog indirect emissions that are a consequence of company activity other than the purchase of electricity. No other benchmarked company availed itself of this option – and even BHP only did so for its mining business and not for its material non-controlled oil and gas JVs. Meanwhile, Chevron reported on performance beyond GHGs, providing data on energy usage of its non-controlled JV refineries.

EXHIBIT 3 | **ESG Reporting in Non-Controlled JVs**

Presence of Non-Controlled JVs in ESG Reporting & Commitments

	GHG Emissions Reporting	GHG Emissions Commitments	Other ESG Reporting
Oil Companies			
ExxonMobil	Yes	No	No
Shell	No	No	No
Chevron	Yes	↓ upstream intensity 5-10%	Energy use in refineries
bp	Yes	Target 0.2% CH, intensity	
TOTAL	Yes	No	No
eni	No	No	No
equinor	Yes	No	No
Mining Companies			
BHP	Yes	No	Community spend
AngloAmerican	No	No	Fatalities
RioTinto	Yes	↓ 30% abs./15% intensity	Value add
GLENCORE	No	No	No
VALE	No	No	No
Chemical Companies			
BASF	No	No	No
DOW	No	No	No
lyondellbasell	No	No	No
Chevron Phillips	No	No	No
DUPONT	No	No	No

Source: Public Filings, Ankura Analysis; 2021
Note: Not all 31 companies shown

A few companies have chosen to report on selective ESG issues outside of GHG emissions. For example, BHP reports on its equity share of community investment made by its non-controlled JVs. Rio Tinto reports on its equity share of value add created by its non-controlled JVs. And Anglo American is the sole benchmarked company to disclose fatalities in its non-controlled JVs, albeit only in its commentary, not in any data table. No company reported on governance metrics that included non-controlled JVs, which could include, say, the number of whistleblower complaints or ethics violations in a company’s non-controlled JVs.

Beyond reporting, only three companies – Chevron, BP, and Rio Tinto – made any public commitments to ESG performance that include non-controlled ventures. Rio Tinto is the only company to make a formal commitment solely focused on non-controlled JVs as an asset class; it plans to reduce the absolute emissions of its controlled- and non-controlled JV portfolio by 30% and the intensity of those emissions by 15%. In the oil and gas sector, Chevron has committed to a reduction of upstream intensity by 5-10% across its entire portfolio, which is inclusive of non-controlled JVs. BP has committed to a goal of influencing operators of its non-controlled JVs to adopt a 0.2% methane intensity target. No other GHG improvement commitments were observed with links to non-controlled JV performance.

BARRIERS TO CHANGE

While investors and other stakeholders are starting to ask questions about non-controlled JVs, there are many reasons why companies have not historically provided public reporting or commitments on ESG for this asset class. These barriers include: a lack of common international reporting standards, especially on environmental sustainability; a lack of access to timely, credible, or consistent data from operators; and an understandable fear of publicly communicating metrics on assets the company does not control.

Lack of Common International Standards on Sustainability. Today, companies are free to choose from, and are often confused by, the high volume of partially overlapping international standards on sustainability reporting. Current sustainability reporting standards include functional standards – such as the GRI, GHG Protocol, and Sustainability Accounting Standards Board that generally define what and how to report on a given ESG topic – and industry standards like those from the International Petroleum Industry Environment Conservation Association (IPIECA) that describe how to apply functional standards specifically to assets in a given industry. (**See Box 1**: "Environmental Reporting: Competing International Standards" for more details.)

This state of affairs is utterly unlike global accounting and financial reporting, where IFRS has established a single approach to non-controlled entities. For instance, one section of IFRS, the global accounting and financial reporting standard, covers investments in non-controlled JVs and requires certain minimum reporting on their financial profile as an asset class. As a result of global convergence from regulators on adopting IFRS, investors are aware of how much net profit non-controlled JVs provide to every company – and are comfortable every company calculates that profit similarly in every market.

Lack of Access to Needed Data. Many operators, especially in less-advanced regulatory regimes, may not yet measure GHG emissions or other ESG metrics. Even if they measure ESG outcomes, they may not do so consistently, accurately, or using metrics and assumptions compatible with those of the non-operating partners. Furthermore, depending on the contractual agreement between the co-venturers, the operator may not be obligated to provide the needed data to non-operators and, in fact, may view providing such data as an invitation to intervene. And even if the operator and non-operators are aligned on collecting and sharing ESG data, doing so may require investments in accurate monitoring equipment, which can be fairly costly and time-consuming to establish, especially when it comes to emissions.

Fear of Going Public on Topics the Company Does Not Control. By definition, being a non-controlling partner means the company does not have full, direct control over driving outcomes in that venture. That creates an understandable reticence for companies to start publicly reporting on ESG metrics in non-controlled ventures – to say nothing of making public performance commitments. As one mining executive told us recently: "As soon as we start reporting, investors and other stakeholders will start hammering us to make improvements – and, honestly, given the nature of our contractual rights, we have no way to ensure that we could actually deliver those improvements."

MAPPING A PATH FORWARD

How do companies overcome such barriers? Specifically, what will it take for firms to gain greater visibility into the ESG performance in non-controlled entities, improve performance where gaps exist and, in turn, elevate public reporting and commitments on ESG issues in this large asset class? While the solutions must be crafted at the venture level with individual partners and governments, companies can drive some actions at the corporate level.

Establish Corporate Expectations for Entity Types, including Non-Controlled Ventures. Most large companies are composed of hundreds of subsidiaries, affiliates, joint ventures, and investments. What expectation does the company have on core ESG policies and compliance across this extended enterprise – and how does this vary based on the company's level of ownership, control, and other factors? For instance, does the company expect non-controlled entities to simply adhere to local laws, regulations, and the policies the venture established for itself? Or does it hold non-controlled entities to a higher standard – such as meeting an international standard like the UK Bribery Act, the Universal Declaration of Human Rights, or the Methane Guiding Principles? Or does it go even further in some areas, setting the expectation that the company's non-controlled ventures shall fully adopt the company's own policies or others fully consistent with them?

Establishing a corporate control framework for different entity types serves as the foundation for managing ESG issues in non-controlled entities. Such a corporate control framework starts by setting expectations for 10-20 foundational corporate policies – almost all of which link to ESG – and clarifying how these expectations vary based on the company's level of control and ownership **(Exhibit 4)**. With this overarching framework in place, a company can then develop additional underlying detail and guidance. For instance, one major oil and gas company embedded "application guidance for non-controlled ventures" into 10 foundational corporate policies, including safety, business ethics, anti-bribery and corruption,

EXHIBIT 4 | **Corporate Expectations by Entity Type**

Company Ownership & Control

Policy	100% (Wholly-Owned)	51-99% (Majority-Controlled)	50% (Jointly-Controlled)	11-49% (Non-Controlled)	1-10% (Financial Investment)
Business Ethics	1	1	2	2	4
Health & Safety	1	1	2	2	4
Sustainability	1	1	2	2	4
Risk Management	1	1	2	3	4
Community	1	1	2	3	4
Trade Controls	1	1	2	2	4
Data Privacy	1	1	2	2	4

1 Meet Company standards (mandatory)
2 Meet standards materially equivalent to those of the Company (actively influence)
3 Meet codified international standards of good practice
4 Meet local laws and regulations and own entity's/operator's policies

Source: Ankura

and international trade sanctions. This application guidance defined the company's specific expectations for ventures it did not control and addressed questions about how to deal with limited access to information and other barriers.

Pick Partners That Share Your ESG Commitment and Culture. Delivering strong ESG performance in non-controlled ventures depends on selecting the right partners as operators, building ESG capabilities in willing but less sophisticated partners, and exiting ventures with partners that have fundamentally incompatible ESG cultures.

Vetting potential partners is not complicated, if a company is willing to invest the resources to do it properly, especially in higher-risk contexts. For example, due diligence on bribery and corruption risk should include a close analysis of the potential partner's direct and indirect ownership structure; its relationship with the government and government-affiliated entities; the profile of its board and management team, including relationship to any politically exposed persons; its corporate policies and compliance programs on anti-bribery and corruption, money laundering, and political lobbying and donations; and the firm's history with bribery and corruption, including investigations and penalties.

Companies also need to be diligencing counterparties on other ESG topics, including environmental sustainability and community engagement. Is the partner measuring and reporting GHG emissions, and doing so in a way that corresponds with international best practice? Does the partner seem to take emissions seriously and have a history of improved performance in their operations, deployments of leading-edge technology to track and improve, etc.? Do they make public commitments to do business consistent with international conventions, such as the Universal Declaration on Human Rights or the Paris Climate Agreement, and do they follow through?

Negotiate Needed ESG-Related Contractual Rights and Protections in Future JV Agreements. When a non-operator has strong contractual rights in the JOA, JVA, or other legal agreements, there is a much greater chance that the operator will generate and share needed ESG performance data, and it becomes much easier to hold an operator accountable to a particular ESG target. Unfortunately, such rights are rarely present, particularly in older agreements negotiated before the global focus on ESG. For instance, our analysis of 12 major environmental clauses across 72 JV agreements in the oil and gas, mining, and chemical sectors showed considerable gaps in environmental rights and protections of non-operators.[4] Similarly, our analysis of anti-bribery and corruption provisions in JVs revealed that non-controlling partners often fail to secure – or even negotiate for – key contractual provisions for needed visibility, influence, and control over critical business ethics and procurement policies and practices that can prevent bribes and other facilitation payments.[5]

[4] Shishir Bhargava, Joshua Kwicinski, and James Bamford, "Fixing Flawed Environmental Clauses in Joint Venture Legal Agreements," *Oil, Gas, and Energy Law 5* (2020).

[5] Joshua Kwicinski and James Bamford, "K(no)w Risk: Managing Anti-Bribery and Corruption in Emerging Market JVs," *The Joint Venture Exchange*, August 2011.

To counter this situation, companies can start by reviewing their existing joint venture agreements to identify strengths and gaps in key ESG terms. This understanding allows companies to develop "guidance" on preferred contractual language, capture creative terms, and develop a sense of when and how such terms were successfully introduced into negotiations with what types of counterparties. When such corporate "major clauses guidance" is understood by deal teams and used as a test in internal stage gate reviews, companies are able to drive better and more consistent ESG-related contractual terms.[6]

Configure Yourself to Optimize ESG Influence. Whether or not the company has robust contractual rights, a non-controlling partner needs to be deliberate about how it uses its formal and informal leverage to influence the operator and other partners on ESG issues.

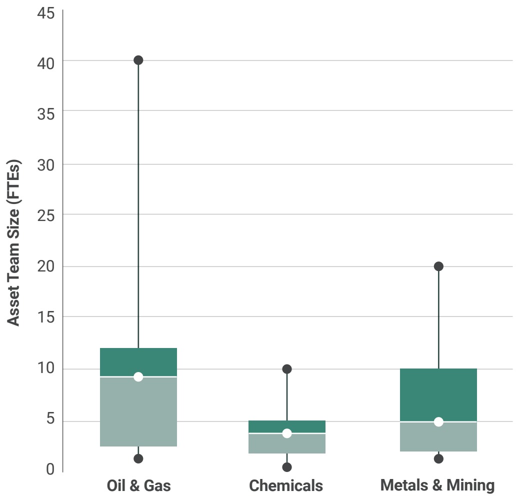
This starts with getting the right internal team in place – including members of the cross-functional asset team and company representatives on the JV board (or equivalent) and committee. Our database of more than 400 non-operating partner asset teams shows that team size varies significantly across sectors, with a median non-operator team size of 7.2 FTEs in highly-material upstream oil and gas ventures, but much lower in other industries, including mining and chemicals **(Exhibit 5)**.[7] The profile of the asset team – which includes size, functional mix, seniority, percentage of time dedicated per individual, and proximity to the operator – serves as the backbone of understanding the business and exercising influence, including on ESG.

EXHIBIT 5 | **Team Size – Non-Operators**

Non-Operator Asset Team Size (FTEs)

N=395 Non-Operated Asset Teams

Asset team size by non-operator company profile



Source: Ankura JV Asset Team Size Database

How the company establishes accountability and staffs the JV board and committees are also critical. In simple terms, non-operators that have designated a clear single point of accountability within the company for the strategy, performance, and risks of the non-controlled asset – a Lead Director, if you will – have greater influence and experience better JV governance on ESG and other topics compared to ventures where accountability is distributed. Moreover, non-operators need to be strategic in appointing board and committee members who have the right mix of skills, experiences, and personal attributes, including individuals with high levels of fluency on ESG topics and extremely strong interpersonal and influencing skills.

[6] Tracy Branding-Pyle and James Bamford, "No Clause for Concern: Developing a Major Clause Guide for JV Agreements," *The Joint Venture Exchange*, April 2019.

[7] James Bamford, Martin Mogstad, and Joshua Kwicinski "Non-Operated Joint Venture Asset Teams: Does Size Matter?" *Oil & Gas Journal*, July 17, 2017.

Our data show that JV boards are a long way from hitting the marks of strong composition and workings. For instance, the median JV director spends just 15 days per year fulfilling their duties and has a tenure of just 30 months in role. Similarly, only 60% of JV boards have designated Lead Directors from each owner company. At the same time, JV boards spend less than 50% time together in a year compared to corporate boards (20 vs. 40 hours per year), and dedicate a lower percent of time to strategy and other long-term topics, including ESG, compared to corporate boards. Adjusting the dials on these basic board indicators is essential to driving performance improvement, on ESG or other matters.[8]

Understand Sources of Leverage and Influencing Priorities. Non-operating partners need to understand the leverage they hold outside the legal agreements and be strategic in where to focus their limited resources and energies.

The first question to ask is: "Do we really understand our influencing currencies?" For instance, the company might have indirect commercial influence over the operator or venture as a supplier, service provider, technology licensor, or customer. Or it might possess a close relationship with a key regulator or access to other business opportunities, which could compel the operator to drive improvements on ESG. Similarly, it might hold certain sticks or credible threats such as threatening to litigate or to exit the venture over a dispute.

The other question to ask is: "Given our priorities, contractual rights, and other sources of leverage, where do we want to target our influencing efforts in the next 12-24 months?" A powerful practice is to develop an Annual Influencing Plan, supported by an influencing campaign. The idea is simple: the non-operating partner identifies *a few areas* of high value or risk – potentially including those related to priority ESG issues – where it believes the operator lacks sufficient focus or skills and where the non-operating partner is in a position to influence the outcome. A hallmark of a good influencing plan is to identify a limited number (e.g., three to five) of Key Focus Areas (KFAs), which establish clear priorities for the non-operator, and organize the work of the team around delivering on the influencing goals.[9]

Work with Industry Peers to Address Common Barriers. Working closely with industry peers can create a multiplier effect on non-controlled venture ESG performance – and reduced exposure of moving alone. For example, under the umbrella of the Methane Guiding Principles, a group of leading oil and gas companies and EDF are collaborating to identify ways to reduce methane emissions in the companies' non-operated assets. Similarly, major mining companies recently worked through the International Council of Mining and Metals (ICMM) to clarify expectations of joint ventures in adhering to its Mining Principles – a comprehensive set of ESG requirements related to business ethics, human rights, risk management, and stakeholder engagement. Today, those Mining Principles state "JV companies that are majority owned by ICMM members (either singly or jointly) are encouraged to implement ICMM's membership requirements."

[8] See James Bamford, Shishir Bhargava, Martin Mogstad, and Geoff Walker, "Joint Venture Governance Index: Calibrating the Strength of Governance in JVs," *Harvard Law School Forum on Corporate Governance*, March 20, 2020, and James Bamford and Shishir Bhargava, "Independent Directors for Joint Venture Boards," *Corporate Board*, January 2020.

[9] For additional information on influencing, see: James Bamford, Geoff Walker, Lois D'Costa, and Cody Gaffney, "Running a Partner Influencing Campaign," *The Joint Venture Exchange*, December 2013.

Taking such collaboration further, industry leaders could work together to ensure that stronger ESG expectations become part of the standard language in industry joint venture model form agreements, such as those advanced by AIPN in oil and gas and the Rocky Mountain Mineral Law Foundation in mining.

Environmental, social, and governance performance is no longer a collection of buzzwords. As natural resource companies embrace performance goals like "net zero" emissions by 2050 – meaning any human-based GHG emissions are balanced out by an equivalent amount of carbon removal – they'll find it increasingly difficult to achieve those targets while significant portions of their portfolio are excluded from the discussion, especially as investors and third parties become savvier at understanding the scale of non-controlled JV portfolios and their ESG performance. Companies that fail to plan for ESG performance improvement across their entire portfolio, inclusive of non-controlled JVs, will find themselves falling behind peers who are motivated to take the plunge before standards and regulators dictate change, and who will garner plaudits as a result.

BOX 1 | Environmental Reporting: Competing International Standards

Our analysis of a set of leading standards used in the natural resource sector shows that what's missing in their guidance is any discussion of how to approach ESG reporting related to non-controlled JVs, especially if they are a material part of a company's portfolio **(Exhibit 6)**. Both the GRI and SASB standards are limited to expectations of qualitative discussion on social topics in non-controlled JVs – ethics and anti-corruption, human rights, and community issues – and lack any requirement to report specific ESG performance metrics related to them such as greenhouse gas emissions, waste / water / land management, occupational health and safety rates, whistleblower cases, or any of the other metrics that fill voluminous data tables in the typical corporate sustainability report.

EXHIBIT 6 | ESG Standards Mostly Silent on JVs

GRI and SASB most widely used, but only raise JVs for qualitative discussion

Standard	Contents	Industry Specificity	NOJV Linkage	NOJV Requirements	NOJV Options
Global Reporting Initiative	36 ESG reporting standards	✖	✔	• Disclose number and percentage of NOJVs receiving organization's anti-corruption policies	• Discuss ethics and integrity training for NOJVs • Discuss strategy for extending human rights approaches and legal clauses to NOJVs
Sustainability Accounting Standards Board	77 ESG reporting standards	✔ All industries	✔	• Discuss NOJV engagement and due diligence on human rights, indigenous rights, and operation in areas of conflict • Discuss NOJV management of community rights and interests	• None
Task Force on Climate-Related Financial Disclosure	11 climate-related reporting standards	✖	✖	• None	• None
Greenhouse Gas Protocol	1 standard for reporting 7 GHGs	✖	✖	• None	• None
International Petroleum Industry Environment Conservation Association	42 ESG reporting standards	✔ All industries	✔	• Discuss if HSE training extended to NOJVs • Discuss human rights considerations in NOJV projects	• Report equity share of GHGs, including NOJVs • Discuss governance of NOJVs and / or relationship management • Discuss management system use for NOJVs
International Council on Metals and Mining	3 ESG related standards	✔ Metals & Mining	✔	• Support NOJVs in adopting responsible HSE, human rights, and labor policies and practices	• None

Source: Various ESG reporting standards; Ankura analysis

The industry-specific standards only go slightly further. For example, in the oil and gas sector, the set of ESG reporting standards from the IPIECA requires reporting of greenhouse gas emissions, but gives companies the option to either (1) limit reporting to controlled assets or (2) report on their collective equity share across all assets – while suggesting companies might want to add more detail on the sustainability performance of individual material non-controlled JVs, though none have yet followed that suggestion.

Here's how that option leads to limited reporting on non-controlled JVs in the oil and gas sector:

- The GHG Reporting Protocol and its concept of Scope 1 / 2 / 3 emissions are an industry standard for categorizing and reporting GHG emissions – used by more than 90% of the Fortune 500.
- Under the IPIECA standards, oil and gas companies choose whether to report their equity share of emissions generated across all assets; report 100% of the emissions only from assets they control, with control being a financial test or an operational test; or report via both methods.
- As described earlier, companies that choose the equity share approach for GHG emissions are reporting the equity share of all assets, meaning that while non-controlled JVs are included in the metric, there is no way to tell what share comes from that part of the portfolio.
- Companies that choose the control test for GHG emissions reporting, by definition, provide no reporting on the GHG emissions of their non-controlled JVs **(Exhibit 7)**. If their non-controlled JV is operated by a partner that uses an equity share approach, then only part of the JV's emissions will ever be reported, and if it's a JV operating company, and all partners use the control test, then that JV will <u>never</u> appear in <u>any</u> GHG emission report (absent the rare occurrence when a JV operating company produces its own sustainability report).

EXHIBIT 7 | **ESG Reporting Gaps for Non-Operated JVs**

	Asset Type			
	Controlled Assets		Non-Controlled JVs	
Reporting Method	**Wholly-Owned Assets**	**Company-Operated JVs**	**Partner-Operated JVs**	**JV Operating Companies**
Control-Based *Report 100% of controlled assets*			***Reported by Operator***	***Emissions unreported***
Equity-Based *Report net equity/ ownership share of assets*				

Source: Ankura Analysis

- Companies that choose to report both ways look impressive, but still do not enable evaluation of non-controlled JVs as an asset class; they would also need to provide a breakdown of wholly-owned assets and all operated assets with ownership stakes, with emissions deriving from each, to figure out what share of equity emissions accrued from the operated vs. non-operated portfolio.

This same process plays out across other ESG topics and in other natural resources sectors. Any reported ESG metric that includes non-controlled JVs today is generally a proactive corporate choice rather than a reflection of any standards or obligations.