



BUILDING CORPORATE-LEVEL CAPABILITIES FOR JOINT VENTURES

THE CLIENT

- National energy company

THE NEED

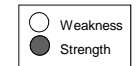
- Increasing number of JVs, as its growth strategy focusing on new, downstream and international markets
- Increasingly in 50-50 or JV OPCO-style JVs, which had proven less successful and more complex than classic op/non-op JVs that

OUR SOLUTION

- Conducted a review of the major JVs in its portfolio to understand performance patterns – and root cause issues/what terms and practices had impact on manageability and outcome performance
- Based on portfolio review, worked with Company to develop series of enhanced corporate JV capabilities, including:
 - Corporate Policies and Principles – for Structuring (new) JVs, and Managing (existing) JVs
 - Revised partner screening processes
 - Deal negotiation process
 - New JV Director training program
 - Shared service principles

**Assessment of JV portfolio
(with focus on 50-50 style / JV-operated ventures)**

	Performance		Health Indicators				Best Practice Scores*			
	Outcomes – financial and operating performance, 24 mo's	Prospects – financial and strategic opportunities	Alignment	Speed and resource efficiency	Performance management	Renewal and innovation	Strategy and scope	Governance and decision making	Organization and incentives	Financial arrangements
Joint Venture 1	Weak	Mixed	○	◐	◑	○	19	11	9	16
Joint Venture 2	Strong	Good	●	◐	◑	●	17	21	14	21
Joint Venture 3	Good	Mixed	◐	◐	○	○	6	11	13	13
Joint Venture 4	Good	Strong	◐	◐	●	○	14	16	12	17
Joint Venture 5	Strong	Strong	●	◐	◑	●	21	12	19	20
Joint Venture 6	Strong	Mixed	●	◐	◑	●	14	19	14	21
Joint Venture 7	Weak	Unclear	◐	○	◑	●	19	13	18	4
Joint Venture 8	Mixed	Good?	◐	○	○	◐	12	11	6	17
Joint Venture 9	Mixed	Good	◐	◐	○	◐	17	12	11	18
Joint Venture 10	Strong	Strong	●	◐	◑	●	22	19	21	22
Joint Venture 11	Good	Unclear?	○	○	◐	◐	4	9	16	11



* Score based on 25 point scale within each area; within each area (e.g., strategy and scope,) scores derived assessment of each venture against 5-15 indicators.

Corporate Policies and Principles for Structuring Joint Ventures

2. PARTNER SCREENING

2.1. The Company shall rigorously screen and test JV partner candidates based on: core values related to health, safety and business ethics; complementarity of capabilities and role within the proposed venture; track record in other, similar JVs; potential for competitive assets and businesses to the proposed JV

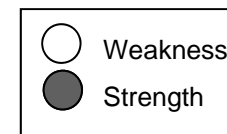
12. AUDIT AND REVIEW RIGHTS

12.2. A right to audit clause shall be included in all new JV agreements, enabling the Company to review JV controls

12.3. Each joint venture shall be reviewed at least annually by the Executive Committee. This Annual Review shall be performed and led by the Company's Lead Director on the JV's board, and include an assessment of the venture against certain standard categories, including performance and trend relative to

APPENDIX

	Performance		Health Indicators				Best Practice Scores*				Comment / Potential Changes
	Outcomes – financial and operating performance, 24 mo's	Prospects – financial and strategic opportunities	Alignment	Speed and resource efficiency	Performance management	Renewal and innovation	Strategy and scope	Governance and decision making	Organization and incentives	Financial arrangements	
Joint Venture 1	Weak	Mixed					19	11	9	16	Change model – opco structure?
Joint Venture 2	Strong	Good					17	21	14	21	Accelerate capital investment
Joint Venture 3	Good	Mixed					6	11	13	13	Onerous contract – renegotiate?
Joint Venture 4	Good	Strong					14	16	12	17	Combine with Exploration asset?
Joint Venture 5	Strong	Strong					21	12	19	20	Waiting for new CEO to imprint
Joint Venture 6	Strong	Mixed					14	19	14	21	PE investor? Sell stake?
Joint Venture 7	Weak	Unclear					19	13	18	4	Under renegotiation
Joint Venture 8	Mixed	Good?					12	11	6	17	Revamp access to parent IP
Joint Venture 9	Mixed	Good					17	12	11	18	Drive operations
Joint Venture 10	Strong	Strong					22	19	21	22	Superb performer: leave alone?
Joint Venture 11	Good	Unclear?					4	9	16	11	Revamp delegations model



* Score based on 25 point scale within each area; within each area (e.g., strategy and scope,) scores derived from a structured, proprietary quantitative and qualitative assessment of each venture against 5-15 indicators .