



PwC Sustainability Survey 2022

Oil & Gas Industry Report for the NCS

September 2022



Disclaimer

This report has been prepared for the Oil and Gas (O&G) industry on the basis of survey answers from PwC's 2022 sustainability survey taken from Exploration and Exploration (E&P) and Offshore Services (OFS) companies on the NCS. The results and assessments are based on information that have emerged from emerged from this survey and relevant knowledge and expertise from the O&G industry. PricewaterhouseCoopers (PwC) has not carried out any independent verification of the information, and we do not guarantee that it is complete, correct and accurate. PwC accepts no liability for any decisions made on the basis of the information provided in this report.

Any action taken on the basis of our report is carried out at your own responsibility.



PwC Sustainability Survey 2022

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Preface

Sustainability is defined by our ability to meet the expectations of today's stakeholders without depleting the resources for the next generations.

For the oil and gas industry in particular this is a balancing act requiring the large transitional strategies, while stepping up how we can deliver current operations as sustainably as possible.

Our analysis shows that most companies have developed strategies and set concrete targets, but that there is work to be done on ensuring the operationalisation of sustainability. As an example very few employees are seen to fully understand the sustainability strategy and feel that they can contribute in current operations. We believe this is an industry challenge to be able to attract, develop and retain the talents within the field, to ensure that the industry is fueled to be the driver of the transition in the longer run. To do that we need to continue changing ways of working and embedding sustainability throughout the organisation and as part of the culture from strategy to the rig floor.

Building on the excellent HSEQ performance and culture which is a key strength in the oil and gas industry - we strongly believe that the industry is well positioned to further expand on this to fully embrace sustainability as part of the industry culture.

Our analysis and this report is focussed on the organisational and operational aspects of sustainability with the ambition to supplement the attention required on reporting standards and procedures.

And as such, we hope that the report can contribute to good discussions and new reflections and that we can continue to work for a more sustainable industry.

Good reading!



About this report

Purpose and objective

This report is based on the survey answers of PwC Sustainability Survey conducted May 2022. The purpose of the survey and this report is to build an understanding of the O&G industry maturity level, focus areas and challenges related to sustainability.

Our aim is to provide the industry with an overview of today's industry status quo, and emphasise the importance of moving sustainability strategies beyond reporting requirements, and into all levels of the organisation.

Structure

The survey is categorised into four focus areas; strategy, operationalisation, ecosystem and culture. These areas and sub areas form the foundation for a maturity assessment of the industry in this report.



Number of participants

A total of 9 E&P companies and 17 OFS companies on the NCS participated in the survey



Head office located in Norway

78% of the responding E&P companies and 59% of the OFS companies have a Head Office located in Norway

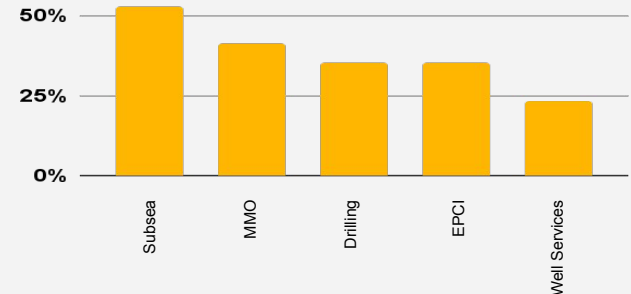


Segmentation of answers

The respondents were segmented into E&P operators or non-operators, and large or medium OFS companies, based on a perceived difference in sustainability maturity

The OFS companies are spread across several OFS industry segments, but to ensure anonymity, and as the results do not show any determining differences, these segments have not been focused on in the results of this report.

Percentage of participants engaged in OFS segments



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About the participants of the survey



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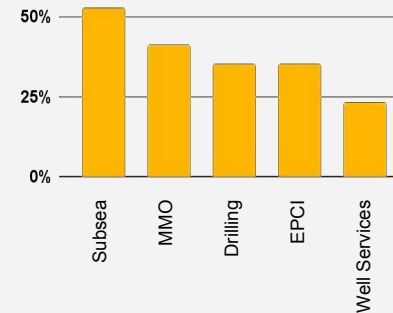
Segmentation of answers

The respondents were segmented into E&P operators or non-operators, and large or medium OFS companies*, based on a perceived difference in sustainability maturity

*Medium OFS companies: 100-1000 employees; Large OFS companies: above 1000 employees

The OFS companies are spread across several OFS industry segments, but to ensure anonymity, and as the results do not show any determining differences, these segments have not been focused on in the results of this report.

% of participants engaged in OFS segments



The PwC ESG Transformation Framework has set the structure of this report

The **ESG Transformation Framework** starts by identifying the baseline of the ESG status-quo and derive hypotheses on weak spots and missing topics. The status-quo assessment defines sustainability holistically along four building blocks covering strategy, ecosystem, operationalisation and culture. Knowing the strengths and weaknesses along the four building blocks allows companies to systematically address improvement opportunities and make deliberate choices in the Sustainability journey.



Status-quo assessment - high level overview on the current establishment of ESG along 4 major dimensions:

Strategic integration

- Awareness on risks & opportunities, and understanding their impact on current business model
- Sustainability ambition and tangible rooting of ESG aspects in corporate strategy
- Understanding of capabilities required, gaps to close and roadmap to execute

Ecosystem lens

- Transparency on ESG relevance and dynamics along the entire value chain
- Understanding of stakeholders in the ecosystem, who can enable, endanger and capture value
- Holistic view on challenges and improvement potential – short- and long-term

Operationalisation

- Substantiation of ambitions through actionable roadmap and ability to execute at required speed
- Reliable data and transparency on ESG impact, and approach to managing trade offs
- Embedment in operating model (incl. organisational structures, performance management)

Culture and behavior

- Exhibition of sustainable behaviors and “walk the talk” from management to employees
- Willingness to invest in ESG beyond immediate (financial) return
- Stakeholder-specific credible communication to relevant stakeholders on ESG performance

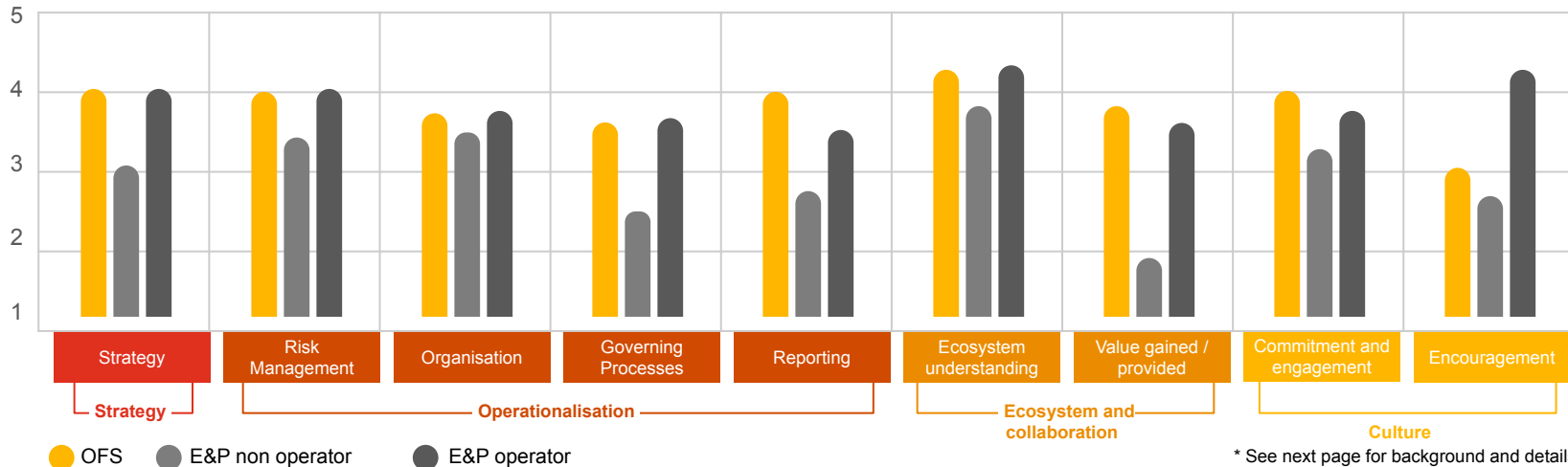
Detailed overview of survey questions per are

Themes	Categories	Statements/Questions that are basis for Current Maturity Evaluation
Operationalisation	Strategy	<ul style="list-style-type: none"> Our company has a comprehensive sustainability strategy We have a portfolio of actionable sustainability initiatives that will enable us to achieve our strategic objectives and targets To what extent is your sustainability strategy connected with your corporate strategy?
	Risk Management	<ul style="list-style-type: none"> We understand the risks and opportunities sustainability poses for our company We have processes and systems in place to sufficiently identify, track and manage sustainability risk We have a fully integrated sustainability risk register in place Our company considers sustainability impacts in daily decision-making
	Organisation	<ul style="list-style-type: none"> Our sustainability team is seamlessly connected with business units and functions to drive our company's sustainability agenda and strategy implementation Sustainability is anchored with clear roles and responsibilities in our leadership team Sustainability is anchored with clear roles and responsibilities in our management committees
	Processes	<ul style="list-style-type: none"> Sustainability is integrated into our operating standards and procedures Our company has sustainability related controls implemented in the internal audit structure Our supplier audits include auditing on sustainability conditions
Ecosystem and collaboration	Reporting	<ul style="list-style-type: none"> Our company has the tools to capture and report sustainability progress and impact
	Ecosystem understanding	<ul style="list-style-type: none"> We understand how sustainability impact our ecosystem We understand our sustainability positioning within the ecosystem
Culture	Value gain / provision	<ul style="list-style-type: none"> Concerning development of sustainable solutions, we are valued as: [the degree your company is a preferred partner on the sustainability agenda] Customers recognise the additional value created through our sustainability efforts and are willing to pay a premium and/or cover additional costs We have identified significant business opportunities based on sustainable products and services
	Commitment and engagement	<ul style="list-style-type: none"> Our employees understand and contribute to our sustainability strategy The members of the leadership team in our company are true role models for sustainable behaviour
	Encouragement	<ul style="list-style-type: none"> Our company consistently encourages sustainable behaviour of employees (e.g. subsidised public transport, organic canteen food etc.) Our company's incentive scheme includes sustainability targets along common Sustainability criteria

The overall maturity assessment indicate differences across the industry, with E&P operators and OFS companies leading the way

- OFS companies and E&P operators indicate similar average maturity
- E&P operators express significantly more “Encouragement”,
- OFS companies are slightly ahead on “Reporting” and “Commitment and engagement”

The chart shows the average answer from industries on the different survey categories and subcategories*



* See next page for background and details

Key Findings

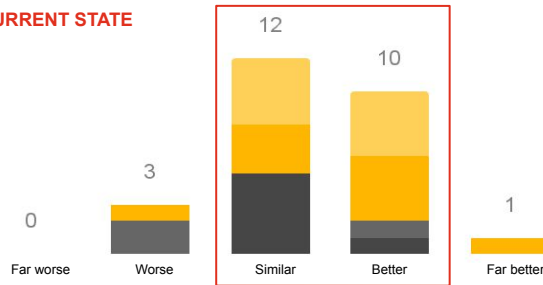


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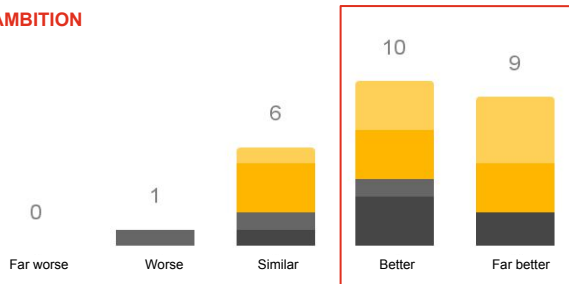
Most respondents perceive themselves as performing similar or better than peers, however ambitions seems to be high as nearly 80% plan to be better or even far better than their competitors and peers by 2023

Self perceived performance on the sustainability agenda, compared to peers

2022 / CURRENT STATE



2023 / AMBITION



Medium OFS Large OFS E&P non operator E&P operator

Sustainability starts by committing to incorporate social, environmental, economic and ethical factors into a company's strategic decision-making

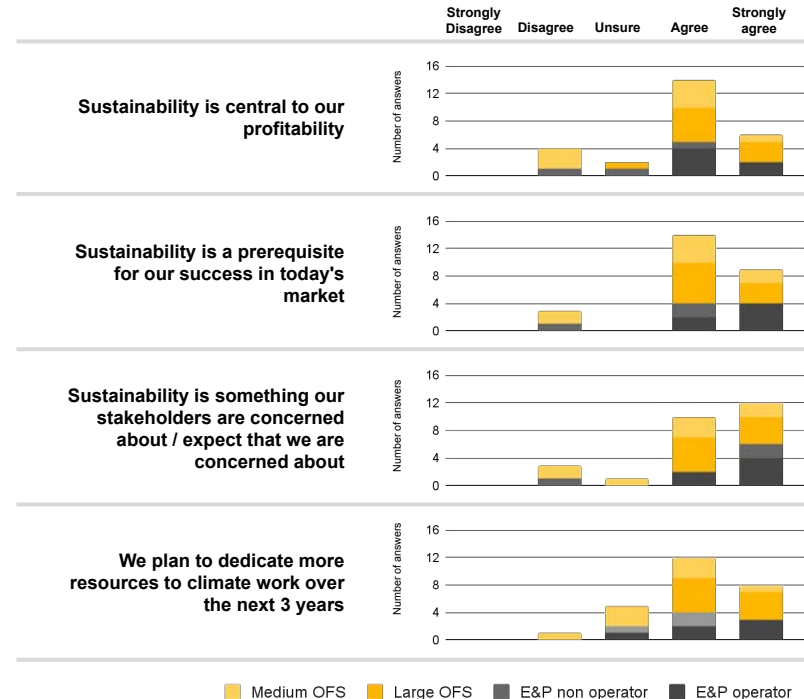
The focus on the sustainability agenda has never been stronger, and the results show that nearly all respondents have sustainability related efforts on their strategic agenda for the coming years.

The challenge is finding the balance between using the sustainability agenda both as a means to meet common goals, and using it as a tool for competitive advantage.



The industry clearly recognises the growing expectation that companies need to take on a stronger role on the sustainability agenda

- Most respondents agree that sustainability is relevant to both profitability and market success
- All operators and large OFS companies confirm that their stakeholders show concern regarding sustainability matters, and most of these plan to dedicate more resources to the subject in the coming three years
- On the other hand, one non-operator and a few medium-sized OFS companies do not agree that sustainability is something that stakeholders are concerned about, and not all are sure they will dedicate more resources the next three years



Sustainability is high on the strategic agenda with 92% having a sustainability strategy...

92%

of respondents have established a sustainability strategy on actively reducing emissions in their current industry or transform/grow their business into sustainable markets



40%

of all the reported sustainability ambitions/ targets are related to environmental efforts

Majority of the ambitions/ targets are within the following topics:

E Reducing emissions and CO2 footprint (15%)

S Diversity, equality and inclusion (10%)

G Legal and ethical compliance (7%)

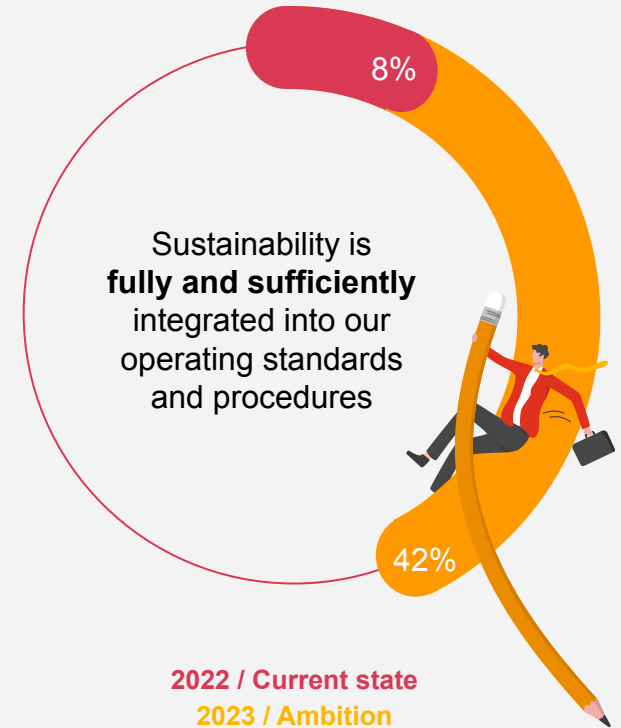
...however, while put on the strategic agenda only 8% report to currently have sustainability fully and sufficiently integrated in their operating standards and procedures

Major challenges respondents face relating to current sustainability trends include:

- Meeting the changes in regulations
- Handling significant uncertainties with costs
- Risk management
- Strategic decision making



Respondents were asked to express their maturity on the given statements, both for **current state** and their **2023 ambition**. The graphs show the share of respondents that answered 5 out of 5, where 5 was **“fully and sufficiently”**. For these topics of integrating sustainability into the operating standard, we see that a significant share aims to reach the highest level of maturity during the coming year. The full distribution of answers on these statements are shown on page 26 and 27.



2022 / Current state
2023 / Ambition

Though the respondents aim to use sustainability as a competitive advantage, they note that customers' willingness to pay a premium for sustainability related efforts is still lacking



Biggest sustainability opportunities and challenges identified by the respondents:



Attraction and retention of talent



Reputation and publicity



Leadership and owner buy-in and support



Data quality and value chain management



CO₂ efficiency

2022 / Current state
2023 / Ambition



Most respondents indicate a significant sustainability focus towards employee behaviour. However most OFS companies report to not have this implemented in their incentive structure

A large orange circle with a white outline, partially overlapping the 77% text.

77%

agree or strongly agree that the **leadership team behaves as true role models** on the sustainability agenda

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54%

agree or strongly agree that **their company consistently encourages sustainable behaviour of employees**

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83%

of E&P operators state they have sustainability incentives for **all employees** (100% for all employees or only management)

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12%

of OFS companies state they have sustainability incentives for **all employees** (35% for all employees or only management)

Sustainability Strategy



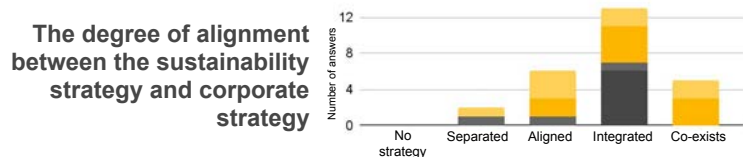
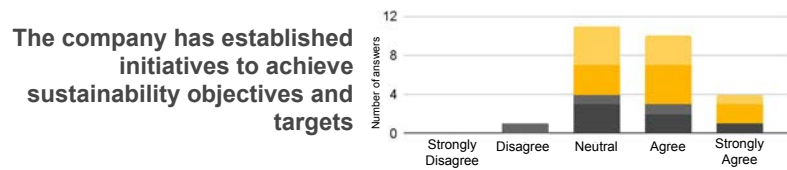
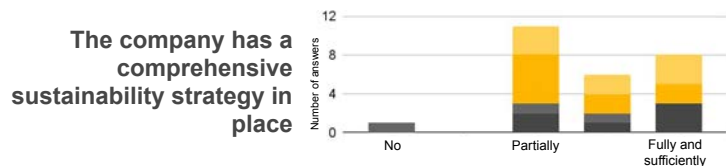
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All E&P operators and OFS companies express that they have at least partially established a comprehensive sustainability strategy.

The integration with corporate strategy varies significantly between OFS respondents, though nearly all are integrated to a certain level



Survey statements

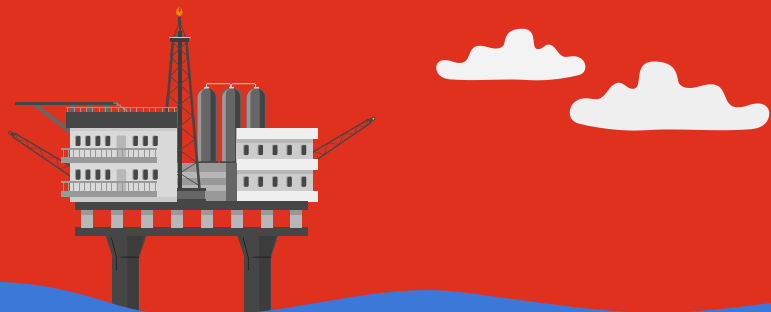


■ Medium OFS
 ■ Large OFS
 ■ E&P non operator
 ■ E&P operator

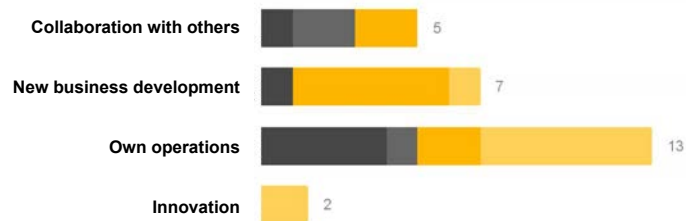
Ambitions and targets related to sustainability is strongly dependent on the size of the company

Large OFS companies generally have ambitions to transform their business and focus on new business development

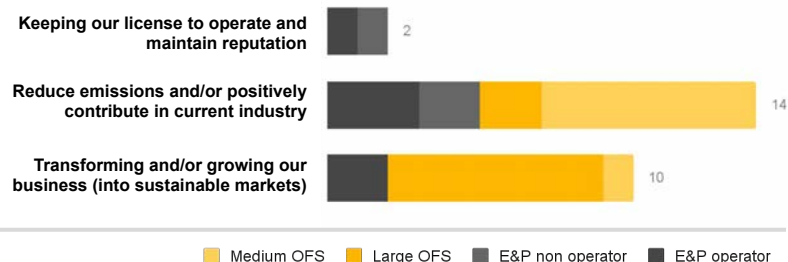
Medium sized companies on the other hand, have a greater focus on their own operations and aim to reduce emissions and positively contribute in current industry



The most significant contribution to achieving sustainability ambitions/targets, is planned to come from...



The focus & ambition of sustainability strategy is placed on...



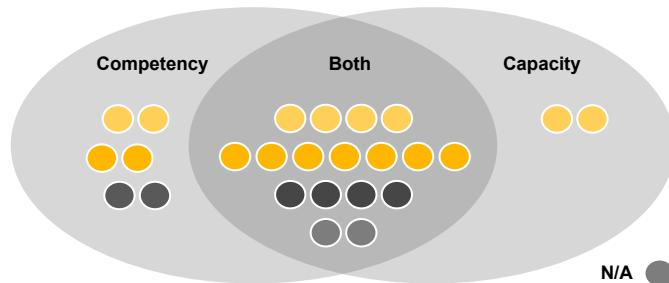
Medium OFS Large OFS E&P non operator E&P operator

92% of respondents express need for changes to existing capabilities and systems. Related to competency, this will mainly come from training and upskilling of existing employees

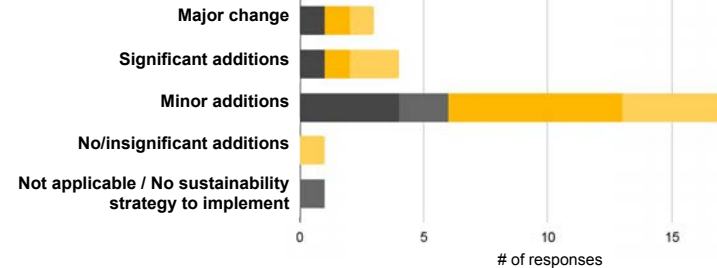
Highlights from our findings:

- The respondents expect minor additions to existing capabilities and systems to implement their sustainable strategies. Further, the increase in capabilities is expected to be obtained mainly through upskilling of existing employees
- Most respondents state the increase in needed capabilities will come from both capacity and competency. Significantly, **23%** states that only increased competency is needed
- **88%** of responders note some to a large degree of willingness to invest in and obtain the needed capabilities

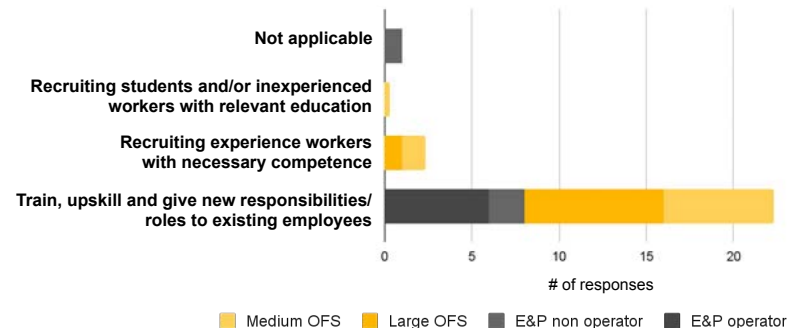
Increase in capabilities concerns:



Perceived need for change to the existing capabilities and systems



Planned source of additional required competence

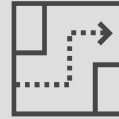


The survey findings supplements the findings from the 2022 Competency Analysis of the E&P industry

The expertise in the O&G sector is highlighted as very relevant in the energy transition. There has been, however, a high degree of uncertainty related to the magnitude of the transferable competency needed and the organisational restructuring required to make the shift towards a more sustainable agenda.

The results in the sustainability survey are in line with PwC's 2022 Competency Analysis of the E&P Industry, where it was found that such competency (meeting with the energy transition) could be acquired through internal upskilling and training. The E&P companies are encouraged to lead the way in the transition of the industry, but OFS organisations are also actively responsible to make the necessary changes and adapt.

Main findings from the E&P Competency Analysis



Business Development & Commercial is on top in terms of critical and transferable competencies.



Technical and specialised areas of expertise are also transferable, yet it will require upskilling in particular areas.



Competence in support functions is directly transferable...



...however, critical to all disciplines - to ensure success - is mindset and culture!

Operationalising Sustainability



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Good progress requires good management, also within sustainability

Governance related to sustainability and more specifically, ESG, refers to management factors such as ensuring good decision-making and accountable corporate governance- and/ or management.

This may relate to responsibility structures, processes, routines, information sharing, but also compliance with national requirements, guidelines, principles and standards for responsible business.

Good governance is important for all companies, regardless of which sustainability theme the company focuses on, and it is a prerequisite for being able to succeed with UN's global plan for a sustainable world. For the purpose of this report, the survey has also focused on governing documents.

“Transparency is key to protecting value, as it ensures that informed and responsible decisions can be made”

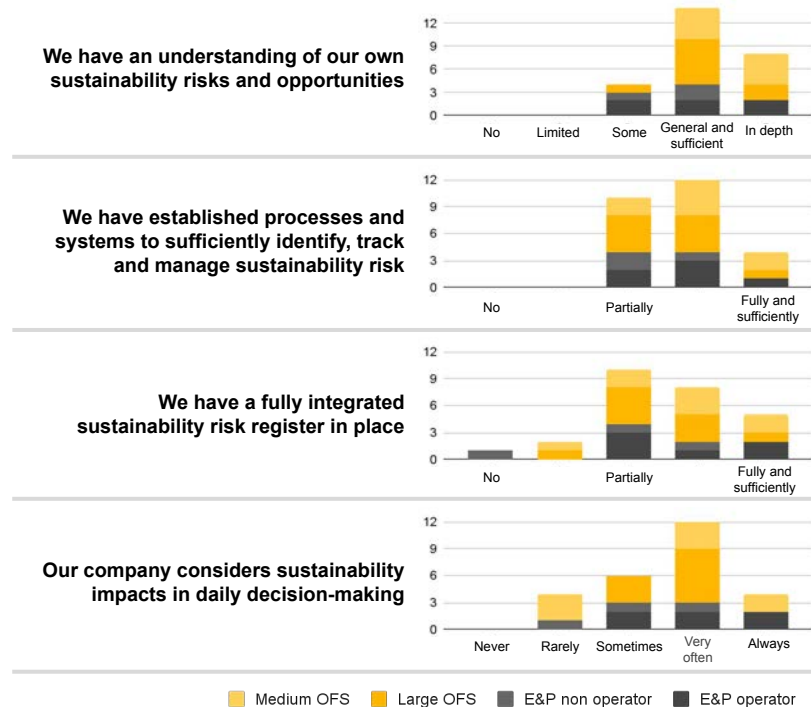
Response on main sustainability ambitions/ targets



Respondents express mature understanding of sustainability risk, but several have yet to fully operationalise sustainability risk management

Highlights from our findings:

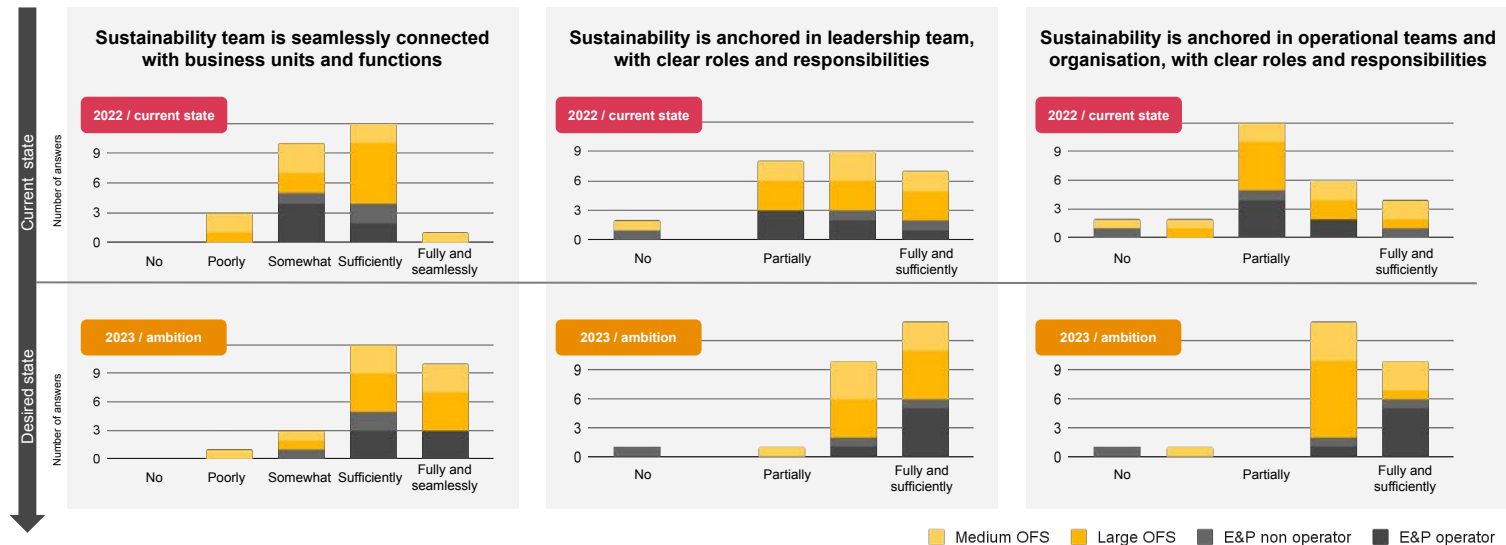
- Our findings show a relatively strong degree of sustainability risk understanding and tracking, and all companies, to a varying degree, appear to have established processes and systems to be able to identify, track and manage their sustainability risk
- There is, however, a wider spread in the maturity of risk register establishment, that for most respondents, requires more integration
- The consistency of considering sustainability impacts in daily decision-making varies significantly among respondents



The integration of sustainability in roles and responsibilities is expected to increase during the coming year

Highlights from our findings:

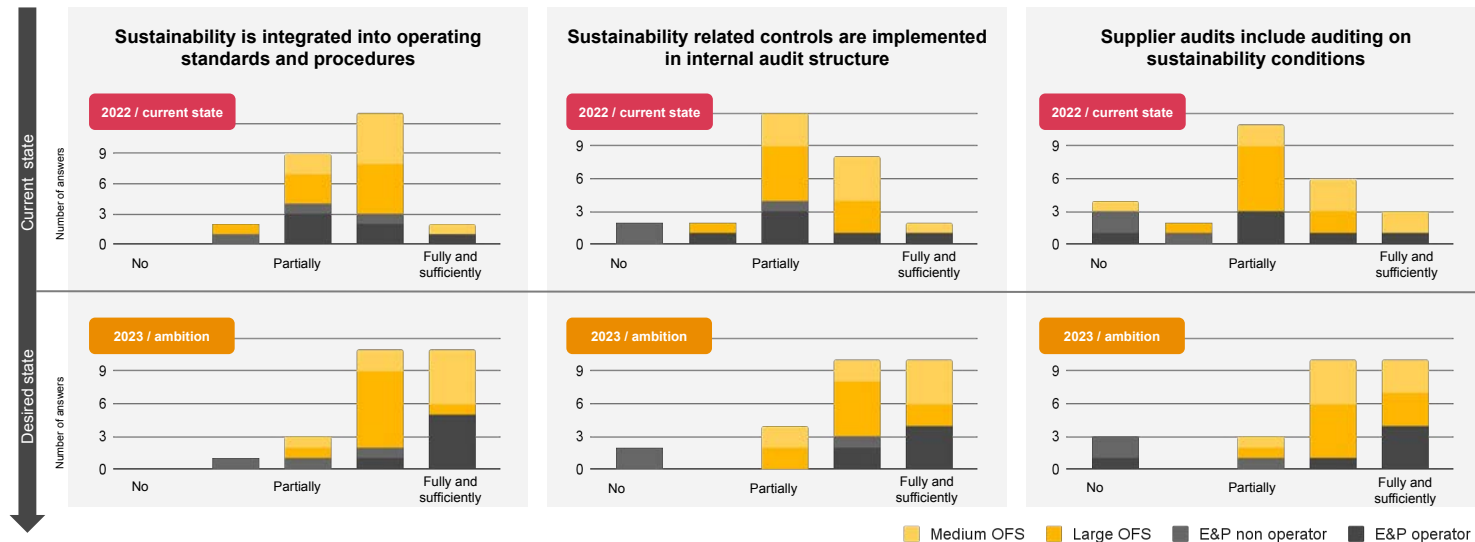
The connection of the sustainability team to the rest of the organisations business units and functions is shown to be somewhat weak and findings demonstrate there's room for improvement. The vast majority of companies also confirm this by having ambitions to implement a stronger integration of the team during the next year. Overall, roles and responsibilities related to sustainability, both within leadership- and operational teams, are shown to be partially or relatively sufficiently anchored within most companies. Also, there is an overall ambition by most companies to improve this during the next year



There is variation in the companies' level of integration and implementation of sustainability into their operating standards and procedures, internal audit structure, and supplier audits

Highlights from our findings:

There is an increased ambition to improve the integration of sustainability in governing documentation within the upcoming year. The highest ambitions can be found among the operators and the medium sized OFS companies.

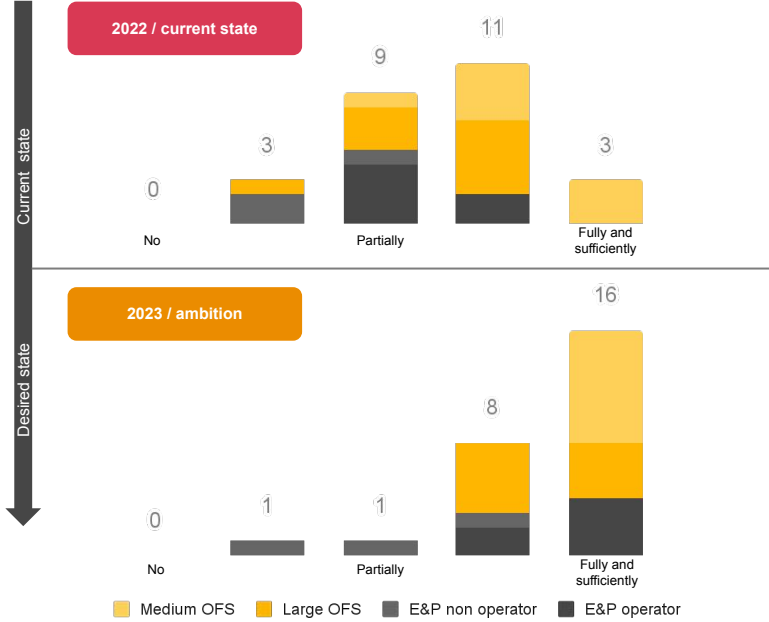


Our findings show that there are very few companies that have the tools to **fully and sufficiently capture and report sustainability progress and impact**

However, all respondents have a desire to improve these tools in some way in the coming year



Our company has the tools to capture and report sustainability progress and impact



The majority of the respondents note GRI and TCFD as their preferred reporting format for disclosure of sustainability related efforts



SASB: Sustainability Accounting Standards Board
GRI: Global Reporting Initiative
TCFD: Task Force on Climate Related Financial Disclosures

TCFD is the most common external sustainability reporting format, used by more than 54% of the respondents

About half of the respondents use the Global Reporting Initiative (GRI) reporting standard to report on their sustainability performance.

Of those, 62% also use Task Force on Climate Related Financial Disclosures (TCFD) to identify climate related risks in their reports.

Only 15% report using SASB as one of their reporting standards.

Sustainability in the company ecosystem



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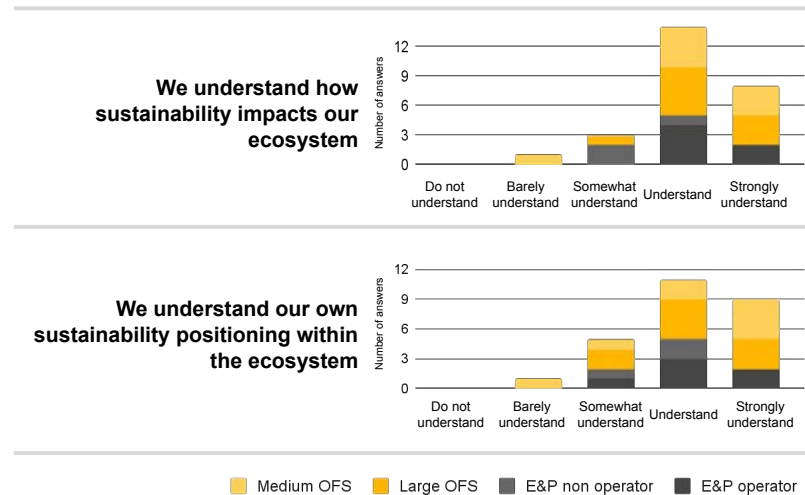
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Most respondents understand how sustainability impacts their ecosystem, as well as their own position within it

Highlights from our findings on sustainability understanding:

- Most of the respondents indicate that they understand how sustainability impacts their ecosystem
- The understanding of own sustainability positioning in the ecosystem is similar, but varies slightly more


























The borders of what is defined as a company's ecosystem is widening. It is not enough for organisations to have an understanding of their direct stakeholders. The implementation of the Norwegian Transparency Act (July 2022) is one of the steps made by regulators to ensure organisational ownership of their complete value chain. The results from the survey confirm this through the reported increased focus on tier 2 and 3 customers and suppliers (more than 50% increase in firms moving their efforts into these areas).

There is a varying degree of understanding of the requirements and expectations from different stakeholders, especially for medium OFS companies

Highlights from our findings show that:

- **Suppliers, partners and society** are the stakeholders that the fewest respondents report to sufficiently understand
- On the other hand, the requirements and expectations set by **customers and government** are well understood by most companies
- For **financial institutions, employees, and owners/investors**, large OFS companies have a better understanding of requirements and expectations compared to medium OFS companies

The share of companies that sufficiently understands the requirements and expectations from:

	E&P companies	OFS companies
 Suppliers	44% 	65% 
 Customers	56% 	100% 
 Partners	78% 	65% 
 Financial institutions	67% 	76% 
 Government	89% 	94% 
 Employees	89% 	76% 
 Owners / Investors	89% 	82% 
 Society	67% 	59% 

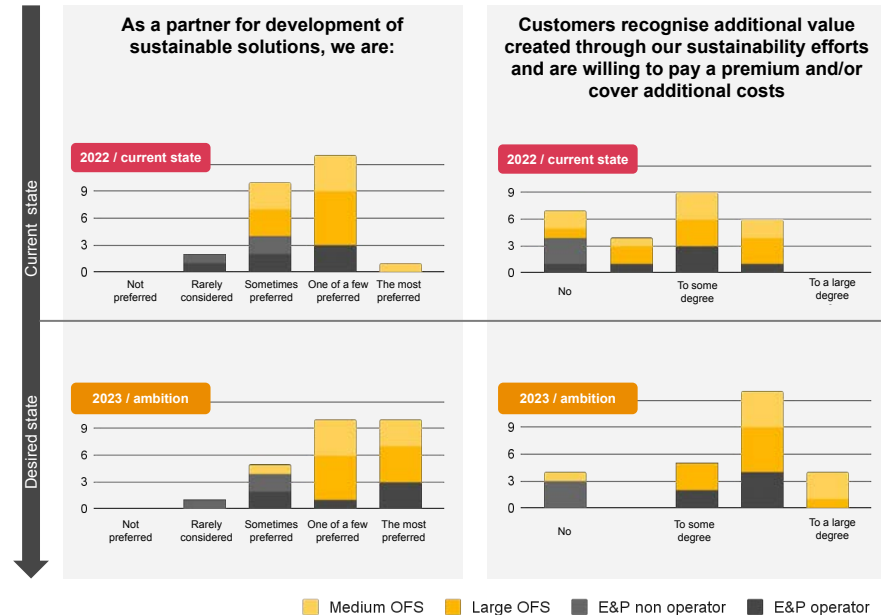
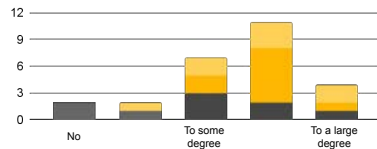


Almost all OFS companies aim to be one of a few, or the most preferred partner for developing sustainable solutions. However, there seems to be varying recognition (measured by willingness to pay premium) from customers for sustainability efforts

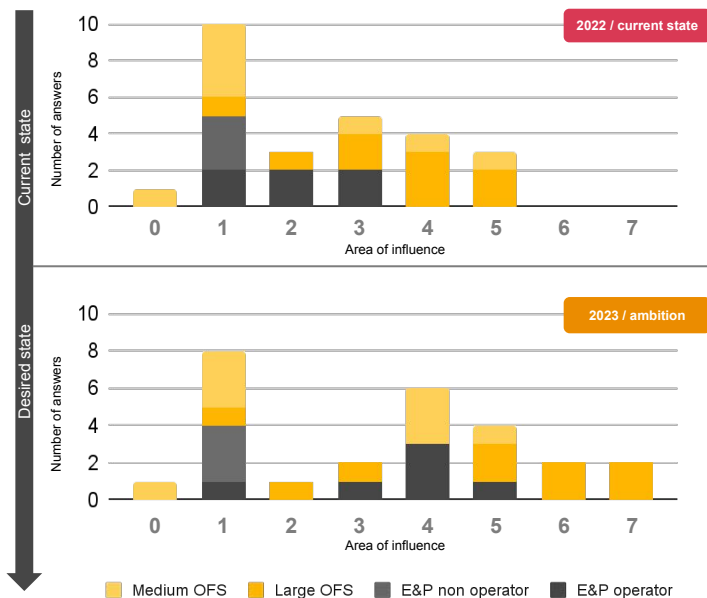
Highlights from our findings:

- OFS companies aim to become one of, or the most preferred partners when it comes to development of sustainable solutions. There is more variance among the E&P companies
- Most respondents report to having identified some degree of additional business opportunities coming from sustainable products and services, but few to a large degree
- Our findings also indicate that companies are not significantly rewarded for their added sustainability efforts, but that this is an ambition to explore in the upcoming year

We have identified significant business opportunities based on sustainable products and services



Number of perceived areas of influence*



*Area of influence: Number of categories on the next page that are influenced on the sustainability agenda

Especially E&P operators and large OFS companies state significant ambitions to increase their area of influence in the coming year

The numbers of perceived area of influence represents the width of the sustainability agenda, and how wide impact organisations aim to have



Majority of sustainability efforts focused on improving own company and ...

	E&P Operators*		OFS	
	2022 / current state	2023 / ambition	2022 / current state	2023 / ambition
Direct suppliers	83% →	83%	59% →	76%
Tier 2-3 suppliers	17% ↗	67%	12% ↗	29%
Direct customers	0% ↗	33%	76% ↗	82%
Tier 2-3 customers	0% ↗	17%	24% →	41%
Partners	67% →	83%	41% →	53%
Academia	0% →	17%	35% →	41%
Local society	33% →	50%	29% →	41%

Most E&P operators aim to influence also tier 2-3 suppliers the next year. This is also the case for most large OFS companies, whom also has similar ambitions towards tier 2-3 customers. This shows a greater desire to improve the larger value chain that the companies are a part of, and not just direct suppliers and customers

The borders of what is defined as a company's ecosystem is widening. It is not enough for organisations to have an understanding of their direct stakeholders. The implementation of the Norwegian Transparency Act (July 2022) is one of the steps made by regulators to ensure organisational ownership of their complete value chain. The results from the survey confirm this through the reported increased focus on tier 2 and 3 customers and suppliers (more than 50% increase in firms moving their efforts into these areas).

*E&P non operators report to only influence partners, and are not expecting to increase their area of influence in the coming year.

Culture for sustainability



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The HSEQ performance and culture is a key strength in the O&G industry - we strongly believe that the industry is well positioned to further expand on this to fully embrace sustainability as part of the industry culture.

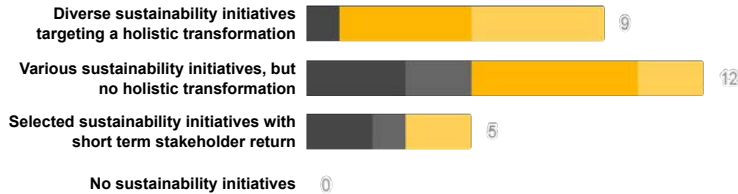
It will however require a cultural shift which requires determination and effort and parallels can be drawn to the HSEQ journey in the 1970's-1980's.

A critical element in implementation is enabling the employees to see how they can contribute to reaching the targets

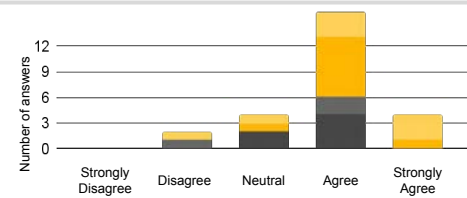
Highlights

- Employees in most companies understands and contributes to the sustainability agenda to some degree, but most have room for larger contribution
- Most companies state that the members of their leadership teams are true role models on the sustainability agenda, but the consistency in encouraging sustainable behaviour from employees varies
- All companies are to some extent willing to invest in sustainability initiatives, and most note that these investments do not necessarily need to have short term stakeholder return

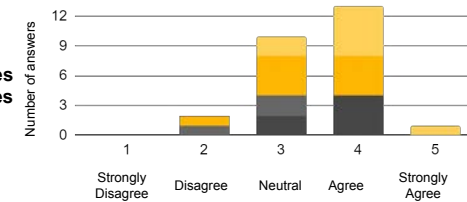
Our company is willing to invest in...



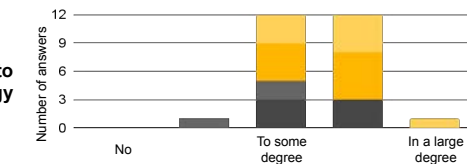
Members of the leadership team behave as true role models on the sustainability agenda



Company consistently encourages sustainable behaviour of employees

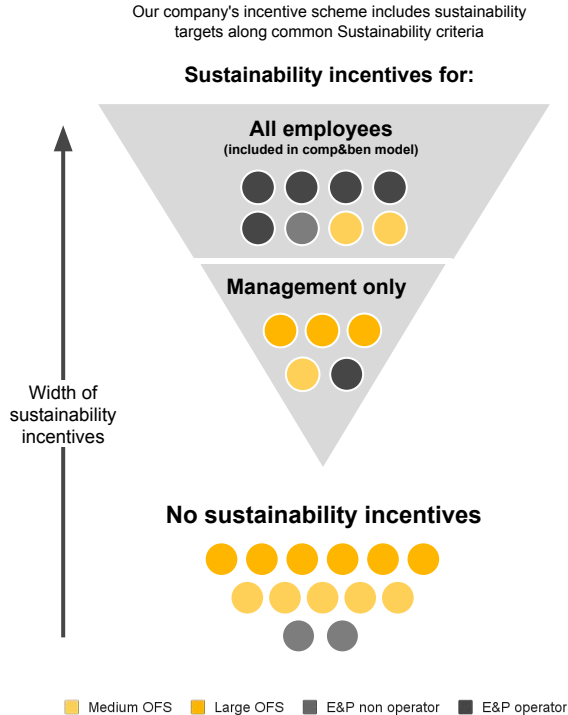


Employees understand and contribute to the sustainability strategy



■ Medium OFS ■ Large OFS ■ E&P non operator ■ E&P operator

OFS and E&P reports a clear difference concerning incentive scheme for employees



83% of E&P operators state they have sustainability incentives for all employees.

On the other hand, 65% of OFS companies express no sustainability incentives.



Concluding Remarks



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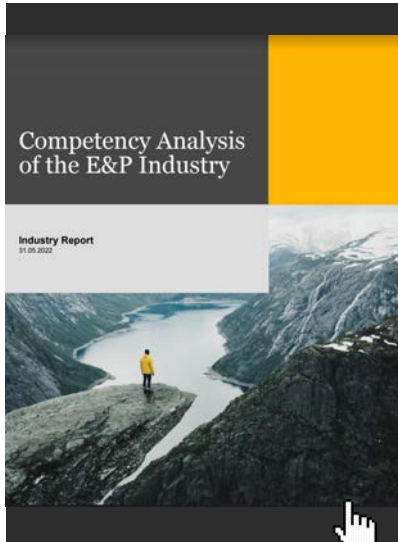


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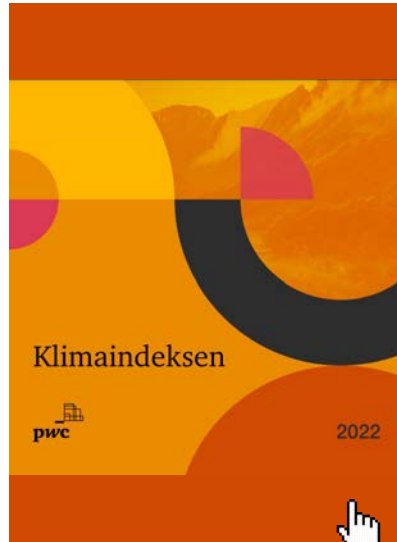


Other relevant Points of View



The E&P industry needs to adapt to changing framework conditions and market needs and is essential in the energy transition.

Read the report [here](#).



Large Norwegian corporations need to accelerate their contributions towards the energy transition, meanwhile generalised reporting standards are needed and due to be implemented. Read the report [here](#).



Renewable energy production needs to be a forerunner in the energy transition, producing positive change in in the intersection between climate,- and land system change.

Read the report [here](#).



A traffic light system is introduced to limit the viability of claiming sustainability based on investing in unsustainable climate credits over reducing emissions and actively removing carbon dioxide from the atmosphere.

Read the report [here](#).





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