

# Integrating Climate Risk Into Our Strategy

Feb. 24, 2020



Sustainability is built into our purpose



***“ We recognize that creating long-term shareholder returns can only be achieved by advancing the societies in which we work. ”***

Supply the energy needed today to meet growing demand around the world

Find and develop cleaner energy to advance the energy transition

Be a force for good in our host countries by creating economic opportunity and driving social progress

UN Sustainable Development Goals serve as a call to action to promote broad-based prosperity and protect the planet

## SUSTAINABLE DEVELOPMENT GOALS

As a responsible company, Kosmos contributes to all of the UN SDGs, including:

- Providing new, affordable and cleaner sources of energy and investment to fuel economic growth in less advantaged countries
- Investing in the communities where we work by fostering innovation, promoting entrepreneurship, and improving education
- Minimizing the environmental impact of our operations and addressing climate change





# Business Principles Support Strong ESG Performance

Long-standing Business Principles shape how we manage the company and our relationships

## Responsibilities to Stakeholders



Transparency

Grievance mechanisms

## Ethical Conduct



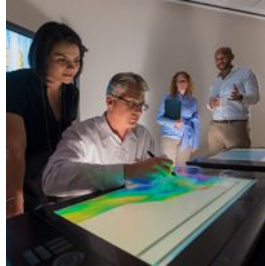
Anti-corruption compliance

Whistleblower hotline

Contract transparency

Publish payments to governments

## Our Workplaces



Safe operations

Merit-based advancement

No discrimination

Management leadership on ethical issues

No harassment, forced or child labor

## Commercial Relationships



Contractor expectations

Supplier due diligence

Protect confidential information

## Kosmos in Society



Human Rights

Social investments

Local content and good governance

Stakeholder engagement

## Kosmos and the Environment



Environmental and social impact assessments

Efficient use of resources

Reducing emissions

Addressing climate change

We have an integrated approach to managing climate-related risk

## Governance

Establish governance structures to guide strategy and manage climate-related risks and opportunities

## Targets

Set clear performance targets and hold senior management to account

## Emissions Mitigation

Reduce emissions from operations and use nature-based solutions to mitigate those emissions we cannot avoid

## Scenario Analysis

Evaluate the resilience of our portfolio and adapt our business strategy

## Engagement

Engage with a full range of stakeholders to improve our understanding and management of the issue

## Transparency

Report transparently on progress

We have a clear governance model for embedding climate change risk mitigation into our business

## Governance

**Board of Directors**



**HSE Board Committee**  
(quarterly updates)



**CEO-led Task Force**  
(regular meetings)

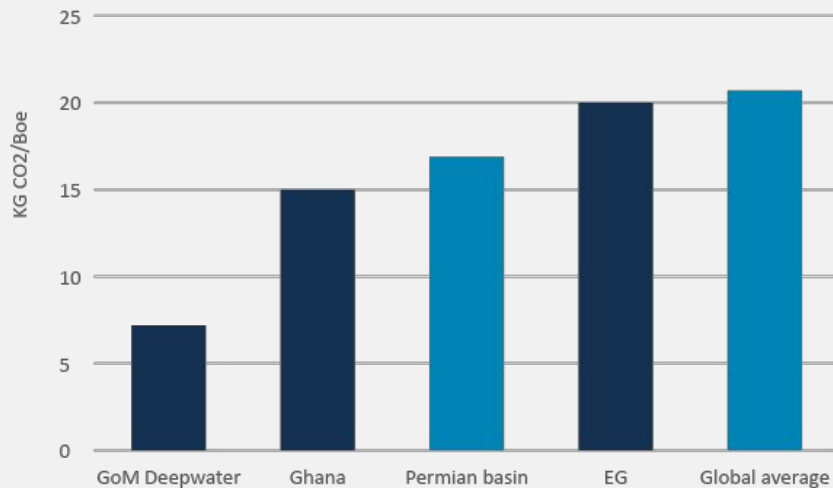
**We have set corporate scorecard metrics to hold the management and executive team accountable for delivering on climate change**

## Transparency

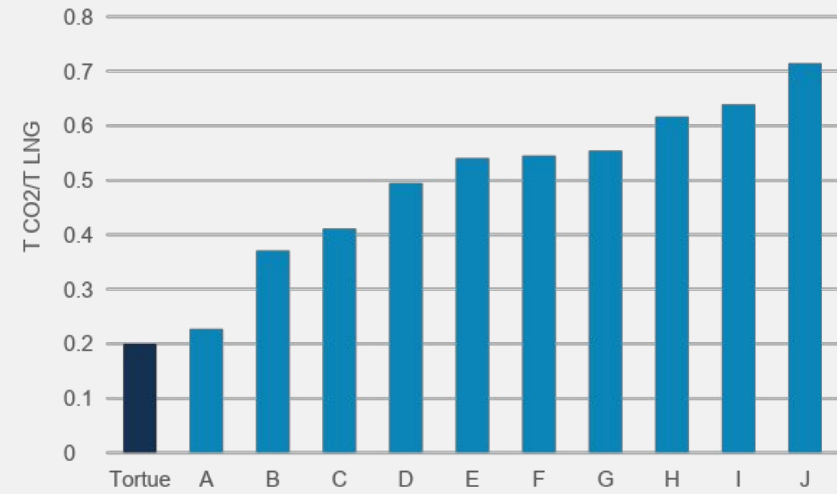
- Kosmos submitted data to CDP in 2019 and will participate again in 2020
- Kosmos is committed to publishing a *Climate Risk and Resilience Report* in 2020, aligned with Task Force on Climate-related Financial Disclosures (TCFD) recommendations and Sustainability Accounting Standards Board (SASB) guidelines
- Kosmos will publish a comprehensive *Sustainability Report* in 2020 to better meet stakeholder information needs, building on the foundation of its past *Corporate Responsibility Reports*

With a lower carbon portfolio, Kosmos is well positioned to remain relevant through the energy transition

## Advantaged Oil: Low cost, lower carbon, short cycle<sup>1</sup>



## Advantaged Gas: Low cost, lower carbon<sup>2</sup>



### Deepwater Gulf of Mexico

- Natural aquifer drive
- No routine flaring due to established pipeline infrastructure
- No fracking
- Use of existing infrastructure minimizes incremental emissions

### Greater Tortue Ahmeyim

- Low CO<sub>2</sub> and SOX content of feed gas
- Methane leak detection
- No routine flaring
- Partnership developing design Phase 2/3 that offers best-in-class carbon intensity

We aim to achieve carbon neutrality for Scope 1 and Scope 2 by 2030 or sooner

	Measure	Reduce	Mitigate
<b>Policy Commitments</b>	<ul style="list-style-type: none"> <li>Measure our direct and indirect greenhouse gas emissions according to recognized international GHG accounting standards</li> </ul>	<ul style="list-style-type: none"> <li>Set clear, time-bound targets to reduce emissions from our operations – and link targets to executive compensation from 2020</li> </ul>	<ul style="list-style-type: none"> <li>Mitigate remaining emissions through innovative nature-based solutions that deliver community and biodiversity co-benefits, in line with the UN SDGs</li> </ul>
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>Calculation of Scope 1 and Scope 2 emissions</li> <li>FY19 estimate: ~80,000 metric tonnes of CO<sub>2</sub> equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Working with key service providers to improve operational efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Identified nature-based projects in key Kosmos geographies</li> </ul>
<b>Next Steps</b>	<ul style="list-style-type: none"> <li>Select methodology and calculate Scope 3 emissions</li> </ul>	<ul style="list-style-type: none"> <li>Develop target for addressing Scope 3 emissions</li> <li>Continue to pursue energy efficiency initiatives for drilling and seismic operations</li> </ul>	<ul style="list-style-type: none"> <li>Invest in leading-edge Blue Carbon project developer working on innovative wetlands restoration project</li> </ul>





- **Joining established reforestation projects that have passed rigorous due diligence and are delivering carbon credits now**
- **Investing in promising new blue carbon project with potential for scale**
  - **First-of-its-kind wetlands restoration project in the U.S. Gulf Coast**
  - **If successful, the approach has potential to scale across the U.S. Gulf Coast and internationally**
- **Projects contribute to progress on key UN Sustainable Development Goals**



Scenario analysis tests resilience of Kosmos portfolio

## Scenarios











<b>1</b> IEA Current Policies Scenario	Assumes no change in today's policies and projects a warming of 4°C
<b>2</b> IEA New Policies Scenario <sup>1</sup>	Assumes stated government policies are enacted and projects a median 2.7°C rise
<b>3</b> IEA Sustainable Development Scenario	Assumes accelerated low-carbon transition and projects a sub-2°C rise

## Approach



# Evaluating the Resilience of our Portfolio

The resilience of each asset has been tested

As of 1/1/20	Impact of New Policies Scenario on Asset NPV	Impact of Sustainable Development Scenario on Asset NPV	Comments
Ghana			<ul style="list-style-type: none"> <li>Least impacted as Jubilee and TEN final production in 2034 and 2035, respectively</li> </ul>
Gulf of Mexico			<ul style="list-style-type: none"> <li>Small impact as Gulf of Mexico peak production modeled in 2027, with optionality afterward</li> </ul>
Equatorial Guinea			<ul style="list-style-type: none"> <li>Minimal impact given length of production life</li> </ul>
Mauritania   Senegal			<ul style="list-style-type: none"> <li>Long life nature of assets results in some value erosion</li> </ul>
Long-dated oil exploration prospect			<ul style="list-style-type: none"> <li>Generic 500 MMBO prospect with discovery in 2025 and initial production in 2030</li> <li>Largest impact on NPV given asset life span and oil weighting</li> </ul>



0% to -10% NPV impact: Meets Kosmos investment criteria



-10% to -25% NPV impact: Meets Kosmos investment criteria



-25% to -50% NPV impact: Beneath Kosmos investment criteria



> -50% NPV impact: Significantly beneath Kosmos investment criteria

We are optimizing our portfolio to remain relevant through the energy transition

## Continue to expand our short-cycle infrastructure-led exploration portfolio

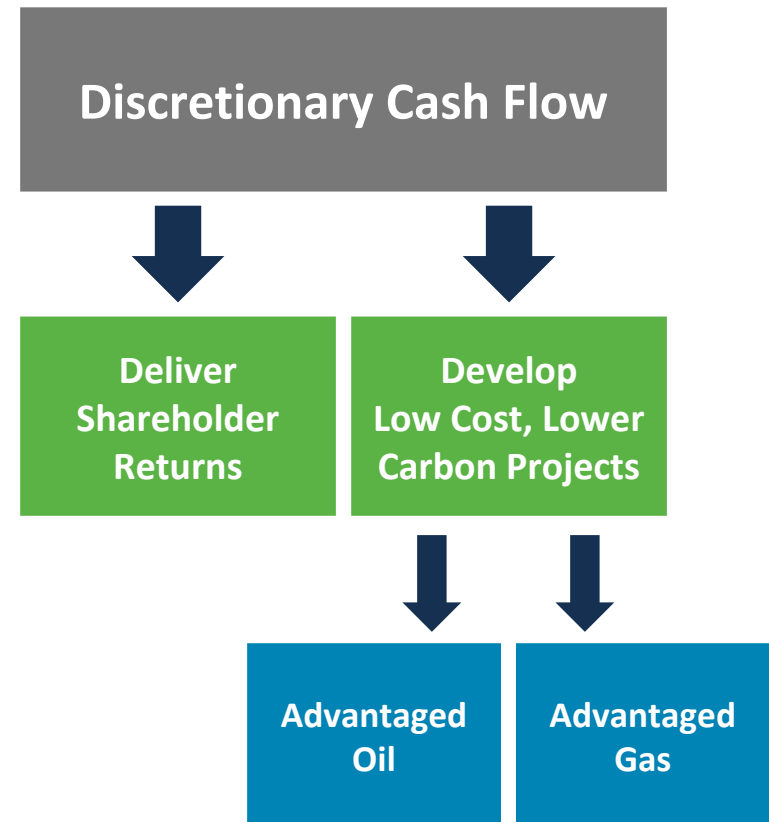
- Focus on Gulf of Mexico and Equatorial Guinea

## Increase gas weighting in the Kosmos portfolio

- Increase net exposure to LNG from 3 MTPA to ~5 MTPA
- Partially monetize other Mauritania and Senegal assets to fund and retain greater interest in Tortue development

## No new “basin-opening” oil exploration past the current portfolio

- High-grade and drill out our current basin-opening portfolio, but not seek access to new frontier oil basins





- Responding fully to the UN Sustainable Development Goals by providing affordable and cleaner sources of energy and investment to fuel economic growth in less advantaged countries
- Clear policy on managing climate-related risk with Board-level oversight
- Goal to achieve Scope 1 and Scope 2 carbon neutrality by 2030 or sooner

- Commitment to address Scope 3 emissions
- Commitment to transparency through TCFD-aligned Climate Risk and Resilience Report to be published in 2020
- Robust risk analysis completed, with action to (1) continue to expand our short-cycle ILX portfolio; (2) increase natural gas weighting in our portfolio; (3) stop seeking access to new frontier oil basins

