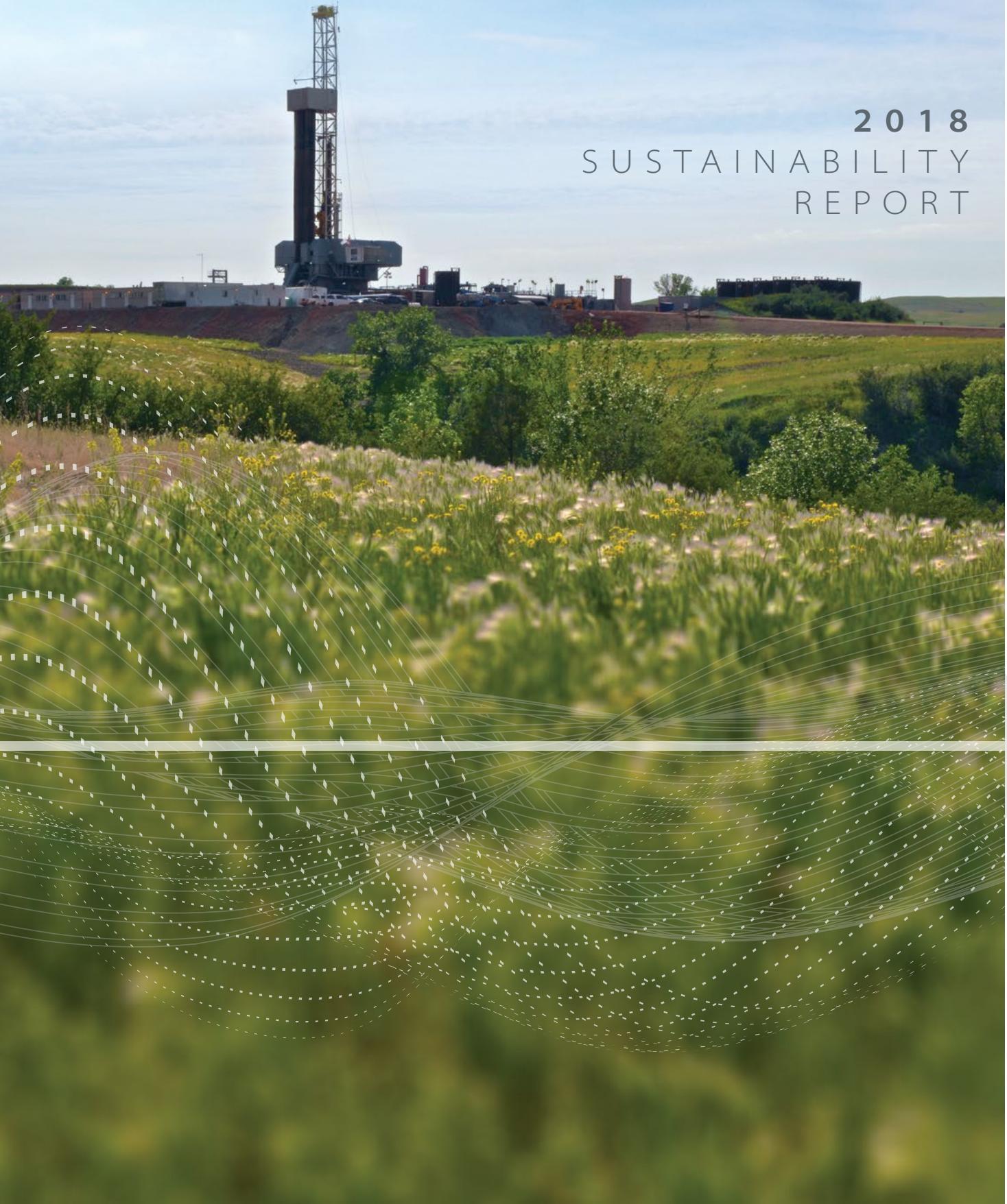




2018  
SUSTAINABILITY  
REPORT



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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements based on management's current expectations relating to our operations and business plans. Examples of forward-looking statements contained in this report include the scenarios used in our strategic planning process, including the underlying assumptions, the estimated impacts on our business, including operating costs, revenues and cost of capital, and technology related to climate-related risks. Words or phrases such as "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. These statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks, uncertainties and other factors, many of which are beyond the company's control and we cannot predict. Actual results could differ materially from anticipated results and reported results should not be considered an indication of future performance. Factors that could cause results to differ include, but are not limited to: the impact of significant declines in prices for crude oil, bitumen, natural gas, LNG and natural gas liquids; potential failures or delays in achieving expected reserve or production levels from future oil and gas developments, including due to operating hazards, drilling risks and the inherent uncertainties in predicting reserves and reservoir performance; unsuccessful exploratory drilling activities or the inability to obtain access to exploratory acreage; legislative and regulatory initiatives addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal; reduced demand for our products or the use of competing energy products, including alternative energy sources; substantial investment in and development of alternative energy sources, including as a result of existing or future environmental rules and regulations; general domestic and international economic and political developments, including changes in governmental policies relating to crude oil, bitumen, natural gas, LNG and natural gas liquids pricing, regulation or taxation; competition in the oil and gas exploration and production industry; failures in risk management and other factors discussed in this report and described in Item 1A—Risk Factors in our 2018 Annual Report on Form 10-K and any additional risks described in our other filings with the Securities and Exchange Commission (SEC). Unless legally required, ConocoPhillips undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Third-party scenarios discussed in this report reflect the modeling assumptions and outputs of their respective authors, not ConocoPhillips, and their use or inclusion herein is not an endorsement by ConocoPhillips of their likelihood or probability.

**Cautionary Note to U.S. Investors** – The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. We use the term "resource" in this report that the SEC's guidelines prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the oil and gas disclosures in our 2018 Form 10-K and other reports and filings with the SEC. Copies are available from the SEC and from the ConocoPhillips website.

# A Message from Our Chairman and CEO

Ongoing engagement with stakeholders gives us the opportunity to understand the environmental and social issues that are not only important to them, but essential to our business success. In these conversations we hear requests for our participation in addressing matters ranging from local community concerns to broad global issues, as well as greater transparency about our performance. These engagements reinforce our long-standing commitment to demonstrating leadership in the way we produce natural gas and oil resources by being competitive both financially and with our environmental and social performance.

Determining how to effectively manage climate change while maintaining human and economic progress is among modern society's most compelling challenges. We believe there are many possible pathways to a low-carbon energy transition, and while natural gas and oil will continue to be part of the energy mix, how they are produced will remain critical. Though we cannot predict with certainty what the transition will look like, we are working to ensure we have a business strategy in place that provides ongoing resilience in a challenging marketplace. Our Managing Climate-Related Risks report, introduced in early 2019, outlines how we are building that resilient strategy.

We recognize that driving continuous improvement in environmental and social performance requires an effective internal governance structure. This includes managing sustainable development risks and opportunities companywide, from strategic planning through field operations. Our board of directors provides oversight, our Executive Leadership Team sets strategy and expectations, and our business units and functions implement action plans to address risk-based priorities.

We continually develop innovative solutions to manage our risks. For water management we increasingly utilize centralized gathering, storage and distribution systems to facilitate the use of recycled produced water for hydraulic fracturing. To minimize our exploration footprint, we built 140 miles of winter ice roads in Alaska that reduced the need for permanent gravel roads. We are pilot testing the use of drones to detect fugitive methane emissions and enable rapid leak repair. We have also reenergized our safety processes and tools by introducing human performance concepts and creating a learning culture to minimize or eliminate unexpected events.

Our innovation also extends to sustainability reporting. Rather than publish quickly outdated annual reports, we are moving toward providing real-time performance examples and timely updates on our website. These coupled with annual metrics reporting enhance transparency about our operations. We welcome comments on this new approach as well as on our other sustainability efforts at [sdteam@conocophillips.com](mailto:sdteam@conocophillips.com).

We consider sustainability vital to our business strategy. I am confident we have the people, processes and commitment in place to help solve the complex energy and environmental challenges of today and tomorrow.



Ryan Lance, Chairman and Chief Executive Officer  
May 2019



Chairman and CEO Ryan Lance

# Integrating Sustainability

Outstanding people, strong leadership and effective governance are key foundations for our business operations. The value of our company is exemplified by performance as a safe and responsible community member, environmental steward and employer.

## IN THIS SECTION



### Sustainable Development Governance

We have a comprehensive governance framework.

[LEARN MORE](#)



### Managing Sustainable Development Risks

We use an integrated management system.

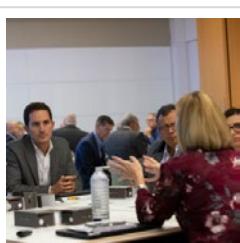
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### Business Ethics

Everyone has a personal responsibility for ethical conduct.

[LEARN MORE](#)



### Key Stakeholders

Regular engagement with key stakeholders.

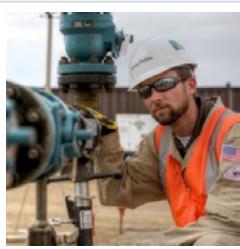
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## Our People

Our employees and contractors are key to business success.

[LEARN MORE](#)



## Supply Chain Sustainability

Sustainability is integral to our procurement processes.

[LEARN MORE](#)



## About Our Reporting

Our reporting is focused on priority issues.

[LEARN MORE](#)



## Sustainability Milestones

Our commitment to sustainability is not new.

[LEARN MORE](#)

# Sustainable Development Governance

Environmental, social and governance (ESG) performance is important to stakeholders and company success.

Environmental and social performance is a key component of our long-range planning process and we have a comprehensive governance framework for sustainable development (SD) risks and opportunities that extends from the board of directors, through executive and senior management, to the working levels in each of our business units. The corporate governance element is addressed in the [Investors](#) section of our website.



# Board Oversight

The ConocoPhillips Board of Directors oversees our SD positions and related strategic planning and risk management policies and procedures. The board delegates certain elements of its oversight functions to one or more of its five standing **committees**: Executive, Audit and Finance, Human Resources and Compensation, Directors' Affairs, and Public Policy. Each committee, other than the Executive Committee, is made up of independent directors and convenes at least quarterly.

**The Public Policy Committee (PPC)** is responsible for identifying, evaluating and monitoring sustainability trends and risks that could affect business activities and performance. The PPC makes recommendations to the board and monitors compliance with the company's programs and practices regarding health and safety protection and environmental performance, including climate change, water and biodiversity management; business operations in sensitive countries; government relations and political contributions; human rights and social issues; and corporate philanthropy. The PPC reviews sustainable development as a standing agenda item, including briefings and discussions on SD strategic priorities, to advance the SD risk management process, implementation of the greenhouse gas (GHG) emissions intensity reduction target, and the use of reporting and disclosure frameworks. Other topics include climate-related risk scenarios and climate-related risk management strategy implementation, water sourcing and other priority SD risks concerning biodiversity and stakeholder engagement. Issues considered by the PPC are regularly reported to the full board.

Other board committees also address sustainability issues. **The Audit and Finance Committee (AFC)** mandate includes enterprise risk management (ERM). The AFC facilitates appropriate coordination among the board committees to ensure that our risk management processes are functioning properly with necessary steps taken to foster a culture of prudent decision-making throughout the company. The AFC receives annual updates on how enterprise risk is being addressed, mitigated and managed across the company, including sustainable development considerations that influence market, reputational, operational and political risks within the ERM system. **The Human Resources and Compensation Committee** oversees executive compensation and performance-based components, including sustainability performance. Annual incentive programs promote achievement of strategic milestones and objectives that address stakeholder issues essential to sustaining excellence in environmental and social performance.

# Executive Management

The Executive Leadership Team (ELT) has final responsibility for developing corporate strategy, implementing sustainability efforts, and reporting company performance. We have ELT champions for key issue areas:

- **Stakeholder engagement** – senior vice president (SVP), Corporate Relations.
- **Human rights** – SVP, Legal.
- **Climate change** – chief operating officer (COO) and SVP, Government Affairs.
- **Water** – president, Lower 48.
- **Biodiversity** – president, Alaska, Canada and Europe.

These executives are briefed regularly on emerging issues and strategic priorities and issue action plans in order to understand their implications and represent them to the ELT on an as-needed basis.

The shareholder resolution process provides investors the opportunity to raise ESG concerns with our leadership. While we take those concerns seriously and respect the right for shareholders to file resolutions, we find it is most productive to engage when an issue is identified and shared early.

## Performance and Compensation

### Executive Compensation

Three of the four components of executive compensation are performance based: The Variable Cash Incentive Program (VCIP), the Performance Share Program (PSP) and the Executive Restricted Stock Unit Program. Awards under VCIP and PSP are determined by company performance measured against several criteria, including the development and implementation of strategic plans to enhance our operating and financial position. The strategic planning process includes consideration of climate change and sustainable development risks and opportunities.

### Employee Compensation

All employee compensation includes an annual cash bonus based upon company, business and individual performance. We incorporate metrics of health, safety and environmental performance in our annual incentive compensation program. In 2018, employees were rewarded for safety and sustainable development leadership for one of the best Total Recordable Rates (TRR) for injuries among our peer companies, our top SD ratings from ISS and MSCI and for the company's membership in the Climate Leadership Council (CLC).

# Organizational Management

## Leadership Teams

The Sustainable Development Leadership Team (SDLT) is comprised of global business unit presidents and functional department heads. Chaired by the global head, Sustainable Development, the SDLT provides consultation and approval for SD focus areas, goals, priorities, action plans and results. The Health, Safety and Environment Leadership Team (HSELT) is made up of global leaders within the function and the global head of Sustainable Development. Chaired by the vice president (VP), Health, Safety and Environment, it reviews HSE performance and drives implementation of company-wide initiatives. Strategic planning, goalsetting, implementation performance and reporting for SD risks are reviewed by the SDLT and HSELT.

## Sustainable Development Team

Within Corporate Planning and Development, the sustainable development team provides implementation frameworks, expertise in key topics and regular engagement with the businesses and executive leadership. This includes addressing the company's SD risks, opportunities, commitments, performance, external engagement and reporting. Team members are responsible for key topics in sustainability, including:

- Water
- Climate Change
- Biodiversity
- Stakeholder Engagement and Social Responsibility
- Risk Management, Modeling and Life Cycle Analysis
- Supply Chain Sustainability

The team is responsible for informing the ELT and board of risks and opportunities for our business and ensuring that these issues are integrated appropriately into strategic decisions. The SD group reports to the VP, Corporate Planning and Development, who reports to the COO. In addition to roles on the SDLT and HSELT, the global head, Sustainable Development, also leads the standing SD agenda item for the Public Policy Committee of the board.

## Health, Safety and Environment

The SD team works closely with the Environmental Assurance group within HSE to ensure that environmental risks and opportunities are identified and monitored by our business units and metrics are provided for public disclosure. The groups collaborate to ensure that the requisite environmental risk tools, processes and procedures are developed and integrated into the company's HSE Management System. The Environmental Assurance group reports to the vice president, HSE, who reports to the COO.

## **Issues Working Groups (IWGs)**

We have IWGs for climate change, water, stakeholder engagement/human rights, and biodiversity. These are internal global cross-functional groups of subject matter experts who meet quarterly to discuss risks and opportunities in each subject area. The objective is to share key SD learnings across the company, identify issues and work to resolve them as they arise.

## **Business Units**

Each ConocoPhillips business unit is responsible for integrating sustainability issues, as appropriate, into day-to-day operations, project development and decision-making. They are held accountable through an annual goal-setting process and they report progress to the ELT.

# Key Processes

Sustainable Development (SD) considerations are integrated into the key business planning processes for the company:

- Enterprise risk management.
- Long-range plan.
- Corporate strategy.
- Capital project development and program authorization.

Our SD risk management process, risk register and action plans are used to track performance and guide goal-setting. Line-of-sight goals for business units and key functions are shown as specific action items within the action plans. Progress against the plans is reported through our governance structure to the ELT and board.

# Policies & Positions

POLICIES	
<ul style="list-style-type: none"><li>• Code of Business Ethics and Conduct (PDF)</li><li>• Health, Safety and Environmental Policy</li><li>• Political Support Policy &amp; Procedures</li></ul>	<ul style="list-style-type: none"><li>• Political Contributions</li><li>• Substance Abuse Policy</li><li>• Supplier Expectations</li></ul>
POSITIONS	
<ul style="list-style-type: none"><li>• Sustainable Development</li><li>• Climate Change</li><li>• Water Sustainability</li><li>• Human Rights</li><li>• Biodiversity</li></ul>	<ul style="list-style-type: none"><li>• Diversity &amp; Inclusion</li><li>• Economic Transparency &amp; Reporting</li><li>• Renewable Energy</li><li>• HIV/AIDS</li></ul>

## Training

Our approach encompasses a broad range of activities and tools and we are committed to successfully incorporating sustainability in business decision making. We've adapted and applied training materials developed by IPIECA and other best practice groups, and rolled out training to new hires, key functions and leaders. Additionally, we are active in IPIECA best practice groups to develop training and guidance material. We provide discussion guides, computer-based training and less formal awareness raising through our annual communication plan, which includes executive videos, interviews, podcasts, internal web broadcasts and social media that reinforce company positions, goals, actions and reporting. Examples are included in our online video library. Most recently, we have significantly updated and expanded our stakeholder engagement and human rights training for employees. Each business unit and function identified which employees would take the training to provide depth of knowledge where needed. The modules are available for all employees and key contractors.



# Managing Sustainable Development Risks

Engagement and transparent reporting and disclosure of how we minimize and mitigate risks associated with our operations is a key concern of our stakeholders and a top business priority. Our governance structure provides board and management oversight of our risk processes and mitigation plans. We utilize an integrated management system approach to identify, assess, characterize and manage sustainable development (SD) risks that is aligned with how we make business decisions to ensure the consistent global identification and assessment of risks. This system links directly to the enterprise risk management (ERM) process, which includes an annual risk review by executive leadership and the board of directors. These elements help us manage and mitigate risk, as well as track our SD performance.

## Management System Approach to Sustainable Development Risk



## Assessing and Managing Risks

### SD Risk Management Process

Our SD risk management process is a mandatory, auditable process that guides sustainability-related risk management and integrates a risk register into operating plans. As part of that process, exploration, production and major projects are examined against the physical, social and political settings of our operations. Local concerns may

influence the potential importance of these environmental and stakeholder matters including long-term risks and cumulative impacts. Examples of these concerns are water management and land-use agreements with indigenous peoples. Risks are identified and described by a diverse group of subject matter experts in each business unit (BU) and project.

Each risk is then plotted on a matrix that evaluates both its likelihood and consequence. In evaluating the consequence level, we consider potential environmental and social risks, such as socio-cultural and economic impacts to stakeholders, environmental impact, and reputational and financial implications. Time horizons considered are short-term (zero to five years), mid-term (five to 10 years) and long-term (10-25 years). Priority risks are included in the corporate SD Risk Register. As part of the process, we examine the interdependence of risks and work to identify emerging risks such as regulatory requirements and greenhouse (GHG) pricing regimes.

## Action Plans

The SD risk management process ensures that an action plan is developed to track mitigation activities for each risk included in the corporate SD Risk Register. These plans include details about our commitments, related responsibilities, resources and milestones. As part of regular updates to the register, the action plans and their effectiveness are evaluated, and decisions are made to continue mitigation measures, add new measures, or simply monitor the risk for further developments. Our SD Risk Register and action plans are used to track performance and guide goal setting.

Action plans for prioritized risks are typically managed at the BU level, along with the ongoing management of SD performance and engagement designed to minimize or avoid other social and environmental aspects of our business. Overarching risk management actions, such as GHG target setting, prioritization of global emissions-abatement projects and disclosure and reporting, are managed at the corporate level.

## Enterprise Risk Management

Sustainability risks are integrated into strategy through the SD risk management process into the corporate Enterprise Risk Management (ERM) system. Risks from the corporate SD Risk Register are mapped to relevant enterprise risks including market, reputational, operational and political risks. Owners of these enterprise risks, who are ELT members or senior managers, are briefed on the risks and our mitigation activities. Enterprise risks are then presented to the Audit and Finance Committee (AFC) of the board. The AFC receives annual updates on how enterprise risk is being addressed, mitigated and managed across the company.

# **Additional Assessment and Management Processes**

SD requirements are also integrated into other key business-planning processes for the company.

## **New Country Entry and Due Diligence**

Before starting a venture in a new country, we take several steps to assess the potential sustainability and business risks. A new-venture project team must ensure that the identified risks and constraints are understood, documented and addressed for the project to obtain approval. Once an opportunity is identified and a request for approval is drafted, a new country entry risk report is prepared. A preliminary due diligence assessment is conducted to identify significant risks, including social and environmental concerns, and define how they will be managed.

The new country entry request is then reviewed by the business and function leadership, the CEO. In some cases, such as areas at high risk of political instability, consultation with the board of directors would take place. If we are entering into a joint venture, we use these assessments during negotiations with potential co-venturers to outline the risks identified, clearly state our expectations on environmental and social-issue performance and discuss how the venture will manage these concerns.

The majority of ConocoPhillips' oil and natural gas reserves and production are within Organization of Economic Cooperation and Development (OECD) nations. Some of the world's most resource-rich areas, however, are in countries that pose risks associated with political instability, inadequate rule of law or corruption. Consequently, ConocoPhillips has adopted comprehensive risk management tools to evaluate and manage these types of risks. Before entering a new country — or for other new developments, when warranted by the geopolitical environment — the company assesses the political risk of a potential investment.

The company has developed internal guidelines to help employees comply with policies related to business activities in sensitive countries, and applicable government regulations in areas subject to U.S. or international sanctions.

We also perform due diligence on acquisitions, divestitures, trades, exchanges and farm-in/farm-out agreements. This process is designed to ensure that past, present and potential HSE and social risks and liabilities are clearly identified, understood and documented. This due diligence standard applies to ConocoPhillips and its global subsidiaries, and we strive to influence all affiliated companies and joint ventures to conduct due diligence before undertaking binding business transactions. Following completion of the due diligence assessment, a letter documenting that past, present and potential HSE and social risks and liabilities have been adequately identified, assessed and satisfactorily mitigated must be approved by corporate HSE.

## **Capital Project Development and Corporate Authorization**

We assess SD risks early in the project engineering stage to better inform our investment decisions and facility design. The corporate authorization process, both operated and non-operated, requires the consideration of environmental and social risks and their mitigation before gaining approval.

For qualifying projects, our management system requires a set of deliverables for investment approval that includes:

- Climate-related Risk Assessment – Guides the project team in evaluation of climate-related risk and opportunities for emissions control in project design.
- Environmental, Social, Health Impact Assessment (ESHIA) - We assess how our activities might impact communities and ecosystems, evaluating potential impact and how issues can be avoided or mitigated. We begin our investigation with the host country's legal requirements and supplement these as needed with our own HSE standards and sustainable development requirements.
- Stakeholder Management Plans – We proactively identify and seek out stakeholders and incorporate what we learn into our business plans and actions

## HSE Management System

The HSE management system addresses operational risk and helps ensure that business activities are conducted in a safe, healthy, and environmentally and socially responsible manner, aimed at preventing incidents, injuries, occupational illnesses, pollution and damage to assets. We believe incidents are preventable and that HSE considerations must be embedded into every task and business decision. HSE management systems are assessed annually using a common tool to guide continuous improvement and ultimately achieve the highest standards of excellence. All our business units are responsible for integrating sustainability issues into day-to-day operations, project development and decision-making.

## Long-Range Plan

Our long-range plan (LRP) forecasts key data for our corporate strategy covering our proposed portfolio development and performance, production, costs and cash flows. We also use the LRP to forecast GHG emissions and water use to understand future environmental footprint. Environmental and social risk mitigations, such as emission reduction projects, are reflected in the LRP and our annual budget.

## Corporate Strategy

Our corporate strategy defines the company's direction for exploration and development, including portfolio, capital allocation and cost structure. Our cost of supply, portfolio diversification (both geologically and geographically) and technology investments are aspects of the corporate strategy that also address SD-related risk. For example, a low cost of supply mitigates climate transition risk in lower-energy demand scenarios. A geographically diverse portfolio mitigates the risk of community opposition delaying a significant portion of our production. Investing in water treatment technology allows us to recycle produced water and decrease our reliance on local water sources. We work with company leadership through our governance structure, enterprise risk management system and carbon scenarios to ensure our strategy effectively manages SD risks.

The diagram below shows a high-level summary of SD risk management across the asset lifecycle.

# Risk Management Tools for Asset Lifecycle\*

Tools and Processes	Exploration & BD	Project Development	Business Unit (BU) Operations	Decommissioning & Disposition
SD Risk Assessment Process				
SD Action Plans				
New Country Entry Process				
HSE and Social Issues Due Diligence Assessment				
Corporate Authorization/Capital Project Development				
Corporate Strategy				
Long-Range Plan				
Enterprise Risk Management				
HSE Management System				

\* Includes SD/HSE Tools that apply across environmental and social risks. Discipline-specific processes (e.g., the Marginal Abatement Cost Curve for climate change or Security Assessment/Human Rights Training for stakeholder engagement) are not shown.

We recognize it is challenging to implement comprehensive integrated programs and we periodically assess the maturity and completeness of implementation. We also recognize that internal and external expectations and the business environment are not static. We adjust our plans and actions as needed over time. On the wide spectrum of change toward increasingly sustainable performance, we are seeking to understand the pace at which change is meaningful, lasting and appropriate for the business environment. We recognize that our system of performance management should drive increasingly beneficial economic, environmental and social performance.

# Sustainable Development Position

Sustainable Development is about conducting our business to promote economic growth, a healthy environment and vibrant communities, now and into the future. We believe that this approach will enable us to deliver long-term value and satisfaction to our shareholders and our stakeholders.

Sustainable Development is fully aligned with our vision, to be the E&P company of choice for all stakeholders by pioneering a new standard of excellence, and our SPIRIT Values.

## Our Focus

To deliver on our commitments, we will prioritize issues, establish plans for action with clear goals and monitor our performance. In addition, we will develop the following company-wide competencies to successfully promote sustainable development:

- **Integration** — Clearly and completely integrate economic, social and environmental considerations into strategic planning, decision-making and operating processes.
- **Stakeholder Engagement** — Engage our stakeholders to understand their diverse and evolving expectations and incorporate that understanding into our strategies.
- **Life-Cycle Management** — Manage the full life-cycle impacts of our operations, assets, and products.
- **Knowledge Management** — Share our successes and failures to learn from our experiences.
- **Innovation** — Create a culture that brings new, innovative thinking to the challenges of our evolving business environment.

## Our Expectations

Through delivering on our commitments to sustainable development, we will be the best company to have as a supplier, investment, employer, partner and neighbor.

# Business Ethics

Our reputation and integrity depend on each employee, officer, director and those working on our behalf assuming a personal responsibility for our business conduct. Led by our Chief Compliance Officer, our Global Compliance and Ethics team was established to ensure adherence with applicable laws and the highest ethical standards, promote a positive corporate reputation, prevent criminal and civil liability, and set the tone for an ethical work environment. The team includes local ambassadors embedded in business units and functions who help support and administer our global compliance program.

## Code of Business Ethics and Conduct

Our [Code of Business Ethics and Conduct](#) explains our standards as well as our legal and ethical responsibilities and provides concrete guidance for expected behaviors. It covers a range of topics including business ethics, anti-trust, anti-corruption, gifts and entertainment, and political involvement.

New employees receive training on the Code of Business Ethics and Conduct and all employees receive web-based training periodically. All employees are also required to read the code annually and confirm compliance. Employees who are most exposed to legal risks, like corruption, take part in web-based training and other targeted training. In addition to corruption training, we also teach employees how to deal with situations that may involve laws or regulations regarding political activities, antitrust, economic sanctions or export controls.

## Systems and Practices for Reporting Violations

We encourage employees and contractors to ask questions and seek guidance about ethical concerns and we give them tools to guide ethical decision-making so they can understand their responsibility to report actual or suspected misconduct. We have several confidential reporting mechanisms including speaking to a trusted manager, supervisor, human resource representative or a Global Compliance and Ethics representative. Additionally, there is an anonymous option. Any stakeholder, whether employee, contractor, shareholder or the general public may report an actual or suspected violation anonymously through our 24-hour [Ethics Helpline](#). The Ethics Helpline is hosted by a third party to ensure anonymity and is available worldwide via the web or phone in multiple languages. ConocoPhillips prohibits retaliation of any kind against employees for raising an ethical or legal concern.

In 2018, we received guidance requests from employees and stakeholders across our businesses, investigated concerns, and took appropriate action when necessary. Depending on the scale and type of concern, issues are elevated to provide appropriate management-level oversight. Additionally, senior management and the board are provided regular updates on our ethics and compliance program activities, so they can ensure that the program appropriately addresses the compliance and ethics risks in our business and is working effectively.

# Key Stakeholders

Active stakeholder engagement and dialogue is an integral part of our sustainability commitment. It is a key component of our action plans and our business units to develop fit-for-purpose solutions to assess and address stakeholder priorities at all stages of operations. Our stakeholders are as diverse as the communities they live in or the organizations they represent. The breadth of the perspectives they provide gives us a greater understanding of not only concerns and expectations, but also options and opportunities to create lasting value. We engage with our stakeholders in a range of ways as we work to improve our performance.

	<b>Stockholders</b>	<b>Governments</b>	<b>Communities</b>	<b>Employees</b>	<b>Suppliers</b>
<b>Top Priorities</b>	<ul style="list-style-type: none"><li>• Governance</li><li>• Financial sustainability</li><li>• Board expertise and diversity</li><li>• Climate change</li><li>• Carbon asset risk</li><li>• Water</li><li>• Hydraulic fracturing</li><li>• Human rights</li><li>• Ethics</li><li>• Human Capital</li></ul>	<ul style="list-style-type: none"><li>• Equitable job creation</li><li>• Environmental protection</li><li>• Climate Change</li><li>• Hydraulic fracturing</li><li>• Energy supply</li><li>• Regulation</li><li>• Taxes and royalties</li></ul>	<ul style="list-style-type: none"><li>• Local employment</li><li>• Economic development</li><li>• Training</li><li>• Emergency response</li><li>• Clean air and water</li><li>• Noise and traffic</li><li>• Safety</li><li>• Human rights</li><li>• Traditional land use</li><li>• Hydraulic fracturing</li><li>• Sensitive environments</li></ul>	<ul style="list-style-type: none"><li>• Safety</li><li>• Compensation and benefits</li><li>• Environmental responsibility</li><li>• Career development</li><li>• Health and well-being</li><li>• Company strategy</li><li>• Ethics and compliance</li><li>• Diversity and inclusion</li></ul>	<ul style="list-style-type: none"><li>• Performance expectations</li><li>• Supplier diversity</li><li>• Cost efficiencies</li><li>• Local content development</li></ul>
<b>Engagement</b>	<ul style="list-style-type: none"><li>• Investor presentations and conferences</li><li>• Analyst calls</li><li>• Annual Shareholder Meeting</li><li>• SEC filings</li><li>• Socially Responsible Investor meetings and conferences</li><li>• Tours</li></ul>	<ul style="list-style-type: none"><li>• Advocacy</li><li>• Policy development</li><li>• Industry and trade association representation</li><li>• Regulatory compliance</li><li>• Permit reviews</li><li>• Regulatory audits</li><li>• Regional development</li><li>• Tours</li><li>• Collaboration on community investment projects</li><li>• Town halls</li><li>• Multi-stakeholder initiatives</li></ul>	<ul style="list-style-type: none"><li>• Websites, media and social media</li><li>• Community investment programs</li><li>• Royalty relations</li><li>• Community engagement</li><li>• Local procurement</li><li>• Employment</li><li>• Landowner meetings</li><li>• Town halls</li><li>• Volunteering</li></ul>	<ul style="list-style-type: none"><li>• Performance management</li><li>• Training and development</li><li>• Internal communications</li><li>• Code of Conduct</li><li>• Participation on trade and industry association committees</li><li>• Safety meetings</li><li>• Ethics Helpline</li><li>• Volunteering</li><li>• Leadership town halls</li><li>• Employee network groups</li><li>• Talent Management Teams</li><li>• Global wellness programs</li><li>• 360-feedback tool</li></ul>	<ul style="list-style-type: none"><li>• Bid process</li><li>• Contract negotiations</li><li>• Project management</li><li>• Supplier forums</li><li>• Annual performance reviews</li></ul>

## Supporting Industry Dialogue

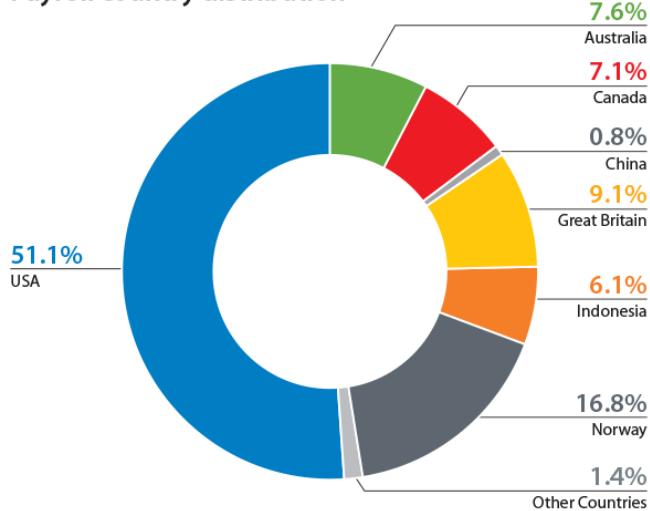
We actively work with different organizations and associations around the world to ensure we have a full understanding of the issues and trends facing our industry and company. The benefits we receive from trade and industry associations range from best practice sharing to technical standard setting and issue advocacy. We do not always agree with all positions taken by the organizations that we work with. For example, we may not always agree with the positions they take on climate change or regulatory reform. In these cases, we make our views known and seek to influence their policy positions. We have strong governance around our association activities and **annually report** on trade association memberships with dues in excess of \$50,000.

# Our People

Our success depends on our people. Our employees' focus on accountability and performance enables us to safely find and deliver energy to the world. Effectively engaging, developing, retaining and rewarding our employees is a priority for us.

At year-end 2018, we had approximately 10,800 employees in 16 countries. This reflects a 5% decrease from 2017, driven primarily by asset dispositions.

**Payroll country distribution**



## Diversity & Inclusion

We have created an inclusive environment that reflects the different backgrounds, experiences, ideas and perspectives of our employees.

[LEARN MORE](#)



## Employee Networks

Our networks provide an important forum for discussion, development and connection to our communities.

[LEARN MORE](#)



## Learning & Development

Investing in our employees maximizes our performance, so we approach talent development and succession planning with the same rigor that we apply to our business strategy.

[LEARN MORE](#)



## Compensation, Benefits & Wellness

We offer competitive, performance-based compensation packages and global benefits aligned with our culture.

[LEARN MORE](#)

# Diversity & Inclusion

Valuing everyone's contribution isn't just something we talk about. It's what we put into practice each day. We respect one another and are focused on creating an inclusive environment that reflects the different backgrounds, experiences, ideas and perspectives of our employees. Our commitment to building a diverse and inclusive environment is foundational to [our SPIRIT Values](#) that guide how we interact every day. We believe each person is accountable for creating and sustaining an inclusive work environment. [Three areas](#) guide our actions and drive progress: leadership accountability, employee awareness, and processes and programs.

## Leading from the Top

We believe leadership is the single most important factor in making meaningful progress in this space. Leaders around the globe create programs that are unique to their locations. For example, the Australia business unit leads targeted efforts to foster an inclusive work environment. In 2018, they worked



with the Curtis Island ferry company to implement a secondary ferry schedule at a later morning time to help employees manage personal commitments such as childcare arrangements. In addition, they, and other business units across our operations, have focused on the following:

- Delivering training on topics like diversity of thought and unconscious bias.
- Implementing incremental changes to enhance flexible work policies.
- [Offering programs](#) intended to increase employment and development opportunities for underrepresented groups.
- Hosting quarterly diversity and inclusion town hall conversations with business unit presidents.

We actively monitor diversity on a global basis and publicly report representation of women and minorities in our workforce and in leadership roles. In 2018, 36% of our board of directors, 26% of our employees and 22% of our leaders were women. Global leaders also track and review their data to identify focus areas, which vary by region.

# Enhancing Awareness

Every employee has access to resources like employee network groups and inclusion training. For more than 30 years, our employee networks have provided an important forum for discussion, development and connection to our communities. These networks are led by employees with guidance and involvement from leadership. Open to all employees, these groups raise awareness about important topics and help influence change.



Training on topics that help create a more inclusive environment, such as unconscious bias, is available to all employees. In 2018, we sent a pilot group of leaders to participate in [Catalyst's MARC \(Men Advocating Real Change\) program](#). Based on positive feedback, we are sending additional leaders from across our global operations to the program in 2019.

## Sustaining Progress

We link our inclusion efforts to our daily activities. During the recruiting and selection process, we bring in diverse candidates and create balanced interview teams to mitigate unconscious bias. In 2018, we developed an inclusive hiring course. This course assists hiring managers in recognizing bias and its impact on the staffing process while providing strategies to mitigate bias and make objective hiring decisions. In the U.S., we've also eliminated salary history inquiries from our hiring process.



To continue building a diverse candidate pool, we work with Getting Hired to share job opportunities with individuals and veterans with disabilities, and DirectEmployers to ensure job postings are promoted through a variety of diverse organizations. In 2018, we worked with the [Norwegian Labor and Welfare Administration](#) to help two migrants who were granted asylum in the country prepare to enter the labor force. Our Norway IT team hosted the individuals, providing them with on-the-job training, work experience, and opportunities to improve their language capabilities and learn about the country's culture through social interaction.

Hiring veterans is also a key piece of our talent strategy. As a military-friendly employer, we help military personnel and their families' transition by offering challenging and rewarding projects around the world. In 2018, members of our Williston operations and Human Resources teams visited Minot Air Force Base in North Dakota to speak with 40 soon-to-be transitioning veterans about our hiring process, benefits, career development, job opportunities and the path to employment. Globally, our leaders participate in 16 [Talent Management Teams](#) that review employee development and career progression by skills and location.

Most locations offer flexible work schedules to help employees balance personal and work responsibilities. In the U.S., we've worked to equalize our policies by offering [parental leave](#) to fathers, mothers, domestic partners and adoptive parents.

## Supplier Diversity

We identify and facilitate opportunities to utilize products and services from businesses owned by women and minorities.

Our [supplier diversity](#) team builds relationships with diverse suppliers and provides guidance to position them for current or future projects.



## Recognition

The Human Rights Campaign's 2018

[Corporate Equality Index](#) recognized us for our commitment to lesbian, gay, bisexual and transgender equality in the workplace. In 2018, we also were named as a Best Employer for Diversity by Forbes and listed as one of the Top 25 Companies for Diversity by the Texas Diversity Council.

While we have been recognized for our inclusion efforts, we know that it takes ongoing commitment to make sustainable progress. So, we continue to provide training, build awareness and reinforce accountability at all levels of the organization and focus on behaviors and processes that build an environment where everyone has the opportunity to succeed.

# Employee Networks

For more than 30 years, our employee networks have provided an important forum for discussion, development and connection to our communities. These networks are led by employees with guidance and involvement from leadership. Open to all employees, these groups raise awareness about important topics and help influence change. More than 5,000 employees participated in various chapters across several countries in 2018.

From park cleanups and dragon boat races to cultural showcases and networking events, our employee networks offer various programs and events to support employees' personal and professional development. By forging relationships with external organizations, our network groups host various speakers to share unique perspectives on diversity and inclusion. Past speakers have included representatives from the Human Rights Campaign, the University of Houston and an Australian female football coach.

Through our partnership with Pink Petro, a global organization of men and women that believes the future depends on education, inclusion and community, all Women's Network members have access to join and take advantage of the organization's offerings. Our Hispanic Network has partnered with the Hispanic Alliance for Career Development (HACE) for several years to create and host a variety of development opportunities that benefit our employees. One of these is "Mujeres de HACE," a women's leadership program that empowers high-potential Latina professionals. Twenty-four ConocoPhillips employees have graduated from the program.

In 2018, the employee networks were recognized with the company's prestigious SPIRIT of Performance Award for their efforts connecting employees through professional development, member activities, recruiting support and providing feedback to the company.

In the spirit of valuing all people, ConocoPhillips supports the following 12 internal network groups.

**Asian American Network:** Provides a medium for sharing, learning and supporting one another to become better leaders and increase contributions to achieve corporate goals.



**Black Employee Network:** Exchanges information to increase corporate insight, knowledge and personal development among people of African descent and improves the communities in which we live and work.

**Diversity Network Alaska:** Aims to help highlight the spectrum of diversity within the Alaska business unit by recognizing their similarities, promoting opportunities to learn about their differences, and celebrating their values and experiences.

**Diversity Network of Canada:** Aims to engage and support staff by fostering a welcoming environment that recognizes and celebrates all the unique and individual diversities across ConocoPhillips Canada.

**Global Support Staff Network:** Acts as a catalyst and change agent so that all administrative support staffs are seen as integral parts of their business teams and given the opportunity to contribute to their fullest potential.

**Hispanic Network:** provides leadership on diversity and Hispanic issues and focuses on business and personal development to achieve corporate, individual and community objectives.



**Lesbian, Gay, Bisexual, Transgender and Allies Network:** Creates a forum where all people who support equality of opportunity and experience, in particular for our lesbian, gay, bisexual or transgender (LGBT) employees, and their allies, can come together to network, develop and provide value back to ConocoPhillips.

**Native American Network:** Promotes tribal cultural awareness through networking, sponsorship, community service and special events.

**New Hire Network:** Provides recent hires an environment in which to meet and network while promoting professional growth, effective cross-functional communication, social and volunteer opportunities and encouragement in growth and development as a way to increase retention.

**Parents Network:** Provides support for a positive working parent experience by advocating for parent's issues and creating a forum for parents to network.

**Patriot Employee Network:** Exists to engage employees and their families in supporting our troops, wounded heroes and families of those who made the ultimate sacrifice.



**Women's Network:** Encourages women to take an active role in personal and professional development, provide a forum to build strong relationships through networking and make a difference through women-oriented outreach activities.

# Learning & Development

Investing in our employees maximizes our performance, so we approach talent development and succession planning with the same rigor that we apply to our business strategy. We seek to attract, develop and retain employees through a combination of on-the-job learning, formal training and regular feedback and mentoring.

## Talent Management Teams

Sixteen **Talent Management Teams (TMTs)** guide employee development and career progression by skills and location. They help identify our future business needs and assess the availability of critical skill sets within the company. TMTs include senior representatives from business units and corporate functions. These representatives are the interface between leaders, supervisors and employees.

## Formal Training

In 2018, our employees completed more than 283,000 hours of virtual and in-person training on topics ranging from technical learning to professional development. Each year, learning priorities from the business units and functions are identified to ensure our employees have the right skills and training to deliver on the company's priorities. We also offer programs specifically targeted to early-career petrotechnical employees to equip them with the knowledge, resources and experiences to become highly effective contributors and leaders. For example, our Subsurface group and Technical Learning team worked together to deliver our **Geoscience Academy** to employees in Alaska, Canada, Indonesia, Lower 48, Norway and the U.K in 2018. This program included self-paced, independent learning; virtual, instructor-led sessions; and a two-week, in-person conclusion event in Houston that included a day of hands-on experience in the field. Through our partnership with Texas Tech University, we offered a **hands-on training** component to our facilities engineering class using the university's Oilfield Technology Center, a leading hands-on training facility featuring a mock well site.

Many of our business units also hosted employee development months to promote continuous learning during 2018.



## **Leadership Development**

We recognize that supervisors play a key role in talent development, so we offer a robust supervisor development curriculum to help leaders engage and develop their employees. Global courses focus on proactive communication, employee development and building trust. In 2018, supervisors completed over 5,300 hours of this training. We also launched a new Leading Change course designed to help supervisors lead change effectively with a focus on driving adaptability, innovation and resiliency. Several of these courses incorporated firsthand insight from senior leaders who shared their experiences leading teams through significant transitions.

## **Performance Management**

We have identified leadership competencies that provide a common baseline of knowledge, skills, abilities and behaviors to support employee performance, growth and success. All employees participate in regular performance management discussions and have access to a voluntary 360-feedback tool to provide feedback on their strengths and opportunities relative to these competencies. A global team was formed in 2018 to review and assess our performance management processes to better align the process with our culture.

## **Mentoring**

Together, our employees deliver strong performance. Throughout our long history, employees with experience in every field have taken great care to pass on knowledge and maintain a tradition of excellence. In 2018, the company introduced a new **SPIRIT of Performance Award** for outstanding mentorship. Recipients were selected based on demonstrating a superior ability to recognize and nurture talent, helping to expand the potential of young professionals, and fostering an environment of creativity and enthusiasm for growth and innovation.

# Compensation, Benefits & Wellness

We offer competitive, performance-based compensation packages and have global equitable pay practices. Our global benefits are competitive, inclusive and align with our culture. We provide family-friendly policies such as flexible work schedules, paid leave to care for seriously ill family members, and parental leave in many locations. Our retirement and savings plans provide a foundation for employees to secure their financial futures and are competitive with local markets.

In 2018, we expanded our benefits to help U.S. employees, including those in remote locations, access specialized healthcare facilities for complex procedures. An employee was able to use this benefit to receive a [lifesaving organ donation](#) from a colleague.

Our global wellness programs encourage healthy behaviors, empower employees to understand their potential health risks, and provide them with opportunities to improve their overall health. Globally, 75% of employees participate in voluntary biometric screenings. Combined with outputs from our wellness programs, we have seen a decline of global obesity and blood pressure metrics over a three-year period.

*Energy in Action!*, a signature global, friendly competition, attracts thousands of employees annually to get active, have fun and achieve a heart-healthy activity level. In 2018, we had over 2,400 participants, and around 64% achieved the heart-healthy activity level.

All employees have access to our employee assistance program, and many of our locations offer custom programs to support mental well-being. Each year, we spotlight World Mental Health Day to reinforce how employees can improve and maintain their emotional and mental health. In the U.S., we also recognize National Disability Employment Awareness Month by spotlighting a series of topics, such as neurodiversity and fostering an inclusive workplace.

# ConocoPhillips Asian American Network showcases culture and collaboration



In 2010 Houston surpassed New York as "the most racially and ethnically diverse major metropolis in the country," according to a recent [Los Angeles Times article](#).

Citizens wear the label like a badge of honor, embracing the variety of nationalities, languages and cultures. Houston-based and global ConocoPhillips employees also embrace diversity in many ways, including through a group of [employee networks](#). This commitment recently earned the company a spot on [Forbes' "America's Best Employers for Diversity."](#) Throughout the year, employee networks sponsor activities that promote cultural awareness, community

involvement, social support and professional development. Now in its 27th year, the Houston Asian American Network (AAN), one of the oldest networks, boasts more than 200 active members from Australia, China, India, Indonesia, Japan, Korea, Malaysia, Nepal, the Philippines and Turkey. A satellite group operates in Bartlesville, Okla.

Each summer, the Houston AAN hosts its annual Asia Pacific showcase at the company's headquarters, featuring a dizzying array of exotic food, entertainment and exhibits to share aspects of the members' different cultures. The team also participates in the annual Houston Dragon Boat Festival, where the ConocoPhillips Upstreamers racing team won the 2016 Energy Cup.

Other employee networks include [the Black Employee Network](#), the oldest, created 30 years ago; [the Houston Hispanic Network](#), now 25; and the newest, [the LGBTA Network](#), created five years ago.



## Shaina's Dragon Boat adventure

2:33 PLAY TIME



Petrophysicist Shaina Kelly shares her experiences with the ConocoPhillips Asian American Network's team during the 2017 Dragon Boat races in Houston.

# Training the next generation of geoscientists

ConocoPhillips' employees drive its success, which is why training and developing them is so important. Company experts have found a cost-effective way to give global geoscience employees hands-on experience, real-time training and on-the-job learning.

"We have developed a more sustainable training model that delivers high-caliber training to our early career geoscientists with reduced travel and costs," said Giles Adam, competency director and geoscience learning advisor in the company's Technical Training group. "In addition to looking at new ways for our global experts to deliver training virtually, we took a fresh look at the knowledge and skills our geoscientists need today and in the future."

Subject matter experts (SME) from the Subsurface group and Human Resources' (HR) technical learning team worked together to find creative solutions to bring their training to employees in Alaska, Canada, Indonesia, Lower 48, Norway and the U.K. The resulting Geoscience Academy included self-paced, independent learning; virtual, instructor-led sessions; and a two-week, in-person conclusion event in Houston that included a full day of hands-on experience in the field. This model allowed employees to immediately apply their learning on the job and provided the flexibility to continue to work on their day-to-day responsibilities. It also gave participants a chance to network with company SMEs, who can provide them with ongoing support and advice. Twenty-four SMEs, with a combined 397 years of experience, were key to the program's success due to their knowledge, experience and alignment on this new delivery approach. They led 11 courses focused on subjects such as geoscience foundations, value, risk, uncertainty and economics and integrated seismic interpretation.



*"The Geoscience Academy provided a unique opportunity to accelerate my technical skills in an environment where I could network with employees from around globe. Given the limited time and resources, the value provided to the business was outstanding. Every aspect of this course was designed to prepare the company for a future of technical excellence."*

— Dallin Laycock, geologist, ConocoPhillips Canada

*"The program gets your feet wet in all of the main disciplines and provides a broad understanding of what we do as geoscientists. My favorite part was the week-long integrated North Sea team project that made us draw from our learnings throughout the course and leverage our team members' experiences."*

— Blair Chan, senior geologist, Exploration

*"The collaboration aspects of the training were my favorite. The participants had up to five years of experience with ConocoPhillips and brought a great variety of knowledge to the group exercises. I learned a lot from my peers. The field trip to Galveston Bay was the highlight for me. Getting out into the field to visualize the depositional examples always has is always one of the best ways to learn. It was great to be with such an enthusiastic group of geoscientists!"*

**— Rachel Shanks, associate geologist, ConocoPhillips U.K.**

*"One of the main takeaways for me was the breadth of what ConocoPhillips is doing and the amount of expert knowledge that we have available in-house. Utilizing available resources and learning from both colleagues and subject matter experts is critical to being successful. Another takeaway is how we integrated our data and interpretation and how important that is for solving subsurface challenges."*

**— Jon Are Skaar, associate geophysicist, ConocoPhillips Norway**

The company also looks for opportunities for experienced geoscientists to pass their knowledge to the next generation. During Geoscience Academy, Rich Aram, a retiree with more than 35 years of experience, led a two-day exercise.

"It was great to return to work with the best and brightest again and to see their passion for their careers," said Aram, a former geologist in the Technology, Exploration and Production groups who also managed the previous geoscience new hire training. "I really like connecting learners with their colleagues from all over the world because that makes every one of them better, and we get to work with some really cool data sets and challenges. Through the years, I've seen new hire geoscience training evolve to incorporate more hands-on experiences, less lecture, more integration of competencies, and a heightened focus on recommended practices."

Geoscience Academy also set the foundation for a new approach to technical training at ConocoPhillips.

"Petrotechnical employees are lifelong learners, so we are always looking for ways to develop our engineers and geoscientists at all stages of their career," said Jonathan Scorer, principal geophysicist. "As we continue to develop fit-for-purpose training and learning solutions for our employees and business units, we will be looking to find new ways to engage learners."



# Supply Chain Sustainability

Sustainability is integral to our procurement processes and supplier engagement. We have identified sustainability questions to be used in bids and performance indicators and will continue to enhance processes and engage our suppliers to identify and manage risks and increase productivity and efficiency within the supply chain. We are committed to supporting business opportunities and capacity building for local and diverse suppliers in our own operations and through our supply chain. Our [Code of Business Ethics and Conduct: Expectations of Suppliers](#) and [Commitment to Supplier Inclusion](#) communicate these positions to internal stakeholders and to suppliers.

## Engaging with Suppliers

As we integrate sustainable development into our key business activities, suppliers play a significant role. From constructing our facilities to providing well services to supplying equipment, how they manage their impact on the environmental and community is important to us and can affect our performance.

We regularly engage our suppliers through Business Reviews, Supplier Relationship Management, Supplier Sustainability Forum and supplier audits to:

- Review the ConocoPhillips Sustainable Development strategy and goals and how we can work with suppliers.
- Identify Sustainable Development opportunities and risks in the extended supply chains of critical categories.
- Share best practices for building supplier capacity throughout the supply chain.

By collaborating with suppliers, we can identify activities in their operations and extended supply chains that have environmental and social impacts and guide how they manage those impacts.

In 2018, we focused on continued engagement with key suppliers. One key element of this effort was hosting a supplier sustainability forum bringing together over 80 suppliers from more than 20 different companies, as well as ConocoPhillips representatives from across the globe. The agenda included short presentations and panel discussions and was designed to facilitate sharing of sustainability best practices that are transferable throughout our diverse supply chains. Topics discussed included leak detection and repair (LDAR), sustainability governance, innovation and sustainability, and sustainability stewardship across the value chain. There was also a dedicated area for companies to share their emerging technologies. Collaborating with our suppliers to identify and manage risks, foster supplier inclusion, and increase productivity and efficiency allows us to mutually improve our sustainability performance.

View [Sustainable Supplier Forum 2018](#).

# \$8.37 billion

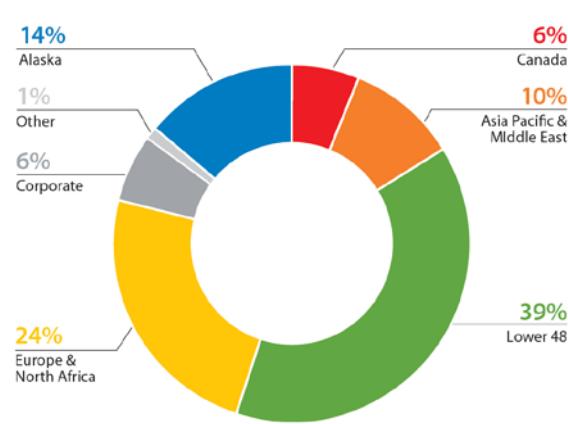
**Total spend with contractors and suppliers in 2018**

\$582 million in expenditures with small businesses.

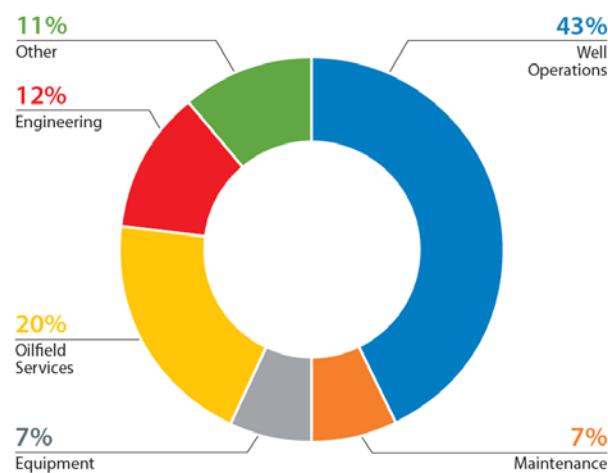
We also engaged with major suppliers on standardized environmental key performance indicators (KPIs) to ensure alignment with our environmental, social and governance (ESG) performance objectives. Major suppliers reported annual performance in several categories, including GHG emissions and freshwater consumption. Annual review meetings also clarify performance expectations, track results and identify continuous improvement opportunities.

Advocating for supplier diversity in business opportunities allows us to build relationships with diverse suppliers. In the U.S., our 2018 supplier diversity program totaled \$562 million with minority and women-owned businesses and

**2018 total spend by segment**



**2018 total spend by category**



Suppliers who positively impact our business are honored by our annual Supplier Recognition Awards. Sustainability is an integral consideration for these supplier awards. In 2018, awards ranged from produced water gathering and disposal to construction jobsite safety.

#### 2018 Supplier Recognition Award Winners:

- Baker Hughes, A GE Company
- Clough Amec Pty Ltd.
- Noble Contracting II GMBH
- Schlumberger Australia Pty Ltd.
- Process Equipment & Service Company, Inc. (PESCO)
- Sperry Drilling Services – Halliburton
- Enventure Global Technology
- Northern Solutions LLC

- TechnipFMC
- V.E. Brandl

Read how **CAPL** worked to maximize local content in Bayu-Undan.

## Supplier Expectations

Our commitment to our **SPIRIT Values** of Safety, People, Integrity, Responsibility, Innovation and Teamwork extends beyond our own activities. It is essential that our suppliers also remain aligned with those values to ensure operating excellence. Our contracts require that suppliers be guided in their performance for ConocoPhillips by the principles and standards set forth in the ConocoPhillips Code of Business Ethics and Conduct and their own ethics and conduct policies. We have developed our Supplier Expectations to provide additional clarity to our suppliers regarding our expectations in these areas: integrity; labor and human rights; health, safety, and environment; and supplier inclusion. Including these clear expectations and standards in our contracts means that sustainability considerations are included in total cost-of-ownership evaluations, quality audits and our ongoing discussions with suppliers on performance indicators and continuous improvement.

<b>Environmental Sustainability</b>	Suppliers must comply with applicable environmental laws and regulations and conduct business with respect and care for both the local and global environment, including utilizing energy and natural resources efficiently and managing waste, emissions and discharges responsibly.
<b>Labor and Human Rights</b>	We conduct our business consistent with the human rights philosophy expressed in the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at work and expect suppliers and contractors working on our behalf to be guided by these principles.
<b>Integrity</b>	Contracts require that suppliers be guided in their performance for ConocoPhillips by the principles and standards set forth in the ConocoPhillips Code of Business Ethics and Conduct and their own ethics and conduct policies.
<b>Supplier Engagement</b>	We engage with suppliers and contractors on sustainable development issues through our Quarterly Business Reviews, Supplier Relationship Management, Supplier Sustainability Forum and supplier audits.

We emphasize promoting local and diverse sourcing and supplier capacity building in our procurement and we expect our suppliers to do the same. We expect to do business with qualified suppliers that share our values, whether minority-owned, women-owned, small business enterprises, or global, local or indigenous suppliers around the world.

# Local Content and Employment

We place a high priority on purchasing goods and services locally and are committed to giving local contractors and suppliers the opportunity to participate in projects and operating requirements, generally through a competitive bidding process. We also look for opportunities to develop local suppliers and promote local hiring as appropriate to meet business needs. [Read more](#) about how we are creating shared value in communities.

## U.S. Supplier Diversity

In the U.S., we do business with diverse companies and continue to give them access to business opportunities through our [Supplier Diversity Program](#). This approach attracts qualified suppliers, stimulates local economic development, and creates long-lasting social and economic benefits in our stakeholder communities. Through our Supplier Diversity program, we actively participate in certifying and developing diverse and small local businesses in the United States.

<b>Local Employment</b>	<ul style="list-style-type: none"><li>Business unit, asset or project plans include support for local employment as appropriate.</li><li>Where appropriate, social investment initiatives support the strengthening of local capacity to respond to employment needs.</li></ul>
<b>Local Procurement</b>	<ul style="list-style-type: none"><li>Business unit, asset or project plans include support for local procurement and providing opportunities for local contractors and suppliers, and investment in supplier capacity building as appropriate.</li></ul>
<b>Local Business Development</b>	<ul style="list-style-type: none"><li>Certain business units support local business development initiatives or "incubators."</li><li>Where appropriate, social investment initiatives support strengthening of local business development.</li></ul>

[Read more](#) about supplier diversity efforts in our Lower 48 business unit.

# Sustainable Procurement

The supply chain function contributes to the company's sustainable development commitments by integrating sustainability issues into our processes and procedures. This incorporates sustainability thinking into sourcing, category management, our requisition-to-pay process, contracts, and material management programs.

<b>Supplier Expectations</b> <ul style="list-style-type: none"><li>• Integrity</li><li>• Labor and Human Rights</li><li>• Environmental Sustainability</li><li>• Supplier Inclusion</li></ul>	<b>Supplier Qualification</b> <ul style="list-style-type: none"><li>• Pre-qualification Questionnaire</li></ul>
	<b>Strategic Sourcing and Category Management</b> <ul style="list-style-type: none"><li>• Request for Information</li><li>• Bids</li><li>• Category Risk Assessment</li></ul>
	<b>Contract Delivery</b> <ul style="list-style-type: none"><li>• Key Performance Indicators</li><li>• Supplier Audits</li></ul>

Integrating oversight on labor and human rights into our procurement processes and procedures includes recommended questions for supplier prequalification, bids and audits, as well as contract language. The questions and contracts directly address these issues and are based on our commitment to conduct our business consistent with the human rights philosophy expressed in the [Universal Declaration of Human Rights](#) and the [International Labor Organization Declaration on Fundamental Principles and Rights at Work](#) as described in our [Code of Business Ethics and Conduct](#) and our [Supplier Expectations](#). We recognize slavery and human trafficking likely exist in every country. We are committed to the California Transparency in Supply Chains Act of 2010 and the [United Kingdom Modern Slavery Act 2015](#).

# Supplier Expectations

We at ConocoPhillips are committed to our **SPIRIT values** of Safety, People, Integrity, Responsibility, Innovation and Teamwork. It is essential that our suppliers remain fully aligned with those values to ensure the highest standards of operating excellence. The **ConocoPhillips Code of Business Ethics and Conduct (Code)** forms the foundation of our compliance and ethics program and provides concrete guidance for employees, our suppliers, and others with whom we engage. Our contracts require that suppliers be guided in their performance for ConocoPhillips by the principles and standards set forth in the ConocoPhillips Code and their own ethics and conduct policies. While we recognize that there are different legal and cultural environments in which our suppliers operate, we believe that the principles described in the ConocoPhillips Code are common throughout the world. We have developed this document to provide additional clarity to our suppliers regarding our expectations in this area.

## Key Elements of ConocoPhillips Code of Business Ethics and Conduct

When contracting with ConocoPhillips, each Supplier (whether providing goods or performing work or services) agrees to these principles and accordingly has included them in its own Code of Conduct:

### Integrity

- **Asking Questions and Reporting Concerns** – Supplier disseminates its Ethics Policy and provides a mechanism for employees to report suspected misconduct anonymously, where local law allows. Supplier prohibits retaliation of any kind against employees for raising an ethical or legal concern.
- **Avoiding Conflicts of Interest** – Supplier will avoid taking part in or seeking to influence decisions under circumstances that can give rise to an actual or perceived conflict of interest. Supplier will not offer gifts to ConocoPhillips employees or representatives with the possible limited exception of promotional items of nominal value. Furthermore, Supplier will not offer any hospitality, expenses, gifts or other favors that are not customary and acceptable in the industry, and none of the above shall be offered or provided in situations of contract bidding, evaluation or award.
- **Ensuring Fair Competition** – Supplier will gather competitive information only by legal means and will not share confidential information belonging to others without their written permission.
- **Setting High Expectations for Suppliers and Contractors** – Supplier will not knowingly use suppliers or contractors who operate unethically, or who violate applicable laws. Supplier will not engage with suppliers or contractors who compete unfairly or use unfair business practices. Supplier will promote the implementation of the principles set forth in this Expectations of Suppliers document with its own suppliers.

- **Combating Corruption and Bribery** – Supplier will conduct business in compliance with the regulations and principles set forth in the Convention for Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, the Canadian Corruption of Foreign Public Officials Act, SC 1998, c.34, or other applicable anti-corruption conventions, laws and regulations. In the conduct of business, Supplier will not offer, promise or give any improper advantage to a public official (or a third party) to cause the official to act or refrain from acting in relation to the performance of her/ his official duties. This applies regardless of whether the advantage is offered directly or through an intermediary.

## Labor and Human Rights

- **Preventing Harassment and Discrimination** – Supplier will provide equal opportunity to all employees and candidates for employment and will promote employees based on skills and performance. Supplier will not accept any form of harassment or discrimination. Supplier will comply with local law or agreements regarding working hours; ensure employee compensation meets or exceeds the legal standards and requirements; and treat employees equally and fairly.
- **Advancing Respect for Human Rights** – Supplier will conduct its business consistent with the human rights philosophy expressed in the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. These principles require that Supplier does not knowingly participate in human trafficking; use child labor or forced labor, such as prison labor, forcibly indentured labor, bonded labor, slavery or servitude; and recognize freedom of employees to join, or refrain from joining, legally authorized associations or organizations. Supplier will observe strict requirements for the selection of security contractors to avoid human rights risks in countries where security firms are not properly regulated.

## Health, Safety and Environment

- **Creating a Safe Workplace** – Supplier will comply with all applicable health and safety rules, laws and regulations, as well as all posted safety procedures in ConocoPhillips' areas of operation. Supplier will implement programs, training, audits and internal controls necessary to achieve these goals. Supplier will identify and manage safety and environmental risks, identify hazards and evaluate risks posed by them, and implement solutions.
- **Supporting Environmental Sustainability** – Supplier must follow all applicable environmental laws and regulations and conduct its business with respect and care for both the local and global environment. Supplier will promote safe work practices and avoid risk to neighbors and the environment. Supplier will utilize energy and natural resources efficiently and manage waste, emissions and discharges responsibly.

# Social Performance

As spelled out in our Code and our SPIRIT values, ConocoPhillips is a good neighbor and citizen in the communities where we operate.

- Inclusive business model - As a part of our continuing commitment to sustainable development in these communities, we expect our suppliers to share our goal of promoting an inclusive business model. We encourage suppliers to source goods and services locally and from diverse companies and to promote development of sub-suppliers through capacity building. This approach both stimulates local economic development and creates long-lasting benefits to communities.

# About Our Reporting

We transitioned to a digital approach for our sustainability reporting in 2019. Previously, we developed standalone annual reports that reflected activities from the prior year. This meant that many of our performance examples were already more than a year old when published. To provide stakeholders with timelier information we now provide performance examples as they occur — not just once a year. These highlights and our performance metrics are integrated into the foundational information on our website and consolidated into our Sustainability hub, which can be accessed from the top navigation. Performance metrics are updated yearly prior to May 31.

We recognize that an annual report is still important for many stakeholders and will continue to consolidate annual performance information and metrics at the end of May into a report that can be found in our [Company Reports and Resources](#) section. Stakeholders can also create customized reports, based on topics of interest, by using our report builder.

## Prioritizing Reporting Topics

Our sustainability reporting focuses on the ESG issues that matter to our business and our stakeholders. To select content for our 2018 sustainability reporting, we used a process involving:

**Identification:** Through our risk assessment process as well as meetings and discussions with key stakeholders, we identified and gained an understanding of important topics. We also received feedback on our 2017 report and considered international reporting guidelines and rating agency survey questions.

**Prioritization:** Subject matter experts from key functions in our organization then provided further insight and prioritized topics based on level of interest or concern to key stakeholders and strategic importance to the company. We validated these priorities in our ongoing engagements with external stakeholders.

**Final prioritization:** Topics with the highest priority are included in our annual reporting. Our annual report and financial reporting also include environmental and social risks when they reach a “material” level as defined by regulatory requirements. Information about issues deemed material to our investors may be found in our [Security and Exchange Commission \(SEC\) filings](#). In-depth analysis of our financial performance can be found in our [Annual Report](#).

# Priority Reporting Topics

We have several practices in place to provide the best available data at the time of publication, including:

Environment	
GHG Emissions Methane Energy Efficiency Carbon Asset Risk	Carbon Policy Water Sourcing Produced Water Disposal Sensitive Environments
Social	
Stakeholder Engagement Community Impacts Local Content	Human Rights Indigenous Peoples
Governance	
Governance Process Business Ethics Transparency and Corruption	Workforce Safety and Health

## Reporting Frameworks and Scope

We report our sustainability performance using internationally recognized reporting standards and frameworks. This includes reporting guidelines, indicators and terminology developed by IPIECA, the Global Reporting Initiative (GRI) G4 guidelines, the Oil and Gas Sector Supplement and the Task Force on Climate-Related Financial Disclosures (TCFD). Our reporting is also informed by the Sustainability Accounting Standards Board (SASB) recommendations. We provide regular information to the CDP, Dow Jones Sustainability Index (DJSI) and other top-tier organizations that assess the economic, social and environmental performance of companies. We engage with Disclosing the Facts, MSCI, Sustainalytics, and ISS E&S QualityScore, all of whom rate us based on publicly available information. We have mapped relevant IPIECA, GRI, UN Global Compact Principles, SASB and TCFD disclosures for stakeholder convenience and we continue to assess alignment with other emerging frameworks.

The 2018 Sustainability Report covers data from January 1 to December 31, 2018. Notes to our metrics outline the scope and methodologies of our data reporting. The minimum boundary for reporting on social and environmental priorities is assets we operate.

## Environmental Data Quality and Assurance

The accuracy of the information reflected in our report is very important to us. We use a triennial process for third-party limited assurance for selected metrics, including energy use, flaring, water use and safety. We conduct annual assurance for our Scope 1, Scope 2 and Scope 3 GHG emissions. We are in the process of assuring the 2018 GHG emissions data, which will be complete this fall.

We have several practices in place to provide the best available data at the time of publication including:

- **Guidelines, calculation tools and training.** We maintain reporting procedures for our business units around the world to calculate and report environmental incidents, releases and emissions. Business units are accountable for data completeness and accuracy, and for consistency with our accepted reporting practices.
- **Internal reviews.** A business-level data submission, review and approval process is practiced annually to promote accountability for the results and to ensure the best possible data quality.
- **Assurance.** In 2018, we conducted required and voluntary independent emissions verification work in two areas:
  - Reasonable and limited assurance in countries having a regulatory requirement to verify reported emissions, including the UK, Australia, Canada and Norway.
  - Voluntary limited assurance review of select corporate-level metrics, including reported overall Scope 1, Scope 2 and Scope 3 greenhouse gas volumes.
- **Internal corporate audits.** The corporate HSE function reviews HSE data for completeness and accuracy.

Our internal quality assurance process begins at the business unit level. This process includes:

- Ensuring that business units understand the corporate reporting obligations associated with safety, health and environmental metrics.
- Establishing standardized methods of data collection and expected reporting procedures.
- Verifying that the data provided by business units is accurate and complete.
- Reviewing and questioning the results.
- Assessing results to identify trends and better understand the drivers of year-over-year changes.

There are three phases of data verification at this level — during submission, review and approval. Before the data is sent from the business unit to the corporate level, it undergoes vetting by technical peers and leaders, who challenge any findings that they find questionable. When the final business unit data is submitted to the corporate level, it contains an explanation for all variances greater than 10% from the prior year. Reasons for significant variances may include startups or dispositions. At the corporate level, data submitted for each asset is further reviewed and challenged by a team of subject matter experts utilizing a data quality checklist.

Once all business unit data is compiled at our corporate level, it undergoes further verification by subject matter experts. During this effort, an intensity analysis is conducted to measure total volumes and production throughput and year-over-year data changes to help identify any inconsistencies. The data is also compared to similar operations during this process. The information is then analyzed in aggregate by metric to understand the significant drivers behind any year-over-year change in company values. After this process, the data is presented to company leaders, who have an opportunity to review and challenge the information, possibly spurring additional verification. Final data undergoes executive-level approval prior to publishing.

# UN SDGs

The United Nations General Assembly has adopted 17 **Sustainable Development Goals (SDGs)** that set the global agenda for equitable, socially inclusive and environmentally sustainable economic development. Our core business of delivering energy to the world contributes directly to: Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all. Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all. Goal 13: Take urgent action to combat climate change and its impacts. Many of our business and community investment activities support other goals such as those on clean water, industry, infrastructure and innovation, and life below water and on land. We are working with IPIECA, the global oil and gas industry association for environmental and social issues, on the role the oil and gas industry can most effectively play to support the achievement of the globally endorsed framework of the SDGs. We continue to monitor the goals as they move to international and national implementation.



## 3 GOOD HEALTH AND WELL-BEING



- Over \$2 million in support for Blood Bank of Alaska
- Road Safety programs in the U.S.
- Founding member of [Coalition For Safer Alberta Roads](#)
- [Support for community wellness programs](#) in Colombia
- [Support for community wellness programs](#) on the North Slope

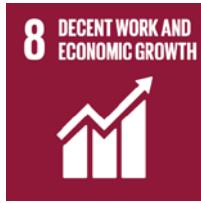
## 4 QUALITY EDUCATION



- Scholarships in Timor Leste
- Math Education in Houston
- The [ConocoPhillips Science Experience Program](#) in Australia
- [Rodeo Run scholarship race](#) in Houston
- Partnership with Sandnes Upper Secondary School in Norway



- Australia Pacific LNG supplies clean natural gas to millions
- Darwin LNG supplies clean natural gas to millions



- [CareerQuest](#) mentoring program on the North Slope
- Small business sustainability program in Indonesia



- Climate Leadership Council (DC)
- Corporate GHG Intensity Target
- [WALFA](#) indigenous fire management program
- Methane emission reductions
- Carbon XPRIZE



- Marine modeling of the Norwegian Continental Shelf
- Underwater decommissioning in the southern North Sea
- Spill response capabilities
- Louisiana coastal wetland conservation and restoration



- Faster Forests
- Sage Grouse Initiative Migratory
- Connectivity Project Sriwijaya
- Botanical Garden offset

# Managing Climate-Related Risks

As we work to safely find and deliver energy to the world, addressing climate-related issues is a high priority. We recognize that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gases (GHGs) in the atmosphere that can lead to adverse changes in global climate. While uncertainties remain, we continue to manage GHG emissions in our operations and to integrate climate change-related activities and goals into our business planning.

## IN THIS SECTION



### Introduction

Reporting aligned with TCFD recommendations.

[LEARN MORE](#)



### Governance Framework

A comprehensive governance process.

[LEARN MORE](#)



### Strategy

Climate-related risks integrated into strategic planning.

[LEARN MORE](#)



### Risk Management

Assessing and managing climate-related risks.

[LEARN MORE](#)



## Performance Metrics & Targets

Key metrics and targets to measure and monitor our performance.

[LEARN MORE](#)



## External Collaboration

Gaining external perspectives.

[LEARN MORE](#)



## Public Policy Engagement

Playing a constructive role in public policy dialogue.

[LEARN MORE](#)

# A Letter from our Chairman and CEO Regarding Climate Change

With this report, ConocoPhillips is consolidating our climate-related disclosures to provide improved accessibility and meet evolving reporting guidelines and rising stakeholder expectations. We have transparently reported on our efforts to reduce our greenhouse gas (GHG) emissions and manage climate-related risk since 2003, when we developed our Climate Change Position. This report further aligns our reporting to the recommendations of the Task Force on Climate-related Financial Disclosures to provide investors and the financial community with information to evaluate our performance and progress.

We have the governance structure in place to manage climate-related risks and opportunities throughout the organization, from strategic planning to operating decisions. Our board of directors plays an oversight role in climate-related strategic planning and enterprise risk management, with our Executive Leadership Team responsible for direct management and assisting our business units in planning and implementation. Climate-related risks are mapped to relevant enterprise risks, and our Climate Change Action Plan includes line-of-sight goals for business units and key functions.

Our current business strategy, including our asset portfolio mix and capital allocation approach, has been tested and showed resilience in a volatile and challenging marketplace. We have managed through a severe industry downturn, emerging with greater efficiency, enhanced technical capability and reduced cost of supply. We have also divested higher-emission-intensity assets such as oil sands and some older natural gas fields.

Consumer choices, government policies and technology advances will drive many possible pathways to a lower-carbon transition. We integrate climate-related risk scenarios into our strategic planning process to test our portfolio and we utilize annual GHG price forecasts for long-range planning and project evaluation. Consideration of these scenarios and monitoring of emerging issues provide the ability to manage risk, optimize opportunities and respond effectively to uncertainties. We believe that this capacity, along with our capital and portfolio flexibility and strong strategic planning process, equips us to manage long-term transitions in energy markets.

As we go about our primary mission of competitively delivering reliable, affordable and sustainable energy to meet demand, we aspire to be a leader in managing climate-related risk. We believe we have the governance structure, strategy, risk management processes and engagement approach that will enable us to achieve these goals and provide disclosure that transparently tracks our performance.



*Chairman and CEO Ryan Lance*

Ryan M. Lance

Ryan Lance, Chairman and Chief Executive Officer  
February 2019

# Introduction

We have aligned our climate-related risk reporting with the four central themes of the **Task Force on Climate-related Financial Disclosures (TCFD)** recommendations — Governance, Strategy, Risk Management and Metrics and Targets.

The purpose of the report is to describe:

- Our climate-related risk governance from the board of directors, through executive and senior management to the implementation levels in our business units.
- How we integrate climate-related risk considerations into our corporate strategy and business unit goals.
- How we identify, assess, characterize and manage climate-related risks.
- Key metrics and targets that demonstrate our performance and progress in managing climate-related risks.

## Structure of the Report

We have addressed the TCFD recommendations in order to provide better understanding of our processes and integrated decision-making. Following the TCFD recommendations leads necessarily to repetition. For example, we address the use of scenarios in the Strategy section where they inform our strategy and in Risk Management where they inform our risk assessment.

## Engagement

We engaged in development of the TCFD recommendations from the outset through the consultation process, our membership in **IPIECA**, the oil and gas industry association for environmental and social issues, and through participation in panels and workshops with key stakeholders. Senior management and, when necessary, board members also remain engaged with investors and the financial sector to share perspectives and progress on effective disclosure of climate-related risks and opportunities.

We are committed to continuing that discussion and look forward to working with the TCFD and industry to implement, build on and refine the framework over time, while protecting proprietary or commercially sensitive company information. We see the annual updating of this report as a constructive step in that process.

An important disclosure issue requiring further engagement is the use of scenario planning as a tool to characterize and disclose comparative financial risk. We believe different 2-degree Celsius scenarios that depict a wide range of future possibilities should be used to facilitate strategic planning, not as reference scenarios to compare companies. The key to scenario planning is the use of a wide-enough range so that uncertainty can be characterized, rather than

trying to correctly guess specific future variables or parameters. For example, addressing market price uncertainty has led us to significantly change our portfolio, capital flexibility and cost structure over a short period of time. This illustrates how misleading it can be to compare companies based on a static view of a current portfolio that will continue to change, to a single “reference” scenario of the thousands that are possible. We believe that the thoughtful application of scenarios in strategic planning is core to a company’s ability to navigate future uncertainty and is a practical way of conveying this information in a decision-useful manner.

## Feedback

We welcome your feedback on our approach to scenario planning or any other content in this report. If you have comments, suggestions or questions, please send them to our Sustainable Development team at [SDTeam@ConocoPhillips.com](mailto:SDTeam@ConocoPhillips.com).

# Governance Framework

We have a comprehensive climate-related risk governance framework that extends from the board of directors, through executive and senior management to the working levels in each of our business units.



## Board Oversight

In-depth board engagement.

[LEARN MORE](#)



## Executive Management

Day-to-day leadership.

[LEARN MORE](#)



## Organizational Management

Cross-cutting collaboration.

[LEARN MORE](#)



## Key Processes

Integrated business planning.

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# Board Oversight

The ConocoPhillips **Board of Directors** oversees our position on climate change and related strategic planning and risk management policies and procedures, including those for managing climate-related risks and opportunities.

**GHG intensity target** — In 2017, the board endorsed a long-term target to reduce our GHG emissions intensity between 5 and 15% by 2030, from a Jan. 1, 2017 baseline. This goal demonstrates our commitment to GHG emission reductions and managing climate-related risks and issues throughout the business. It also ensures that appropriate risk management discussions occur throughout the lifecycles of our assets.

The board delegates certain elements of its climate oversight functions to one or more of its five standing **committees**: Executive, Audit and Finance, Human Resources and Compensation, Directors' Affairs, and Public Policy. Each committee, other than the Executive Committee, is made up of independent directors and convenes at least quarterly.

The **Audit and Finance Committee** (AFC) mandate includes enterprise risk management (ERM). The AFC facilitates appropriate coordination among the committees to ensure that our risk management processes, including those related to climate change, are functioning properly with necessary steps taken to foster a culture of prudent decision-making throughout the company. The AFC receives annual updates on how enterprise risk is being addressed, mitigated and managed across the company, including climate-related considerations that influence market, reputational, operational and political risks within the ERM system.

The **Public Policy Committee** (PPC) is responsible for identifying, evaluating and monitoring climate-related trends and risks that could affect business activities and performance. The PPC reviews sustainable development (SD) as a standing agenda item, including briefings and discussions on SD strategic priorities to advance the SD risk management process, implementation of the greenhouse gas (GHG) emissions intensity reduction target, and the use of reporting and disclosure frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD). Other topics include climate-related risk scenarios and climate-related risk management strategy implementation. Issues considered by the PPC are regularly reported to the full board.

"The board regularly addresses climate-related matters. This includes in-depth engagement through the ConocoPhillips strategic planning process, consideration of climate-related risk scenarios and the inclusion of climate-related risk in enterprise risk management. We ensure that we have the information required to evaluate climate-related risk through periodic briefings by external experts and by engaging with investors and key stakeholders to gain their input and feedback."



— BOARD PUBLIC POLICY COMMITTEE CHAIR, JODY FREEMAN

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Other board committees also address climate-related issues. The [Human Resources and Compensation Committee](#) oversees executive compensation and performance-based components, including sustainability performance. Annual incentive programs promote achievement of strategic milestones and objectives that address stakeholder issues essential to sustaining excellence in environmental and social performance.

[Read more](#) about the skills and qualifications of our board members.

## Executive Management

The Executive Leadership Team (ELT) manages day-to-day climate-related risks and opportunities and assists the businesses in implementing climate-related plans. Responsibility for managing climate-related issues rests with the chief operating officer (COO) and the senior vice president (SVP), Government Affairs, who report directly to the chief executive officer. The COO serves as the ELT's climate change champion, with overall accountability for corporate planning and development, including corporate strategy and long-range planning. The SVP, Government Affairs, is responsible for public policy positions and engagement with government on climate-related public policy. These executives are briefed quarterly on emerging climate-related issues, strategic priorities and the Climate Change Action Plan in order to understand their implications and represent them to the ELT on an as-needed basis. The briefings also include our three regional presidents, who oversee our global operations and environmental performance, including setting business unit goals for GHG emissions, implementing action plans and reporting GHG emissions.

Climate-related risks are communicated and integrated into strategy through the SD risk management process and Enterprise Risk Management system. Climate-related risks from the corporate SD Risk Register are mapped to relevant enterprise risks. Owners of these enterprise risks, who are ELT members or senior managers, are briefed on the risks and our mitigation activities. Enterprise risks are then presented to the Audit and Finance Committee of the board.



# Organizational Management

## Leadership Teams

The Sustainable Development Leadership Team (SDLT) is comprised of global business unit presidents and functional department heads. Chaired by the global head, Sustainable Development, the SDLT provides consultation and approval for SD focus areas, goals, priorities, action plans and results. The Health, Safety and Environment Leadership Team (HSELT) is made up of global leaders within the function and the global head of Sustainable Development. Chaired by the vice president (VP), Health, Safety and Environment, it reviews HSE performance and drives implementation of company-wide initiatives, including implementation of the GHG emissions intensity reduction target. Strategic planning, goalsetting, implementation performance and reporting for climate-related risk are reviewed by the SDLT and HSELT.

## Sustainable Development Team

Within Corporate Planning and Development, the SD team is responsible for informing the ELT and board of long-term climate-related risks and opportunities for our business and ensuring that these issues are integrated appropriately into strategic decisions. The SD group reports to the VP, Corporate Planning and Development, who reports to the COO. The Global Head, Sustainable Development, chairs the SDLT, sits on the HSELT and leads the standing SD agenda item for the PPC.

## Health, Safety and Environment

The SD team works closely with the Environmental Assurance group within HSE to ensure that climate-related risks and opportunities are identified and monitored by our business units and environmental metrics are provided for public disclosure. The groups collaborate to ensure that the requisite climate risk tools, processes and procedures are developed and integrated into the company's HSE Management System. The Environmental Assurance group reports to the VP, HSE, who reports to the COO.

## Climate Change Issues Working Group (CCIWG)

The CCIWG is an internal global cross-functional group of subject matter experts that meets quarterly to discuss the external context for climate-related risk, including:

- Legislative and regulatory actions.
- Trade association activities.
- Internal activities to address climate-related risks and opportunities, including energy efficiency and emissions-reduction projects.
- Technology.
- Carbon price outlook.
- Long-range plan.

The objective is to share key climate-related risk learnings across the company, identify issues and work to resolve them as they arise.

## Business Units

Each ConocoPhillips business unit is responsible for integrating sustainability issues, as appropriate, into day-to-day operations, project development and decision-making. They are held accountable through an annual goal-setting process that includes the Climate Change Action Plan and GHG target implementation plan, and they report progress to the ELT.

# Key Processes

Climate-related considerations are integrated into the key business planning processes for the company:

- Scenario planning.
- Corporate strategy.
- Long-range plan.
- SD risk management process.
- Enterprise risk management.

Our SD risk management process, risk register and Climate Change Action Plan are used to track performance and guide goal setting. Line-of-sight goals for business units and key functions are shown as specific action items within the action plan. Progress against the plan is reported through our governance structure to the ELT and board of directors.

## Management System Approach to Climate-Related Risk



# Strategy

Our objective is to manage climate-related risk, optimize opportunities and equip the company to respond to changes in key uncertainties, including government policies around the world, technologies for emissions reduction and alternative energy technologies.



## Resilience

The strength of strategic planning.

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## Scenario Planning

Understanding a range of risks.

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## Short, Medium & Long-Term Risks

Time horizons for climate-related issues.

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## Climate Change Action Plan

Addressing priority risks.

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## Impact on Business and Strategy

Areas for potential impact.

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## Financial Planning

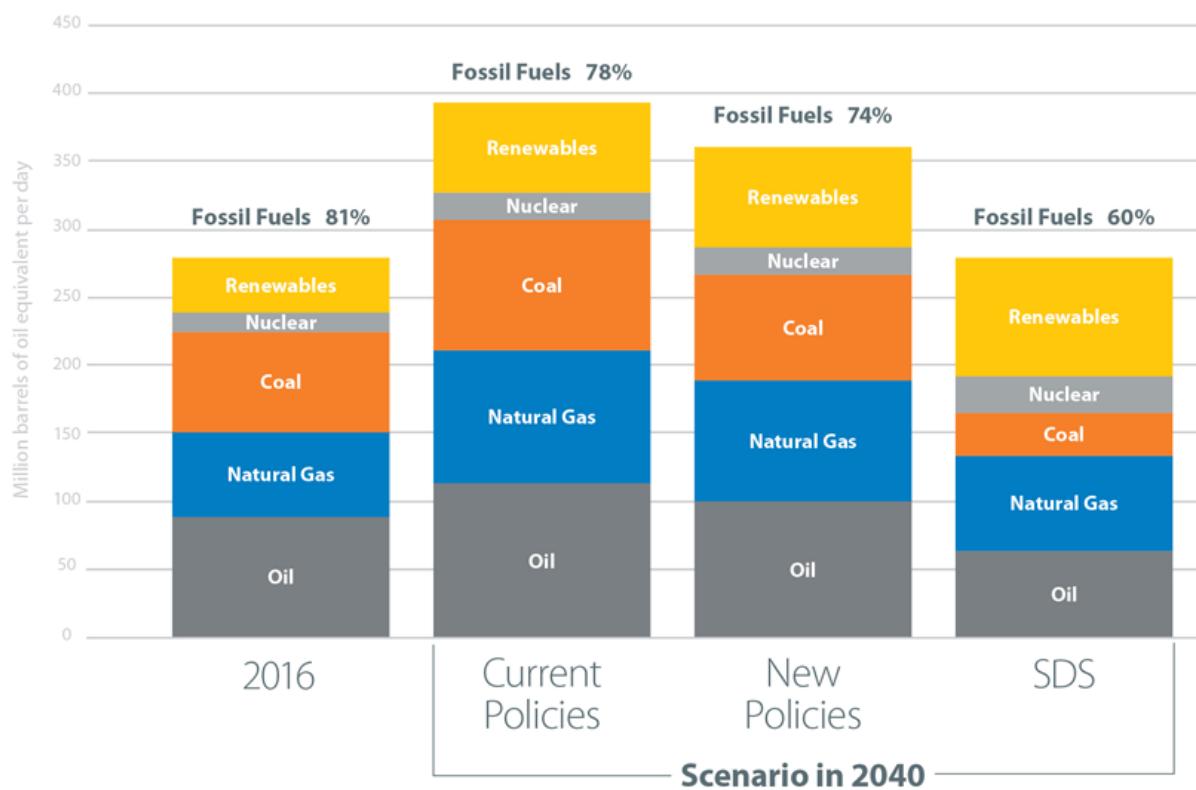
Effect on financial planning.

[LEARN MORE](#)

# Resilience

In its [2018 World Energy Outlook](#), the International Energy Agency (IEA) illustrated a range of different energy mix scenarios in 2040. Total energy demand increases in IEA's Current Policies and New Policies scenarios, but remains relatively stable compared to 2016 in the 2-degree Celsius Sustainable Development Scenario (SDS). Demand for natural gas and oil have different outcomes across the IEA scenarios. Oil demand grows relative to 2016 in the Current and New Policies scenarios but declines in SDS. In contrast, natural gas demand increases by year 2040 across all the IEA scenarios.

## 2040 IEA World Energy Outlook Scenarios



Source: © OECD/IEA 2018 World Energy Outlook, IEA Publishing. License: <https://www.iea.org/t&c/termsandconditions/>

Achieving the IEA's 2-degree Celsius scenario requires significant progress on several fronts:

- Improving energy efficiency of power generation, transportation and industrial processes.
- Reducing emissions from fossil fuels or capturing and storing or utilizing those emissions.
- Increasing the amount of non-carbon energy, such as renewables and nuclear power.

Changes in the energy system take time, as energy infrastructure components have long asset lives and change would have to go beyond replacing the power generation and distribution systems to include replacing the automobile, truck, ship and aircraft fleets or retrofitting them to meet tougher specifications. Increasing renewable power utilization would also require significant improvement in the daily reliability of wind- and solar-powered electricity generation, or a significant improvement in energy storage that would reduce the amount of backup fossil fuel-fired electricity generation needed.



*Compression dehydration facility, Montney, British Columbia*

These widely varying factors are the reason scenario planning is important. There is not just one pathway to a 2-degree future, there are numerous ways in which government action and technology development could interact with consumer behavior to bring about a lower-carbon future. Performance on climate-related risk is driven by the strength of strategic planning, including the use of widely varying scenarios, as well as the financial strength and asset flexibility to manage across a range of possibilities.

## Scenario Planning

Scenarios represent plausible potential future states of the world. We use scenarios in our strategic planning process to:

- Gain better understanding of external factors that impact our business.
- Test robustness of our strategy across different business environments.
- Communicate risks appropriately.
- Adjust prudently to changes in the business environment.

Using scenarios enables us to understand a range of risks around commodity prices, and the potential price risk associated with various greenhouse gas (GHG) reduction scenarios. To assist our capital allocation decisions, we can test our current portfolio of assets and investment opportunities against these future possibilities and identify where weaknesses may exist.

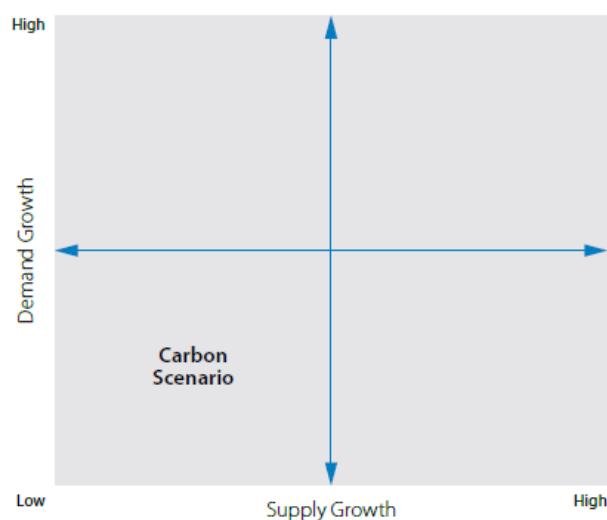
Analyzing and modeling potential outcomes is not the end of the process, as we also need to understand the probability of the world moving toward a specific scenario. We use a scenario monitoring system to identify crucial signposts that would indicate whether we are moving toward one scenario or another. This analysis is presented to executive management and the board of directors to assist in strategic decision-making.

Our scenario-planning framework includes corporate scenarios for oil and natural gas supply and demand and climate-related risk scenarios that reflect possible pathways to a 2-degree Celsius (C) future through technology development and the introduction of government policies.

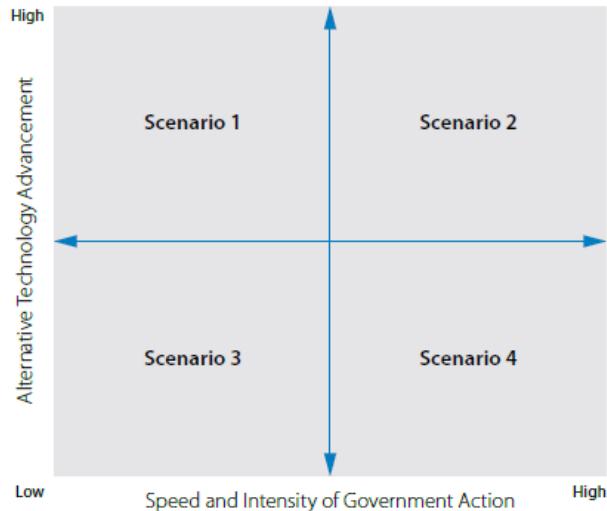
The corporate scenario with low demand and low supply has been used to reflect a world with carbon constraints. Our climate-related risk scenarios characterize possible pathways that could result from a mix of technology advancement and government policy actions. Technology development encompasses a wide variety of lower-carbon advances that influence demand for energy or ways to supply energy, including electric vehicle battery technology, designs for windmill turbines, carbon capture use and storage, and other innovations. Government policies include any local, state, federal or international actions that could correlate to reductions in future demand for oil or natural gas or to restrictions on carbon emissions.

Each of these plausible pathways is designed to stretch our thinking about potential rates of new technology adoption and policy development. Three of the four climate-related risk scenarios achieved a pathway in line with the [Intergovernmental Panel on Climate Change \(IPCC\)](#)'s scenario of achieving a 50% chance of limiting the increase in global average temperature to 2-degree C above the pre-industrial average.

#### Corporate Scenarios



#### Breakout of Carbon Scenario into Climate-Related Risk Scenarios



## Scenario Descriptions

Scenario 1 includes rapid technology development with a low carbon price introduced by governments to kick-start technology advancement. The technological progress accelerates the development and uptake of electric cars, battery storage, smart grids and renewable power, all of which reduce GHG emissions. The technological transformation is so rapid that CO<sub>2</sub> capture and storage is not required. Breakthroughs in technology, such as power storage, drive the adoption of alternatives to oil and natural gas together with energy efficiency improvements.

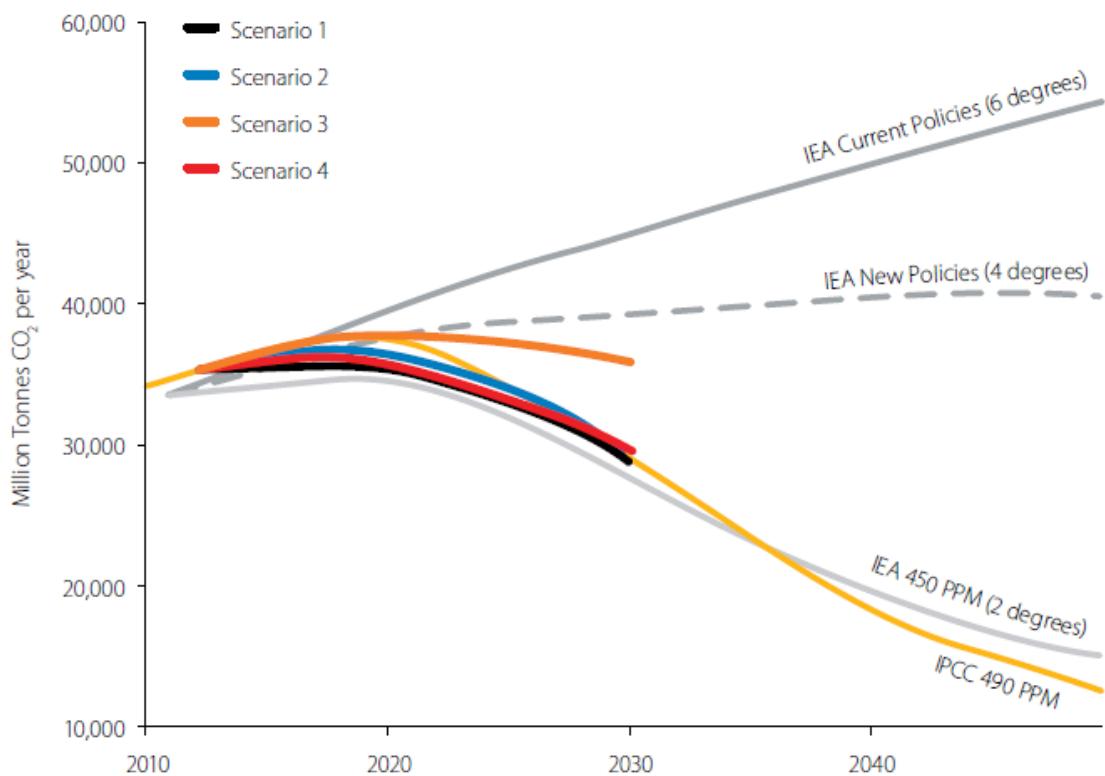
In Scenario 2, legislation takes the form of global agreements to limit GHG emissions primarily through linked carbon pricing mechanisms assisted by technological innovations. This could drive the development of lower-cost alternative energy and carbon capture and storage. In situations with an increasing carbon price, coal-to-gas fuel switching, efficiency improvement and renewables would be expected. This could also increase natural gas demand through 2030 before it is offset by increased use of renewables in power generation.

Scenario 3 envisions a world in which national trade and energy security are considered more urgent than emissions reductions and new technology adoption is slower. In this scenario, there could be expansion of energy efficiency, existing renewable technologies and nuclear power in countries that do not have access to domestic energy sources, and in those with abundant domestic supply, the use of fossil fuels, especially coal.

Scenario 4 is one in which governments respond to slower development of technology and costlier alternatives by introducing command and control measures, such as renewable portfolio standards, to force higher-cost technologies into the mix. Demand for natural gas stays higher for longer given the need to rapidly reduce the use of coal for power generation.

Our current climate-related risk scenarios were modeled with an end date of 2030. We are currently revising our global primary energy model and extending it to 2040, before rerunning our scenarios and reviewing our climate-risk strategy to gain new insights and further align with the TCFD recommendations. We will update this section following completion of that work.

## Scenario Comparison — Estimated Global Emissions Trajectories



## Key Strategic Linkages to our Scenario Planning

Our corporate strategy and Climate Change Action Plan reflect several findings from our scenario analyses. We have acted to:

- Use a “fully loaded” cost of supply, including cost of carbon where legislation exists, as an important metric in our project authorization process. Our portfolio changes have created a resource base of 16 billion barrels of oil equivalent with less than a \$40 per barrel cost of supply and an average cost of supply of less than \$30 per barrel. Our strategic objective is to provide resilience in lower price environments, with any oil price above our cost of supply generating an after-tax fully burdened return greater than 10%.
- Prepare for diverse portfolio and policy environments by maintaining a less than \$40 per barrel of oil equivalent sustaining price that will generate the cash to fund capital expenditure to keep production flat over time and generate a dividend to shareholders.
- Maintain diversification in our portfolio to be able to balance our production and capital expenditures, as commodity prices become more volatile.
- Provide a distinctive payout of cash flows to investors via both dividends and share repurchases.
- Identify and fund profitable emissions reduction projects, including methane emissions reductions. Reducing our Scope 1 and Scope 2 emissions intensity reduces the impact of any future regulations, or the introduction of carbon prices or taxes and helps maintain our low cost of supply into the future. We have upgraded the use of a marginal abatement cost curve (MACC) in Long-Range Planning to identify the most cost-effective emissions-reduction opportunities available to the company globally.

- Introduce a proxy cost of carbon into qualifying project sensitivities to help us be more resilient to climate-related risk in the short to medium term and provide the flexibility to remain resilient in the long term.
- Focus near-term technology investments on reducing both costs and emissions where feasible.
- Monitor for potential disruptive technologies that might impact the market for natural gas or oil, enabling us to take advantage of our capital flexibility and reduce our exposure to lower commodity prices at an early point in time.
- Monitor global regulatory and legislative developments and engage in development of pragmatic policies aligned with the climate policy principles outlined in our Global Climate Change Position.

## Short, Medium & Long-Term Risks

As described in the [Risk Management section](#), we evaluate and track our climate-related risk through our SD Risk Register and Climate Change Action Plan. Those risks broadly fall into four categories:

- GHG-related policy.
- Emissions and emissions management.
- Climate-related disclosure and reporting.
- Physical climate-related impacts.

The time horizons we use for climate-related issues are based on the time taken for the risks to manifest themselves, our planning time horizons and the time required to realize the majority of the net present value of our projects.

### Short-Term Risks

Our short-term time horizon is one to five years, during which we can complete short-cycle drilling campaigns and small projects. Our GHG forecasting and financial planning processes are used to determine risks and opportunities that could have a material financial impact for that period. Our short-term climate-related risks are generally government policy-related and managed at the business unit level through policy advocacy and technology to reduce emissions.



*Tubb McKnight Water Station, Permian, Texas*

Regulations to address climate-related risk, including GHG emissions, are a short-term risk for several of our businesses. For example, regulations issued by the Alberta government in 2007 under the [Climate Change and Emissions Act](#) require any existing facility with emissions equal to or greater than 100,000 metric tons of carbon dioxide or equivalent per year to reduce the net emissions intensity, with reduction increases over time. The cost of compliance and investment in emissions-intensity reduction technologies influence investment decisions for the Canada business unit. We are purchasing carbon offsets while evaluating and developing technology opportunities to reduce emissions for existing and new facilities. A good example of technology development is our piloting of flow control devices at our oil sand operations, which have improved steam-to-oil ratios by up to 15%, thereby decreasing GHG intensity.

GHG or carbon taxes are another near-term risk in some jurisdictions where we operate. For example, in our Norway business unit, we are managing the risk with specific actions to study emissions reduction opportunities and we also evaluate project economics with full CO<sub>2</sub> tax and European Union emissions allowance costs.

## Medium-Term Risks

Our medium-term time horizon is six to 10 years, during which we can complete most major projects and revise our portfolio significantly if required. Our GHG forecasting and financial planning processes are used to determine the risks and opportunities that could have a material financial impact for that period. Medium-term risks take longer to impact our business and may include emerging policy that is not yet fully defined. These risks are managed by business unit planning, but if significant, may also be managed by corporate strategies and company-wide risk assessments.

Offset requirements have been identified as both a medium-term risk and as an opportunity for some business units. For example, the Clean Energy Regulator in Australia has established the [Emissions Reduction Fund](#) for the sale and purchase of offsets. Since 2006, Darwin LNG has supported the West Arnhem Land Fire Abatement (WALFA) carbon offset program. Through this project, indigenous rangers in West Arnhem Land in the Northern Territory have offset almost two million tonnes of CO<sub>2</sub>e that would have resulted from wildfires by utilizing early dry-season preventive burning. In 2014, the [WALFA](#) project was formally recognized as an eligible offset program under the Australian federal government's Carbon Farming Initiative. During Emissions Reduction Fund abatement auctions, savannah-burning projects from across Australia have been successful in selling contracts for carbon abatement — all using the methodology pioneered by WALFA. View the "Fire with Fire" video below about the WALFA carbon offset program.

Chronic physical changes are a medium-term risk for some of our operations. Temperature extremes could impact facilities located in Arctic regions if warmer temperatures reduce the length of the ice road season and restrict well and facility construction times. Mitigation measures could include utilizing gravel road connections to reduce reliance on ice roads, pre-packing to extend the start of ice road season and constructing roads that prevent permafrost thawing.

## Long-Term Risks

Our long-term time horizon is 11 years and beyond. Generally, long-term risks are managed by our scenario analysis and climate-related risk strategy, as they include long-term government policy and technology trends that affect supply and demand. They may also include risks that align with long-term physical climate scenarios.

We recognize that our GHG intensity will be compared against peers, so we track this as a competitive risk at the corporate level. Investors, the financial sector and other stakeholders compare companies based on climate-related performance, and GHG intensity is a key indicator. For this reason, our GHG intensity target aligns with the long-term time horizon to ensure we manage the risk appropriately. It also demonstrates our goal to be a leader in managing climate-related risk.

Physical climate risk is a long-term risk for our business. In some parts of the U.S. we have identified potential storm severity as a risk for future operations, based on previous storms and flooding. Science suggests that future extreme weather events may become more intense or more frequent, thus placing at risk our operations in coastal regions and areas susceptible to typhoons or hurricanes. We have a crisis management system in place to manage that risk before, during and after a storm event.

# Climate Change Action Plan

Our Climate Change Action Plan addresses the significant or high risks from our Sustainable Development (SD) Risk Register and includes milestones over a number of years.

## Climate Change Action Plan

Risks	2018 Mitigation Actions And Milestones
<b>GHG Policy</b>	
GHG regulations, including carbon taxes	<ul style="list-style-type: none"><li>Understand baseline levels for various efficiency measures (steam, electricity, etc.) to focus on GHG intensity reduction.</li><li>Develop regional climate and energy position with regard to regional regulation.</li><li>Aggregate marginal abatement cost curve for global business units.</li><li>Review emerging issues with Public Policy Leadership Team each quarter.</li><li>Complete energy optimization study.</li><li>Obtain partner approval for power cable to offshore platform.</li><li>Commence flare gas recovery study.</li><li>Switch from main power generators to smaller temporary generators at gas terminal to finalize pipeline decommissioning.</li></ul>
<b>Emissions and Emissions Management</b>	
GHG intensity relative to peers	<ul style="list-style-type: none"><li>Set up steering committee to oversee innovation focused on greenfield and brownfield sites, emissions detection and combustion alternatives.</li></ul>
Air emissions regulations	<ul style="list-style-type: none"><li>Monitor air emissions regulations and consult through industry associations.</li></ul>
<b>Climate-Related Disclosure and Reporting</b>	
	<ul style="list-style-type: none"><li>Complete standalone global climate-related risk report ready for publication.</li></ul>
<b>Physical Climate-Related Impacts</b>	
	<ul style="list-style-type: none"><li>Maintain safety systems and emergency response protocols.</li></ul>

*Note: Actions relate to specific business units unless indicated as "global."*

# Impact on Business and Strategy

Climate-related risks have the potential to impact our business in several ways. Our SD risk management processes identify those risks and assess the potential size, scope and prioritization of each. We have aligned a description of these impacts with the recommendations of the TCFD.



*Central Tank Battery, Bakken, North Dakota.*

## Products and Services

Compliance with policy changes that create a GHG tax, emissions trading scheme or GHG reductions could significantly increase product costs for consumers and reduce demand for natural gas- and oil-derived products. Demand could also be eroded by conservation plans and efforts undertaken in response to global climate-related risk, including plans developed in connection with the Paris Agreement. Many governments also provide, or may in the future provide, tax advantages and other subsidies to support the use and development of alternative energy technologies that could impact demand for our products. However, there are also opportunities associated with increased demand for lower-carbon energy sources such as natural gas.

Our scenario analysis indicates that as the energy sector transitions, it will be important to be competitive on both cost of supply and carbon. We have adjusted our portfolio to concentrate on lower-cost production and have divested some of our higher-emissions-intensity natural gas and oil sands fields. We have also set a GHG emissions-intensity-reduction target for our Scope 1 and Scope 2 emissions.

## Supply Chain and/or Value Chain

We engage with suppliers on the environmental and social aspects of their operations and supply chains through each step of the procurement process, from supplier prequalification through supplier performance evaluation. This includes communicating our expectations and priorities and identifying opportunities for improvement and collaboration related to climate issues, including energy use, GHG management and environmental supply chain risks. We also engage through membership in several trade associations, such as IPIECA, that address climate-related issues through working groups and task forces that include downstream businesses as well as suppliers. We continue to monitor climate-related risks and opportunities related to our supply chain and value chain and believe that maintaining a global network of businesses and suppliers will mitigate physical climate-related risks.

## Adaptation and Mitigation Activities

While our business operations are designed and operated to accommodate a range of potential climate conditions, significant changes, such as more-frequent severe weather in the markets we serve or the areas where our assets are located, could cause increased expenses and impact to our operations. The costs associated with interrupted operations will depend on the duration and severity of any physical event and the damage and remedial work to be carried out. Financial implications could include business interruption, damage or loss of production uptime and delayed access to resources and markets. For example, a three-day shutdown of all U.S. Gulf Coast production would cause \$33 million in lost revenue, based on the 2018 average realized price of \$53.88 per barrel of oil equivalent (BOE). It is likely that not all our area production would be affected, as assets further inland are less susceptible to hurricanes than assets in the Gulf of Mexico.

Business-resiliency planning is a process that helps us prepare to mitigate potential physical risks of a changing climate in a cost-effective manner. During Hurricane Harvey in 2017, we put our hurricane and crisis response training and business continuity plans into action in the United States. The first priority was to account for every employee. Teams also monitored and evaluated conditions at our corporate and Lower 48 offices in Houston, while others worked to safely and efficiently restore operations to the Houston data center. Much of our corporate data center operations, including 658 servers housing 1.6 petabytes of data, were relocated to Bartlesville, Oklahoma, in about 10 hours in anticipation of the storm. Prior to Harvey's landfall, Lower 48 employees implemented their business continuity plan to safely shut down and secure Eagle Ford production and associated facilities. Personnel were evacuated from our Magnolia platform in the Gulf of Mexico, though production remained online. Once the storm passed, production in the Eagle Ford resumed within several days, despite unprecedented conditions and infrastructure constraints in the area.

We have conducted workshops on resiliency risks in key business units to establish future mitigations for potential physical changes to the operating environment. Business units in Texas, Alaska, Canada and Australia have participated in this process and integrated the results into their goals.

## Research and Development

Technology will play a major role in addressing GHG emissions, whether through reducing fugitive emissions or lowering the energy intensity of our operations or value chain. In Canada we are sponsoring an **XPRIZE** to support development of innovative ways to reuse carbon associated with steam generation in the oil sands.

Our annual MACC process identifies and prioritizes our emissions-reduction opportunities from operations based on the cost per tonne of carbon dioxide equivalent abated. This data helps identify projects that might become viable in the future through further research, development and deployment. As a result of this work, we have focused our near-term technology investments on reducing both costs and emissions where feasible, such as improving the steam-to-oil ratio in the oil sands. One new research and development effort is the non-condensable gas co-injection pilot program to reduce the energy required in oil extraction.

## Operations

We have acted to mitigate our GHG emissions for many years. Our first Climate Change Action Plan was introduced in 2008 and we have voluntarily reduced our annual GHG emissions by almost 7 million tonnes of CO<sub>2</sub> equivalent per year compared to business as usual since 2009. Most of the reduction projects carried out over this period have paid for themselves through increased sales of natural gas, or in one case the sale of carbon dioxide to a third party for use in enhanced oil recovery. Around two-thirds of the projects carried out relate to the reduced emissions of methane from reduced venting, updated plunger lifts or replacing pneumatic controllers.

To continue those reductions, we have set up regional teams in North America, Australia, Southeast Asia and Europe to use the MACC process to identify energy efficiency projects for consideration in the Long-Range Plan. By evaluating our day-to-day decisions regarding flaring, drilling, completions and equipment use we have gained a sharper focus on energy consumption, along with increased revenue, reduced energy costs, reduced emissions and an improved overall cost of supply.

We are one of 25 companies participating in [The Environmental Partnership](#), a coalition of natural gas and oil companies focused on accelerating environmental performance improvements from operations across the United States. The partnership prioritizes managing methane emissions and aligns with our focus on emissions reductions and high environmental standards.

## Financial Planning

We take climate-related issues into account in our financial planning in several ways. In the short to medium term, we use a range of commodity prices derived from our corporate scenario work. In the long term our four climate-related risk scenarios provide insight into the possibilities for future supply, demand and price of key commodities. This helps us understand a range of risk around commodity prices, and the potential price risk associated with various GHG reduction scenarios. History has shown an interdependency between commodity prices and operating and capital costs. In the past, lower commodity prices have driven down operating and capital costs, whereas the opposite has been true when commodity prices have risen. We have aligned a description of the potential impacts on financial planning with the recommendations of the TCFD.



Kebabangan platform, Malaysia

## **Operating Costs and Revenues**

We recognize the potential impact on our costs, demand for fossil fuels, the cost and availability of capital and exposure to litigation caused by new or changing climate-related policy. The long-term impact on our financial performance, either positive or negative, will depend on several factors:

- Extent and timing of policy.
- Implementation detail such as cap-and-trade or an emissions tax system.
- GHG reductions required.
- Level of carbon price.
- Price and availability of offsets.
- Amount and allocation of allowances.
- Technological and scientific developments leading to new products or services.
- Potential physical climate effects, such as increased severe-weather events, changes in sea levels and changes in temperature.
- Extent to which increased compliance costs are reflected in the prices of our products and services.

The long-term financial impact from GHG regulations is impossible to accurately predict, but is expected to rise globally.

## **Capital Expenditures and Capital Allocation**

We test our current portfolio of assets and investment opportunities against the future prices generated from our scenarios and identify where weaknesses may exist, assisting with our capital allocation. As a result of our strategy and scenario work, we have focused capital on lower cost of supply resources, reducing our investments in oil sands and exiting deep water, while increasing our investments in unconventional oil projects.

## **Acquisitions and Divestments**

Business development decisions consider the impact to our portfolio from the financial, operational and sustainability perspectives. In our long-range planning process, we run sensitivities on our GHG emissions intensity based on possible acquisitions, divestments and project decisions. We focus on cost of supply to account for lower and more volatile product prices and possible introduction of carbon taxes. In recent years, we have divested higher-emissions-intensity assets, such as oil sands and some older gas fields.

## Access to Capital

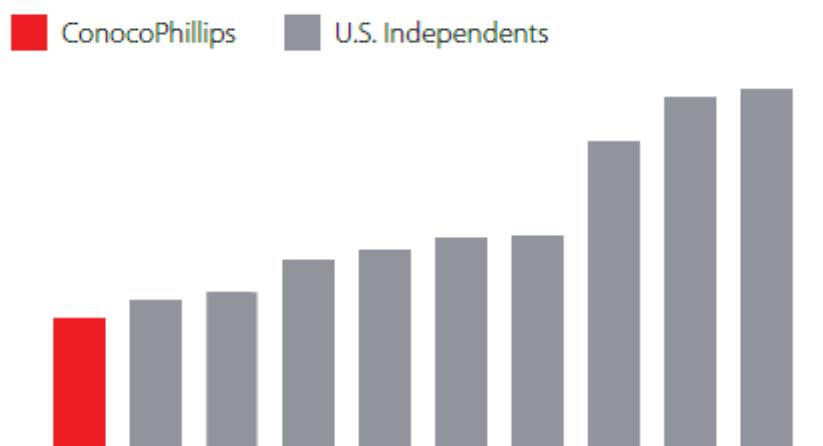
In addition to cost of supply and carbon, we also strive to compete more effectively by earning the confidence and trust of the communities in which we operate, as well as our equity and debt holders. We consider how our relative environmental, social and governance performance could affect our standing with investors and the financial sector, including banks and credit-rating agencies. Our engagement with investors has focused on climate-related risks in many one-on-one meetings and periodic conferences, such as with the [Interfaith Center on Corporate Responsibility](#). In 2018, we held a global Sustainable Development workshop in which stakeholders from banks, credit rating agencies and other financial institutions engaged with our sustainable development subject matter experts and members of our Executive Leadership Team. We have also engaged on climate-related issues and sustainability risks with institutions such as Moody's and Standard & Poor's. An important priority in our corporate strategy has been to pay down debt and target an "A" credit rating to maintain, facilitate and ensure access to capital through commodity price cycles.

## Carbon Asset Risk

Scenario analysis and our climate-related risk strategy help build optionality into our strategic plans to reduce the risk of stranded assets. Key elements of our climate-related risk management process include: considering a range of possible future carbon-constraint scenarios; developing strategic alternatives to manage shareholder value in a future with uncertain carbon constraints; testing strategies and asset portfolios in various scenarios; developing actionable insights and incorporating risk mitigation actions into the Long-Range Plan and Climate Change Action Plan.

We have taken action to reduce our cost of supply and are the only oil and natural gas company to transparently disclose the full cost-of-supply of our reserve base. Combined with the fact that we have the lowest sustaining capital required to maintain flat production among our peers, this demonstrates a competitive advantage in reducing "carbon asset risk."

### 2018 Sustaining Capital for Flat Production (\$/BOE)



*Source: Wood Mackenzie – Corporate Benchmarking Tool.  
U.S. Independents include: APA, APC, CLR, DVN, EOG, HES, NBL, OXY and PXD.*

The cost of supply of our resource base shown in the Metrics and Targets section supports our assertion that resources with the lowest cost of supply are most likely to be developed in scenarios with lower demand, such as the IEA's Sustainable Development Scenario.

All U.S.-based publicly traded companies must adhere to a consistent set of regulations that enable investors to evaluate and compare investment choices. We fully comply with such rules and regulations, including for reporting natural gas and oil reserves. In order to meet the Securities and Exchange Commission requirement that reserve estimates be based on current economic conditions, our reserves include a carbon tax calculation for jurisdictions with existing carbon tax requirements only. We have also increased our disclosure over the years to offer investors and stakeholders additional insights into the processes and procedures we use to manage climate-related risks, including carbon asset risk.

# Risk Management

We utilize an integrated management system approach to identify, assess, characterize and manage climate-related risks. This system links directly to the enterprise risk management (ERM) process, which includes an annual risk review by executive leadership and the board of directors.



## Assessing Climate-Related Risks

Assessing physical and transition risk for operations.

[LEARN MORE](#)



## Managing Climate-Related Risks

Adapting to a range of scenarios.

[LEARN MORE](#)



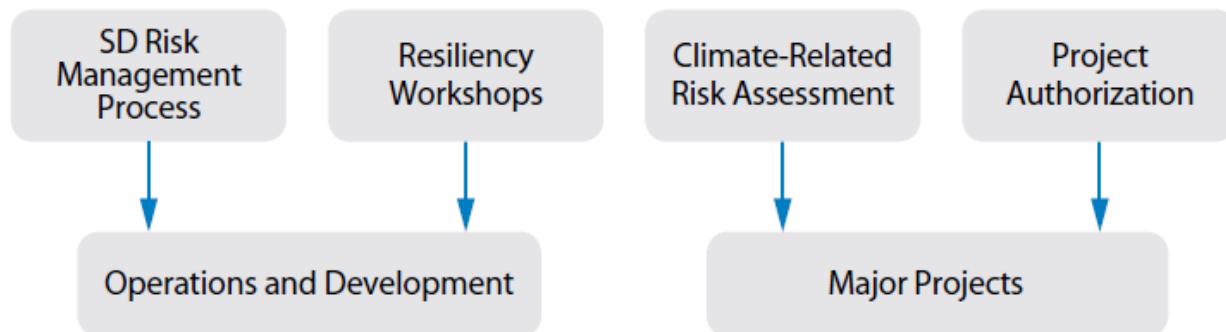
## Integrating Climate-Related Risks into ERM

Ranking risks to our business.

[LEARN MORE](#)

# Assessing Climate-Related Risks

The diagram below illustrates how we assess climate-related physical and transition risk for operations and developments, and new major projects.



Our management system includes practices and tools aligned with how we make business decisions to ensure the consistent global identification and assessment of climate-related risks.

## Scenarios

For the purpose of understanding long-term risk and mitigation options, we have developed four climate-related risk scenarios, three of which would achieve an emissions trajectory consistent with the Intergovernmental Panel on Climate Change (IPCC) "2-degree Celsius scenario." Utilizing this scenario approach helps us evaluate distinct outcomes related to the potential timing and intensity of government climate change policy development and the pace of alternative energy technology development. This information is then used to shape our analysis and consideration of various outcomes for policy, technology and market risk. We describe our use of scenarios for the purpose of strategy formulation in the Strategy section.

We continually review emerging climate-related risks through our scenario monitoring system. A cross-functional team enters events into a centralized database that is reviewed regularly for indications that risks are changing or developing. We use this "early warning" system to inform our strategies in a timely manner so that we can identify and implement effective mitigation measures. The Scenario Monitoring System helps us understand how far and how fast we are moving in any direction. For example, if we found that regulations and technology were moving more quickly than in our scenarios, this would indicate that we might be moving to a 1.5-degree scenario similar to the range identified in the recent IPCC "1.5 degree" report. In our resiliency workshops, we use externally produced scenarios that describe the range of possible future physical risk.

# SD Risk Management Process

As part of our sustainable development (SD) risk management process, existing and planned exploration and production and major projects are examined against the physical, social and political settings of our operations. Climate-related risks are identified and described by a diverse group of subject matter experts in each business unit (BU) and project.



*Offshore platform, Bohai Bay, China*

Each risk is then plotted on a matrix that evaluates both its likelihood and consequence. In evaluating the intensity level, we consider potential impacts on employee and public safety, socio-cultural and economic impacts to stakeholders, environmental impact, and reputational and financial implications. Risks rated significant or high are included in the corporate SD Risk Register. As part of the process, we examine the interdependence of risks and work to identify emerging risks such as regulatory requirements and greenhouse gas (GHG) pricing regimes.

**Pricing sensitivity impact** - We evaluated an international gas development opportunity in an existing field with high native CO<sub>2</sub> content. Testing it against the \$40/tonne sensitivity price indicated it was economically challenged without the availability of offsets or the potential for carbon capture and storage. When we took the carbon price sensitivity into account with other risk factors, we decided not to pursue the project.

## Resiliency Planning Workshops

We facilitate resiliency planning workshops in key BUs to identify and assess the risks and opportunities associated with the physical impacts of changing climate and the potential technology and solutions to mitigate risks and take advantage of opportunities. These workshops are conducted on a periodic basis to ensure that our operations have access to the most up-to-date science provided by qualified consultants to inform their engineering and infrastructure decisions.

## Climate-Related Risk Assessment

A climate-related risk assessment is conducted on any project that costs more than \$50 million net and is expected to emit more than 25,000 metric tons CO<sub>2</sub> equivalent (CO<sub>2</sub>(e)) net to ConocoPhillips during any year of its lifespan. This assessment is mandatory for investment approval. Project teams for qualifying projects are required to assess the potential risks and opportunities associated with GHG emissions, GHG regulation and a physically changing climate. The climate risk assessment guideline provides a framework for project teams to:

- Forecast GHG emissions for the life of the project.
- Evaluate climate-related risks and opportunities, including physical and transition risks.
- Make decisions on GHG emissions control in project design, including energy efficiency solutions, power source selection, emissions management, carbon capture and storage/utilization, and external compliance options such as the purchase or origination of GHG offsets.
- Evaluate the potential cost of GHG emissions in project economics.

We assess climate-related risks early in the project engineering stage to better inform our investment decisions and facility design. The ConocoPhillips Health, Safety and Environment (HSE) Due Diligence Standard also provides further guidance on accounting for sustainable development issues for new acquisitions, new business ventures, joint ventures and real property transactions.

## Project Authorization

Our corporate authorization process requires all qualifying projects to run a GHG pricing sensitivity using a price of \$40 tonnes CO<sub>2</sub>(e) (TeCO<sub>2</sub>(e)), plus annual inflation, for all Scope 1 and Scope 2 GHG emissions produced in 2024 and later. Projects in jurisdictions with existing GHG pricing regimes must incorporate that price into their base case economics. Where the existing GHG price is below the corporate price, the \$40/TeCO<sub>2</sub>(e) sensitivity must also be run from 2024 onward. This ensures that both existing and emerging regulatory requirements are considered in our decision-making.

# Managing Climate-Related Risks

Our climate-related risk management process is designed to drive appropriate action for adapting to a range of possible future scenarios. Through integrated planning and decision-making, we develop mitigation plans for climate-related risk, track performance against our goals and adjust our plans as we learn and conditions evolve.

Local risks and opportunities related to our operations and projects are assessed and managed at the BU level, enabling tailored region-specific business goals to address the challenges and opportunities unique to their operations. Other overarching climate-related risks, such as GHG target-setting, prioritization of global emissions-abatement projects and disclosure and reporting, are managed at the corporate level.

The diagram below shows a simplified process flow of our climate-related risk management process.



## Corporate Strategy

Our corporate strategy and the embedded Climate- Related Risk Strategy are informed by the output of our scenarios and the risk management system. Examples of impacts on our corporate strategy include:

- Reducing the sustaining price of the company — the equivalent oil price at which we can sustain production and pay our dividend.
- Lowering the cost of supply to manage market risk.
- Maintaining a diversified portfolio of projects and opportunities.
- Developing technologies that reduce both costs and emissions.
- Monitoring alternative energy technologies.

The objective of our Climate-Related Risk Strategy is to manage climate-related risk, optimize opportunities and equip the company to respond to changes in key uncertainties, including government policies around the world, technologies for emissions reduction and alternative energy technologies. The strategy sets out our choices around emissions reductions, targets and incentives, emissions-related technology development, and our climate-related policy advocacy.

In 2017, in accordance with our strategy, we set a public long-term GHG emissions target based on the architecture of the Paris Agreement, with an aspiration to become a leader in GHG climate-related risk management.

## Long-Range Plan

The ConocoPhillips Long-Range Plan provides the data that underlies our corporate strategy and enables us to test our portfolio of projects against our climate-related risk scenarios, and thus make better-informed strategic decisions.

We use a marginal abatement cost curve (MACC) process to collect potential GHG emissions reduction projects from our business units, prioritize them based on their cost and reduction volume, and implement the most cost-effective projects. As a result of our focus on emissions reductions, we have completed the installation of flow control devices (FCDs) in the Canadian oil sands to better distribute steam across the reservoir, more efficiently heating the bitumen and enhancing production while reducing energy consumption and emissions. In the U.S. Lower 48, the replacement of high-bleed pneumatic devices with lower-bleed pneumatics, plunger lift optimization and compression optimization has reduced methane emissions. To continue those reductions, we have set up regional teams in North America, Australia, Southeast Asia and Europe to use the MACC process to identify further energy efficiency projects. Output from the MACC will inform our annual budget, Long-Range Plan and technology strategy.



*Grissik Gas Plant, South Sumatra*

# SD Risk Management Process/ Climate Change Action Plan

The SD risk management process ensures that a Climate Change Action Plan is developed to track mitigation activities for each climate-related risk included in the corporate SD Risk Register. This plan includes details about our commitments, related responsibilities, resources and milestones. As part of regular updates to the register, the action plan and its effectiveness are evaluated, and decisions are made to continue mitigation measures, add new measures, or simply monitor the risk for further developments.

Risk Management Process	Scope	Description
Corporate strategy	Corporate/portfolio	Defines the company's direction for exploration and development, including portfolio, capital allocation and cost structure.
Climate-related risk strategy	Corporate/portfolio	Identifies options to reduce and mitigate climate-related risks as policies, markets and technologies develop over time.
GHG emissions intensity target	Business units and qualifying projects	Drives actions, reviews and management of future policy and market risk.
Long-Range Plan	Corporate/portfolio	Forecasts key data for our corporate strategy covering our proposed portfolio development and performance, including production, costs, cash flows and emissions.
Marginal abatement cost curve (MACC)	Business units	Collects a list of GHG emissions-reduction projects across our business units and prioritizes them based on cost and emissions abated.
SD risk management process	Corporate, business units and qualifying projects	Records all SD-related risks that are prioritized as significant and high in the SD Risk Register to ensure that mitigation progress is reported and issues are managed effectively.
Climate Change Action Plan	Corporate, business units and qualifying projects	Records mitigation actions, milestones and progress in managing climate-related risks from the SD Risk Register.

# Integrating Climate-Related Risks into ERM

Climate-related risks from the corporate SD Risk Register are mapped to key categories in the enterprise risk management process. Descriptions of these risks and mitigation measures are shared with Enterprise Risk Management (ERM) risk owners to inform their assessments of risk ranking, corporate actions and mitigations. Each risk owner evaluates and prioritizes risks in their area based on likelihood and consequences, thereby determining the relative significance of climate-related risks in relation to other enterprise risks.



*Jasmine Platform, North Sea, U.K.*

The ERM process is a direct input into our strategic planning process. By identifying major cross-cutting risks and trends, we closely link action plan efforts to key performance issues and address and mitigate identified risks. The ERM system and mitigation actions are reviewed regularly by the board.

# Performance Metrics & Targets

We use key metrics and targets to measure and monitor our performance and progress in managing climate-related risks and opportunities in line with our strategy and risk management process. These include:

- Internal proxy carbon pricing and the financial impact of existing carbon pricing on our businesses across the globe.
- Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions.
- Metrics for water, methane and flaring.
- GHG emissions intensity target.

We believe that these metrics and targets are the most useful in managing climate-related risks and opportunities and monitoring performance.

All data is from January 1 to December 31, 2018. Our Performance Metrics footnotes outline the scope and methodologies of our data reporting. The minimum boundary for reporting on environmental priorities is assets we operate.



## Strategic Flexibility & Planning

Robust and flexible corporate strategy.

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## GHG Emissions

Measuring our emissions performance.

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## GHG Emissions Intensity Target

Reducing GHG Intensity.

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## Carbon Capture, Use & Sequestration

Converting carbon.

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## Water

Climate change and water.

[LEARN MORE](#)



## Verification & Assurance

Independent, third-party verification.

[LEARN MORE](#)

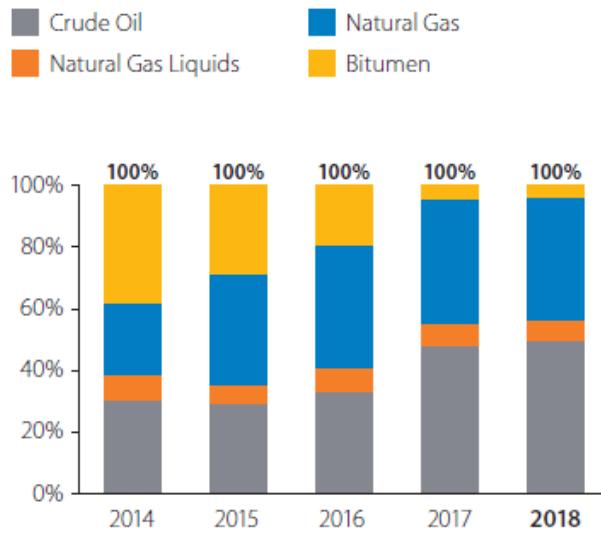
# Strategic Flexibility & Planning

A robust and flexible corporate strategy will be key to navigating the energy transition. The three key strategy components for an exploration and production company are portfolio, capital allocation and management of uncertainty. We manage uncertainty by focusing on the fundamental characteristics that drive competitive advantage in a commodity business — a low sustaining price, a low cost of supply, capital flexibility and a strong balance sheet. Based on our scenario analysis and monitoring of signposts, we decide when we should act and which actions to take.

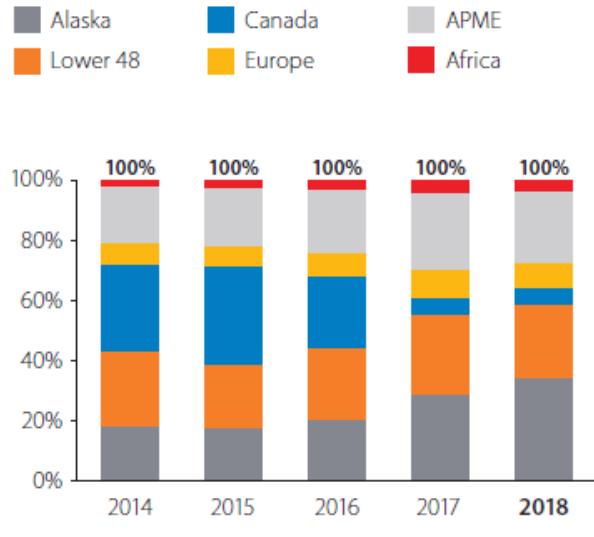
## Proved Reserves

The mix and location of the resources in our portfolio demonstrate flexibility and the ability to adapt to change as we monitor scenarios and global trends. Our short-cycle project times and capital flexibility enable us to redirect capital to the most competitive basins. Our extensive low cost of supply resource base allows us to divest higher cost assets to high-grade our portfolio as our strategy evolves. This applies not only to hydrocarbon mix, but geographic region as well. If policy in a country or region significantly impacts cost of supply, we can shift capital to other opportunities. Examples include our presence in the oil sands business in Canada and in North American natural gas. Changing market fundamentals led us to significantly reduce our focus on both, while our portfolio diversity enabled expansion in other areas.

**Percent of Proved Reserves by Hydrocarbon Type (Net Equity), 2014-2018**

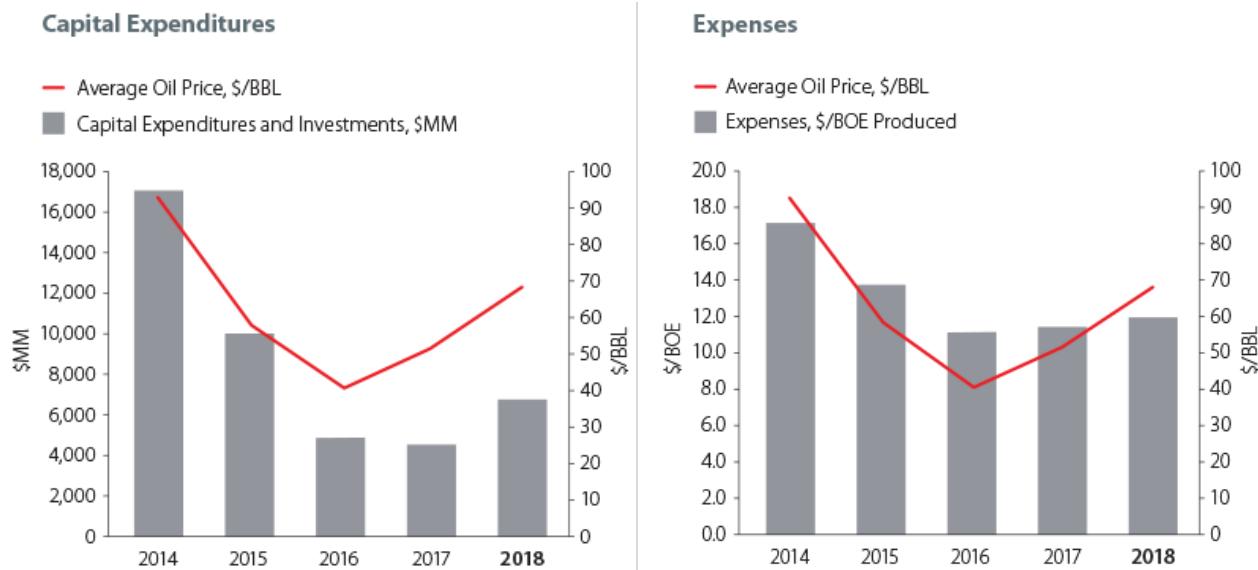


**Percent of Proved Reserves by Region (Net Equity), 2014-2018**



# Capital and Operating Spend

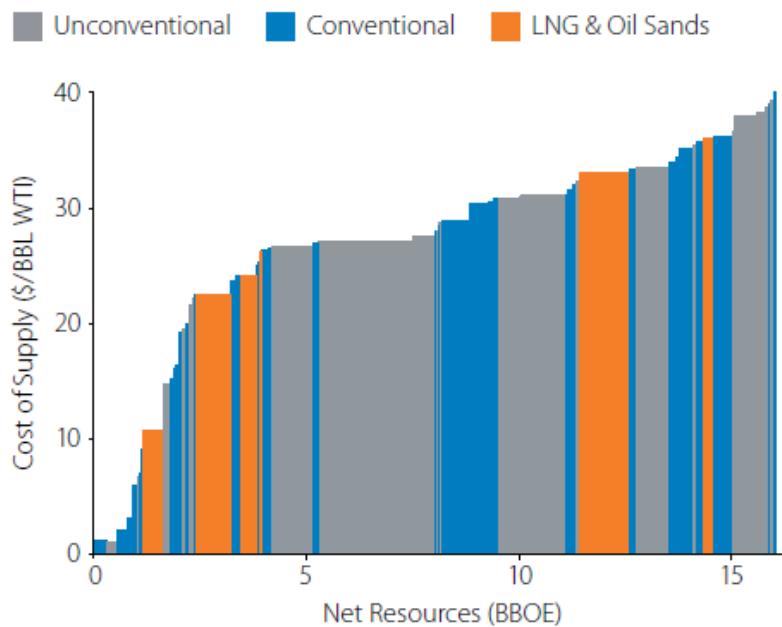
Our strategy is also made more robust by discipline in capital and operating costs. When oil prices dropped in 2014, we could quickly respond with changes to short- and long-term planning, as well as more cost-effective and efficient operations.



## Cost of Supply

Cost of supply is the West Texas Intermediate (WTI) equivalent price necessary to generate a 10% after-tax return on a point-forward and fully burdened basis. In our definition, cost of supply is fully burdened with exploration, midstream infrastructure, facilities cost, price-related inflation and foreign exchange impact, and both regional and corporate general and administrative costs. Cost of supply is the primary metric that we use for capital allocation, and it has the advantage of being independent of price forecasts. Any oil price above the cost of supply will generate an after-tax fully burdened return that is greater than 10%.

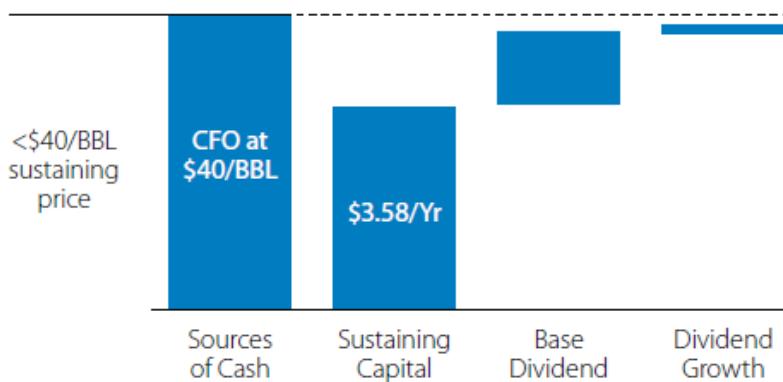
The cost of supply of our resource base supports our assertion that resources with the lowest cost of supply are most likely to be developed in scenarios with lower demand, such as the [IEA's Sustainable Development Scenario](#).



## Sustaining Price

Our sustaining price, which is the WTI price that generates enough cash flow to maintain flat production and grow the dividend, is less than \$40 per barrel and, we believe, is the lowest among U.S. independents.

### Estimated Sources and Uses of Cash



2018 Analyst and Investor Meeting

## Carbon Price

We use carbon pricing to navigate GHG regulations, change internal behavior, drive energy efficiency and low-carbon investment, and stress-test investments. The company uses a range of estimated future costs of GHG emissions for internal planning purposes, including an estimate of \$40 per metric tonne applied beginning in the year 2024 as a sensitivity to evaluate certain future projects and opportunities. The company does not use an estimated market cost of GHG emissions when assessing reserves in jurisdictions without existing GHG regulations.

# Cost of Compliance with Carbon Legislation

Carbon Legislation	2018 Cost Of Compliance, Net Share Before Tax (USD)	Operations Subject To Legislation	Percent Of 2018 Production*
European Emissions Trading Scheme (ETS)	\$5.6 million	U.K., Norway	16
Alberta Carbon Competitiveness Incentive Regulation (CCIR)	\$4 million	Canada	6
Norwegian carbon tax	\$30 million	Norway	10
British Columbia and Alberta carbon tax	\$0.6 million	Canada	6

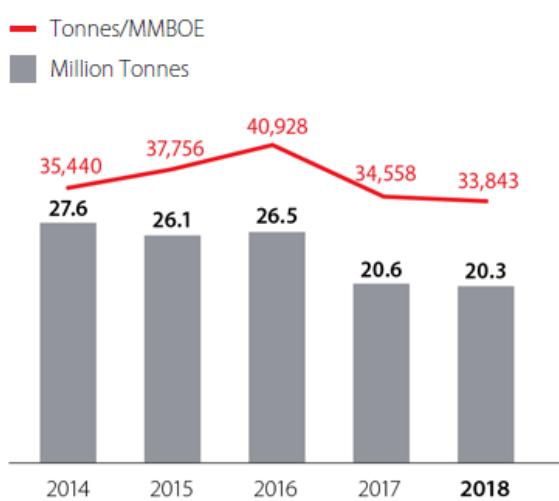
*\*2018 country production over total production; cost of carbon may only apply to some of our assets in a country, or to a portion of our emissions over a set baseline value.*

# GHG Emissions

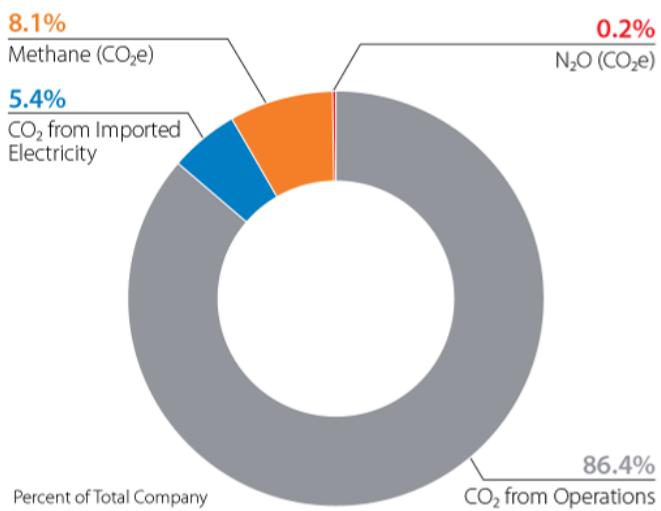
## Scope 1 and Scope 2 Emissions

Our Scope 1 and Scope 2 GHG emissions and emissions intensity directly measure our climate performance and help us understand climate transition risk. For example, our ability to manage GHG emissions can help us measure resilience to emerging carbon tax regulation. Since 2009, we have carried out discretionary projects that have reduced our annual GHG emissions by nearly 7 million tonnes CO<sub>2</sub>e compared to business as usual.

**Total GHG emissions and intensity  
(CO<sub>2</sub> equivalent)**

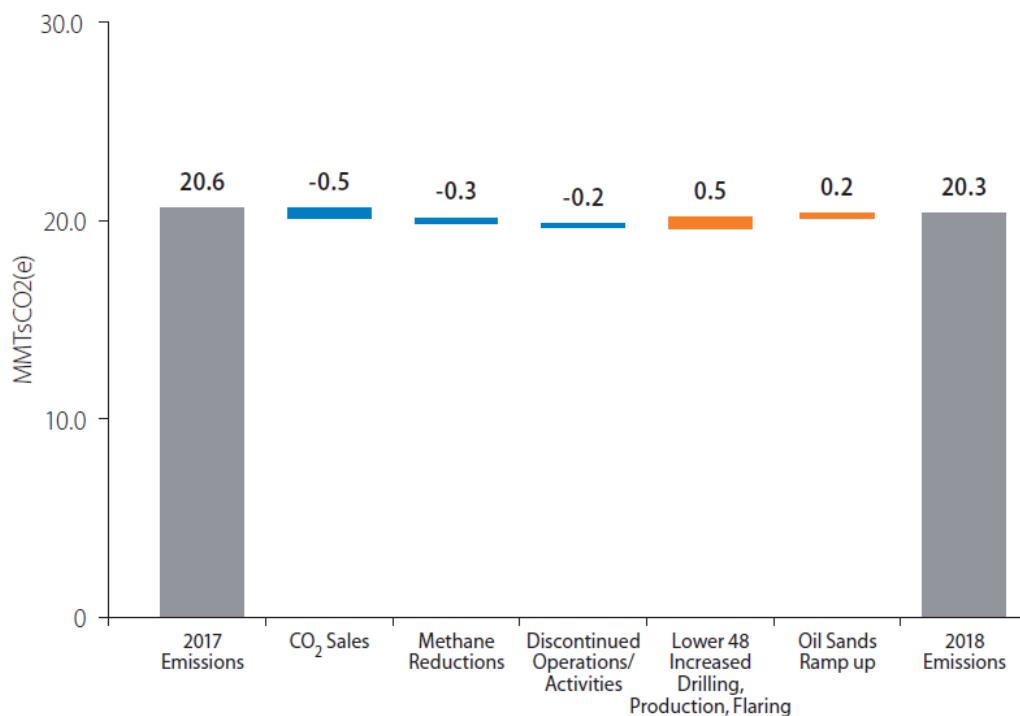


**Total GHG emissions**



In 2018, our total gross operated GHG emissions, in CO<sub>2</sub> equivalent terms, were approximately 20.3 million tonnes, a decrease of about 1.4%, or 0.3 million tonnes, from 2017. Increased emissions associated with continued development of Surmont oil sands and increased drilling, production and flaring in Lower 48, were more than offset by increased CO<sub>2</sub> sales for beneficial use, discontinued operation of some assets, and methane reductions. Our overall GHG emissions intensity decreased by 2% in 2018.

## 2018 GHG Emissions Changes



We report our operated emissions in the following regions, countries and provinces in accordance with regulation:

- **Australia:** The National Greenhouse and Energy Reporting Act 2007 (NGER Act) and the National Greenhouse and Energy Reporting (Measurement) Determination 2008
- **European Union:** EU Emissions Trading System, Monitoring and Reporting Regulation Council Directive 2003/87/EC, as amended by Council Directive 2009/29/EC
- **Norway:** Greenhouse Gas Emission Trading Act of 17 December 2004
- **United Kingdom:** The Greenhouse Gas Emissions Trading Scheme Regulations 2012
- **Alberta, Canada:** The Climate Change and Emissions Management Act: Specified Gas Reporting Regulation, Alberta Regulation 251/2004
- **British Columbia, Canada:** Greenhouse Gas Industrial Reporting and Control Act: Greenhouse Gas Emission Reporting Regulation, British Columbia Reg. 249/2015
- **Indonesia:** Minister of Environment Regulation No. 12 of 2013 regarding Guideline for the Emission Load Calculation for Oil and Gas Industry Activities
- **United States:** 40 CFR 98 Subparts C, PP, UU & W — Stationary Combustion Sources; Suppliers of CO<sub>2</sub>; Injection of CO<sub>2</sub>; Petroleum and Natural Gas Systems.

Our corporate reporting system uses the rules, emission factors and thresholds for regulatory emissions with the following amendments. We use a facility threshold for reporting of 25,000 tonnes per year increasing the corporate emissions reported for Alberta, Canada, which uses a regulatory threshold of 100,000 tonnes per year. In our

corporate reporting system, we include Scope 2 (emissions from imported electricity) which are not required under regulatory reporting.

**Scope 1** – Direct GHG emissions from sources owned or controlled by ConocoPhillips.

**Scope 2** – GHG emissions from the generation of purchased electricity consumed by ConocoPhillips.

**Scope 3** – All other indirect GHG emissions as a result of ConocoPhillips activities, from sources not owned or controlled by the company.

Read more about [GHG Protocol definitions](#).

## Scope 3 Emissions

For oil and natural gas exploration and production companies, Scope 3 emissions fall primarily into the “use of sold products” category. Our GHG intensity target does not cover Scope 3 emissions. As an exploration and production company with no downstream assets we have no control over how the raw materials we produce are transformed into other products or consumed. We do, however, calculate our Scope 3 emissions annually based on net equity production numbers. In 2018 our Scope 3 emissions decreased by 5%, primarily due to decreased net production.

Source	Estimated Million Tonnes CO <sub>2</sub> e
Upstream transportation and distribution	1.6
Downstream transportation and distribution	1.9
Processing of sold products	19.9
Use of sold products	155.6

## Flaring

Flaring is a regulated and permitted process for the controlled release and burning of natural gas during oil and gas exploration, production and processing operations. Flaring is required to safely dispose of flammable gas released during process upsets or other unplanned events, and to safely relieve pressure before performing equipment maintenance. Flaring is also used to control and reduce emissions of volatile organic compounds from oil and condensate storage tanks, and to manage emissions at well sites that lack sufficient pipeline infrastructure to capture gas for sale. Flaring has been reduced since 2014 by utilizing closed-loop completions, central gas gathering

systems, vapor recovery units, directing condensate to sales pipelines and improving uptime through operational excellence (a major focus for all our operating facilities).

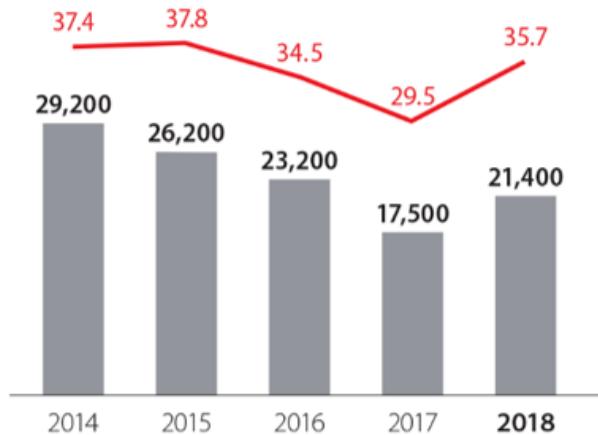
In 2018, our total volume of flared gas was 21.4 BCF, an increase of 22% from 2017. This was primarily due to the following increases:

- Gas production and flaring in assets where pipeline access and operating conditions could not accommodate the increased volume.
- Upset flaring events caused by a third-party gas gathering company.
- Facility shut-downs for maintenance.
- Number of wells requiring liquids removal.
- Volumes associated with flaring of storage tank and truck loading emissions.

Although post-combustion flaring emissions represent less than 7% of our GHG emissions, flare reduction continues to be a priority.

## Total flaring volume

— MMCF/MMBOE  
█ MMCF



## Methane and Fugitive Emissions

Managing emissions, particularly methane, is one of our key priorities. Reducing emissions, even the small equipment leaks known as fugitive emissions, is a key aspect of our [Global Onshore Well Management Principles](#). While there are differing methods and many measurement points, estimates of natural gas leakage rates between gas processing plants and electric power plants vary widely, from 0.7 to 2.6%.

We have standard operating procedures to detect and repair leaks. Audio-visual-olfactory (AVO) inspections are routinely performed during operator rounds to identify any leaks or other issues. Leak detection and repair (LDAR) is a work practice used to identify and quickly repair leaking components, including valves, compressors, pumps, tanks and connectors, in order to reduce GHG emissions and increase efficiency.

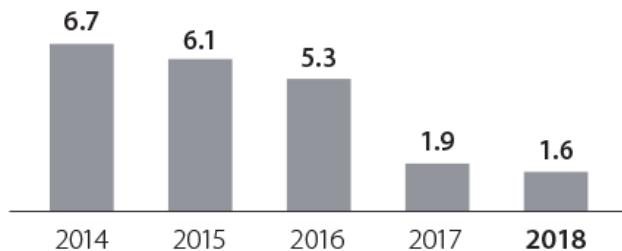
At many of our locations, especially high-rate producing wells and stand-alone compressor stations, we instituted a periodic voluntary fugitive monitoring program using forward-looking infrared (FLIR) cameras to enhance our LDAR. FLIR cameras create real-time images of gases or liquids leaking from pipes, vessels, tanks and other types of process equipment. FLIR surveys are completed at new or modified well sites and subsequent monitoring surveys are conducted at least annually. We fix leaks as soon as feasible, with many leaks repaired either the same day or within a few days of being detected. If additional time is required, we follow standard maintenance processes by adding the

required repairs to our maintenance tracking system. After repairs are completed, inspections ensure that the repairs are successful. We implement engineered solutions and/or operational changes if we identify developing trends of systemic hardware problems.

In 2018, methane emissions were reduced by 0.3 million tonnes of CO<sub>2</sub>e driven by an improved inventory of pneumatic devices, a decrease in equipment due to dispositions, replacement of pneumatic devices with electric solar pumps, and a change in the national calculation methodology for methane flaring in Australia. This was partly offset by the addition of sources not included in prior years.

## Total Methane Emissions

■ MM Tonnes CO<sub>2</sub> Equivalent



## Energy Efficiency

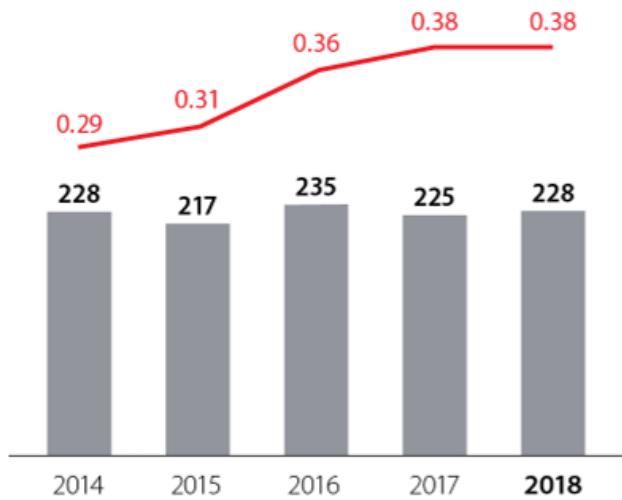
We continually strive to make our operations more energy efficient. This can provide an environmental benefit through reduced emissions, as well as an economic benefit through lower production costs or greater sales revenue. Through the natural decline of production, as our fields diminish in size, they tend to require either the same, or in some cases, even greater amounts of energy to extract the product and transport it for processing or refining. Newer operations tend to be more energy intensive as well.

Total energy consumption in 2018 was 228 trillion British Thermal Units (BTUs), an increase of about 1.6%, due to increased production of both steam and hydrocarbons at our Surmont 2 facility in Canada and increased drilling and production in the Lower 48 Gulf Coast. This was partly offset by reductions from the discontinued operation of a field in the UK. About 98% of our consumption was from combustion of fuel for our own energy use and the remaining 2% was from purchased electricity. Purchased electricity decreased about 9% due to the sale of assets. Intensity, expressed as Trillion BTU/MMBOE, increased about 1%.

## Total Energy Use

— Trillion BTU/MMBOE

■ Trillion BTU



## Low-Carbon Products

In 2018, we supplied consumers with approximately 1 trillion cubic feet (or 2.8 billion cubic feet per day) of natural gas. To put this in perspective, if all the natural gas we produced in 2018 had been used to replace coal for electricity generation, GHG emissions would have been reduced by approximately 52 million metric tons, more than double the company's combined Scope 1 and Scope 2 emissions for the year.

## CDP

The annual CDP survey collects a wide range of information concerning corporate efforts to manage climate change issues effectively and drive emissions reductions. It includes an emphasis on governance, strategy, actions and reporting to try to provide a complete view of companies' performance for comparison. It also provides a view of sector performance. ConocoPhillips has participated in the survey since 2003. Our most recent CDP submission can be found in the [2018 CDP document](#).

## GHG Emissions Intensity Target

We have a long-term target to reduce our GHG emissions intensity from five to 15% by 2030 from a Jan. 1, 2017 baseline. The target will support innovation on efficiency and emissions reduction, GHG regulatory risk mitigation and climate-related risk management throughout the lifecycles of our assets.

The target informs climate goals at the business level. Our performance will be based on gross operated GHG emissions, stated in carbon dioxide-equivalent terms, divided by our gross operated production, stated in barrels of oil equivalent. The target is set in relation to our Scope 1 emissions and Scope 2 gross operated emissions as these are the emissions over which we have the most control. The target covers all GHGs, but in practice will likely apply to carbon dioxide and methane emissions as our emissions of other greenhouse gases are a small fraction of the total. For comparability purposes we exclude transportation services (i.e. Polar Tankers and Global Aviation) which are not directly related to oil or gas production, from our emissions totals. This may give rise to small differences between the intensity we report for our GHG target purposes and the intensity we report in our annual Sustainability Report. Our current metrics also do not include the use of carbon offsets. Future reporting will show our progress with and without the use of offsets.

We intend to report our progress against the target on an annual, calendar-year basis. [Read more](#) about our target.

# Target Implementation

In 2018, we worked to develop an implementation plan that strengthens processes, tools and data required to support achievement of the target. This included:

- Validation of our baseline emissions to attempt to ensure an accurate and well-documented baseline.
- Continued collection and critical review of prospective emission reduction projects through our marginal abatement cost curve (MACC) process to assess completeness of the project list. We added 11 new projects to our inventory. Several projects are now part of our Long-Range Plan, including non-condensable gas co-Injection in Canada and air-assisted flares in some Eagle Ford facilities.
- Business units developing fit-for-purpose plans that focus on further emission reductions.
- The establishment of emissions-reduction steering groups in many business units to manage the planning process.
- Our North American business units collaborating to share knowledge about methane reduction projects.
- Continued engagement of our workforce to ensure broad alignment on target implementation.

Progress to implement the target and performance will be regularly reviewed by executive management and the board.

# Target Progress

The 2017 sale of older assets in the U.S. and Canada reduced our GHG emissions intensity significantly. In 2018, emissions intensity decreased slightly as an increase in emissions associated with continued development of Surmont oil sands and increased drilling, production and flaring in Lower 48, were more than offset by increased CO<sub>2</sub> sales for beneficial use, discontinued operation of some assets and methane reductions.

While we made strong progress in meeting the target during the first two years, as we adjust our portfolio and use new technologies in our developments, we believe we will continue to need a long-term

## 2018 GHG Emissions Intensity Target Progress



target range for several reasons. First, there are still 12 years before the target end date and we would expect GHG intensity to increase as natural gas and oil fields deplete and more energy is required to produce the same or lower volumes. Second, some of our reported emissions are the result of applying standard emissions factors which may underestimate or overstate our actual emissions. We expect industry technologies around emissions reporting to advance over the next 12 years and more accurately reflect actual performance. Third, our portfolio will continue to change over time and, depending on the intensity of new production, our future intensity could increase or decrease. For example, we expect an increase in intensity from 2018 to 2019 due to the upcoming disposition of our U.K. business unit, which is comprised of lower-intensity offshore developments.

We built in a five-year review process, similar to what is proposed in the Paris Agreement. If our emission projections appear to remain at the lower end of the target, we may adjust the target to a lower or smaller range in the future.

## Reducing Emissions

We have carried out discretionary projects that have reduced GHG emissions by almost 7 million tonnes CO<sub>2</sub>e per year since 2009, compared to business as usual. Our 2018 gross operated global business-as-usual GHG emissions have been reduced by approximately 26% as a result of these discretionary projects. We continued our voluntary emissions reduction program in 2018, with projects reducing GHG emissions in the U.S., Canada, Norway, Australia and the U.K. We are one of 59 companies participating in [The Environmental Partnership](#) in the U.S., a coalition of natural gas and oil companies working to improve methane emissions management. As part of our commitment, our U.S. Lower 48 operations have focused on two key areas:

- Leak Detection and Repair (LDAR) programs — We conducted more than 4,300 site surveys across our assets to detect leaks and quickly repair them. While this is a regulatory requirement in many areas, over 60% were done voluntarily. These surveys continue to provide a better understanding of where leaks occur and what we can do to minimize fugitive emissions.
- Pneumatic device evaluation and conversion — All high-bleed pneumatic controllers have been removed or replaced and we are focused on greenfield designs to reduce pneumatic emissions at new facilities. We have a complete inventory of pneumatic devices and continue to evaluate solutions to reduce emissions.

Other reduction projects in the U.S. include:

- Our Lower 48 business unit is coordinating with our corporate technology team to test the effectiveness of drone technology for detecting methane leaks from our operations. A pilot project was initiated in the Eagle Ford in late 2018.
- In the Bakken, natural gas from production must be less than a specified temperature to be eligible to go into the midstream pipeline; if it is not it may be flared. By having gas chillers available, we can get more gas and reduce flaring.

In Canada, GHG reduction projects include:

- The use of non-condensable gas in the oil sands. Read more [here](#).
- Carbon XPRIZE. Read more [here](#).

## Carbon Capture, Use & Sequestration

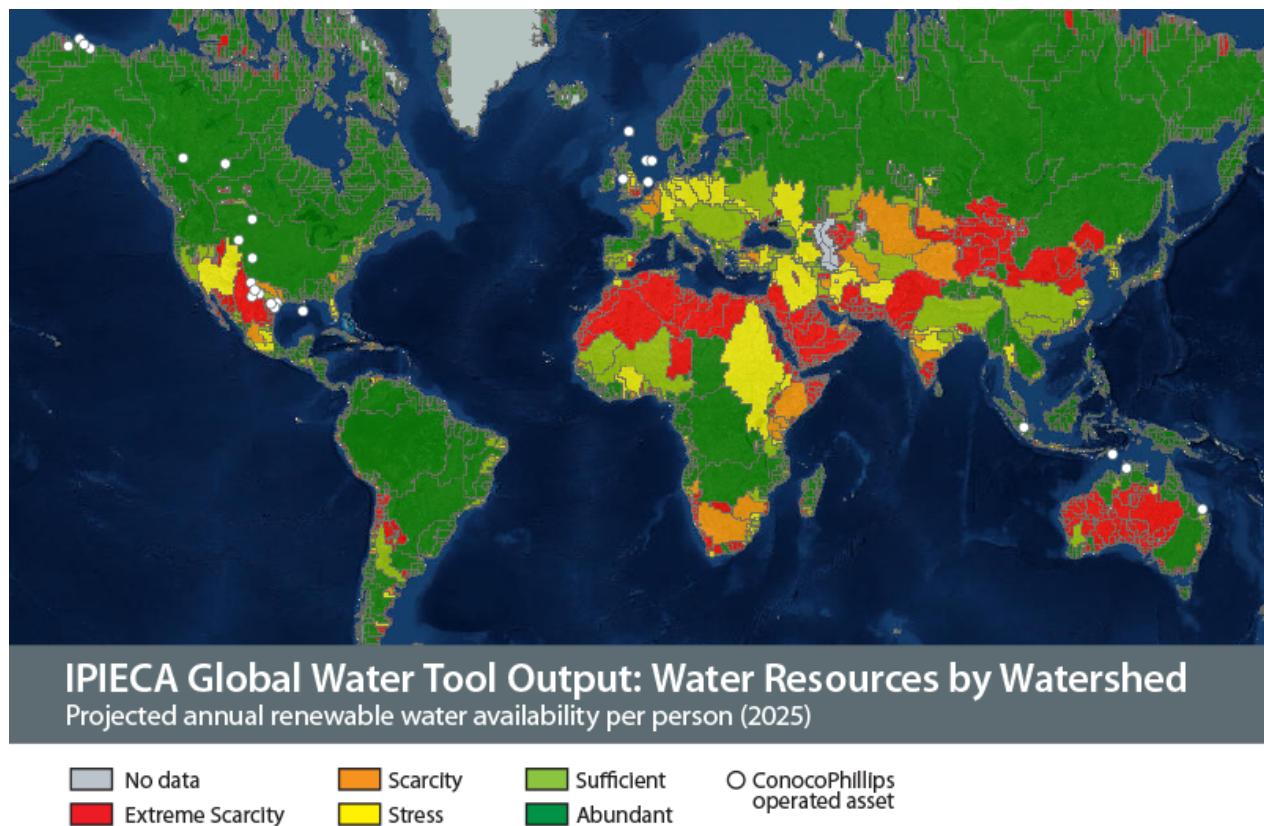
In the U.S. in 2018, we sold over 530,000 tonnes of CO<sub>2</sub> from process emissions to a third party that uses it for enhanced or tertiary oil recovery and reservoir pressure maintenance in oil reservoirs. Additionally, our operations at Buckeye East in New Mexico use recycled CO<sub>2</sub> for enhanced oil recovery, and in 2018 we purchased almost 300,000 tonnes of CO<sub>2</sub> for injection.

Seven of Canada's Oil Sands Innovation Alliance (COSIA) member companies, led by ConocoPhillips Canada, partnered with NRG Energy, an integrated power company in the U.S., to back a global competition to research technologies to capture and transform CO<sub>2</sub>. The [NRG COSIA Carbon XPRIZE](#) challenges the world to reimagine what can be done with CO<sub>2</sub> emissions by incentivizing and accelerating the development of technologies that convert CO<sub>2</sub> from fossil fuel combustion into valuable products. Ten teams from five countries were recently named finalists for the \$20 million competition. Teams range from entrepreneurs and start-ups to academic institutions and companies that have been tackling the carbon challenge for more than a decade. The competition has two tracks: one focused on testing technologies at a coal-fired power plant and one at a natural gas-fired power plant. The 10 finalists received equal shares of a \$5 million milestone prize to test their technologies at commercial scale under real-world conditions at the Integrated Test Center in Gillette, Wyoming for the coal track or at the Alberta Carbon Conversion Technology Centre in Calgary for the natural gas track. Teams will be scored on how much CO<sub>2</sub> they convert and the net value of their products. Ultimately, each of the two winning teams in the natural gas and coal tracks will be awarded a \$7.5 million grand prize in spring 2020.

# Water

Water is integral to our operations and may be affected by physical climate-related risks as some regions experience changes in temperature and precipitation patterns. Water metrics are used to assess risk related to water supply and disposal as well as opportunities for water recycle and reuse. In regions with physical, regulatory or social-related water risks, we explore alternatives to fresh water, including deep brackish groundwater, recycled produced water and reused municipal wastewater.

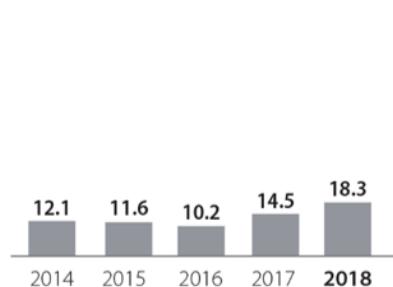
When evaluating water-related risks, we start at a high level with an enterprise-wide review of physical water supply risks around the world using the [IPIECA Global Water Tool for Oil and Gas](#). Each major operated asset has completed a water risk assessment and, if required, developed a Water Action Plan. We plot the locations of our operated assets on a Global Water Tool map showing projected water resources by watershed in 2025.



Some of our U.S. assets are in regions experiencing water stress or scarcity or that are predicted to do so in the future. We integrate water strategy and risk management into our Long-Range Planning and business processes and develop fit-for-purpose solutions to manage water risks for each asset within its local context. Our Water Action Plan includes multiple actions on freshwater conservation for our assets.

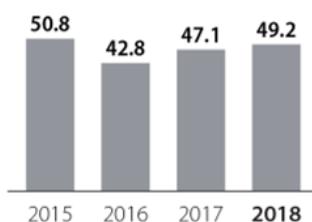
### Freshwater withdrawn

■ Million Cubic Meters



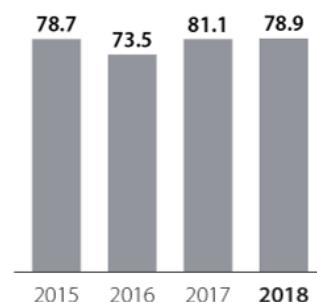
### Non-Fresh water withdrawn

■ Million Cubic Meters



### Produced water recycle/reuse

■ Million Cubic Meters

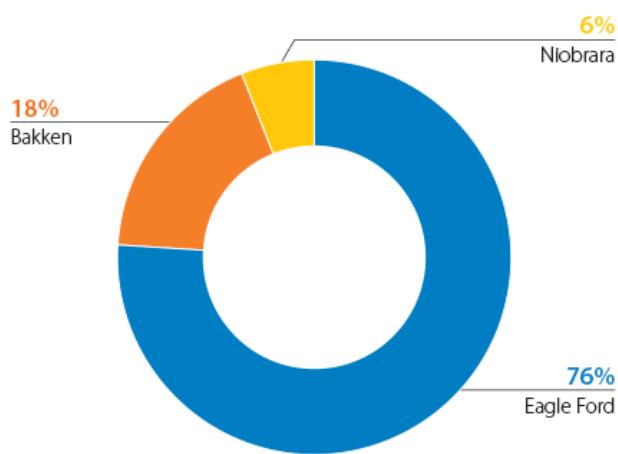


In the arid Delaware Basin of western Texas and southern New Mexico, we use non-fresh water for the majority of our drilling and hydraulic fracturing and have worked to improve our treatment and use of produced water through multiple pilot projects using recycled produced water since 2012. Our solution is a central water gathering and distribution system with a portable treatment system that can accept water from the drilling site, then return it for use in hydraulic fracturing. This infrastructure, tailored to the region, offers flexibility for water disposal or reuse, reducing our surface footprint as well as emissions, dust and road noise associated with truck transportation.

In the Eagle Ford region of southern Texas, less water is produced with the natural gas and oil, so we target deeper, more brackish water sources that are not used for municipal, domestic or agricultural purposes. We've conducted several pilot projects, including using non-freshwater sources, treated municipal wastewater and recycled produced water to hydraulically fracture our wells. We have also developed a [three-dimensional visualization tool](#), which provides a 3-D digital model of aquifers, water wells and natural gas and oil wells.

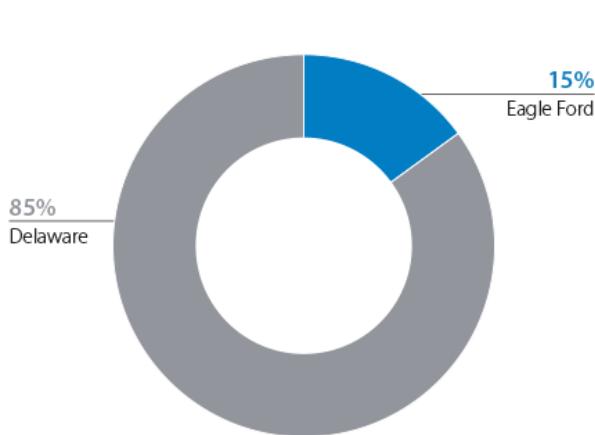
#### 2018 Lower 48 Freshwater Withdrawal\*

■ Eagle Ford ■ Bakken ■ Delaware ■ Niobrara



#### 2018 Lower 48 Non-freshwater Withdrawal\*

■ Eagle Ford ■ Bakken ■ Delaware ■ Niobrara



\*Basins not represented in the charts had no withdrawals.

# Verification & Assurance

Each of our business units is responsible for quantifying emissions and reporting the information to our corporate center for compilation and internal verification. Reporting to authorities and regulators is also the responsibility of business units.

The method of data collection at each individual source ranges from continuous emissions monitoring to emissions estimations. Estimating approaches meet applicable regulatory reporting requirements or industry guidance, as appropriate. The quality of estimating methodologies, measurements and calculations are audited on a routine schedule by our corporate HSE auditing team and periodically assessed by third parties.

We conduct independent third-party limited assurance for Scope 1, Scope 2 and Scope 3 emissions annually. Every three years, we also include assurance on energy use, flaring, criteria air pollutants, waste, liquid hydrocarbon spills, water and safety metrics. See our most recent [ERM CVS Assurance Statement](#).

[Read more](#) about our internal quality assurance and third-party verification.

# Reducing GHGs While Increasing Production

Oil sands reservoirs may experience “thief zones” — areas above or below the oil zones that “steal” energy and pressure. Thief zones result in a need for increased steam injection in order to maintain pressure and temperature within the reservoir during oil production, which increases greenhouse gas (GHG) emissions. An ongoing [pilot project](#) tested the effectiveness of co-injecting a non-condensable gas (NCG), such as methane, with steam to create an insulating blanket that potentially reduces thermal and pressure losses in the steam chamber.

“In SAGD (Steam-Assisted Gravity Drainage), the oil production process becomes less efficient as the reservoir becomes depleted. Since more steam is needed to fill the space vacated by the already-extracted resource, there is less direct contact between the steam and the bitumen. Additional energy is required to produce more steam, which increases GHG emissions and costs,” said project lead Julian Ortiz. “We hope that NCG co-injection provides a solution to this inefficiency.”

The concept of using NCG co-injection technology to reduce GHG emissions while reducing operating costs was first examined by our Canada Business Unit in 2017, and initial results were encouraging. We recently received \$2.5 million from [Emissions Reduction Alberta](#), a government organization that helps accelerate commercial development by co-funding innovative technology projects, to continue work using NCG co-injection technology on 12 additional [SAGD](#) well pairs. The funds will augment the company’s \$4 million thief zone management pilot at Surmont 2, a 50/50 joint venture with Total E&P Canada that is operated by ConocoPhillips. The goal is to validate the technology on a commercial scale by building on past work in NCG co-injection and expanding the application to the full lifecycle of a well. NCG co-injection at the proposed scale could reduce GHG emissions by up to 15% in reservoirs affected by thief zones and operating costs could be reduced by up to 20% at SAGD facilities where the technology is utilized.

Although still early in testing, the steam-to-oil ratio has been reduced by over 20% in the pilot area since NCG co-injection started April 2018.

“We have been working to develop and share technologies that will lower emissions and make the Canadian oil sands more competitive globally. If we can significantly reduce the amount of steam required, the impact on GHG emissions in Alberta will be massive,” Ortiz noted.

# External Collaboration

External engagement is important to be able to understand the issues and challenges relating to climate and the evolution of policy development.

Current actions include:

- Developing methane and shale development communications.
- Taking part in global legislation and regulation development.
- Engaging with stakeholders, including investors, on climate-related risks.



## External Perspective

We are members or sponsors of a number of external groups, which support our efforts to manage climate-related risks.

The [API GHG Group](#) addresses climate change issues affecting the U.S. oil and natural gas industry. The group oversees issues such as the development of the API Compendium methodology for estimating oil and gas industry greenhouse gas emissions and has recently taken part in the development of the overview of methodologies for estimating petroleum industry value chain greenhouse gas emissions. We are active in many API committees that can also involve or address climate-related issues, and we work to contribute our perspective in alignment with our positions and actions.

IPIECA established its [Climate Change Working Group](#) in 1988. Since then, the group has monitored the climate science and policy discussions, engaging with international governmental bodies and other stakeholders. It is not an advocacy body. It now also focuses on providing best practice guidance on GHG emissions monitoring, reporting and management to improve industry performance.

IPIECA participates in the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC), and provides IPIECA members with reliable and timely information about these and other international process dealing with climate change.

We are sponsors of the [MIT — Joint Program on the Science and Policy of Global Change](#) program which supports efforts to:

- Improve knowledge of interactions among human and natural Earth systems, with a focus on climate and energy, and of the forces that drive global change.
- Prepare quantitative analyses of global change risk and its social and environmental consequences.
- Provide independent assessments of potential responses to global risks, through emissions mitigation and anticipatory adaptation, contributing to improved understanding of these issues among other analysis groups, policymaking communities and the public.
- Augment the pool of people needed for work in this area by the education of graduate and undergraduate students in relevant disciplines of economic and Earth science analysis and methods of policy assessment.

An interdisciplinary team of natural scientists, social scientists and policy analysts supports this mission, with their efforts coordinated through the maintenance and application of a set of analytical frameworks that integrate the various components of global system change and potential policy response.

IHS Markit hosts forums where member companies can discuss global climate change and clean energy research and its implications for policy. They provide a wide range of research products to ensure that members are up to date with current developments around the world.

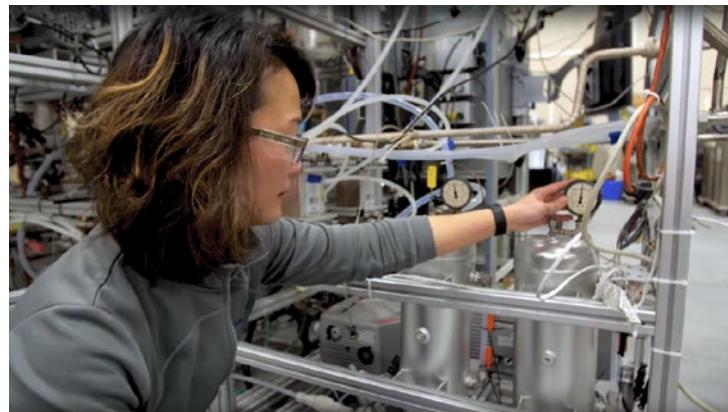
Additionally, we have worked with the following groups:

- International Oil and Gas Producers Association (IOGP)
- U.S. Business Council for Sustainable Development (USBCSD)
- Socially Responsible Investors (SRIs)
- Nongovernmental Organizations (NGOs)

We are a founding member of [Canada's Oil Sands Innovation Alliance \(COSIA\)](#), a group of oil sands producers focused on accelerating the pace of improvement in environmental performance in Canada's oil sands through collaborative action and innovation. COSIA member companies, led by ConocoPhillips Canada, partnered with NRG Energy, a leading integrated power company in the U.S., to establish a [Carbon XPRIZE](#) which challenges the world to reimagine what can be done with carbon dioxide (CO<sub>2</sub>) emissions by incentivizing and accelerating the development of technologies that convert CO<sub>2</sub> from fossil fuel combustion into valuable products.

# Carbon XPRIZE Finalists Announced

Ten teams from five countries were recently named finalists for the US\$20 million NRG COSIA Carbon XPRIZE competition. Seven of Canada's Oil Sands Innovation Alliance (COSIA) member companies, led by ConocoPhillips Canada, partnered with NRG Energy, a leading U.S. integrated power company, to back the global competition. The competition began in 2015 with 47 entries from seven countries. Winning teams will be announced in 2020.



The prize challenges the world to reimagine what can be done with carbon dioxide (CO<sub>2</sub>) emissions by incentivizing and accelerating the development of technologies that convert CO<sub>2</sub> from fossil fuel combustion into valuable products. Finalist teams range from entrepreneurs and start-ups to academic institutions and companies that have been tackling the carbon challenge for more than a decade. These teams are working on transforming carbon from emissions into things people will use, such as enhanced concrete, liquid fuels, plastics and carbon fiber.

"It's really exciting to be able to provide the opportunity for these teams to develop CO<sub>2</sub> conversion technologies in the lab, but more importantly in real world conditions to prove they can be deployed at power plants and other industrial facilities such as ours," said ConocoPhillips Canada Vice President for Development Khoa Dao.

The competition has two tracks: one focused on testing technologies at a coal-fired power plant and one at a natural gas-fired power plant. The 10 finalists have received equal shares of a U.S. \$5 million milestone prize to test their technologies at commercial scale under real-world conditions at the Integrated Test Center in Gillette, Wyoming for the coal track or at the Alberta Carbon Conversion Technology Centre in Calgary for the natural gas track.

Teams will be scored on how much CO<sub>2</sub> they convert and the net value of their products. Ultimately, each of the two winning teams in the natural gas and coal tracks will be awarded a U.S. \$7.5 million grand prize in the spring of 2020.

# Public Policy Engagement

We believe that over the months and years ahead, governments — federal, state/provincial and local — will continue to act on climate-related risks. To succeed in a low-carbon economy, we must play a constructive role in public policy dialogue to devise practical, equitable and cost-effective approaches to reduce greenhouse gas (GHG) emissions and address climate-related risks.



Our [Climate Change Position](#) outlines our principles of effective climate change policy. These principles continue to guide our engagement on climate change policy in the United States, Canada, Europe, Australia and other countries in which we operate. We work with [trade associations, industry peers and other key stakeholders](#) to develop and use best practices and in efforts to align the policymaking process with our positions and principles.

## Carbon Pricing Policy

We believe:

- The Paris Agreement and public opinion trends will yet lead governments around the world to regulate and price GHG emissions more stringently, and that our interests are best served by proactively engaging on climate-related policy.
- Climate-related policy action can support an orderly transition to a lower-carbon economy, facilitate the development of carbon capture, use and storage, and reduce the overall risks associated with climate change.
- A revenue-neutral carbon tax that is transparent, predictable and cost effective to administer would be an effective policy option.
- Any carbon pricing mechanism should result in some relief via the elimination of other laws and regulations aimed at reducing or controlling carbon and other GHG emissions.
- Any proposed tax should be revenue-neutral and used in such a way as to minimize economic impact.

We are a Founding Member of the [Climate Leadership Council](#) (CLC), an international policy institute founded in collaboration with business and environmental interests to develop a carbon dividend plan. Participation in the CLC provides another opportunity for ongoing dialogue about carbon pricing and framing the issues in alignment with our principles. We also belong to and fund Americans For Carbon Dividends (AFCD), the education and advocacy branch of the CLC.

Our decision to join CLC was based on the alignment of the Baker-Shultz Carbon Dividends Plan with our own carbon tax principles and the belief that an effective carbon pricing policy requires engagement from business and environmental stakeholders. The Baker-Shultz plan has four key pillars:

- A gradually increasing carbon fee (beginning at \$40/ton and increasing steadily over time).
- Carbon dividends for all Americans.
- Border carbon adjustments.
- Regulatory simplification.

We have been actively engaged in climate-related discussions with policy makers and stakeholders since our first global [climate change position](#) was published in 2003. Since then, we have developed [climate change action plans](#), set an [emission intensity target](#), integrated carbon restricted [scenarios](#) into our strategic planning process and published carbon tax principles.

## Global Principles for Country-Specific Carbon Tax Legislation

A well-designed carbon tax or other legislative proposal to fix and impose a price on carbon dioxide or other GHGs should meet the following principles:

- **Economy-wide** – Any carbon tax designed to fix and impose a price should apply as broadly across the economy as administratively practicable.
- **Non-discriminatory** – GHG emissions alone should form the basis of taxation. A carbon tax should not “pick winners and losers” among industries, emissions sources, or discriminate in providing subsidies to energy sources.
- **Uniform** – The carbon tax should apply to all GHG emissions at the same rate on a “units of carbon dioxide equivalent” basis using the [IPCC](#) standard 100-year global warming potential.
- **Transparent** – In order to most efficiently incentivize changes to consumer behavior, the carbon tax should be imposed at the point in the value chain which is as close as administratively practical to the point and timing of the emission. If a point is chosen further upstream, a system of credits or other mechanisms should be designed to eliminate (or prevent) taxation of emissions applicable to taxable products sequestered downstream of the point of taxation and to those used as feedstocks for the manufacture of products in which GHGs are stored.
- **Avoid double taxation** – Any federal carbon tax should preempt state, provincial and local carbon taxes and renewable production tax credits.

- **Provide regulatory relief** – The federal carbon tax should replace all environmental laws and regulations that are intended to reduce or control carbon and other GHG emissions.
- **Predictable** – The application of the tax and the tax rate may be adjustable when necessary, but such adjustments should be infrequent, and should be limited to those designed to achieve the broader environmental goal of the tax legislation.
- **Cost-effective administration** - Existing channels of tax collection and emissions reporting systems should be used if feasible. Where actual emissions cannot be measured, best efforts based upon sound science should be used as an estimate.
- **Globally competitive** – Any country-specific carbon tax rate should be set in accordance with existing taxation channels and emissions reporting systems and be adjusted to ensure global competitiveness. Depending on the point of taxation chosen, carbon tax legislation should include a border adjustment mechanism, or other attributes designed to mitigate competitive disadvantages to host country industry when competing in global markets.
- **Revenue recycling** - The tax should be revenue-neutral and used in such a way as to minimize economic impact.
- **Compliance flexibility** - Any federal carbon tax should include multiple options for compliance, including offset credits from a broad range of jurisdictions, cash payments, or flexible compliance frequency.

## Climate Change Policy — Our History

Our approach to public policy engagement on climate change has evolved. However, we remain consistent in our view that market-based solutions at national and global levels, rather than a patchwork of less effective regulatory approaches, are most likely to be effective in reducing GHG emissions.

Shortly after the merger of Conoco and Phillips Petroleum, in 2003, we published our first global climate change position. Since then, we have consistently used our Sustainability Report to detail our commitments, priorities and actions. We also first participated in the Carbon Disclosure Project (now CDP) questionnaire in 2003.

## Historical Engagement

In 2004, we described actions that we would be taking to address climate change, including:

- Assessing data.
- Developing objectives to reduce GHG emissions.
- Improving operational efficiency.
- Developing climate change considerations for project planning and approval processes.
- Engaging in discussions on climate change through the International Petroleum Industry Environmental Conservation Association (now IPIECA).
- Joining the International Emissions Trading Association (IETA).

In 2005, we began trading in the European Union ETS.

Through our membership in the [U.S. Climate Action Partnership \(USCAP\)](#) beginning in 2007, we actively participated in efforts to design an effective legislative approach.

In 2008, we adopted and published our first Climate Change Action Plan to systematically address climate change risk.

In June 2009, the American Clean Energy and Security Act of 2009 (HR2454) (Waxman-Markey) bill passed the House of Representatives. Although the USCAP Blueprint for Legislative Action was considered influential in the design of the legislation, [we had serious concerns](#) about some of the detailed elements in the bill. Following passage of the House bill, our focus turned to addressing issues of concern in the Senate version of the legislation. In order to intensify our company's focus and resources on addressing the key issues, including the important role that natural gas can play in reducing U.S. GHG emissions, [we announced in February 2010](#) that the company would not be renewing our membership in USCAP.

Through this more direct engagement, we were successful in helping to develop draft legislation that incorporated a more equitable approach to energy sectors while maintaining environmental effectiveness. We [issued a statement](#) regarding the draft legislation introduced in the Senate in May 2010.

Since 2010, we've continued to work toward approaches that are practical and effective, including active participation in the dialogue with trade associations like the American Petroleum Institute (API), industry partners and the government to advocate smart policy solutions.

## Recent Regulatory Engagement

Engaging with a broad range of stakeholders to collaborate on effective climate change policy and GHG emissions solutions is key to solving the climate change challenge.

In 2014, we publicly supported the Gas Capture Plan in North Dakota, now required, which took a pro-active approach to flare gas reduction. We entered into agreements with pipeline companies to ensure that required gathering infrastructure was available when needed in order to reduce emissions.

In 2016, we supported the U.S. Bureau of Land Management Onshore Order 1, electronic filings, as the proposed changes reduced work and errors and sped up response time for both industry and the Government.

In 2016, the U.S. Bureau of Land Management (BLM) proposed a series of Onshore Orders. After careful review, ConocoPhillips opposed Onshore Order 9, the proposed Venting and Flaring rule based on the conclusion that the BLM was overreaching their authority and the proposal created a duplication of federal authority with EPA. Our comments to the BLM included suggestions to remove many of the duplicative requirements. While we opposed many of the requirements in Onshore Order 9, we did suggest some changes to certain proposed requirements. For example, we agreed that the limits for royalty free flaring should be changed and gave recommendations for the limits.

In 2016, ConocoPhillips led an education seminar with the Colorado Oil & Gas Commission on corrosion, corrosion mitigation, and integrity management as part of our outreach to share good practices.

## Recent Legislative Engagement

In 2014, both the oil industry and environmental leaders in Alberta, Canada, realized they were at an impasse. Over the last decade, public dialogue on the oil sands, pipelines and climate change had descended into a polarized debate.

The provincial government was giving strong signals that they wanted help to achieve their climate change policy commitments. Industry and environmental organizations both realized that it was time to try something different, get out of the unproductive status quo and get moving on a provincial climate policy that recognized the importance of industry competitiveness. Common ground included wanting Alberta and Canada to have a strong economy, agreeing that climate change issues should be addressed and that they had to work together to find workable solutions. This included defining what leadership in climate change looked like for an oil producing economy. The groups were able to work together and agree on recommendations that the Alberta government decided to include in its new Climate Leadership Plan.

In addition to achieving progressive policy, the conflict and rhetoric regarding oil sands development has de-escalated. The policy creates the conditions for improved environmental performance, carbon competitiveness and economic success. It also strengthens the competitive position of Alberta's oil industry, and its capacity to create sustained wealth and jobs, by driving cleaner, lower cost performance. We hope through this policy and our actions, we can continue a constructive conversation about oil sands, industry and pipelines. The work in Canada illustrates that climate and energy policy can be coordinated to ensure a diverse and secure supply of affordable energy and promote government and private sector investment in energy research and development.

One element of the Climate Leadership Plan enacted by the government of Alberta is the Emissions Limit for oil sands. In 2016, through our progressive work with leading environmental groups in Canada, we secured a seat on the Oil Sands Advisory Group (OSAG), one of only seven industry seats. Designed to advise the government on the implementation of the limit and other oil sands environmental issues, the OSAG includes members from industry, environmental organizations, and indigenous and non-indigenous peoples. The primary focus of the group is to consider how to implement the 100 million tonnes of CO<sub>2</sub> equivalent per year GHG emissions limit for the oil sands industry.

By bringing our voice to the table, we are constructively influencing the implementation of the emissions limit and environmental requirements for the oil sands industry. Ultimately, the policy creates the conditions for improved environmental performance, carbon competitiveness and economic success. It also strengthens the competitive position of Alberta's oil industry, and its capacity to create sustained economic development and jobs, by driving cleaner, lower cost performance.

## Paris Agreement on Climate Change

At the COP-21 meeting in Paris in 2015 almost 200 countries agreed on a new global emission reduction framework starting in 2020. In 2017, President Trump announced that the U.S. would withdraw from the agreement. Prior to this announcement, we took actions to advocate for the U.S. to stay in the agreement. ConocoPhillips Chairman and CEO Ryan Lance publicly expressed his view that it was good for the U.S. to remain in the agreement. During meetings with White House energy advisors on the National Economic Council and National Security Council staff, ConocoPhillips Government Affairs and Executive Leadership Team members advocated that the U.S. should continue to participate in the agreement because:

- It gives the U.S. the opportunity to participate in future climate policy discussions to safeguard its economic and environmental best interests as the Paris Agreement is being implemented globally.
- It provides an opportunity for the U.S. to encourage other nations to incorporate technology development as a means of lowering emissions from fossil fuels into their commitments under the agreement.
- Switching to natural gas power is already occurring in the U.S., driving economic development and GHG reductions.
- Withdrawing from the agreement could energize political action by domestic opponents of U.S. energy development.

We will continue to work to address climate change concerns by supporting effective, fit-for-purpose solutions that link to binding international agreements. We will also work to reduce emissions associated with our operations while ensuring the continued supply of affordable, reliable energy necessary for economic growth.

# Climate Change Position

ConocoPhillips recognizes that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gases (GHG) in the atmosphere that can lead to adverse changes in global climate.

## Our Focus

While uncertainties remain, we continue to manage greenhouse gas emissions in our operations and to integrate climate change related activities and goals into our business planning. Our corporate action plan focuses on the following areas:

- Understanding our GHG footprint
- Reducing our GHG emissions
- Evaluating climate change related risks
- Leveraging technology innovation to explore new business opportunities
- Engaging externally in support of practical, sustainable climate change solutions
- Reviewing progress and updating business unit climate change management plans

Our approach to climate change is designed to advance the company's vision to be the exploration and production company of choice for all stakeholders by pioneering a new standard of excellence.

## Climate Change Public Policy

We believe that effective climate change policy must be aligned with the following principles:

- Recognize that climate change is a global issue which requires global solutions — economy-wide governmental GHG management frameworks should be linked to binding international agreements comprising the major GHG contributors
- Result in the stabilization of global GHG atmospheric concentrations at safe levels
- Coordinate with energy policy to ensure a diverse and secure supply of affordable energy
- Utilize market-based mechanisms rather than technology mandates
- Create a level competitive playing field among energy sources and between countries
- Avoid overlapping or duplicating existing energy and climate change programs
- Provide long-term certainty for investment decisions

- Promote government and private sector investment in energy research and development
- Match the pace at which new technology can be developed and deployed
- Encourage efficient use of energy
- Foster resiliency to the impacts of a changing climate
- Avoid undue harm to the economy

Building balanced energy policies is challenging, and we recognize that no one has all the answers. As economies around the world continue to develop, fossil fuels will play an important role in meeting the growing global demand for energy. Meeting the challenge of taking action on climate change while providing adequate, affordable supplies of reliable energy will require financial investments, skilled people, technical innovation and responsible stewardship from policy makers, energy producers and consumers. We are committed to doing our part.

# Water

We manage water-related risks and mitigate potential impacts to water resources, taking into account the unique social, economic and environmental conditions of each basin or offshore marine area.

## IN THIS SECTION



### Assessing Risks

Assessing water risks is part of our risk management process.

[LEARN MORE](#)



### Risk Register & Action Plan

Addressing priority risks.

[LEARN MORE](#)



### Water Management

Water use depends on unique local conditions.

[LEARN MORE](#)



### Integrating Technology

Finding innovative solutions.

[LEARN MORE](#)



### External Collaboration

Gaining external perspectives.

[LEARN MORE](#)

# Assessing Risks

As part of our sustainable development (SD) risk management process, exploration, production and major project activities are assessed for water risks including:

- Local availability of water needed for drilling, enhanced oil recovery (EOR), hydraulic fracturing, steam generation, terminals, liquefied natural gas (LNG) production and decommissioning.
- Transport and storage of source water and produced water.
- Produced water treatment requirements.
- Water quality of discharged produced water and process water.
- Produced water disposal.



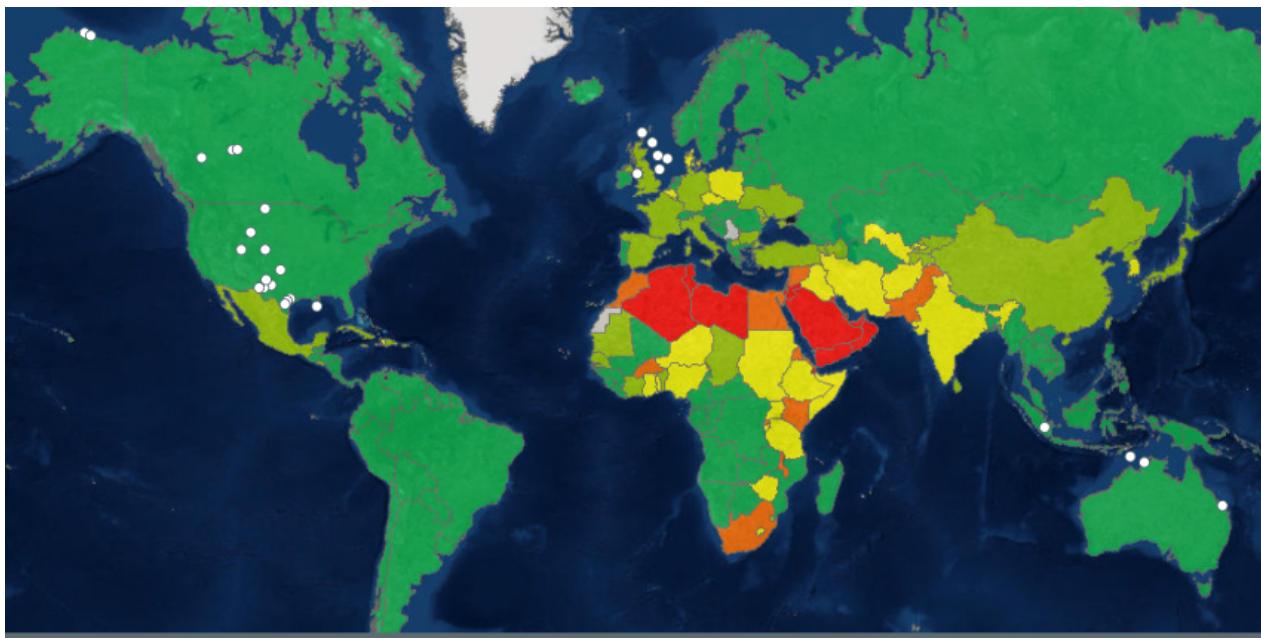
Water risks for operated assets are assessed at the business unit or development-area level and plotted on a risk matrix. Time horizons considered are short-term (zero to five years), mid-term (five to 10 years) and long-term (10-25 years). Priority risks that could affect business activities and performance for our operated assets, as determined by likelihood and consequence on the matrix, are included in the corporate SD Risk Register.

The corporate Water Action Plan tracks mitigation activities for risks included in the risk register and provides information on the accountable action owner, milestones and target completion date.

Our governance structure provides board and management oversight of our risk processes and mitigation plans. We utilize an integrated management system approach to identify, assess, characterize and manage water risks. Descriptions of priority water risks and mitigation measures are provided to the executive leadership champion for water. They are also mapped to key categories in the enterprise risk management (ERM) process and shared with ERM risk owners to inform their assessments of risk ranking, corporate actions and mitigations. The ERM process is a direct input into our strategic business planning process. By identifying major crosscutting risks and trends, we closely link action plan efforts to key performance issues and address and mitigate identified risks. The ERM system and mitigation actions are reviewed regularly by executive leadership and the board of directors.

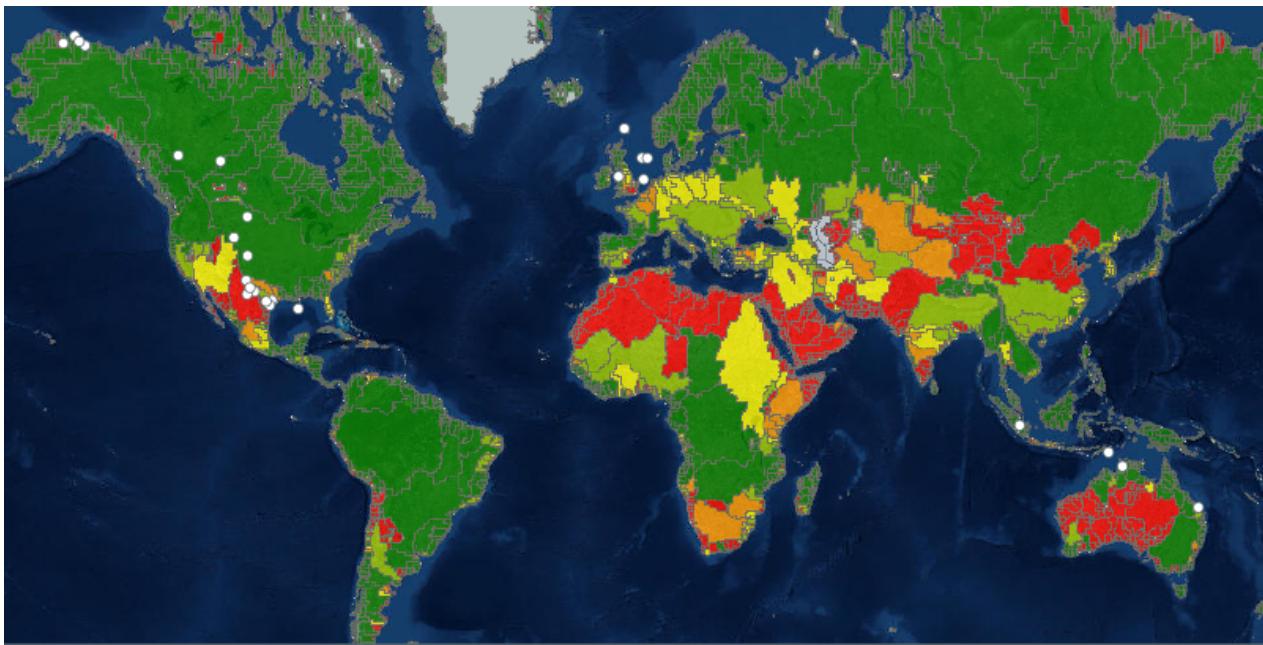
# Water Stress and Scarcity

Fresh water is a limited resource in regions experiencing water scarcity, and local availability may be affected by physical climate-related risks as some regions experience changes in temperature and precipitation patterns. The United Nations projects that by 2050 at least one in four people is likely to live in a country affected by chronic or recurring shortages of freshwater. When evaluating access to water, we complete an enterprise-wide review of projected renewable water resources using the IPIECA Global Water Tool for Oil and Gas (IPIECA GWT).



Our mapping shows that the projected 2025 water resources for all countries where we have assets is sufficient (1,700-4,000 cubic meters per person per year) or abundant (more than 4,000 cubic meters per person per year).

We further evaluate risks based on water scarcity or stress where our assets are located. This includes plotting the locations of our operated assets on the IPIECA map of 2025 water resources by watershed.



## IPIECA Global Water Tool Output: Water Resources by Watershed

Projected annual renewable water availability per person (2025)



Our Permian Basin and Eagle Ford assets in the U.S. are in watersheds experiencing or predicted to experience water stress or scarcity.

We use the World Resources Institute Aqueduct Water Risk Atlas (WRI Aqueduct Tool) to assess exposure to baseline water stress. Our Eagle Ford, Niobrara and Anadarko assets are in basins with projected high or extremely high baseline water stress. In 2018, 3.3% of our total freshwater withdrawn was from surface water sources in Eagle Ford and Niobrara.

To mitigate water scarcity in the Permian Basin, we use mostly non-fresh water sources, and we are ramping up the use of recycled produced water for hydraulic fracturing in the China Draw development area of the Delaware Basin. We only use reused produced water for enhanced oil recovery (EOR) at our conventional Permian assets.

To mitigate water scarcity or baseline water stress risks in the Eagle Ford, we target deeper or more-brackish groundwater sources. We have a groundwater resource visualization tool, which provides a 3-D image of aquifers, water wells and natural gas and oil reservoirs. We use the tool to show stakeholders that we target water sources, which are not used by local landowners. In 2018, less than 5% of the total water withdrawn in the Eagle Ford was from surface water sources.

We had no drilling and hydraulic fracturing activity in Anadarko in 2018 and no freshwater was used. Water for use in Niobrara operations is primarily provided from third-party ground-water wells.

# Risk Register & Action Plan

The 2018 Risk Register includes three broad categories for water: secure access to source water supply, produced water management and induced seismicity. Mitigation actions can range from routine to one or multiyear specific projects to long-term programs. Risks included in the register are generally applicable to specific business units or regions but can apply to several business units or globally.

Risks	2018 Mitigation Actions
<b>Secure Source of Water Supply</b>	
	<ul style="list-style-type: none"><li>• Conduct options analysis to address projected water resource shortage for development projects.</li><li>• Construct central facilities and install pipeline infrastructure to enable produced water recycling.</li><li>• Update project life-cycle water strategies.</li><li>• Engage with local communities to support water infrastructure development.</li></ul>
<b>Produced Water Management</b>	
	<ul style="list-style-type: none"><li>• Update project life-cycle produced water disposal strategy.</li><li>• Environmental monitoring of produced water discharges.</li><li>• Develop toxicity testing baseline for produced water discharges.</li><li>• Demonstrate 'as low as reasonably practicable' (ALARP) discharge concentrations.</li></ul>
<b>Induced Seismicity</b>	
	<ul style="list-style-type: none"><li>• Develop subsurface containment model for disposal wells.</li><li>• Link risk-based Global Induced Seismicity Guideline to corporate standards.</li><li>• Conduct internal monitoring of local seismicity and use data for disposal well placement risk assessments.</li><li>• Design for flexibility in disposal well options.</li></ul>

Water-related risks and action plans are regularly reviewed by the Water Issues Working Group with the objective of sharing water risk learnings across the company. Emerging risks and challenges and other business unit priorities and regulatory requirements are also discussed. The group's members are onshore and offshore water subject matter experts, advisers, team leads and managers representing our global exploration and production portfolio.

Water risks, regulatory requirements and business unit priorities are managed at the business unit level, enabling tailored, region-specific business goals to address unique challenges and opportunities.

# Water Management Priorities

Water use depends on the local social, economic and environmental conditions. Almost 90% of the water we use is non-fresh groundwater, seawater and reused/recycled produced water.



## Water Use

Our annual water use.

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## Onshore Operations

Water management at our onshore operations.

[LEARN MORE](#)



## Offshore Operations

Water management at our offshore operations.

[LEARN MORE](#)

# Water Use

Water management priorities are evolving globally in response to risks from local water scarcity and regulatory and social risks from changing priorities and expectations of governments, investors and society. Although access to water and water scarcity is an issue of global importance, water management priorities, water risks and their mitigation solutions are typically distinct at the local or regional level. Local water risks and management priorities are governed by two factors:

- The combination of social, regulatory, economic and environmental conditions, which are unique to every basin or offshore marine area.
- The type of operation – whether we explore for or produce crude oil, bitumen, natural gas, natural gas liquids or liquefied natural gas – and whether we operate an unconventional reservoir or within a conventional field onshore or offshore.

Each business unit and major project identifies water risks associated with operations, focusing on sustained access to source water and produced water disposal for onshore assets and produced water discharge or disposal for offshore assets. Metrics related to sourcing, use and disposal or discharge of water are a key step to managing risk and understanding and improving performance.



*Water samples collected at various stages of the process.*

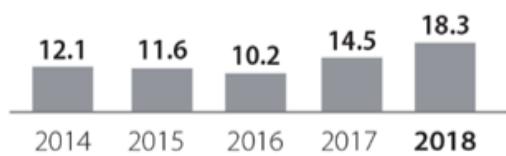
## Total Water Used



In 2018, ConocoPhillips-operated assets withdrew 18.3 million cubic meters of fresh water, an increase of approximately 3.8 million cubic meters, or 26%. This was primarily due to increased water use for hydraulic fracturing and longer laterals in our Lower 48 unconventional operations.

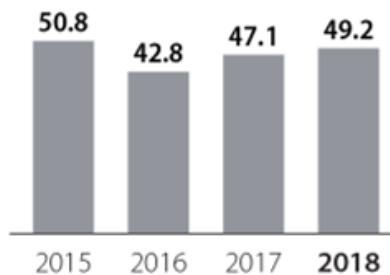
### Freshwater withdrawn

■ Million Cubic Meters



### Non-Fresh water withdrawn

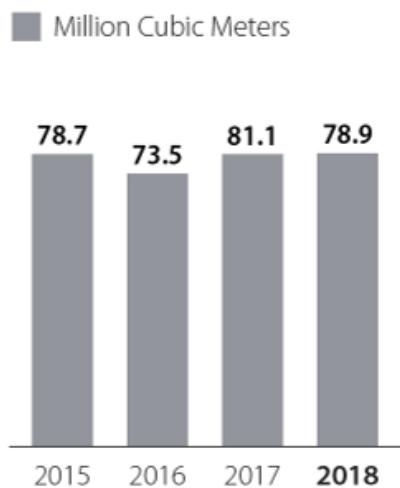
■ Million Cubic Meters



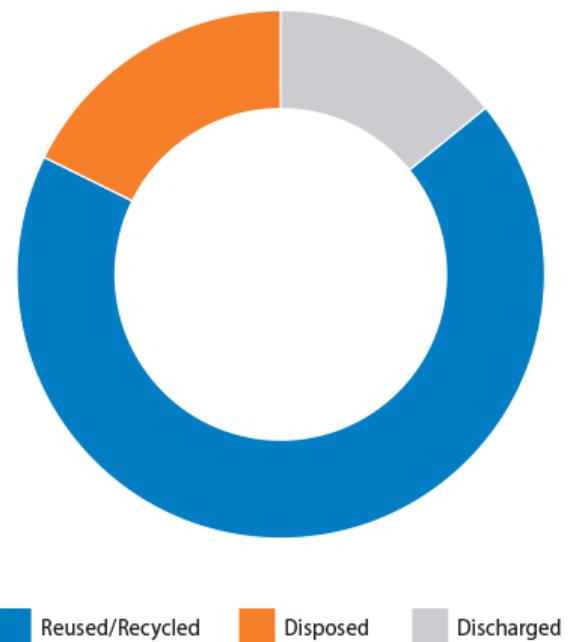
Our 2018 non-freshwater withdrawal volume was 49.2 million cubic meters, an increase of 2.1 million cubic meters, or 4%. This increase was due to increased sea water injection for enhanced oil recovery in Norway, partly offset by reductions in Alaska.

We recycled or reused over 78.9 million cubic meters of produced water in 2018, a decrease of 2.2 million cubic meters or 3%. Increased produced water recycling for steam injection at Surmont was more than offset by reduced produced water volumes reuse for enhanced oil recovery by Lower 48 and Alaska operations. The total volume of water recycled and reused as a percentage of the total water used is 54%.

## Produced water recycle/reuse



## Total Produced Water Managed

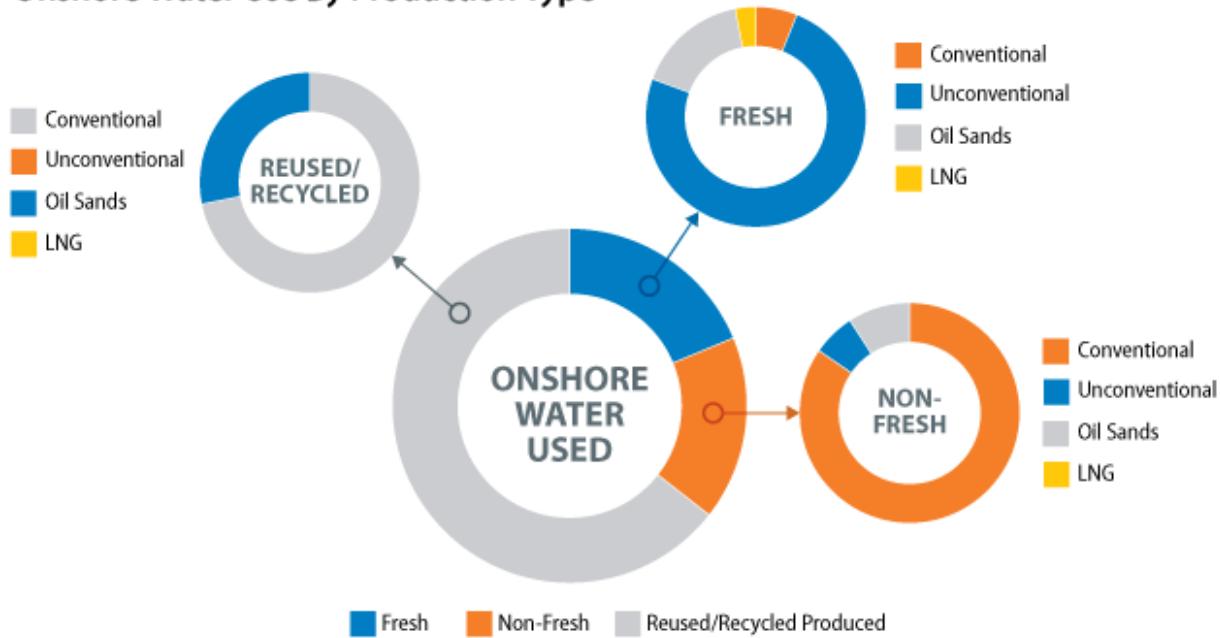


Freshwater is typically defined by regulatory agencies based on the amount of dissolved salts, also referred to as total dissolved solids (TDS). In jurisdictions with operated assets, the definition of freshwater ranges from water with less than 1,000 to less than 4,000 milligrams per liter TDS. Non-freshwater is water with a higher salt content and includes brackish/saline groundwater with TDS concentrations typically between 2,000 to more than 10,000 milligrams per liter TDS and seawater with about 35,000 milligrams per liter TDS. Produced water is recovered together with natural gas or oil from the producing formation, with TDS concentrations ranging from less than 10,000 to more than 300,000 milligrams per liter.

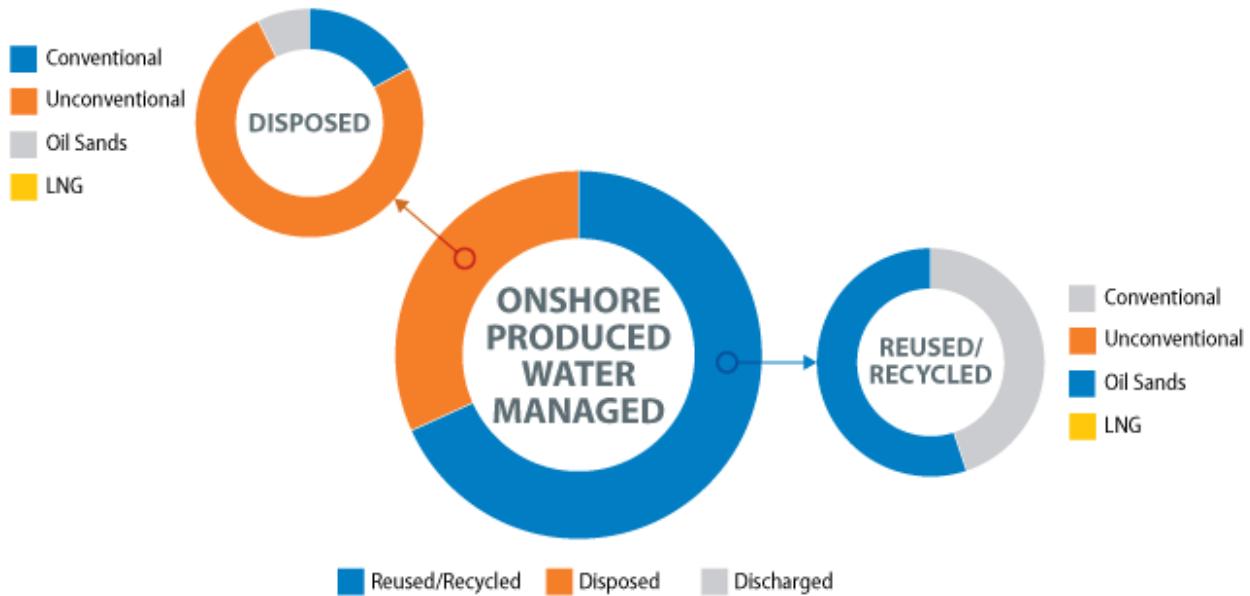
# Onshore Operations

Our onshore operations use fresh, non-fresh and reused/recycled produced water for drilling, enhanced oil recovery (EOR), hydraulic fracturing, steam generation for steam-assisted gravity drainage (SAGD) oil sands production, natural gas and oil terminals and LNG production. Produced water that is not reused/recycled is injected into regulated disposal wells.

## Onshore Water Use By Production Type



## Onshore Produced Water Managed



Our onshore water management priorities are specific to each basin and depend on the type of operation (production of crude oil, bitumen, natural gas, natural gas liquids or liquefied natural gas) and whether we operate in an unconventional reservoir or within a conventional field.

# Conventional

Our diverse conventional asset portfolio includes Alaska's Kuparuk and Alpine fields, the Permian Basin in the U.S. and fields in Indonesia's South Sumatra province.

## Alaska

Water management for our Alaska operations is unique as most of our freshwater use is not directly for natural gas and oil production, but primarily to build seasonal ice roads and pads for exploration and overland resupply. The water is sourced locally from surface water bodies in accordance with regulatory permits and authorizations and returned to the environment every spring as meltwater.

In 2018, we used 0.74 million cubic meters of freshwater to support drilling operations and domestic uses in residence camps. To produce natural gas and oil, our Alaska assets rely on non-freshwater, specifically seawater, and reused produced water. In 2018, Alpine and Kuparuk used 13.8 million cubic meters of seawater and reused 38.6 million cubic meters of produced water for EOR. Over 99.9% of produced water recovered is reused and the remainder is disposed in injection wells. None is discharged to the surface environment.

## U.S. Lower 48

For our conventional assets in the Permian Basin, the water management focus is on reusing recovered produced water for EOR. In 2018, we used 1.1 million cubic meters of non-freshwater; no freshwater was used. About 18 million cubic meters of produced water, approximately 85% of the total volume recovered, were reused for EOR. The remainder was injected into disposal wells.

## Indonesia

In Indonesia, we use freshwater from groundwater as well as surface water sources for operations in South Sumatra. Our water management priority is the permitting processes for water sourcing and produced water disposal. Recovered produced water is injected back into the formation via dedicated disposal wells. Routine monitoring programs assess the water quality of surface runoff from rain events and of treated waste water discharged to the environment. In 2018, we used 0.2 million cubic meters of freshwater and disposed 0.6 million cubic meters of produced water.

## LNG Facilities

Water management priorities for our Australia-Pacific LNG (APLNG) and Darwin LNG (DLNG) facilities in Australia focus on the quality of water discharged to municipal water treatment systems or directed to the receiving environment. This includes water used in the LNG process and runoff from rain events that is discharged to surface

water or used for irrigation. Routine monitoring programs are in place to assess water quality prior to discharge to municipal systems, at each stormwater discharge point, and inside and outside the discharge mixing zone in the receiving environment.

In 2018, APLNG and DLNG used 0.5 million cubic meters of freshwater for LNG production and discharged 0.07 million cubic meters of freshwater, excluding surface runoff, to the environment. APLNG also discharged 0.04 million cubic meters to municipal sewers.

## Oil Sands

Water management priorities for our Surmont oil sands operations in Alberta, Canada, include produced water recycling and reducing freshwater use intensity. In 2018, Surmont used 2.7 million cubic meters of freshwater from low-quality groundwater sources, 1.6 million cubic meters of non-freshwater from brackish groundwater sources and 22.2 million cubic meters of recycled produced water to generate steam for oil sands production. Approximately 94% of the produced water recovered was recycled in 2018. The remaining 6% was disposed by deep-well injection.

As a founding member of COSIA we are committed to the in-situ oil sands [performance goal](#) to reduce freshwater use intensity by 50%, from a 2005 baseline, by 2022.

## Unconventional

Our unconventional assets include Eagle Ford, Delaware, Bakken and Niobrara in the U.S. and Montney in Canada.

The techniques and technologies used to hydraulically fracture horizontal wells have evolved considerably over the last few years, leading to significant increases in natural gas and oil production per well. This has also increased water use, which can now range from approximately 100,000 to 650,000 barrels (16,000 to 100,000 cubic meters) per well. Water management priorities for our unconventional assets include optimization of water use for hydraulic fracturing and increasing the percentage of water transported in pipelines.

In 2018, unconventional assets withdrew about 12.3 million cubic meters of freshwater, 1.1 million cubic meters of non-freshwater and recovered 32.3 million cubic meters of produced water. Produced water that is not recycled or reused is disposed by well injection in regulated saltwater disposal wells (SWD).

## Canada

For some assets produced water recycling has been identified as the best option, both economically and environmentally, for future full-cycle water management. In Montney, we are [developing a closed loop water hub](#) to effectively manage water use and support our goal of recycling 80% of produced water in the basin. The water hub will treat and store produced water for reuse in completions and significantly reduce the amount of fresh water required for the development. The hub is expected to be completed in 2019.

## U.S. Lower 48

In the China Draw area of the Delaware Basin, we completed the installation of a centralized water gathering and distribution system in 2018. The system includes a water treatment facility, a total of 1.5 MM barrel capacity storage for treated produced water in two ponds and pipeline infrastructure to transfer produced water from producing wells to the treatment facility and then return it after treatment to frack new wells. The project will reduce the amount of water withdrawn from local, mostly non-freshwater sources, the amount of produced water going to disposal wells and truck traffic to move that water. We have a target to use 100% recycled produced water for hydraulic fracturing in the China Draw development area by 2020.



### Water Recycling in the Delaware Basin

3:18 PLAY TIME



For other assets, full-scale produced water recycling options are limited by a number of factors:

- Available supply and chemistry/treatability of produced water
- Produced water disposal options
- Local water availability
- Logistics
- Economics
- Regulations

The majority of water required for completions is transported using temporary, lay-flat pipelines and in-ground pipelines, rather than trucks. We have also continued to increase the percentage of produced water transported by pipeline rather than trucks. In the Delaware and Montney basins, all produced water is transported by pipeline. In the Bakken, most of the produced water is now transported via pipeline. The new Eagle Ford central gathering and distribution pipeline system for new wells in DeWitt County is expected to be completed by year-end 2019, facilitating produced water transfer via pipeline.

# Protecting Local Water Resources

Protection of local groundwater resources is important during every stage of development and production. Our Global Onshore Well Management Principles incorporate established industry best practices and internal standards. These principles demand diligent focus on every activity, from community consultation about exploration to final site restoration, and provide direction on design, construction, fluid management and monitoring during drilling and hydraulic fracturing. Our principles, together with our Onshore Well Integrity practices, guide how we protect and respect people and the environment as we focus on:

- Safeguarding workers and communities.
- Minimizing risks of leaks and spills.
- Protecting groundwater and surface water.

To protect groundwater, we adhere to safe water management practices as outlined in our Guideline for Groundwater Baseline Assessment and Monitoring, which includes guidance on when and how baseline sampling should be conducted. Our risk-based approach provides the appropriate level of assessment, analysis and monitoring using scientifically sound methods. While many areas of our operations already conduct state-regulated or voluntary baseline groundwater assessments, the guideline defines how this practice should be applied in areas not already covered. Baseline testing helps assess groundwater quality and protects the interests of stakeholders when conducted properly.

## Induced Seismicity

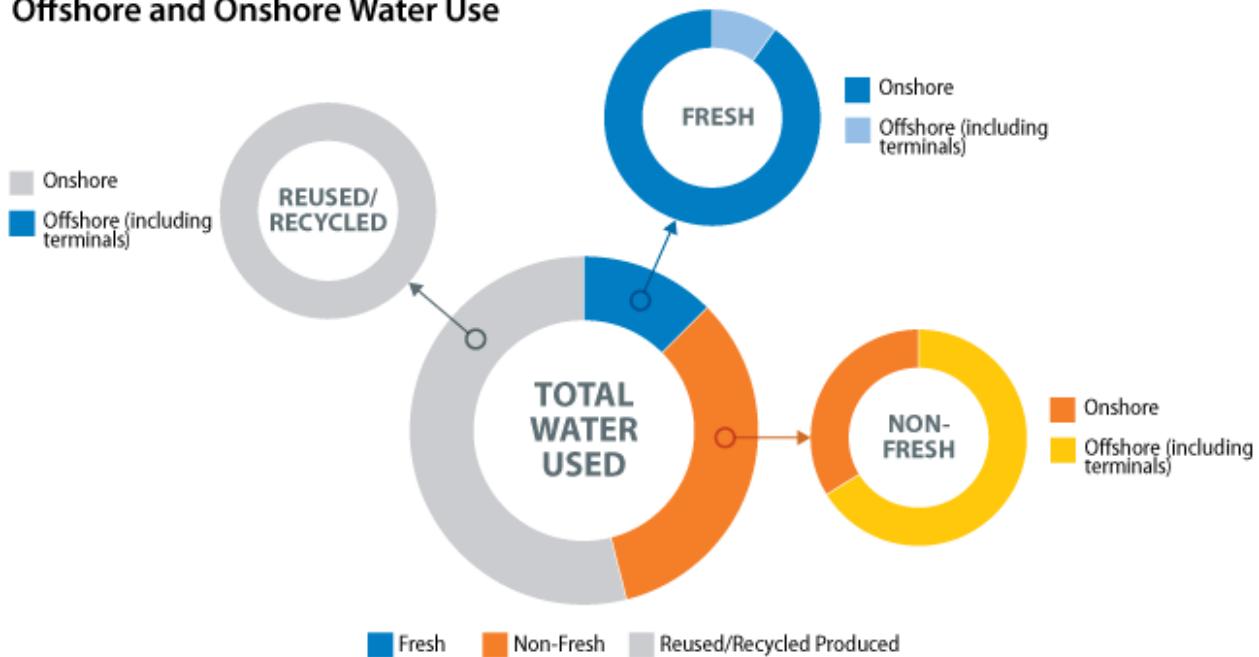
Our risk-based Global Induced Seismicity Guideline is linked to established standards to better manage risks related to the planning and operation of our new injection wells and for screening third-party injection operations if circumstances warrant. The guideline helps characterize seismicity risks by assessing historical seismicity, identifying geological faults of concern, assessing actual or proposed injection operating conditions, and considering proximity to people and population centers. It also provides possible monitoring, management and response planning options if the assessed risk is elevated. We also monitor seismic activity close to operations prior to drilling to identify potential seismicity risks using data and information from the U.S. Geological Survey, for U.S. Lower 48 plays and the British Columbia Oil & Gas Commission for Montney.

We work with the state of Texas and peer companies to provide both funding and technical expertise to deploy and manage seismic monitoring equipment which can help provide proactive responses to address earthquake-related risks. [TexNet](#) is a system of earthquake sensors placed in the ground at dozens of locations across the state of Texas, coupled with a dynamic mapping tool that offers information on the detection location, timing and magnitude of recorded earthquakes. By analyzing data from the monitoring network and placing it into a geologic context, TexNet provides an independent, comprehensive investigative approach to help monitor earthquakes. Access to data from this network greatly improves our knowledge about earthquake risks and assists operational decision-making. The data is also publicly available. We utilized the database for the induced seismicity risk assessment on the SWD wells associated with our Mockingbird central gathering and processing facility in the Delaware Basin.

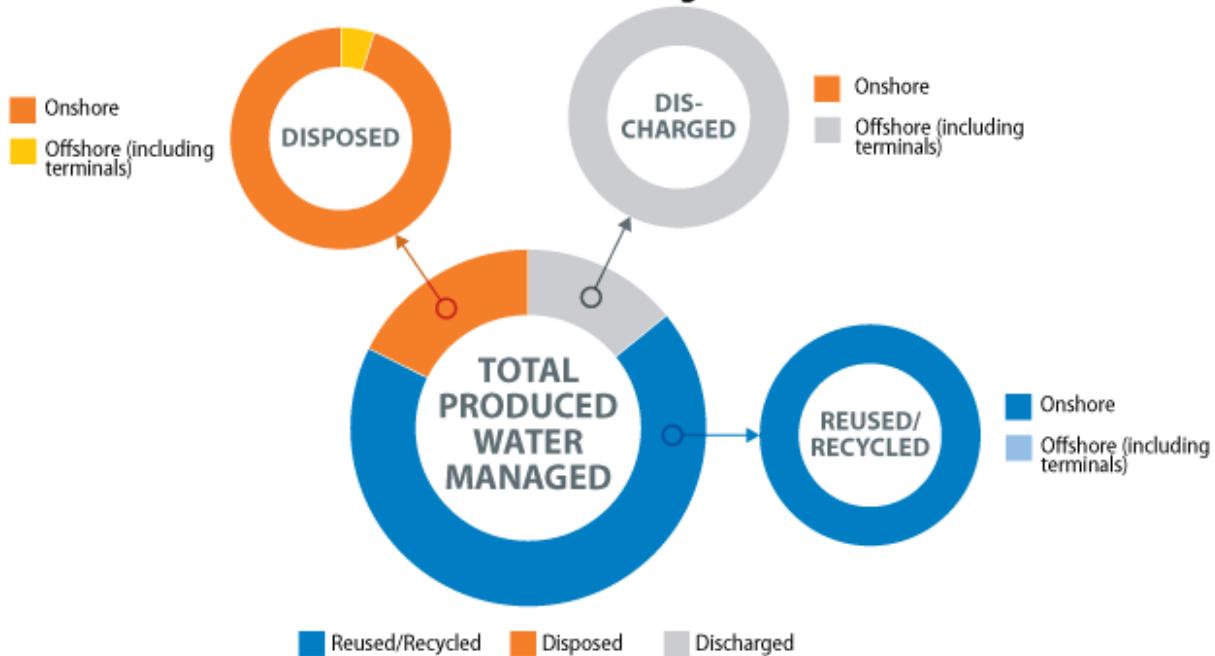
# Offshore Operations

Our offshore operations use non-freshwater – specifically seawater – for drilling, enhanced oil recovery (EOR) and decommissioning. Recovered produced water is injected into regulated disposal wells or treated and discharged according to local regulations.

## Offshore and Onshore Water Use



## Offshore and Onshore Produced Water Management



Water management priorities for our offshore operations are treatment and water quality of discharged produced water. No freshwater is used in our Bayu-Undan, Norway and U.K. offshore operations. Freshwater is used at the Teesside and Theddlethorpe terminals, which receive natural gas, oil or natural gas liquids (NGL) from several Norway and U.K. offshore fields. Norway is our largest user of non-fresh water (seawater) for drilling and for EOR.

In the Bayu Undan field, produced water is injected for disposal or treated and discharged. Our Norway and U.K. operations treat produced water prior to discharge from offshore platforms in accordance with local regulations. During the decommissioning of Viking and LOGGS facility infrastructure in the U.K., hydrocarbon residue was flushed from pipelines and process vessels were cleaned primarily using seawater.

Our Norway operations have a 2019 performance goal for oil in water concentration in produced water discharges of less than 10 mg/L, about three times lower than the regulatory limit of 30 mg/L. Potential impacts from produced water being discharged into the sea have been studied for more than 20 years, including in situ water column monitoring. Based on current knowledge, the environmental risk of discharging produced water is very low.)

In 2018, our offshore operations used 32.5 million cubic meters of seawater, disposed 1 million cubic meters of produced water and discharged 17.5 million cubic meters of treated produced water.

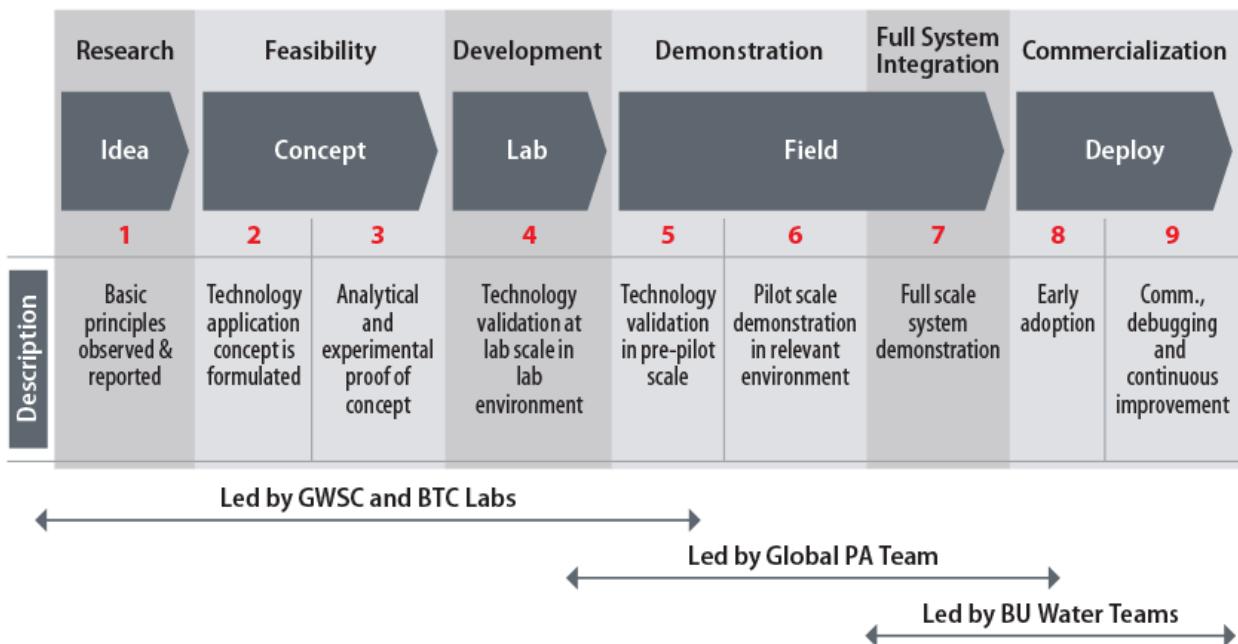
# Integrating Technology

Natural gas and oil production require water. We rely on finding innovative solutions through technology applications to reduce business risks and address local community concerns around water resources, treatment and management of produced water.

Offshore, we treat produced water to remove dispersed oil prior to discharge, we disinfect seawater used for enhanced oil recovery (EOR) and we remove dissolved solids in water to avoid the buildup of scale. Onshore, we treat produced water or process water to remove certain organics, dissolved solids and dissolved gases like H<sub>2</sub>S to avoid the buildup of scale and to enable storage, recycling, discharge or disposal. Innovative water technologies can optimize processes, reduce costs, improve efficiency and reduce potential impact on the environment.

New water technology must be customized and tested by our engineers to ensure it is effective for local water and reservoir conditions. Whether a technology is capable or fit for deployment is expressed as the technology readiness level (TRL). We use nine TRLs, ranging from TRL 1 (paper studies of basic properties) to TRL 9 (multiple production units integrated into operations).

## Technology Readiness Level



Our Bartlesville Technology Center (BTC) and Global Water Sustainability Center (GWSC) collaborate on research and feasibility studies to develop new game-changing technologies, but most water technology programs focus on evaluating and customizing available commercial technologies through lab and field tests. This process was highlighted as we worked to implement a large-scale recycle project in the China Draw area of the Delaware Basin that would reduce both the amount of water withdrawn from local, mostly non-fresh sources used for hydraulic fracturing and the amount of produced water requiring disposal by deep well injection.

Work during the early technology development stage was led by our global Production Assurance (PA) experts in Houston with support from BTC in collaboration with external technology partners. PA is an integrated multidisciplinary engineering- and laboratory-based team that works closely with the GWSC, our global wells group, and other technical functions. The team provides water management services including treatment expertise, scale inhibition, corrosion and biological control, sand management, fluid characterization and flow modeling. The BTC provides scientific, analytical and technical water treatment support, including lab experiments, pilot tests, fluid sampling and demonstration test support that evaluates new technologies or qualifies available commercial technologies for produced water treatment and recycling for hydraulic fracturing.

## Innovation at China Draw

The development stage of the produced water recycle project at China Draw started with bench-scale laboratory testing in a simulated environment using produced water samples from operating assets and focused on developing a fit-for-purpose treatment approach for reuse during hydraulic fracturing. Once the concept was developed and validated in the lab, the PA team collaborated with asset water experts, operations teams and the engineering contractor to design and conduct a pilot-scale field test. As part of this pilot test, the design limits of the technology and compatibility of actual treated produced water with fracking additives were evaluated. The next step after the successful pilot test was a demonstration-scale field test during which multiple wells were fracked using treated produced water and the results compared to wells completed without produced water. The results confirmed that the produced water from China Draw wells is suitable for commercial-scale recycling. The entire process from lab and pilot testing, planning, infrastructure installation to full-field operation took several years as this was one of the first type of produced water recycle application in the industry. Produced water recycling at China Draw not only reduces the amount of water we need to withdraw from local water sources, but also reduces water operating costs, translating into significant project savings. Watch [Managing Water at China Draw](#).

# Global Water Sustainability Center

Our **GWSC** in Qatar develops innovative solutions for water management from natural gas and oil operations. Programs focus on providing specialized technical engineering and analytical support to our global operations and Qatargas, conducting applied research to qualify advanced technologies for operations, and organizing outreach activities related to water sustainability. The GWSC manages our Water Solutions Technology Toolbox, an internal technology-sharing website capturing the latest water treatment experience from full-scale operations, field trials and bench tests.

Examples of 2018 technical projects include:

- Specialized flow assurance support to Qatargas in both LNG and refinery operations.
- Evaluating osmotic concentration, an advanced low-energy, low-cost technology for produced water volume reduction.
- Developing analytical methods for monitoring corrosion inhibitor residual concentrations in North Sea operations.

The GWSC also features a visitor center where students and teachers experience hands-on displays promoting the value of water and conservation. The center promotes water sustainability within Qatar with a variety of local outreach initiatives including a sustainability video competition for students, a debate and discussion forum and various collaborative programs with Kahramaa, the Qatar water and electricity utility.

# External Collaboration

Engaging externally on water risks and opportunities means:

- Engaging in collaboration, best practices development and benchmarking with industry organizations both on the regional/local and the global level.
- Collaborating with local and regional community and industry groups.
- Supporting research and educational initiatives.

We collaborate and engage with [IPIECA](#), the global oil and gas industry association for environmental and social issues. The [IPIECA Water Working Group](#) focuses on developing guidance for freshwater management, promoting greater consistency in identification of water risks, sharing good practices and promoting consistent reporting.

Additionally, we participate in local and regional community and industry groups related to addressing local water risks, including:

- U.S. Lower 48: [South Texas Energy and Economic Roundtable Water Sustainability Committee](#) and the [Energy Water Initiative](#).
- Canada: [Canada's Oil Sands Innovation Alliance \(COSIA\)](#), [Canadian Association of Petroleum Producers \(CAPP\)](#), [Petroleum Technology Alliance Canada \(PTAC\)](#) and the Northeast British Columbia (Canada) Montney Operators Group.
- Australia: [Gas Industry Social & Environmental Research Alliance](#), [Gladstone Healthy Harbour Partnership](#), Port Curtis Integrated Monitoring Program, Darwin Harbour Integrated Monitoring and Research Program and the Australian Institute of Marine Sciences.
- [WE<sup>2</sup>ST Center](#): The ConocoPhillips Center for a Sustainable WE<sup>2</sup>ST (Water-Energy Education, Science and Technology) at Colorado School of Mines promotes the joint sustainability of unconventional energy production and water resources through education of energy-water-literate graduate and undergraduate students, and by conducting world-class research on both community acceptance of unconventional resource development and water resources related to unconventional energy production. [Read more](#) about the WE<sup>2</sup>ST Center.

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# Global Water Sustainability Position

Water is an essential natural resource for communities, ecosystems and economic development. It is also integral to our operations. We recognize that fresh water is a limited resource in some parts of the world and its availability may change in the future. While water scarcity is an important issue globally, the solutions for constrained availability are often local. All users – domestic, agriculture and industry – will need to effectively manage supplies to meet demands.

## Our Focus

We have a risk-based approach and integrate water strategy and risk management into our long-range planning and business processes. Our corporate action plan focuses on the following areas:

- Understanding our water footprint for operations including use of freshwater and produced water management.
- Managing operations through integrated risk-based decision-making.
- Supporting protection of groundwater and surface water by adhering to internal well-integrity procedures and safe water management practices.
- Leveraging our Water Solutions team, including the Global Water Sustainability Center in Doha, Qatar to evaluate commercial and innovative water technologies for COP deployment.
- Addressing risks and opportunities through use of non-fresh water sources, reusing and recycling of produced water and improving water quality prior to discharge.
- Engaging externally through collaboration with industry peers, suppliers, regulatory agencies, academia, nongovernment organizations, communities and indigenous peoples to develop innovative solutions and increase capacity for managing water risks.
- Building capacity through sharing of experience and good practices for managing water risks.

## Our Expectations

Through this approach we manage our water risks and contribute to sustainable water management. Through our individual and collaborative efforts, we strive to align our actions with societal values for protecting and conserving fresh water resources and to support improved water management performance across the industry.

# Biodiversity

Biodiversity — the variety of terrestrial and marine plant and animal species — is important to maintaining ecosystem health and human well-being. The number of species considered to be at-risk or threatened and protected areas established to conserve habitats may be affected by physical climate-related risks as some regions experience changes in temperature and precipitation patterns. We work to understand and mitigate our potential impact on biodiversity for global operations located across a diverse set of ecosystems. Each business unit and major project is responsible for understanding and managing local biodiversity risks and potential cumulative effects through the life cycle of our assets.



## Assessing Risks

Assessing our activities for potential biodiversity risks.

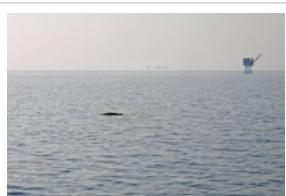
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## Risk Register & Action Plan

Addressing priority risks.

[LEARN MORE](#)



## Mitigating Risks

Using the four steps of the Mitigation Hierarchy.

[LEARN MORE](#)



## External Collaboration

Gaining external perspectives.

[LEARN MORE](#)

# Assessing Risks

We operate in ecosystems including coastal wetlands in Louisiana, American prairies, Canadian boreal forest, Alaskan tundra, the North Sea, Australia's Coral Sea and Indonesia's tropical rain forest. As part of our Sustainable Development (SD) risk management process, exploration, production and major project activities are assessed for potential biodiversity risks including:

- Species characterized as at-risk, endangered, rare, significant, threatened or of cultural value.
- International, national, regional or locally designated protected areas.
- Habitats including rare or threatened ecological communities and regionally unique ecosystems.
- Cumulative effects on habitats, ecosystems or species.

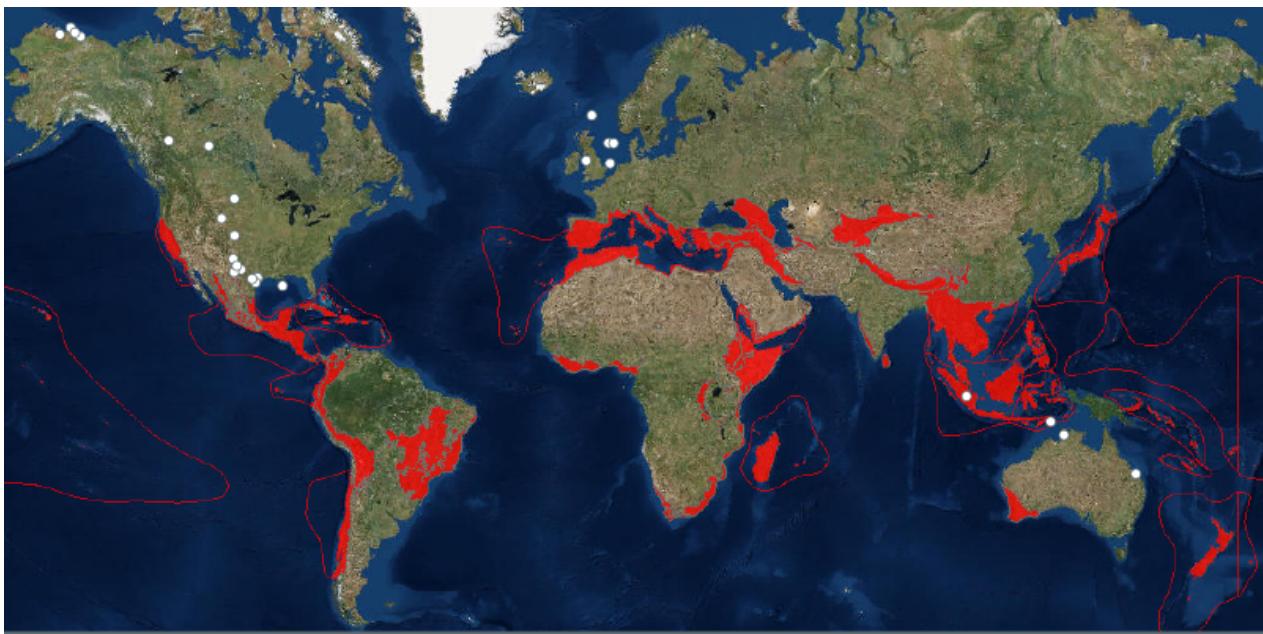
The process is designed to identify potential biodiversity impacts such as changes in species distribution or abundance, habitat disturbance, or changes to habitat intactness. This may be associated with the direct or indirect physical footprint of project development or operations, or through releases, spills or discharges to the environment. Direct footprint refers to the area where the land surface or sea bottom is physically disturbed through infrastructure including access roads, seismic lines/surveys, well pads or platforms, process and storage facilities or pipelines. Indirect footprint refers to areas adjacent to development projects or operations where plants, animals and people may be influenced by visual, physical, chemical, noise or vegetation changes associated with the direct footprint.

Biodiversity risks for operated assets are assessed annually at the business unit or development-area level and plotted on a risk matrix. The time horizons considered are short-term (zero to five years), mid-term (five to 10 years) and long-term (10 to 25 years). Priority risks which could affect business activities and performance for our operated assets, as determined by likelihood and consequence on the matrix, are included in the corporate SD Risk Register. Our corporate Biodiversity Action Plan addresses these risks, and provides information on the accountable action owner, milestones and target completion date.

Our governance structure provides board and management oversight of our risk processes and ensures that appropriate mitigation plans are in place. Priority risks are communicated to the executive leadership champion for biodiversity and the Public Policy Committee of the board of directors.

## Biodiversity Hot Spot Assessment

When evaluating potential risks to biodiversity from our operations, we also complete an enterprise-wide review of the Conservation International Biodiversity Hot Spot mapping layer using the biodiversity functionality of the IPIECA Global Water Tool for Oil & Gas. Biodiversity "Hot Spot" refers to 25 biologically rich areas around the world that have lost at least 70% of their original habitat.



## IPIECA Global Water Tool Output: Conservation International Biodiversity Hot Spots

■ Hot Spot Area    □ Hot Spot Region  
○ ConocoPhillips Operated Assets

Our Indonesian asset in South Sumatra is located within the Sundaland Hotspot, which encompasses Indonesia, Malaysia, Singapore, Thailand and Brunei. Industrial forestry including rubber, palm oil and pulp production as well as international animal trade in this area have been identified as the key threats to biodiversity by organizations including [Conservation International](#).

[Read more](#) on our biodiversity offset at Sriwijaya Botanical Garden.

# Risk Register & Action Plan

The 2018 Risk Register includes three broad categories: conservation and protected areas, habitats and ecosystems, and species. A corporate Biodiversity Action Plan tracks the mitigation actions, milestones and progress in managing these risks. Mitigation actions can range from one or multi-year specific projects to routine and long-term programs. Risks can apply to a single business unit, to multiple business units or globally. The table below provides a summary of our 2018 SD Risk Register.

## Biodiversity Risk Table

Risks	2018 Mitigation Actions
<b>Conservation and Protected Areas</b>	
Mandatory compensatory mitigation	<ul style="list-style-type: none"><li>Advance restoration projects for regulatory offset recognition.</li><li>Minimize residual impact through increase of avoidance measures.</li></ul>
<b>Habitats and Ecosystems</b>	
Decommissioning in protected areas	<ul style="list-style-type: none"><li>Develop risk-based post-decommissioning monitoring program.</li><li>Engage with regulators on decommissioning impact monitoring.</li></ul>
Cumulative impacts to habitats or ecosystems	<ul style="list-style-type: none"><li>Provide guidelines and training for employees travelling through sensitive environments.</li></ul>
Habitat Conservation and Restoration	<ul style="list-style-type: none"><li>Compile inventory of reclamation opportunities.</li><li>Investigate technologies for detecting protected species and habitats.</li><li>Collaborate with grassland bird joint ventures to develop landscape-scale scientific data required to formulate habitat conservation practices.</li><li>Restore and rehabilitate through mangrove planting, marsh terracing, and shoreline protection.</li><li>Engage with regional experts and industry organizations to select high-priority habitat for restoration projects.</li></ul>

Species	
Proximity or presence of species classified as at-risk, endangered, rare, significant, threatened or of cultural value	<ul style="list-style-type: none"> <li>• Evaluate and document potential impacts on local operations.</li> <li>• Identify/develop habitat improvement practices for select grassland avian species.</li> <li>• Complete annual surveys to identify species requiring buffer zones.</li> <li>• Conduct environmental studies in collaboration with subsistence hunters.</li> <li>• Develop corporate biodiversity offset guideline.</li> <li>• Integrate mitigation measures in project design phase.</li> </ul>

The action plan is regularly reviewed by the Biodiversity Issues Working Group with the objective of sharing biodiversity risk learnings across the company. Emerging risks and challenges and other business unit priorities and regulatory requirements are also discussed. The group's members are onshore and offshore biodiversity subject matter experts, advisers, team leads and managers representative of our global exploration and production portfolio.

Biodiversity risks, regulatory requirements and business unit priorities are managed at the business unit level, enabling tailored, region-specific business goals to address the challenges and opportunities unique to their operations.

# Mitigating Risks

Every basin or marine area has a unique combination of habitats, plant and animal species. We manage risks and mitigate impacts to areas with biological or cultural significance through the use of the Mitigation Hierarchy. The hierarchy includes four prioritized steps to mitigate adverse biodiversity impacts: Avoid, Minimize, Rehabilitate and Restore, and Offsets.



Avoid

[LEARN MORE](#)



Minimize

[LEARN MORE](#)



Restore

[LEARN MORE](#)



Offsets

[LEARN MORE](#)

# Avoid

Some biodiversity impacts can be avoided through careful spatial or temporal placement of infrastructure or scheduling field activities outside peak migration or breeding seasons.

## Alaska

We conduct bear den surveys using aerial infrared surveys where winter activities are planned on the North Slope of Alaska to look for heat signatures indicative of dens. **Ice roads** and ice pads are constructed every winter for operational purposes and to avoid placing permanent infrastructure on the tundra, when possible, near our Alpine operations. Ice road routes are carefully mapped out, avoiding rough terrain, cultural sites and other potentially sensitive areas. In 2018, we built the equivalent of 140 miles of winter ice roads and 161 acres of ice pads. Ground disturbing activity on the tundra, such as gravel placement and other construction, occurs in the winter, outside of the migratory bird breeding season.

## North Sea

For the decommissioning of infrastructure associated with our Viking and LOGGS offshore facilities in a marine-protected area of the U.K., over 560 miles of pipelines will be decommissioned and left in place, avoiding disturbance to the marine ecosystems that have developed on and around them over the last 30 years, and reducing the potential impact of the decommissioning activities on the overall integrity of the protected areas. The pipeline decommissioning strategy was selected based on scientific studies and through engagement with the regulator and stakeholders and included the flushing of any hydrocarbon residue, the burial or placement of rock over cut pipeline ends to reduce potential hazards to other users of the sea, and a regulator-approved, risk-based monitoring program to inspect the pipelines at specific yearly intervals after completion of the decommissioning programs.

In Norway, we study the timing of cod spawning in the North Sea to mitigate impact from seismic surveys on the cod population.

## U.S. Lower 48

Strategic initiatives like conservation agreements help us avoid biodiversity impacts and protect sensitive habitats near our operations. In the U.S. Lower 48, we have enrolled over 195,000 acres in voluntary conservation agreements that protect the Lesser Prairie Chicken in Oklahoma, New Mexico and Texas and the Dune Sagebrush Lizard in New Mexico. These formal agreements with the U.S. Fish & Wildlife Service and/or other federal or state agencies typically require that new well locations and surface infrastructure avoid species habitats or sensitive areas within habitats.

# Minimize

We minimize biodiversity impacts through measures taken to reduce the duration, intensity and/or extent of the footprint of our operations. New drilling technology, data analytics techniques and integrated planning have helped reduce our infrastructure footprint and improve reservoir development efficiency through multi-well pads, longer lateral wells, multi-lateral wells, tankless pads and central facilities.

## Canada

Our oil sands operations led the development of a footprint intensity reduction goal in collaboration with [Canada's Oil Sands Innovation Alliance](#) (COSIA). The [land performance goal](#) to "reduce the operating footprint intensity of in-situ operations by 10% by 2022" applies to all COSIA member companies collectively, minimizing infrastructure footprints of well pads while increasing drilling radius as well as habitat conservation.

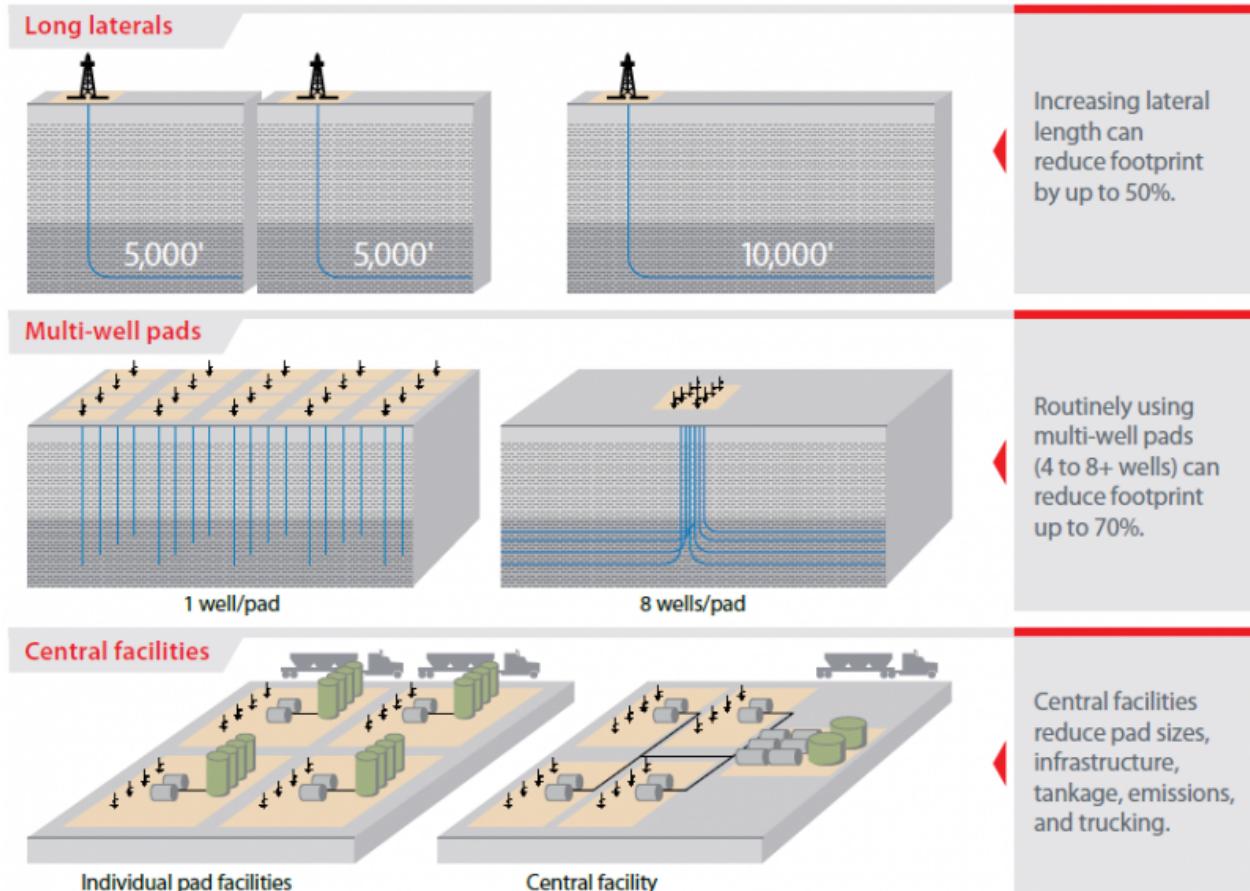
## Alaska

The size of well pads has been reduced from 65 acres in 1970 to about 12 acres. At the same time, the drilling radius increased from 5,000 feet to about 22,000 feet. Our extended-reach drill (ERD) rig, anticipated to start drilling in 2020, will have a radius of around 37,000 feet. This allows us to drill and place well infrastructure at a safe distance from local communities and sensitive environments, minimizing our impact. Our Alaskan engineers are also integrating biodiversity mitigation measures into infrastructure engineering design to protect caribou and other wildlife. To minimize impact, new pipelines are constructed with a seven-foot elevation — high enough to accommodate caribou crossings. New roads and pipelines are typically constructed 500 feet apart, to further allow for caribou movement. We also minimize newly constructed powerlines by placing them along pipeline routes to reduce bird collision hazards with overhead powerlines.

## U.S. Lower 48

Shrinking pad size and increased drilling radius have also helped minimize the infrastructure footprint for our unconventional operations in the U.S. Lower 48. Over the last few years, the typical length of horizontal wells increased from around 5,000 feet to 8,000-10,000 feet. We have achieved a significant reduction of well pad size by routinely placing four to six wells on multi-well pads, sometimes as many as eight to 12 wells, and through utilizing central facilities and tankless pads. For our China Draw and Zia Hills assets in the Delaware Basin, our development strategy leverages a centralized facility concept, which will reduce infrastructure footprint and land disturbance, impacts on wildlife, emissions and truck traffic. This concept is also being applied in our Bakken assets in North Dakota. We estimate that this strategy will lead to an overall pad footprint reduction of at least 50%.

## Technology and design to reduce footprint



Through collaboration with strategic partners in joint ventures we work to minimize biodiversity impacts in areas near our operations. In the U.S. Lower 48 we are contributing to the conservation of 5.6 million acres of sage grouse habitat on almost 1,500 participating ranches in 11 western states by providing \$1 million to the [Intermountain West Joint Venture](#) over a five-year period. The funds will support the implementation of the [Sage Grouse Initiative](#), an effort by regulators, nongovernmental organizations (NGOs), universities and industry to restore and conserve intact native rangelands for the species.

We are currently co-funding a three-year, landscape-scale assessment project to develop a grassland birds conservation plan across the U.S. Great Plains. Modeled after the successful Sage Grouse Initiative, the goal of the project administered by the [Prairie Pothole Joint Venture](#) is to develop a set of recommendations for a grasslands conservation framework to stabilize grassland bird populations and minimize impacts across the Great Plains.

## Across North America

Through our [Water & Biodiversity Stewardship program](#), we help advance the conservation of and minimize the impact on migratory birds through work with the Smithsonian Conservation Biology Institute's Migratory Bird Center. As part of the [Migratory Connectivity Project](#) 617 birds of 20 different species have been fitted with geolocators and over 8,000 birds have been banded to date. By tracking bird movement, we gain a better understanding of habitats throughout their migration cycle, and how we can take a coordinated approach for more effective conservation.

# Restore

When impacts and disturbance cannot be completely avoided or minimized, we employ measures to restore the area to a stable, productive and self-sustaining ecosystem, taking into account beneficial uses of the impacted and surrounding areas.

## North Sea

As part of our offshore decommissioning activities in Norway, we are removing and recycling offshore platforms to reduce our footprint and restore marine habitat. Several first-generation Ekofisk platforms installed in the 1970s in Norway have been removed and more than 97% (excluding hazardous waste) has been reused or recycled so far. In the U.K., our Viking and LOGGS offshore facilities were installed in the Southern North Sea more than 30 years ago. Since that time, the areas where they are situated have been designated as marine protected areas.

## Canada

To accelerate reclamation and restore linear disturbances in the Canadian boreal forest, we have collaborated in a multi-year tree planting effort. The COSIA [Faster Forests](#) program started in 2009 and has resulted in more than 5 million trees and shrubs being planted on about 5,500 acres of land in the oil sands region. The [Algar Restoration Project](#) was a COSIA-funded initiative that aimed to restore caribou habitat disturbances from legacy conventional seismic lines. The five-year project included tree planting and regeneration protection of about 240 miles of linear disturbances. We have been monitoring the efficacy of the restoration project for the past five years.

## Australia

Our Australia Pacific LNG operation in Gladstone has been the primary supporter of the [Quoin Island Turtle Rehabilitation Centre](#) since 2013, providing funding assistance for food, medical and veterinary expenses, a rescue boat and volunteer transport in an effort to mitigate threats to the local marine turtle population. The facility is licensed to rehabilitate up to 10 marine turtles and is supported by specialists at the Australia Zoo and Sea World.

## U.S. Lower 48

We leverage strategic partnerships to restore biodiversity areas near our operations. We have a long track record of collaboration with [Ducks Unlimited](#) and the [National Fish & Wildlife Foundation](#) (NFWF) to help restore wetland and grassland habitats. Together with Ducks Unlimited we implement coastal restoration and mitigation projects for our Louisiana Coastal Wetlands and work closely with stakeholders on marsh terracing, shoreline stabilization, mangrove planting and coastal ridge restoration. Through the SPIRIT of Conservation & Innovation Program, we support NFWF projects focused on the restoration of habitats and the development of tools and techniques to support conservation. Since 2005, the program has awarded grants worth \$11.6 million to conservation groups in 13 states and five countries. Grantees matched this funding with an additional \$25.7 million, for a total conservation investment of \$37.3 million. As a result of these investments, more than 306,000 acres of fish and wildlife habitat have been conserved, restored or enhanced.

# Offsets

Biodiversity offsets may be used for impacts or disturbances that remain after avoidance, mitigation and rehabilitation/restoration measures have been implemented, or to address a regulatory requirement. In 2018, we developed a corporate Biodiversity Offset Guideline to provide direction to asset teams if a biodiversity offset is a regulatory requirement or a strategic business preference. We have implemented biodiversity offsets in several areas of our operations.

## Indonesia

In Indonesia, there is a regulatory requirement that infrastructure footprint in forests must be offset to balance any disturbance. The Sriwijaya Botanical Garden Rehabilitation program was implemented to fulfil that regulatory requirement. As part of the offset program, 88 acres of peatland within the Sriwijaya Botanical Garden were rehabilitated. The 247-acre garden is in South Sumatra and was established as a center for conservation, research and education, as well as outdoor recreation. The tree density of the peatland rehabilitation program, which was verified by a government team after three years, was 526 trees per acre (1,300 trees per hectare), exceeding the minimum regulatory requirement of 243 trees per acre (600 trees per hectare). The program was awarded a Certification of Appreciation by the Government of South Sumatra during the botanical garden opening in July 2018.

## Australia

Federal and state environmental approval to develop major construction projects in Australia requires biodiversity offsets to counterbalance disturbance. These offsets can involve conserving, enhancing and/or protecting areas of national environmental significance, marine habitat, endangered and of-concern regional vegetative ecosystems and/or significant fauna and their habitat. We are involved in efforts to protect these critical environments both onshore and offshore. On Curtis Island, the LNG industry's landmark conservation initiatives put nearly two-thirds of the island under a conservation management strategy. Combined with the existing national park, more than 59% of the island is actively managed under a conservation management plan, compared to just 2% used by LNG projects on the southern tip. This will protect the island's unique ecology and heritage for future generations and contributes to conservation of about 100 square miles in perpetuity.

## Canada

In Canada, we contributed to funding the Junction Lake Conservation Site in Northern Alberta as a voluntary offset. The 289-acre conservation area is open to the public for hiking, birdwatching, hunting or berry picking, and provides a unique opportunity to view the Piping Plover, an endangered bird species with a local population of only about 100. The area represents 10% of known habitat for this rare bird. Through this conservation collaboration, we received the first "early action recognition" from the Government of Alberta for a voluntary offset in 2015.

# Ice Roads: The Western North Slope's Frozen Foundation

Imagine you just bought a piece of property in an undeveloped area, 22 miles from the next small town. You plan to build a house, but first you're required to build the access road to the property. Oh, and by the way, the road must be built of ice.

You spend months creating plans, getting building permits, hiring folks to do the work, purchasing supplies and finally launching construction — which needs to be complete before the road melts away in less than four months' time. Hope you didn't forget anything, because there will be no trips to the hardware store once the road's gone.

Full-time residents and even cabin owners in remote Alaska might not be deterred, but it takes unique people, a solid commitment, a whole lot of planning and tenacity to live — or work — in this type of remote environment.

Road access is one of the greatest challenges to development on Alaska's Western North Slope.

Alpine, located on the boundary of the National Petroleum Reserve—Alaska, was developed without a permanent road connecting it to other North Slope infrastructure. While Alpine has its own series of gravel pads with connecting gravel roads, there is a 22-mile gap between it and the company's closest development at Kuparuk — leaving Alpine completely disconnected, not just from the rest of the North Slope, but from the rest of Alaska.

Summer travel across the delicate North Slope tundra must be done in low-impact, specialized vehicles — or by air. Flying speeds things up, but there are still size and weight restrictions for your deliveries.

Enter ice roads ... They make continued operations at Alpine and any new development on the Western North Slope possible.



*Jeff Osborne (left) and Derrick Yi, project leads, Projects WNS & NPR-A, at CD5.*

Each winter, a 22-mile ice road is built to allow delivery of heavy equipment and supplies that can't realistically be delivered to Alpine by air. Each spring, the road melts away without a trace.

"The Alpine resupply road is a critical annual event, but most years it represents only a fraction of the ice construction," said Jeff Osborne, NPR-A project lead for roads and pads. "Last winter, ConocoPhillips built the equivalent of 140 miles of ice roads and 161 acres of ice pads — one of our biggest-ever efforts — to support the second season of GMT-1 construction and the biggest exploration program ConocoPhillips Alaska has executed since 2002."

Each average mile of ice road construction requires about a million gallons of ice and water. Ice is chipped from shallow areas of lakes that have frozen to the bottom; water is collected through holes drilled into lakes with thick ice caps.

ConocoPhillips conducts water and fish studies and ongoing monitoring, develops plans and seeks permits many months in advance to ensure efforts meet regulations and reflect the great care the company takes to minimize the effect of its operations on the environment. Ice road routes are carefully mapped out, avoiding not just rough terrain but also grizzly bear dens, cultural sites and other potentially sensitive areas.

In a low snow year, snow is collected and hauled by the truck load. Starting from the end of a gravel road or pad, the snow is pushed onto the ice road route, then packed down by vehicles approved to travel on exposed tundra. This year there was plenty of snow on the North Slope, and prepacking of existing snow began in November.

Still, mother nature is a critical and fickle member of the Western North Slope construction team.

Even with a solid snow pack defining the carefully chosen and permitted ice road route, actual construction couldn't begin until the top 12 inches of tundra were frozen to a temperature of 23 degrees Fahrenheit.

"Our target start date for ice road construction was December 1, but it was warm this year and it pushed us back by about two weeks," said Osborne.

## Ice roads by the numbers

<b>1 million</b>	Number of gallons of water needed for each average mile of ice road
<b>23F</b>	Temperature that the top 12 inches of tundra must reach before ice roads can be built
<b>-20F</b>	Optimum ambient temperature for building ice roads
<b>35</b>	Average width in feet of an ice road
<b>140</b>	Equivalent miles of ice roads built this winter
<b>42</b>	Number of separate ice pads built this winter to support construction and exploration
<b>161</b>	Approximate acreage associated with the 42 ice pads
<b>160</b>	Number of acres designated by the Homestead Act of 1862 as a legal homestead
<b>24</b>	Number of hours per day that ice road construction and maintenance is conducted
<b>6</b>	Number of people needed to maintain each 10- to 15-mile stretch of ice road
<b>12</b>	Feet, in thickness, of the ice bridge across the Colville River, connecting Kuparuk and Alpine
<b>7,500</b>	Number of vehicles that crossed the Alpine ice road entry checkpoint this winter

The optimum ambient temperature for construction is minus 20 Fahrenheit. This year's roads were built primarily in zero- and ten-degree weather.

"Water freezes slowly at those temperatures, and you can only build as fast as the water freezes," said Osborne. "There's always a lot riding on the opening of ice roads. This year GMT-1 construction and delivery of the drilling rigs and camps for exploration were added pressure. Especially in a busy year like this one, we have to keep our focus on getting the job done safely."

When the tundra is appropriately frozen and the ambient temperature is cooperating, water and ice chips are spread in layers until the road is a minimum of six inches thick. A motor grader ensures the ice roads (and pads) are flat but have enough texture to keep them safe to drive on.



A water truck sprays water over the prepared snow. When the water freezes, additional layers will be added to build up the thickness of the road.

### ConocoPhillips Alaska Exploration 2018

A six-well winter exploratory drilling program was recently completed on Alaska's Western North Slope, five wells in the National Petroleum Reserve–Alaska and one well on state acreage. Four wells are in the Greater Willow Area, one is in the southern part of the Colville River Unit (CRU) near the village of Nuiqsut, and one is located about 10 miles south of the CRU. A seismic program was successfully completed on state leases in July using ConocoPhillips' new, proprietary compressive seismic imaging technology.

Considering the large work scope and narrow winter window to complete it, segments of the road are planned for completion according to the time sensitivities associated with the work they support. Ice road construction teams are placed at various start points along the ice road route. The teams build the roads, working toward each other, in 10- to 15-mile sections, until there is a web of roads connecting construction and exploration efforts to Alpine and the gravel road system.

Ice roads open in phases. Early openings this year weren't until the third week of January, with the final sections opening in mid-February. About 50 people are employed for ice road maintenance, with the sole focus of keeping the ice roads safe and drivable throughout this season.

### Exploration by the numbers

- 6** exploratory wells
- 7** bottom hole locations  
(6 primary wells with one sidetrack)
- 5** well tests
- 3** drilling rigs
- 400** people
- 2** ice runways
- 250** square-mile seismic program south of the CRU

Timing for getting the people and equipment out before temperatures rise can be as tenuous as the winter project launch — but Mother Nature was a bit more cooperative in April than she was back in December. The ConocoPhillips Alaska 2018 seismic program is complete, and the exploration drilling activity and GMT-1 construction are all on track.

In late April or early May, all the ice road team's work will melt away — and that's when planning for next winter will begin.



## Unlocking Alaska's Energy Resources

2:31 PLAY TIME



# Using Offsets for Conservation and Preservation

ConocoPhillips Australia is the operator of the Australia Pacific liquefied natural gas (APLNG) facility located on Curtis Island on the east coast of Australia. Curtis Island is in the southern end of the Great Barrier Reef World Heritage Area (WHA) and is home to two other LNG facilities. Gladstone Harbor, where most of our work takes place, is a busy industrial port located inside the Great Barrier Reef WHA – a location that makes biodiversity protection a top priority for us.

Working with the two other LNG operators and the government, we adopted an offset plan to protect the area's unique ecology and heritage for future generations, contributing to lifetime conservation of the Great Barrier Reef WHA. On Curtis Island alone, the LNG industry offset permanently protects over 15 times the area it disturbed with more than 59% of the island now actively managed under a conservation management plan, compared to just 2% of the land used by the LNG projects on the southern tip. A 10-year long-term turtle management plan monitors the turtle population and health within the Gladstone harbor and southern Great Barrier Reef.



Additionally, a 'Reef Trust', a Commonwealth of Australia initiative funded in part by APLNG and the two other LNG operations on Curtis Island, was established to protect and enhance the World and National Heritage values. The funding is earmarked for use on projects that protect, repair or mitigate damage to the southern section of the Great Barrier Reef WHA.

"There is a lot of interest around how we work within the Great Barrier Reef and, as a proud part of the Queensland community, we are focused on its protection. We've spent a lot of time and investment on studies to ensure that our operations don't have a negative impact. In addition to maintaining the highest standards of environmental care on our own site, we're really pleased to be able to financially contribute to the resilience and protection of the nearby sections of the Great Barrier Reef through the Reef Trust," said Fiona McLeod, General Manager of Government and External Affairs for ConocoPhillips Australia East.

Projects funded by the Reef Trust are aimed at conserving the area's terrestrial and marine plant and animal species and ecosystems in line with Australian and Queensland Government commitments to UNESCO under the 'Reef 2050 Plan'.

## Protecting Turtles

The long-term turtle management plan aims to minimize the potential impact that development on Curtis Island might have on the turtles through a sustainable approach to turtle management. Actions include:

- Establishing comprehensive baseline information on populations of marine turtles in the area.
- A program to monitor, measure and detect changes to the marine turtle populations for at least a decade.
- The identification of development-related activities with the potential to cause adverse impacts on marine turtles.
- Measures to minimize disturbance to marine turtles from gas flaring, and from lighting of the LNG facilities and ships moored at the loading berths.



"A lot of details were considered in the construction and operation of the LNG facility; we made adaptations such as using matte paint so that there is no reflection of light from buildings that may confuse nesting turtles which use the moon as a guide," McLeod said. Other efforts included nesting and hatchling orientation studies, turtle tracking and turtle and seagrass health.

## Preventing Pests

The Great Barrier Reef islands are some of the most pest-free in the world. Keeping them this way is the goal of the Wreck Island Biosecurity Project, an environmental offsets project delivered through the Reef Trust in collaboration with APLNG. While Wreck Island is not open for visitors, Government researchers visit regularly to keep it free from invasive species and pests. By providing funding for the purchase and administration of 'field camping kits' for visiting researchers, we can decrease the likelihood of introducing pests via seeds, plants, eggs, insects, lizards, toads and mice being brought onto the islands on boats, clothing, footwear or gear of researchers. Personal items brought into the area are quarantined by staff, checked and treated if necessary. Dirt is removed from footwear and gear since viruses, bacteria and fungi are carried in soil.



## Minimizing Impact

Visitors are drawn to the natural beauty of the Great Barrier Reef area, so updating infrastructure with an eye on biodiversity and reef protection is an important element of our efforts.

On the reef, the only form of transportation is by recreational boats, so increasing the number of public moorings and reef protection markers was necessary to protect areas of significance and high use in the Mackay/Capricorn Management Area of the Marine Park. Three public moorings were added in the Keppel Island area and 20 were added in the Capricorn Cay Area.

With camping popular on some of the nearby Islands, an environmental offsets project delivered through the Reef Trust in collaboration with APLNG funded visitor infrastructure, such as designated walking tracks on North West, Lady Musgrave, Heron and Lady Elliot islands to help protect and revegetate sensitive areas. This will be supported by the development and implementation of a visitor management strategy that includes the further redesign and modification of visitor infrastructure.

# Safeguarding from Spills

An important element of reef stewardship is having plans in place for remediation of any accidental release of hydrocarbons. We collaborate with governmental agencies and other operators to implement APLNG spill response plans that detail specific procedures for addressing spills to land and water, depending on the size and type.

The spill response project, an environmental offsets project delivered through the Reef Trust in collaboration with APLNG, includes working with government to develop of a wider Great Barrier Reef environmental incident management framework



including systems, training, procedures and the procurement of equipment. It also includes the development and implementation of damage mitigation, including the removal of abandoned vessels that are likely to continue to damaging reef habitats if they remain in situ, and restoration projects for marine habitats if an incident occurs.

# Conservation Partnerships

Collaborating to promote water and biodiversity stewardship is key to solving global environmental challenges. We operate in diverse environments across the globe and work to understand and mitigate biodiversity impacts. Through our charitable investments, we partner with communities and institutions to advance conservation and skill building and to improve access to technology. This deep commitment to biodiversity and water is important to our operations and is integrated into the planning, exploration, development and production over the life of our assets.



## Smithsonian Institution

Working with the Smithsonian to collect migratory bird information.

[LEARN MORE](#)



## SPIRIT of Conservation & Innovation

Funding innovation to promote conservation.

[LEARN MORE](#)

## Smithsonian Institution

We work with the world-renowned Smithsonian Institution to collect connectivity information for several bird species that follow a migratory flyway aligned with our areas of operation. These birds include species that breed from the North Slope of Alaska to the oil sands of northern Alberta, then migrate south through the "prairie potholes" into Texas, and across the Gulf of Mexico to wintering grounds as far south as Colombia.

Tracking animal movement aids conservation and is also essential for predicting the spread of invasive species, agricultural pests and pandemic disease.

# The Migratory Connectivity Project

The Smithsonian Migratory Bird Center uses advanced tracking technologies including satellite and cell phone transmitters. Species currently under analysis include:

- Black-bellied Plover
- Broad-winged Hawk
- Common Nighthawk
- Connecticut Warbler
- Glaucous Gull
- Long-billed Curlew
- Pacific Loon
- Rusty Blackbird

"Understanding and tracking animal movements is crucial for conserving habitats that are essential to species survival."

— DR. PETER MARRA, DIRECTOR OF THE SMITHSONIAN MIGRATORY BIRD CENTER

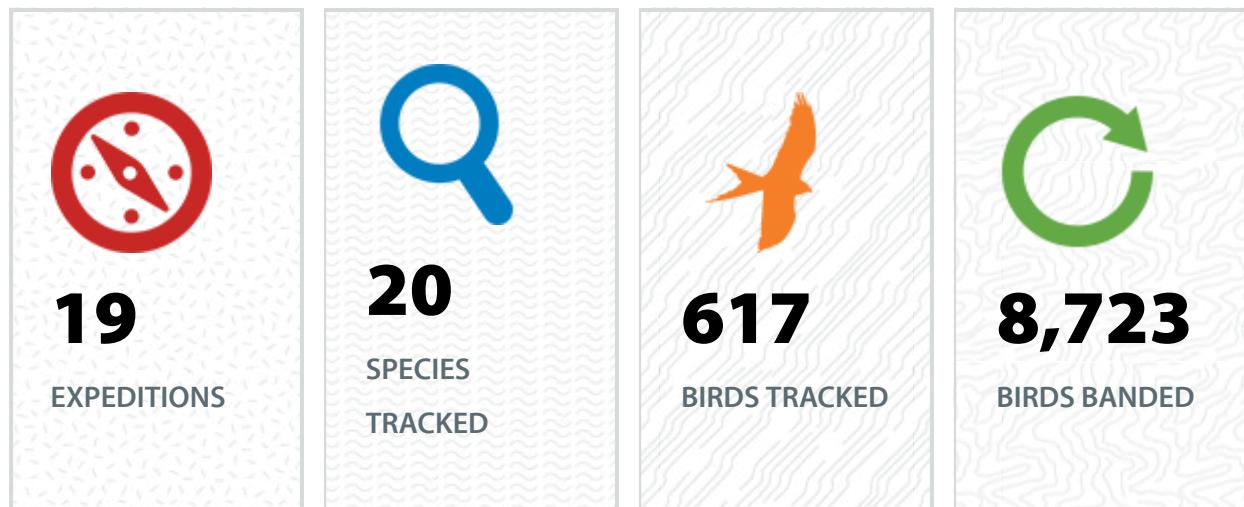
2019 plans include field expeditions and species analysis of:

- Bluethroats and Arctic Terns
- Long-billed Curlews
- Mountain Plovers
- Flammulated Owls
- Long-tailed, Parasitic and Pomarine Jaegers

Learn more about [The Migratory Connectivity Project on Alaska's North Slope](#).

Learn more about [live animal migration tracking](#).

## Metrics 2014-2018



# SPIRIT of Conservation & Innovation

Through a partnership with the [National Fish & Wildlife Foundation \(NFWF\)](#), the ConocoPhillips SPIRIT of Conservation & Innovation Fund is structured to support the development of innovative ideas, tools and techniques to advance and promote leading-edge solutions to complex water and biodiversity conservation challenges across the globe.

In 2018, we announced \$660,000 in SPIRIT of Conservation & Innovation grants benefitting migratory wildlife populations by preserving and enhancing movement corridors and other key habitats. Projects supported by these grants will protect and restore high-priority sites, reduce barriers to wildlife passage, and improve conservation practices on working lands in Colorado, Montana, North Dakota, Oklahoma, South Dakota, Texas and Wyoming. The grants will generate over \$2.8 million in matching contributions for a total conservation benefit exceeding \$3.5 million.

## SPIRIT of Conservation & Innovation Fund

### By the numbers

**\$11.6** million   
**306,000** acres restored or conserved

 reaching across **13 states**

"From large mammals to the smallest grassland birds and butterflies, migratory wildlife requires habitat linkages to complete their annual life cycles," said Jeff Trandahl, executive director and CEO of NFWF. "Building on more than a decade of partnership, these new grants under the ConocoPhillips SPIRIT of Conservation Program will help connect high-quality habitats to support some of North America's most iconic wildlife migrations."

By restoring habitat, providing technical assistance to private landowners, eliminating migration barriers, and protecting exceptionally important parcels along important migration routes, the eight grants announced will:

- Restore 11,000 acres of priority grassland habitat in North and South Dakota, the Trans Pecos Region of Texas and across Oklahoma.
- Restore 1,000 acres of priority wetland habitat along the Texas coastal plain.
- Retrofit 12 miles of fence using wildlife-friendly standards to facilitate pronghorn migration in Wyoming.
- Protect 1,300 acres along Wyoming's Red Desert to Hoback mule deer migration corridor.

- Protect 155 acres of important habitat for grizzly bears, as well as westslope cutthroat trout and bull trout, along the Flathead River in Montana.
- Create a prioritization tool that will inform conservation efforts for the Baird's sparrow across the Great Plains.

Since 2005, ConocoPhillips, NFWF and the U.S. Fish and Wildlife Service have invested more than \$11.6 million in projects through the SPIRIT of Conservation program. Grantees have matched this funding with an additional \$25.7 million for a total conservation impact of \$37.3 million. More than 306,000 acres of critical fish and wildlife habitat in 13 states have been conserved or restored as a result.

## SPIRIT of Conservation & Innovation Fund



# External Collaboration

We recognize the special relationship communities have with the land, wildlife and the natural environment. We engage with local stakeholders to gain an understanding of the areas and species important to communities. This includes:

- Respecting the unique knowledge of communities, particularly Indigenous communities, in managing their local environment and conserving biodiversity.
- Seeking to learn from stakeholders as we develop mitigation strategies for any potential environmental or socioeconomic impacts.
- Supporting research and educational initiatives.
- Engaging in collaboration and benchmarking with industry organizations both on the regional/local and the global level.

International collaboration and engagement includes our membership in IPIECA and our participation on the Biodiversity and Ecosystems Working Group and our membership in the International Association of Oil & Gas Producers (IOGP). Additionally, we participate in local and regional community and industry groups related to addressing local biodiversity risks including:

- U.S. Lower 48: U.S. Fish & Wildlife Joint Ventures
- Canada: [Canada's Oil Sands Innovation Alliance \(COSIA\)](#), Alberta Association for Conservation Offsets (AACO)
- Australia: [Gas Industry Social & Environmental Research Alliance](#), [Gladstone Healthy Harbour Partnership](#), Port Curtis Integrated Monitoring Program, and the Australian Institute of Marine Sciences

# Biodiversity Position

We recognize biodiversity as a vital factor in human well-being and understand its importance for maintaining ecosystem health. With an increasing number of species considered to be at-risk or threatened, and an increasing number of protected areas established to conserve habitats, evaluation and mitigation of our potential impact on biodiversity is one of our priorities.

## Our Focus

We have a risk-based approach and integrate biodiversity strategy and risk management into our business processes. Our corporate action plan focuses on the following areas:

- Understanding our infrastructure footprint needed on the land or the sea for exploration and production operations.
- Managing operations through integrated risk-based decision-making.
- Addressing risks and opportunities through technology and innovation to reduce our infrastructure footprint including consideration of offsets.
- Recognizing that a landscape-scale perspective enables a better understanding of the importance of ecosystem services to communities and promotes habitat integrity and connectivity over a broader area than just our infrastructure footprint.
- Engaging externally through collaboration with industry peers and joint ventures, regulatory agencies, academia, non-government organizations, local communities and indigenous peoples to understand and develop an increased capacity for managing biodiversity risks.
- Building capacity through the sharing of experience and good practices for managing biodiversity risks.

## Our Expectations

Through this approach we manage our biodiversity risks and develop and implement innovative protective measures and mitigations in support of habitat conservation and ecosystems sustainability. Through our individual and collaborative efforts, we strive to align our actions with societal values for biodiversity and to support improved performance across the industry for conserving biodiversity.

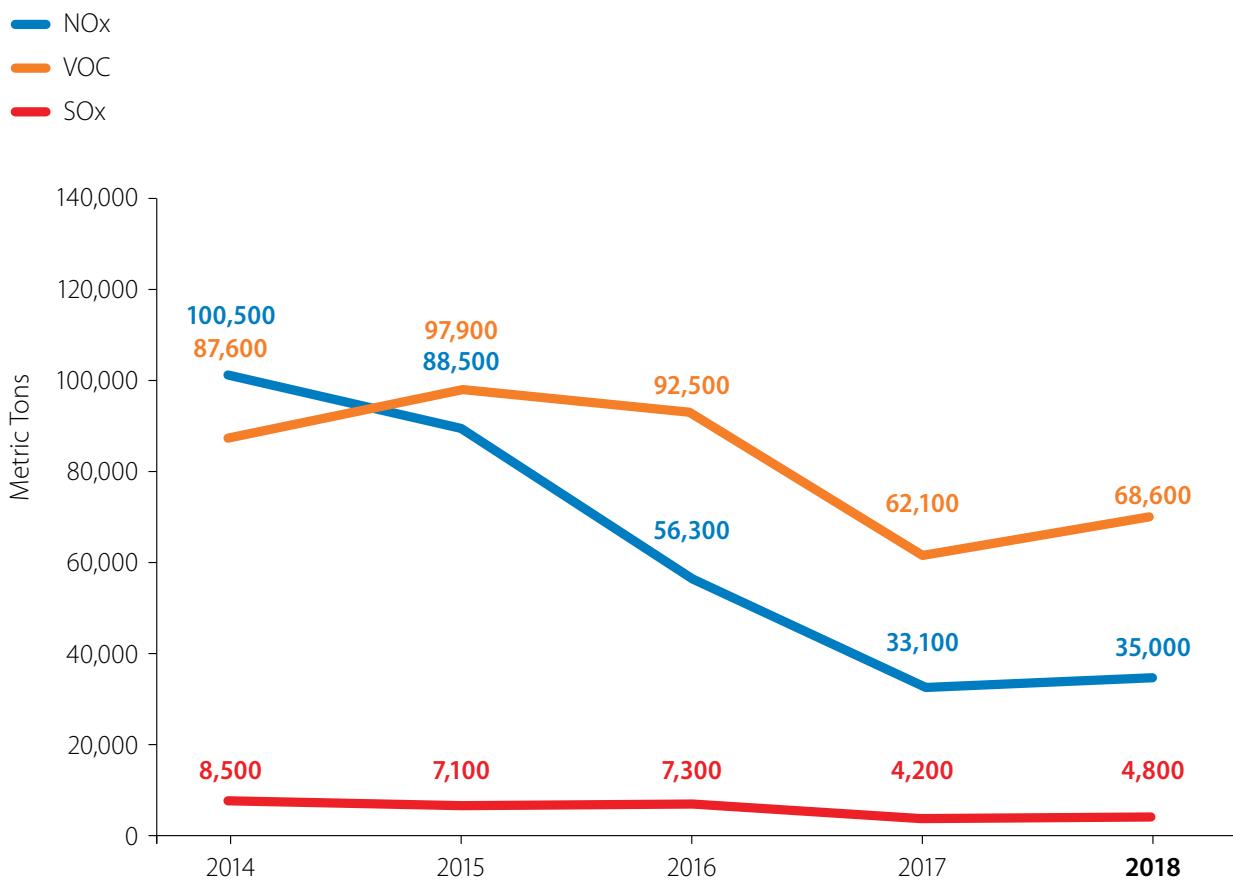
# Air Emissions

Combustion and venting are the two primary sources of nitrogen dioxide (NOx), sulfur dioxide (SOx), volatile organic compounds (VOCs) and particulate matter (PM). We design infrastructure and operate in a manner that protects air quality and reduces emissions. As an exploration and production company, our criteria air pollution emissions are minimal compared to midstream and downstream companies.

## Performance Metrics

In 2018, emissions of NOx increased by about 6% driven by increased drilling and completions and increased diesel combustion during facility shutdowns. SOx emissions increased about 14% due to an increase in shutdowns and startups associated with power outages at one facility and increased hydrogen sulfide in fuel gas at another facility. Emissions of VOCs increased about 10% primarily due to improved measurement of produced water tank emissions, increased production and an increased number of pneumatic controllers.

### Air Emissions



## Managing Our Emissions

The international Gothenburg Protocol was established in 1999 to reduce numerous pollutants including NOx emissions. Our offshore projects in the North Sea have historically required combustion of diesel and natural gas for power and flaring. In Norway, the government and industry established a NOx fund to facilitate emission reductions and provide participating companies with funding to assist with the development of NOx reduction projects. The fund led to Norway surpassing its protocol reduction commitments. ConocoPhillips contributed to those reductions with a number of projects that reduced NOx by approximately 280 tonnes per year, equivalent to the emissions from 300,000 – 400,000 diesel cars. The four projects at our offshore facilities include:

- Modification to the electric power grid at Greater Ekofisk as we developed the Eldfisk II project. This involved laying an electric cable between the Ekofisk and Eldfisk fields and upgrading the waste heat recovery system and steam-generated power system on Eldfisk. This 2016 upgrade resulted in emission-free power production by eliminating diesel generators.
- Modification to the water injection header system in 2016, which also created more efficient power production for injection of water into the Ekofisk field.
- Installation of a flared gas re-compressor on Eldfisk in 2015, which allowed for natural gas to be sold rather than flared.
- We are currently replacing two diesel-driven cranes with electric cranes on the Ekofisk 24J platform. These cranes are powered by low NOx turbines and power from the electrical grid.

These projects also reduced CO<sub>2</sub> emissions by approximately 60,000 tonnes.

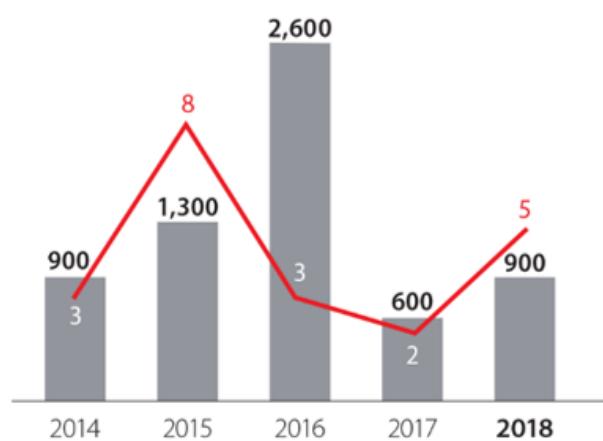
# Spill Prevention & Performance

We take numerous precautions to reduce the risk of a spill, proactively work to minimize opportunities for spills and continually evaluate spill risks across our operations. Design, operation and maintenance of our facilities play a key role in protecting the environment where we operate. Our global Process Safety Strategy focuses on enhancing training, governance, documentation and communications to prevent spills and releases. We are also focused on strengthening our oil spill response capability through our systematic, multi-tiered approach to emergency preparedness and crisis management.

In 2018, we achieved the lowest, net-after-recovery hydrocarbons spilled on record, despite an increase in the number of events. We had five hydrocarbon spills greater than 100 barrels. All five spills were to land with four occurring in Lower 48 and one in Canada. In total, those five events resulted in an estimated 923 barrels being released. Approximately 75% of that volume was recovered.

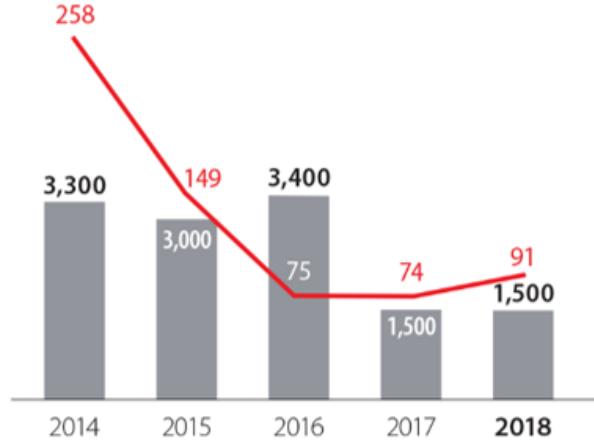
## Volume of Spills >100 BBL

- Number of Spills >100 BBL
- Volume of Spills >100 BBL



## Volume of Spills >1 BBL

- Number of Spills >1 BBL
- Volume of Spills >1 BBL



While the number of spills greater than 1 barrel increased in 2018, the hydrocarbon volume spilled remained flat with 2017. In total, we had 91 spills that were greater than one barrel, with 71 of those being between one and 10 barrels spilled. Of those spills, four were to sea with the remainder being to land. The spills to sea were each less than 10 barrels with the cumulative total for all four being approximately 18 barrels. More than half of the volume of our spilled material was fully recovered in 2018.

We take all hydrocarbon spills seriously and report those impacting a sensitive area and those greater than 100 barrels immediately to management.

## Spill Response

Our investment in spill response technologies includes membership in Oil Spill Removal Organizations (OSROs) across the globe, which affords us access to substantial inventories of, and the latest advances in, proven response equipment. In the Gulf of Mexico, we are members of two OSROs, [Marine Spill Response Corporation \(MSRC\)](#) and [Clean Gulf Associates \(CGA\)](#). Our Alaska business unit has memberships in two large OSROs, including [Alaska Clean Seas \(ACS\)](#) and Ship Escort/Response Vessel System (SERVS) for our exploration and production operations on the North Slope and our Polar Tanker operations in Prince William Sound, respectively. Our membership in MSRC, as well as a contract with the National Response Corporation (NRC), provides coverage for our Polar Tankers operations along the west coast.

In addition to our U.S.-based OSRO memberships, the company also belongs to the [Oil Spill Response Limited \(OSRL\)](#) and [Norwegian Clean Seas Association for Operating Companies \(NOFO\)](#). OSRL provides global substantial response resources staged at various locations around the world, whereas NOFO, also with significant resources, provides regional OSRO support for our Norway operations. We are also members in other, somewhat smaller, local OSROs associated with many of our global operations.

# Creating Shared Value

We strive to make a significant difference in the communities where we live and operate.

## IN THIS SECTION



### Stakeholder Engagement

Our approach to stakeholder engagement.

[LEARN MORE](#)



### Risk Management

Assessing social risks is part of our risk management process.

[LEARN MORE](#)



### Working with Communities

Engaging local stakeholders to understand their values and interests.

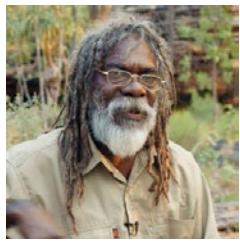
[LEARN MORE](#)



### Valuing Human Rights

Recognizing the dignity of all human beings.

[LEARN MORE](#)



## Respecting Indigenous People

Respecting choices of indigenous communities.

[LEARN MORE](#)



## Global Giving

Aligning charitable efforts with core values and business strategies.

[LEARN MORE](#)



## Safety, Health & Security

Everything we do depends on safety.

[LEARN MORE](#)

# Stakeholder Engagement

Our goal is to respectfully engage with local stakeholders — those who impact or may be impacted by our business — to understand their values and interests, reduce the impact of our operations, and contribute to economic opportunities. By first listening to understand concerns, finding mutually agreeable solutions to mitigate these concerns with our actions and integrating those into planning and decision-making, we build long-term benefits for both the company and local stakeholders. Our approach to stakeholder engagement is guided by our principles and we:

- Proactively identify and seek out stakeholders.
- Include stakeholders in the design and implementation of the engagement process.
- Listen to understand stakeholders' interests, concerns and culture.
- Communicate openly.
- Seek solutions that create mutually beneficial relationships and build long-term value for both the company and our stakeholders.
- Follow through on our commitments and stand accountable for the results, both internally and externally.

Stakeholder engagement is a key element of our [Sustainable Development Position](#). Beyond stakeholders in the communities where we operate, we engage with government representatives, nongovernmental organizations, academic institutions, industry associations, and investors. In addition, we participate in multi-stakeholder forums to gain diverse and valuable perspectives as we continuously work to improve our sustainable development programs and initiatives.

[Learn more](#) about our broad range of stakeholders.

## Social Performance Guidance

To support our business units in operationalizing our stakeholder engagement principles, we provide the following Social Performance Guidance with recommended internal processes and external engagement to understand and address stakeholder priorities including:

- [Community Engagement](#): Identifying our stakeholders and how they may impact or be impacted by company activities.
- [Human Rights](#): Assessing potential risks to stakeholders' human rights, incorporating risks into planning and providing a grievance mechanism to remedy realized impacts.

- **Indigenous People:** Consulting with indigenous stakeholders to understand their culture, identify their priorities and work together to address them.
- **Security and Human Rights:** Implementing the Voluntary Principles on Security & Human Rights.
- **Community and Social Investment:** Aligning investments with community needs and company strategy.

# Risk Management

Our management system includes practices and tools aligned with how we make business decisions to ensure the consistent global identification and assessment of stakeholder-related risks.

## Assessing Risks

We understand that effectively engaging with our stakeholders can reduce social risks that may lead to delays or disruptions to our activities. Our stakeholder identification process is a key component of social risk assessment. Each business unit is responsible for identifying stakeholders to understand their perspectives and concerns. The relationships of stakeholders and their priorities are considered to identify any potential points of collaboration or conflict. We then prioritize key stakeholders and develop an engagement plan to address concerns and maintain our focus on developing mutually beneficial relationships. By having open dialogue, we identify and address the potential impacts associated with our operations. Social risks for operated assets are assessed annually at the business unit or development-area level and plotted onto a risk matrix. The time horizons considered are short-term (zero to five years), mid-term (five to 10 years) and long-term (10 to 25 years). Priority risks which could affect business activities and performance for our operated assets, as determined by likelihood and consequence on the matrix, are included in the corporate SD Risk Register. Our corporate Stakeholder Engagement Action Plan addresses these risks, and provides information about the accountable action owner, milestones and target completion date. Our governance structure provides board and management oversight of our risk processes and ensures that appropriate mitigation plans are in place. Priority risks are communicated to the executive leadership champions for stakeholder engagement and human rights and the Public Policy Committee of the board of directors.

## Risk Register and Action Plan

The 2018 Risk Register includes four broad social categories: local intervention, cumulative impacts to communities, local content/hiring expectations and regulatory challenges. A corporate Stakeholder Engagement Action Plan tracks the mitigation actions and progress in managing these risks. Mitigation actions can range from one or multiyear specific projects to routine and long-term programs. Risks can apply to a single business unit, to multiple business units or globally. Each business unit manages its own social risks, regulatory requirements and business unit priorities, enabling tailored, region-specific business goals to address unique challenges and opportunities. The table below provides a summary of our 2018 SD Risk Register.

Risks	2018 Actions And Milestones
<b>Local Intervention</b>	
Opposition from community members or organizations	<ul style="list-style-type: none"> <li>Conduct stakeholder engagement early in exploration program.</li> <li>Execute Stakeholder Engagement Plans.</li> <li>Negotiate agreements with indigenous communities.</li> <li>Identify opportunities to collaborate with environmental organizations.</li> </ul>
<b>Cumulative Impacts to Community</b>	
Impacts to community from activities of multiple operating companies	<ul style="list-style-type: none"> <li>Conduct traditional land use studies and incorporate findings in to development plans.</li> <li>Participate in regional environmental impact studies.</li> <li>Address cumulative impacts in agreements with indigenous communities.</li> <li>Coordinate social investments with other operators.</li> </ul>
<b>Local Content/Hiring Expectations</b>	
Meeting local content requirements or expectations of government and community	<ul style="list-style-type: none"> <li>Execute targeted procurement.</li> <li>Implement training and employment programs.</li> <li>Address local content/hiring in engagement with government representatives and community members.</li> </ul>
<b>Regulatory Challenges</b>	
Delays from extended approval processes; business impacts from restrictive policies	<ul style="list-style-type: none"> <li>Maintain regular engagement with regulatory officials to provide updates.</li> <li>Execute regulatory advocacy to address export restrictions.</li> </ul>

The action plan is regularly reviewed by the Stakeholder Engagement/Human Rights Issues Working Group with the objective of sharing social risk learnings across the company. Emerging risks and challenges, other business unit priorities and regulatory requirements are also discussed. The group's members are stakeholder engagement professionals and managers representative of our global exploration and production portfolio.

# Social Performance Metrics

Effective stakeholder engagement is critical to meeting our sustainability commitment and managing social risks. In 2019, we are tracking the implementation of our stakeholder engagement processes through the following indicators.

Process	Indicator
Assessment and Planning	<ul style="list-style-type: none"><li>Percentage of assets that incorporate community/social issues in risk assessment processes.</li><li>Percentage of assets that have conducted stakeholder identification and developed and updated stakeholder engagement plans.</li></ul>
Engagement	<ul style="list-style-type: none"><li>Percentage of key individual stakeholders or stakeholder groups (as identified through stakeholder identification) participating in planned engagements.</li></ul>
Addressing Community Concerns	<ul style="list-style-type: none"><li>Percentage of assets that have a grievance/complaint mechanism in place.</li><li>Percentage of specific community concerns identified through the grievance/complaint mechanism or community engagement that were addressed through mitigation actions or operational practices/processes.</li></ul>
Indigenous Peoples Engagement	<ul style="list-style-type: none"><li>Percentage of key individual indigenous stakeholders or indigenous stakeholder groups (as identified through stakeholder identification) participating in planned engagement.</li></ul>

We will publish the data on our 2019 performance in 2020 and update the results on an annual basis.

# Working with Communities

We engage with stakeholders early in the planning process to listen, learn and understand their values, needs and interests. We have stakeholder engagement professionals in each area of operations who manage stakeholder identification and integrate local input into our business decisions. These specialists help project teams understand the potential impact on the community and environment. This often results in changes at the project planning phase or during operations to mitigate stakeholder concerns. We actively solicit community feedback and collaborate with stakeholders at the local, state, provincial or federal levels to implement our commitments to community engagement throughout the life cycle of our projects.

## Alaska

As Alaska's largest oil producer, we respect the rich culture of Alaska Native people and work diligently to build inclusive, honest and respectful relationships with our stakeholders, particularly with our neighbors who live nearest our operations. We support community projects and provide economic opportunities, while minimizing impacts from operations on local residents and the environment. We meet frequently with North Slope community leaders and residents to get feedback and gather local and traditional knowledge to help protect their subsistence resources and to share information about current and planned operations.

Stakeholders in the communities near our operations have a unique relationship with the land and wildlife so efforts to mitigate community concerns have included **changing the placement** of an exploration project and a bridge near the village of Nuiqsut on Alaska's North Slope. We also have robust environmental study programs at existing operations that include air quality monitoring stations; caribou, bird and fish surveys; hydrology studies; lake water quality and recharge monitoring; subsistence hunting studies; and tundra rehabilitation. Extensive environmental baseline studies are conducted in all potential areas of new operations. New projects are subject to rigorous permitting and public review processes.

We strive to improve the quality of life in the communities where we live and work. Employees contribute more than 3,500 hours each year serving nonprofit organizations and represent the industry on many multi-stakeholder boards. Since 2014, the company has given almost \$32 million to hundreds of Alaska-based nonprofits across the state, funding programs that support education, social services, the arts, civic and youth groups, and the environment.

## U.S. Lower 48

Stakeholder engagement has been part of our history since the beginning of the 20th century when Phillips Petroleum Co. drilled hundreds of wells on Osage tribal lands, building the company's foundation and providing community benefit through royalty income. We work closely with stakeholders to promote understanding of our operations, minimize disruptions and engage and contribute in a positive way to the communities where we operate. By taking a personal approach with communities, we are able to build strong relationships and an environment of transparency, courtesy and trust.

Our Eagle Ford Landing newsletter provides information to neighbors about the work we are doing in their communities. The Eagle Ford Citizens Advisory Committee is comprised of community leaders from DeWitt, Karnes, Live Oak and Bee counties and meets quarterly to discuss industry-related issues. Additionally, we conduct polls to determine what topics are important to community members. We also invite local elected officials to participate in our Leadership Roundtable meetings to discuss our operation plans and listen to concerns and suggestions. We have implemented a multiyear road safety program with our "Slow Down Don't Trash Our Town" campaign which has provided training to over 900 employees, contractors and community members to change negative behavior around speeding and littering. In addition, all company vehicles are equipped with driving monitor devices that record and report driving speed. Eagle Ford employees have contributed more than 6,800 hours serving nonprofit organizations since 2015 and we have contributed more than \$2 million to fund programs that support education, social services, the arts and the environment.

Community bus tours in the Niobrara allow residents to experience our operations and talk directly with subject matter experts. We conduct town halls and participate in public meetings to ensure residents and officials have the information they require to make informed decisions about our operations. We have also worked with local stakeholders and a real-estate developer to execute an innovative agreement that integrates the placement of our assets into broader community planning. Our donation to the Colorado School of Mines also established the [ConocoPhillips Center for a Sustainable WE<sup>2</sup>ST](#) (Water-Energy Education, Science and Technology).

We have been an active member in the [Permian Road Safety Coalition](#) (PRSC) since 2015. The goal of the coalition is to lead a collaborative cross-industry effort with oil and gas operators, service and transportation companies, nongovernmental organizations and governments to improve road safety and reduce the number of traffic-related injuries and deaths in the Permian Basin. We have been part of the [Coalition for Safer Alberta Roads](#) near our oil sands operations in Canada for several years. In 2018, we brought the executive director of that coalition to meet with the PRSC to share information and expertise regarding their successful initiatives to reduce incidents and fatalities. We also recently joined the [Permian Strategic Partnership](#), a coalition of energy companies and regional leaders who are working to make roads safer, improve schools and healthcare, increase affordable housing, and train workers. As part of our ongoing community giving, our sponsorship of the Bad Boy Blast sporting clays tournament has raised almost \$3 million since 2004 for local fire departments and crime stopper organizations in Texas and our golf tournament and silent auction has raised \$1.24 million since 2014 for the Make a Wish foundation in New Mexico.

We established a Leadership Roundtable in the Bakken to discuss our development plans with local government and civic leaders and to collaborate on key issues. With our operations close to the Little Missouri State Park, our [employees volunteer](#) each spring to prepare the campground facilities and riding trails for tourist season. In 2018, 34 employees contributed 170 hours of time to the effort. [View more](#) about our stakeholder commitment in the Bakken.

We strive to improve the quality of life in the communities where we live and work. Employees contribute their time across our Lower 48 operations, serving nonprofit organizations and representing the industry on many multi-stakeholder boards. Since 2014, the company has given more than \$212.5 million to hundreds of locally based nonprofits across states where we operate, funding programs that support education, social services, the arts, civic and youth groups, and the environment.

## Canada

In the oil sands, we have over two decades of experience working with area Indigenous-owned businesses to develop local content. The region near our Surmont project is home to five First Nations communities and six Metis Locals. In Canada, Aboriginal Peoples (who consist of First Nations, Metis and Inuit) have constitutionally protected rights to their traditional territories and ways of life. The construction of the Surmont 2 oil sands facility provided ConocoPhillips Canada with the opportunity to contribute to mutually beneficial relationships through local contracting opportunities. During the Surmont 2 construction phase, we supported Aboriginal communities with over 300 contracts and subcontracts with Aboriginal businesses, totaling about \$500 million. Ninety-seven Aboriginal businesses contributed to the Surmont project through services ranging from construction to drilling, completions, seismic and operations. Over 70% of those businesses continue to operate today, including approximately 30 still active at Surmont in some capacity.

In Northeast British Columbia, we have been working with local communities as we develop plans for our Montney drilling projects. From that collaboration we have negotiated and are now implementing a “life of project” agreement with one First Nation, which has created a collaborative process around community engagement and contracting. As a result of our engagement, we have created an [innovative water management plan](#) for the development that mitigates concerns about water use as well as truck traffic and have steadily increased our local indigenous contracting spend. We also continue to partner on a variety of community initiatives that focus on the communities evolving interests.

We support education, natural resources, health and safety, arts, civic, social services and disaster relief programs vital to the health and well-being of the communities where we live and work. In 2018, 188 ConocoPhillips staff volunteered over 1,700 hours on a range of activities including serving lunches at the Calgary Drop-In Centre, making lunches for kids through Brown Bagging for Calgary’s Kids, cleaning up local playgrounds and helping children learn to read at Calgary’s Connaught School. Since 2014, the company has given more than \$14 million to hundreds of nonprofit organizations across Canada.

## Indonesia

We continue to foster relationships with the communities surrounding our operations through sustainable programs targeted at economic empowerment, education, infrastructure, and social services. We helped establish a Rubber Farmers Group in 2002 in collaboration with the local rubber research institution, Sembawa, to improve the quality and quantity of latex production as well as the marketing capabilities of farmers. Approximately 1200 acres of rubber plantation have been rejuvenated and are managed by 500 individual farmers from the villages near our operations in the Musi Banyuasin regency, South Sumatera province. Our business unit, through Sembawa, provides quality rubber seeds and fertilizers, as well as regular mentoring and supervision - from planting trees to latex production. The group has given farmers direct access to local rubber factories and a stronger bargaining position that has resulted in higher income.

We also instituted a scholarship program in 2002 that provides financial assistance to local university students and elementary and high school teachers to obtain undergraduate degrees. More than 5,000 students from villages near our operations in the Musi Banyuasin regency, have received support. The program has also helped recipients develop their social and entrepreneurial skills, which they can then apply to helping other members of their communities.

## Colombia

Working with agencies of the Colombian national government, we engaged with stakeholders, including local communities, nearly 200 times from 2016 through 2018, listening to concerns and addressing questions about our project plans in the Middle Magdalena River Valley. These efforts were successful in securing the support of local leaders and the vast majority of community members, many of whom had questions and concerns at the beginning of the project. The meetings focused on the legal, technical, social and environmental aspects of our plans, including discussions of our conventional environmental license to conduct the production test, the environmental impact assessment for exploration of unconventional resources that we are preparing to submit to the National Authority of Environmental Licenses, and the community benefit plan. Read more about our operations on the [ConocoPhillips Colombia website](#).

## Australia

When constructing our Australia Pacific LNG (APLNG) facility, we opted to fund and support the construction of pipelines to connect infrastructure on Curtis Island with mainland utilities instead of building a desalination plant for seawater. This effort significantly reduced harbor traffic associated with water supply to the LNG projects and eliminated the release of an average of 5 million barrels per year of brine and treated effluent to Gladstone Harbor since operations began in 2015. The project also addressed stakeholder concerns about impacts of increased vessel traffic to both local recreation and the natural environment. [Read more](#) about APLNG.

## Timor Leste

In Timor Leste, we **support local training courses** in areas such as electrical and instrumentation maintenance and offer programs that allow residents to earn certificates in instrumentation and control. Additionally, there are **opportunities for training to be a helicopter mechanic or pilot** serving offshore operations. These all position local graduates for high-paying jobs in our industry. As part of our Bayu-Undan Joint Venture, a **scholarship program** also provides economically disadvantaged Timorese students with a fully funded scholarship at an academically prestigious school for grades seven through 12.

### SPOTLIGHT

## The ConocoPhillips Cup: Investing in the Colombian community

In Colombia, ConocoPhillips worked with local leaders and residents to identify a community investment project that would benefit the town of Cuatro Bocas, near the company's proposed operations. The collaboration culminated in the refurbishing of a multifunctional sports court and commemorating the opening with a soccer tournament for roughly 100 local boys, girls, men and women.



ConocoPhillips supports  
Colombia community

3:10 PLAY TIME



# Valuing Human Rights

As stated in our [Human Rights Position](#), we recognize the dignity of all human beings and our core values embrace these inalienable rights for all people to live their lives free from social, political, or economic discrimination or abuse. We believe businesses have an important role to play to advance respect for human rights throughout the world and to conduct business consistent with the human rights philosophies expressed in global frameworks. We conduct business consistent with the human rights philosophy expressed in the [Universal Declaration of Human Rights](#) (UDHR), and the [International Labour Organization Declaration on Fundamental Principles and Rights at Work](#), which includes the core labor standards related to nondiscrimination, freedom of association, right to collective bargaining, and avoiding the use of forced or child labor. Our approach to engagement with indigenous communities in locations where they are an important stakeholder group for our operations, is consistent with the principles of the [International Labour Organization Convention 169](#) concerning Indigenous and Tribal Peoples, and the [United Nations Declaration on the Rights of Indigenous Peoples](#). Our intent regarding human rights is also reflected in our [Code of Business Ethics and Conduct](#) and [health, safety and environmental policy](#). We are committed to respecting human rights and engaging with those who impact or may be impacted by our business. When our operations identify potential human rights concerns during risk assessments, they then develop engagement plans and specific actions to manage and mitigate that risk.

## Human Rights Training and Awareness

Our approach encompasses a broad range of activities and tools. We've adapted and applied a [human rights tool kit developed by IPIECA](#), the global oil and gas industry association for environmental and social issues, and utilize a [number of business practices, processes and tools](#) to implement our human rights position.

We continue to support the [IPIECA social responsibility working group](#) and human rights project. Additionally, we participate in IPIECA's broader work on human rights due diligence and grievance mechanisms and incorporate IPIECA guidance into our own training and practices.

Our human rights training is available via a computer-based module to all employees.

## Voluntary Principles on Security and Human Rights

We maintain ongoing discussions with government, NGO and other business stakeholders through our participation in the [Voluntary Principles on Security and Human Rights](#) (VPSHR). We have been a member of the VPSHR initiative since its inception in 2000. [Our social performance guidance](#) directs our VPSHR implementation and our [annual report](#) to the VPSHR details our current practices as well as provides updates for previous years.

We continue to conduct regular VPSHR training of security providers in priority countries for security and human rights issues. Security personnel and community engagement practitioners, including contractors, complete corporate human rights training on VPSHR on an annual basis. All contract security organizations are required to provide VPSHR training to their employees and comply with the principles. Training is also provided for the ConocoPhillips workforce as part of the onboarding process when working in field locations.

## Economic Transparency and Reporting

We endorse [transparency](#) in the extractive industries. We are a participating member of the [Extractive Industries Transparency Initiative](#) (EITI), one mechanism which seeks to ensure that natural resource wealth is an engine for economic growth that contributes to sustainable development and poverty reduction.

We remain actively involved in the EITI process and implementation in participating countries in which we operate. Currently, we are engaged in exploration and/or production activities in EITI member countries Colombia, Indonesia, Norway, Timor-Leste and the United Kingdom. Current EITI information can be [found here](#).

We note that various other transparency initiatives have either been adopted or are under development in areas in which we operate, including the [Dodd-Frank Act](#) in the United States and the EU Accounting and Transparency Directives in the European Union. These initiatives include detailed mechanisms for payment transparency, which we believe can and should be accomplished in a manner that:

- Does not require companies to violate existing contractual and legal obligations.
- Is fair to all participants in the extractive industries.
- Does not place unreasonable administrative burdens and expenses on reporting companies.
- Does not place reporting companies at a strategic disadvantage as compared with nonreporting companies.

# Respecting Indigenous Peoples

We recognize and respect the choice of indigenous communities to live as distinct peoples, with their own cultures and relationships to the land. Wherever our operations neighbor with indigenous communities, we seek to partner and engage with them to diminish the negative aspects of our operations and maximize the social and economic benefits we can bring. Areas where we explore or operate near these communities include the United States, Canada, Australia and Indonesia. Our engagement with indigenous communities in those locations is consistent with the principles of the [International Labour Organization Convention 169](#) concerning Indigenous and Tribal Peoples, and the [United Nations Declaration on the Rights of Indigenous Peoples](#). Our relationships are governed by national laws of the countries in which we are working, our social performance guidance, our own positions on [sustainable development](#) and [human rights](#), and our core [SPIRIT Values](#) of Safety, People, Integrity, Responsibility, Innovation, and Teamwork. An [update](#) was provided to the Interfaith Center on Corporate Responsibility in New York in March 2018.

## Engagement and Consultation

When engaging with indigenous peoples who may impact or be impacted by our operations, we seek first to understand their social values, culture and traditions, as well as their expectations and preferences for dialogue and dispute resolution. Our consultations consider traditional land use information and community interests, goals and perspectives on environmental, social and economic topics. We engage with indigenous communities at the regional, local and individual levels by meeting regularly with regional governments, community associations, local leaders and community residents. Our stakeholder engagement professionals work closely with our drilling and production teams to guide discussions and facilitate cooperation with indigenous peoples. Wherever we engage with indigenous communities, we pursue opportunities to support economic development opportunities consistent with indigenous communities' culture and community development plans. In some cases, the engagement and consultation may be guided by a formal agreement with the indigenous community. We seek to honor cultures of indigenous groups by taking steps to learn about indigenous societies so that we know how to properly demonstrate respect in our relationships. Some of our larger business units provide cultural awareness training. In many cases, our stakeholder engagement leaders and business leaders will educate themselves through mentors in the indigenous community or through the help of local experts.

## Alaska

Working closely with communities and protecting the environment are key values everywhere we operate but are especially important in the sensitive ecosystem on the North Slope of Alaska. When we were not able to reach agreement with local stakeholders on the location of the main bridge connecting drill site CD5 to the Alpine Central

Processing Facility, we withdrew the permit applications and worked closely with permitting agencies and Nuiqsut residents to find common ground. The goal was to minimize the impact of the bridge on key subsistence hunting and fishing areas while ensuring that it would also work from an engineering, access and cost perspective. After engagement and consultation with the village elders, we were able to agree on the final location for the bridge.

[View more about CD5.](#)

## Canada

We use a values and interest assessments (VIA) process to guide practitioners as they work with Canadian indigenous communities to create positive, sustainable outcomes. Our stakeholder engagement team begins by building relationships through authentic, collaborative dialogue with members of the community. Next, we work with the community to create a shared vision and to discuss ways we can work together. The third stage centers around planning and focuses on collaboratively prioritizing ideas and creating structures and processes for working together. The ideas are turned into a shared action plan to be implemented and assessed. The VIA process can result in formal agreements with interested indigenous communities in close proximity to large developments. For those communities, agreements formalize a respectful relationship and the mutual promises between our company and communities. Each agreement is focused on shared value and addressing the specific promises, obligations and benefits for both parties, and like many agreements, is confidential. Agreements include a process to resolve concerns about rights infringement from our activities and language committing both parties to work toward mutually beneficial relationships.

The Cooperation and Mutual Benefits Agreement (CMBA) with Fort McMurray First Nation (FMFN) represents multiple years of engagement to build trust and respect, mutual areas of interest and benefit, and a formal commitment to a stronger relationship. In 2017, at the first Leadership Committee meeting with FMFN we identified areas where we could improve and extend our relationship. We received feedback that our contracting strategies were impacting both the current and prospective opportunities for the nation, and that we still had work to do. We explored how our business practices had evolved in the past year as market conditions had changed. These discussions strengthened the joint business working group to create an ongoing deeper dialogue on local contracting opportunities and capabilities. We also changed our internal practices to work more strategically with the FMFN on the shared goal of local business benefits. Another outcome of the meeting was the establishment of a working group to provide a forum to discuss environmental monitoring and identify opportunities to support environmental stewardship of the Surmont Project and FMFN community pillars.

## Australia

The West Arnhem Land Fire Abatement (WALFA) project in Australia centers around an innovative mix of customary indigenous fire management techniques and contemporary technology to reduce the instance and severity of devastating wildfires. In 2018, the program abated more than 177,253 tonnes of CO<sub>2</sub> equivalent, bringing the program total to over 2 million tonnes. The project offers economic, environmental, social and cultural benefits for local indigenous community members across 17,574 square miles of remote, biodiversity- and culturally rich Aboriginal land adjoining the Kakadu National Park. WALFA supports over 300 indigenous jobs per year, conserves

rainforest vegetation, protects local wildlife and rock art sites and allows cultural aspects of land management to be passed down to younger generations. It also reduces greenhouse gas emission costs effectively and is one of Australia's top five largest offset programs. All of this makes it a truly sustainable project with social, environmental and economic benefits. The program is so successful that it has now been emulated in more than 70 other projects across Northern Australia and exported internationally, with pilot programs in places such as Botswana.

At our Darwin LNG facility, we [collaborate with the Larrakia community](#) regarding our Aboriginal engagement in the area.

# Working with Indigenous Peoples in Australia

ConocoPhillips is committed to enhancing the communities where it operates.

Such is the case in Australia's Northern Territory (NT), where ConocoPhillips is the majority interest holder of the Darwin Liquefied Natural Gas (LNG) plant.

## About the Northern Territory

Australia's NT has a population of more than 245,000, with 30 percent identifying as being of Aboriginal and Torres Strait Islander origin. Eighty-five percent of the coastline in the Darwin area is Aboriginal-owned and 51 percent of NT land is Aboriginal land.

The greater Darwin region is home to about 2,000 Larrakia people, who are the Traditional Owners of the land and water in the area. They have a special connection to the saltwater, which they believe provides them with strength and health. As a community partner in this region, ConocoPhillips places a top priority on recognizing and respecting the Larrakia culture.

## Wickham Point Deed

Darwin LNG has an agreement with the Larrakia people that includes commitments and aspirations across cultural recognition and activities, contracting and business opportunities and employment and training. This agreement is known as the Wickham Point Deed. As part of this agreement, ConocoPhillips representatives collaborate with Larrakia family representatives, who form the Wickham Point Deed Reference Group, on activities concerning ConocoPhillips' Larrakia and Aboriginal engagement.



Larrakia elder Eric Fejo with former Darwin Operations Manager Filippo Meacci.

A Larrakia person can welcome visitors by inviting them into the saltwater and washing down their face or arms. Doing so leaves their smell and sweat in the water, which means the country and ancestors of the Larrakia are aware of the presence of visitors.

During a recent engagement, members of the Wickham Point Deed Reference Group visited the Darwin LNG plant for a full tour, which allowed them to learn about the inner workings of the LNG plant. It also gave them an opportunity to share insights and details about sites of cultural significance near the facility.

ConocoPhillips has renewed its focus on integrating Larrakia culture into existing partnerships within Darwin's community investment portfolio. These partnerships provide a foundation to showcase Larrakia culture, building pride in the community.

## Celebrating in Tune

For over 10 years, ConocoPhillips has partnered with the National Indigenous Music Awards (NIMAs), a national event to celebrate and reflect upon the contributions by Indigenous musicians to Australia's cultural landscape. Broadcast nationally each year, the event brings together visitors from remote Aboriginal communities, tourists, Darwin residents and renowned performers.

In 2018, ConocoPhillips sponsored the Welcome to Country performance. This cultural event featured dances and music from the Kenbi Dancers, a Larrakia dance group, who performed against a backdrop of aerial photos of local landscapes. The performance was the opening act for a night that ended with the Kenbi Dancers winning the NT Traditional Music Award.



*Clontarf Foundation at NT City2Surf.*

## Offering Opportunities

ConocoPhillips also supports the Clontarf Foundation, a national program to improve the education, discipline, life skills, confidence and employment opportunities of young Aboriginal and Torres Strait Islander men. The Clontarf Foundation provides guidance to more than 6,500 boys in 97 schools across Australia.

ConocoPhillips' long-term partnership with the foundation includes staff involvement at career fairs and participation in mock-interviews and informal presentations. ConocoPhillips also involves students in activities offered by its other community partners, such as the ConocoPhillips NT City2Surf race, where students run as part of the ConocoPhillips team and participate in the post-race breakfast.

## Combining Opportunities

In 2017, Clontarf Foundation students interested in music, event management and sound and lighting production gained work experience by helping at the NIMAs. And in 2018, the work opportunities continued, as students helped with the event's preparation. Moving ahead, student participation is anticipated to increase even further.

Across all community investment partnerships, ConocoPhillips aims to weave in a Larrakia presence by facilitating opportunities for a Welcome to Country address, Acknowledgement of Country in program booklets, artwork and other cultural initiatives that reflect the company's respect for the Larrakia as Traditional Owners of land in the Darwin region.

## Career Training

In 2018, ConocoPhillips developed a range of new career training opportunities for Larrakia people, providing them a pathway to enter the LNG industry workforce. Programs include training for technical plant operators, apprentices, warehouse and logistics operators and various administrative positions.



2018 NT Training Award recipients Kimberly Brewster and Sonny Malmerin-Fejo.

"Two of our most recent trainees received awards at the 2018 NT Training Awards," said Carly Sherren, Senior ConocoPhillips Human Resources Business Partner. "Sonny Malmerin-Fejo was named the Aboriginal or Torres Strait Islander Trainee of the Year, and Kimberly Brewster was named Trainee of the Year. Both proceeded to the prestigious Australian Training Awards, where Kimberly was awarded Australian Trainee of the Year. We are incredibly proud of what they have achieved and are delighted that their hard work and professional development has been recognized by the broader community at both a local and national level."

Additionally, ConocoPhillips has conducted an Operator Training program since 2010. Originally known as the Darwin Operations Centre Training Academy (DOCTA)

program, it was initially designed to encourage local employment within the Northern Territory. At that time, Australia was undergoing a rapid expansion of the LNG industry, and since there were few local, experienced operators in the local market, the DOCTA program sought to help long-term residents develop transferrable process or trade skills. Since then, 36 people from six training classes have completed the program. The recently convened seventh class is the first in collaboration with industry peer INPEX. More than 1,200 residents applied for the program, and women and Aboriginal and Torres Strait Islanders applied in record numbers. Six trainees have started at Darwin LNG, including four women (one who is Aboriginal) and a Larrakia man.

## University Partnership

ConocoPhillips has a partnership with Charles Darwin University (CDU) to provide capacity building opportunities to Aboriginal and Torres Strait Islander people. This partnership aims to address skills shortages through training programs developed in consultation with the Wickham Point Deed Reference Group. In 2017-2018, the program offered two heavy truck driving programs to Aboriginal students. Working with a host employer, participants gained classroom and on-the-road skills and worked with a host employer. The program has been repurposed for 2019, into a comprehensive, 20-week health services program with 12 weeks of classroom time at CDU and eight weeks of practical, on-the-job training. Upon completion, participants will be certified to work with geriatric and disabled patients, both areas of need throughout the NT.

While cultural recognition and pride are developed and maintained through ConocoPhillips' community investments, sustainable changes are made through education, training and employment opportunities.

"Our engagement with the Larrakia, and Aboriginal and Torres Strait Islander people in Darwin relies on collaboration and open dialogue," said Kayleen Ewin, ConocoPhillips Vice President Sustainable Development and External Affairs. "We remain committed to genuinely contributing to the social and cultural fabric of communities where we operate."

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# Human Rights Position

Governments have the primary responsibility for protecting human rights and we believe business has a constructive role to play to advance respect for human rights throughout the world as do Non-Government Organizations (NGOs) and other representative groups in civil society.

We recognize the dignity of all human beings and our core values embrace these inalienable rights for all people to live their lives free from social, political, or economic discrimination or abuse.

## Our Focus & Expectations

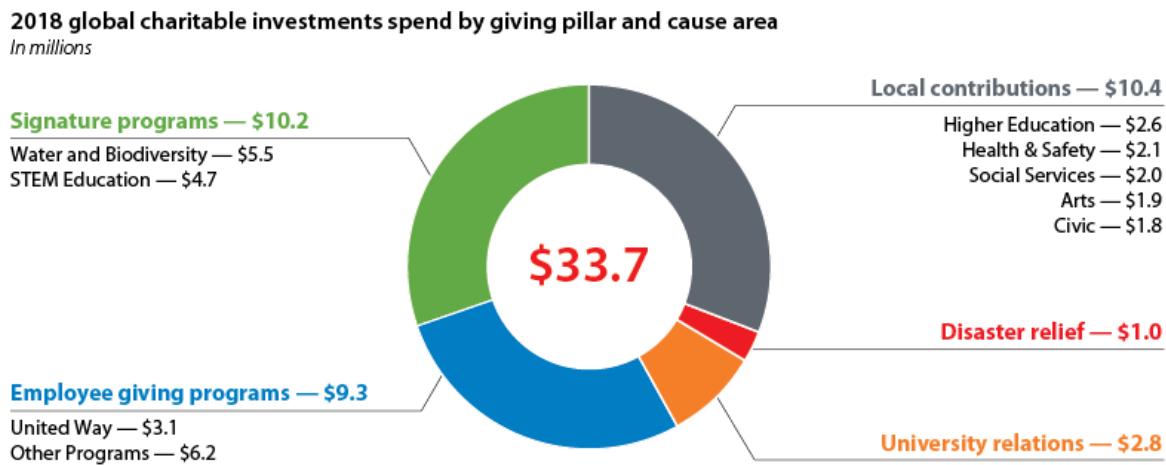
We will conduct business consistent with the human rights philosophy expressed in the Universal Declaration of Human Rights (UDHR), and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

Our intent regarding human rights is also reflected in our Purpose and Values and in our business ethics policy and health, safety and environmental policy. These policies address how we conduct our business with respect for people and the environment, accountability and responsibility to communities, and ethical and trustworthy relationships with our stakeholders. We will maintain ongoing discussion with government, NGO and other business stakeholders through our participation in the Voluntary Principles on Human Rights and Security. The company's approach to engagement with indigenous communities, in locations where they are an important stakeholder group for our operations, is consistent with the principles of the International Labour Organization Convention 169, concerning Indigenous and Tribal Peoples, and the United Nations Declaration on the Rights of Indigenous Peoples.

# Global Giving

We contribute to the well-being of the communities in which we operate through charitable giving, employee volunteerism and civic leadership. We believe the most effective charitable investments are made through strategic relationships with organizations dedicated to serving our communities, day in and day out.

Our global giving budget is balanced across our signature programs, local contributions and employee programs. The budget is approved annually by the Public Policy Committee of the Board of Directors.



Input and insight from business units is overlaid by uniform, global process and policies to provide:

- Due diligence scrutiny of potential partners.
- Consistent project selection criteria and focus wherever we operate.
- Appropriate audit trail and document retention.
- Tracking and assessment of performance metrics and impact.

## Signature Programs

Signature programs help unify our global giving around relevant themes and make our charitable investments program significantly more impactful. The company focuses on two signature causes: water and biodiversity stewardship (global) which aligns with our sustainability commitments to protect the environment; and math education (Houston) which is key to academic and career success and aids in building capacity in communities.

## Local Community Giving

In communities across the globe our taxes and investments contribute to economic growth and we also work to determine ways to be good neighbors.

This means working with community members and partners to meaningfully and measurably contribute to each community's unique needs by identifying and addressing areas of local concern through charitable investments and volunteerism in support of education, health and safety, the environment, the arts, civic and social services and disaster relief. In 2018 efforts ranged from humanitarian applications of geoscience around the world through [Geoscientists Without Borders](#) to innovative math curricula offered by the United Way of Greater Houston and the Houston Texans to disaster relief efforts following earthquakes in Indonesia and Alaska.

## Employee Giving

Our employees and retirees make our communities stronger. We are proud to support their generous involvement in local charitable activities through employee giving programs that include United Way campaigns, matching contributions, volunteer grants and scholarships for employee children.



In 2018, we participated in eight United Way campaigns, raising more than \$5.6 million in employee, retiree and company contributions and logging more than 44,500 volunteer hours globally. United Way organizations are engaged in nearly 1,800 communities across more than 40 countries and territories worldwide to create solutions that build stronger communities. We are proud to support United Way's mission of improving education, strengthening financial stability and making communities healthier.

# Restoring Coastal Wetlands

Hundreds of thousands of acres of wetlands have been lost in the U.S. in the past few decades. More than two-thirds of this loss occurred along the Gulf of Mexico.

As the largest private owner of wetlands in the U.S., ConocoPhillips views conservation as a key priority and has allocated over \$6.8 million to restoration efforts since 2012. This includes activities such as hurricane protection, coastal restoration, wetlands mitigation and biomass carbon sequestration. Through partnerships with public, private and nonprofit organizations, the company has participated in more than 30 projects that have enhanced approximately 86,000 acres of wetlands. Marsh terraces, first implemented in the 1990s, are an important component of these efforts. New research on terrace sites throughout Louisiana by scientists at Mississippi State University (MSU) and Ducks Unlimited, including seven vital locations situated on ConocoPhillips Coastal Wetlands property, evaluates the effectiveness of marsh terraces — small manmade ridges of excavated soil constructed in shallow, open water areas. They are typically covered in vegetation and serve as a habitat for fish, ducks and other birds.

"Terraces are intended to provide numerous benefits in restoring coastal wetlands," said Brian Davis, lead project investigator and associate professor in the MSU Forest and Wildlife Research Center. "They reduce wave energy and erosion, protecting the coastline against flooding. They also provide habitat for waterfowl and various other aquatic species."

Though more than 80 marsh terracing projects have been constructed in Texas and Louisiana, there is no real data to provide a clear understanding of the ideal techniques to use to optimize conservation. The MSU research team hopes to change that. Professors, graduate and undergraduate students will measure numerous geological and biological outcomes of constructed marsh terraces using, among other tools, visible and thermal imaging cameras deployed on unmanned aerial vehicles, and sonar sensors on unmanned surface vehicles. By assessing soil compaction and hydrology and compiling data on avian populations, they hope the data will answer a number of questions: Does a certain type of vegetation contribute to terrace longevity? Do various bird populations respond better to a specific type of vegetation? And does terrace shape and/or configuration impact efficacy?



*Coastal wetlands from the air*

compaction and hydrology and compiling data on avian populations, they hope the data will answer a number of questions: Does a certain type of vegetation contribute to terrace longevity? Do various bird populations respond better to a specific type of vegetation? And does terrace shape and/or configuration impact efficacy?

"The ultimate goal of this project is to develop best management practices for marsh terrace design to inform engineering and construction plans," Davis said. "The hydrodynamic models will allow us to determine how future terraces will perform and persist and how to best allocate resources for greatest future impact. The real value of the partnership with ConocoPhillips is that we are collaborating to better understand restoration efforts, which has broad, long-term benefits."

Work in the field will continue through 2020, and data will be ongoing for an additional year or so. Researchers intend to share their findings to maximize coastal restoration and protection efforts that promote sustainable and productive ecosystems across the entire Gulf Coast region.

Read more about ConocoPhillips' sustainability approach [here](#) and more about our previous work in Louisiana [here](#).

# Safety, Health & Security

The guiding principle that “work is never so urgent or important that we cannot take the time to do it safely and in an environmentally responsible manner” is core to our day-to-day operations.



## Safety

Our commitment to safety.

[LEARN MORE](#)



## Health

Protecting the health of workers and neighboring communities.

[LEARN MORE](#)



## Security

Addressing potential threats to our operations around the world.

[LEARN MORE](#)

# Safety

**SPIRIT Values** — Safety, People, Integrity, Responsibility, Innovation and Teamwork — inspire our actions and confirm that safety is core to how we operate. We consistently promote safe work practices and are focused on control of work. All employees and contractors have the responsibility and authority to stop work they believe is unsafe. We also implement the programs, training and internal controls necessary to reduce and mitigate risk to our fellow employees, our neighbors and the environment.

## A Learning Organization



Introducing human performance concepts and enhancing leadership behaviors that promote learning.

[LEARN MORE](#)

## Process Safety



We take special precautions to eliminate potential impact to people, property or the environment.

[LEARN MORE](#)

## Personal Safety



Our safe work cycle includes planning, execution, verification and correction.

[LEARN MORE](#)

## Emergency Preparedness



A strong emphasis on training to develop effective emergency response capabilities.

[LEARN MORE](#)

## HSE Management System



HSE considerations are embedded into every task and business decision.

[LEARN MORE](#)

# A Learning Organization

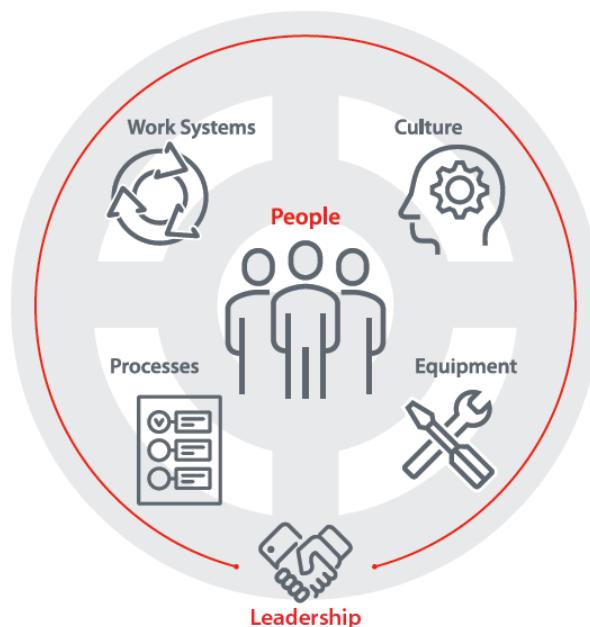
Our vision is to increase operational reliability and resiliency, and we believe that begins with learning. By being curious about how work is done, mindful of risks and committed to predicting errors, we can minimize or eliminate the likelihood of unexpected events.

We define human performance as the way people, equipment, work processes and culture interact as a system. By introducing human performance concepts and enhancing leadership behaviors that promote learning, we are reenergizing our existing HSE processes and tools. We are specifically focused on reducing the outcome of human error by improving the interaction between individuals, critical controls and systems, by recognizing error-likely situations, and by applying safeguards to reduce the likelihood of error.

As we develop a culture of learning where leaders create opportunities for conversations, all individuals are encouraged to collaborate and hold each other accountable for learning and improving. Business units continue to employ innovative organizational learning concepts to increase operational reliability and resiliency. Learning teams serve as one means to operationalize human performance concepts and mindsets, and to better understand how work is done. Learning teams are facilitated sessions with workers in which the team and facilitator discuss successful work or an unplanned event to better understand the context of how work is really done.

By applying a learning mindset and human performance concepts, we are increasing our capacity to safely manage work and critical activities. Across our operations, we take learnings from past events or near misses and use them to improve our procedures, training, maintenance programs and designs. Understanding how people work enhances our ability to identify potential risks and verify safeguards to mitigate them. This approach is reinforced through activities such as verification of personal and process safety safeguards, and meaningful leadership engagement with field operations.

Our goal is to prevent all injuries, occupational illnesses and incidents.



# Process Safety

Process safety is achieved by using special precautions, or barriers, to keep our facilities safe and our products in the pipe, eliminating potential impact to people, property or the environment. This includes the prevention, control and mitigation of unintentional releases of hazardous material or energy from containment. Any unplanned release of hazardous material or any near miss that could have resulted in an unplanned release of hazardous material is considered a process safety event.



It's imperative that all employees understand the importance of process safety, and that consistent practices and processes are embedded with our work systems to prevent process safety events. Our Process Safety Strategy is helping us to provide structure to existing processes and programs and focus on training, communication, standards and governance.

We invest significant resources and provide focused attention to continually improve our process safety culture and performance across the entire company. The foundation of our successful process safety management program is promoting employee participation. Our employees:

- Have defined safety roles and responsibilities at all levels.
- Serve as employee representatives on joint health and safety committees.
- Participate in analyses that identify process hazards together with their control and mitigation measures or barriers.
- Provide operator input and exhibit ownership of process startup/shutdown procedures and emergency procedures.
- Participate in safety qualification and training programs.
- Are empowered with the right and responsibility to stop unsafe work.
- Perform work permitting and pre-job hazard analysis.
- Participate in safety, technical and procedural reviews, incident investigations, audits and emergency response teams.

Enhancing process safety awareness and competency across our company continues to be one of our key objectives. We saw an increase in Tier 1 process safety events in 2018 and have identified this as an area for improvement.

Global subject matter experts meet regularly to review leading indicators related to our process safety performance. Emphasizing leading indicators, such as process safety near misses and their causal factors, provides more timely understanding into the performance of our barriers. This team has developed Barrier Sheets as a communication tool to inform our workforce on how to identify weaknesses and strengthen defensive barriers. We recognize that competency is integral to assuring process safety within our organization and critical to ensuring that our people can safely execute their work.

## Personal Safety

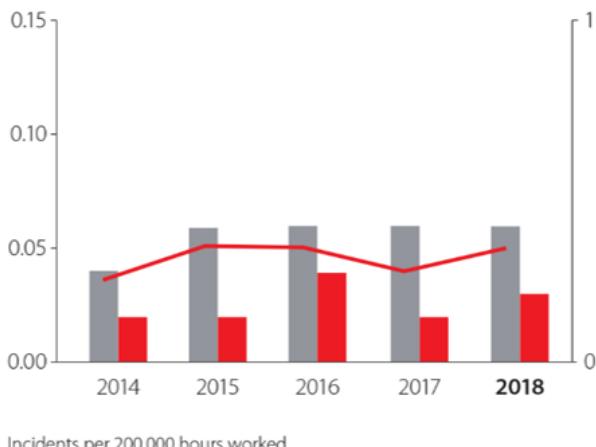
Our **Life Saving Rules** put our commitment to safety into action. Targeted at reducing or eliminating serious incidents, the rules guide the behavior of employees and contractors working on high-risk activities in our global operations. To our workforce, the 8 Life Saving Rules are more than a set of icons. They are part of our safe work cycle that includes planning, execution, verification and correction.



In 2018, a focus on verification of the 8 Life Saving Rules, along with a continued emphasis on process safety and organizational learning, contributed to another year of strong HSE performance. Our workforce experienced no fatalities and maintained record-low Total Recordable Rate (TRR). The contractor TRR improved 11%, even with increased field activity in 2018. Targeted reliability conversations and verification of the 8 Life Saving Rules enables us to uncover potential hazards in an environment of complex risk factors.

## Lost Workday Case Rate (LWCR)

- Combined LWCR
- █ Employee LWCR
- █ Contractor LWCR



## Total Recordable Incident Rates (TRR)

- Combined TRR
- █ Employee TRR
- █ Contractor TRR



Minimum requirements for critical activities are addressed as part of pre-job planning through permits and/or risk assessments. Once the activity has commenced, field verification minimum requirements are effectively implemented through two-way learning conversations during these critical tasks.

In Australia, a program emphasizing personal responsibility empowers employees to foster a safe working environment. WAVES (We All Value Each Other's Safety) is an employee-driven, behavior-based safety process involving peer-to-peer observation and feedback aimed at identifying and eliminating unsafe behaviors by encouraging workers to take responsibility for both their own safety and that of their colleagues. Additionally, we collaborate with industry partners in [Safer Together](#), an organization committed to creating the leadership and collaboration needed to build a strong and consistent safety culture. As the industry has evolved, the risk profile has changed from construction to production, underscoring the need to simplify and standardize safety implementation for both operators and contract personnel who support operations.

# Emergency Preparedness

The complex nature of our business means we must be prepared to respond to a range of possible disruptions. Potential threats come in many forms such as major accidents, political instability or extreme weather. We maintain a strong emphasis on training to develop effective emergency response capabilities. If a spill or other unplanned event occurs, we have plans and processes in place to ensure we can respond effectively. We also conduct thorough investigations of all significant incidents to understand the root cause, share lessons learned and prevent future incidents. We report on our spill performance annually.



*Incident response team members review spill trajectory maps to better direct mobilization of resources.*

Because we place great value on having trained and capable emergency responders, we conduct various training events and multiple exercises each year for our global operations in compliance with company standards and local regulatory requirements, including the [U.S. Oil Pollution Act](#). In addition, regional training and exercises are conducted to evaluate business unit, regional and corporate incident management systems. In 2018, these regional exercises were conducted in the United Kingdom, Indonesia and Alaska (Polar Tankers). Training targeted areas of emergency response requiring additional focus, including leadership in the response planning process, improving capabilities related to resource ordering, Incident Command System (ICS) position-specific training, and oil spill response tactics. Lessons learned and best practices from key exercises are shared within our internal emergency response community to further enhance our capabilities.

# HSE Management System

The HSE Management System helps ensure that business activities are conducted in a safe, healthy, and environmentally and socially responsible manner, aimed at preventing incidents, injuries, occupational illnesses, pollution and damage to assets. It enables people and communities to thrive, which helps keep our business healthy. HSE considerations must be embedded into every task and business decision.

All our business units periodically review their management systems against corporate standards and are responsible for integrating sustainability issues into day-to-day operations, project development and decision-making. They analyze current status, identify areas for potential improvement, and then implement key activities to reduce risk and further enhance HSE performance. They are held accountable through an annual performance assessment.

Asset managers are responsible for directing asset-sustainable development performance in accordance with the HSE management system and other company sustainability requirements and guidelines. Audits carried out by corporate and business unit staff assure these expectations are met. Audit topics reflect our HSE Management System elements and functional capability.

# Revealing the Sleeping Tiger

A sleeping tiger may not be an obvious mascot for a safety message at an exploration and production company, but it's a perfect metaphor to represent situations that can, at any moment, awaken and cause serious damage. Proactively identifying and addressing these situations can prevent serious incidents.



The concept was conceived after investigations into previous health, safety and environment (HSE) incidents found that failure conditions or system weaknesses often existed prior to the event, meaning that there was an opportunity to reveal and address exposures prior to them resulting in incidents. Essentially, there was plenty of potential to find the "sleeping tigers" before they awakened.

Learning can help us identify those conditions, and it begins with a leadership-enabled mindset in several key areas:

- **Response to failure:** Suspend judgement, respond to failure with curiosity and seek to understand the context.
- **Curiosity:** Ask different questions and have a questioning attitude.
- **Chronic unease:** Maintain a healthy sense of unease and be alert to weak signals.

"Improving our HSE performance very much hinges on our ability to continue to learn, therefore we must find other ways and means to continue to discover the weaknesses in our systems and shortfalls in safeguards. We need to get better at revealing the sleeping tigers before they awaken into an incident," said Vice President, Health, Safety and Environment Dirk Faveere.

# Building a Safety-Focused Culture

Bridging the gap between how work was planned versus how it was performed helped Norway record their safest year yet in 2018. The effort started in 2013, when process isolation and crane and lifting activities (which can all lead to serious injuries or fatalities) were identified as major accident risks. A team of skilled offshore workers and leaders was established to assess the challenges and opportunities associated with the tasks. It was quickly determined the activities had complex requirements, room for interpretation and a lack of common understanding.



First, the team simplified requirements, ensuring that our Life Saving Rules were clearly integrated. Workers and leaders were trained through facilitated sessions. Handbooks detailing essential requirements of job tasks were also developed and made easily available at the worksite. The team then made informal but focused verification trips offshore to understand how the original design and proposed method/requirement work together. A crucial element of this process was candid, honest conversations with the workforce, letting them tell the story of how work actually occurs. Integrating their input into the proposed method and equipment changes was an important part of building a culture supportive of the new safety initiatives as well as a valuable source of information about processes and logistics. Workforce involvement in safety improvement planning has been ongoing; more than 100 suggestions were submitted for the recent sixth update of the Process Isolation Handbook.

In 2017, another team was established, relying on the same methodology to understand weak signals from incidents and near misses in the well bay of offshore platforms, an area with high activity where an incident can have significant consequence.

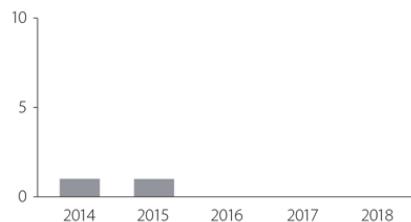
Key aspects of that work include:

- Interface between operations and well operations.
- Alignment of requirements between groups.
- Assessment of routine operations, both simple and complex.
- Involvement of multiple contractors.

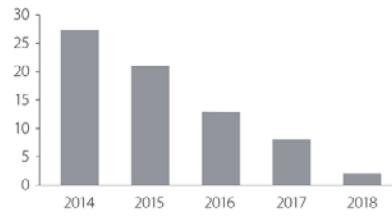
As a result of the offshore verifications, requirements were simplified and several procedures were removed. The team created a handbook that is used as the basis for conversation and noted that the quality of the conversations has improved. The effort helped lead to a decrease in total incidents and improved near miss reporting. Life Saving Rules verifications and details from near misses shed light on new areas for learning and improvement.

"Fundamental to the success of this work is the involvement of the workforce. By getting them onboard and together making improvements to the system they are working in, we achieved great ownership and sustainable improvement," said Jan-Arne Johansen, general manager, Norway Operations.

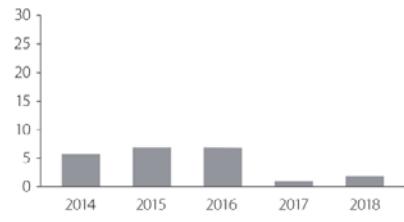
**Process Hydrocarbon Leaks**



**Crane and Lifting Incidents**



**OI Incidents in Wellbay**



# Health, Safety & Environment Policy

## Our Commitment

ConocoPhillips is committed to protecting the health and safety of everybody who plays a part in our operations, lives in the communities in which we operate or uses our products. Wherever we operate, we will conduct our business with respect and care for both the local and global environment and systematically manage risks to drive sustainable business growth. We will not be satisfied until we succeed in eliminating all injuries, occupational illnesses, unsafe practices and incidents of environmental harm from our activities.

## Our Plan

To meet our commitment, ConocoPhillips will:

- Demonstrate visible and active leadership that engages employees and services providers, and manage health, safety and environmental (HSE) performance as a line responsibility with clear authorities and accountabilities.
- Ensure that all employees and contractors understand that working safely is a condition of employment, and that they are each responsible for their own safety and the safety of those around them.
- Maintain “stop work” policies that establish the responsibility and authority for all employees and contractors to stop work they believe to be unsafe.
- Manage all projects, products and processes through their life cycles in a way that protects safety and health and minimizes impacts on the environment.
- Provide employees with the capabilities, knowledge and resources necessary to instill personal ownership and motivation to achieve HSE excellence.
- Provide relevant safety and health information to contractors and require them to provide proper training for the safe, environmentally sound performance of their work.
- Measure, audit and publicly report HSE performance and maintain open dialogue with stakeholder groups and with communities where we operate.
- Comply with applicable regulations and laws.
- Work with both governments and stakeholders where we operate to develop regulations and standards that improve the safety and health of people and the environment.
- Maintain a secure work environment to protect ourselves, our contractors and the Company’s assets from risks of injury, property loss or damage resulting from hostile acts.

## Our Expectations

Through implementation of this policy, ConocoPhillips seeks to earn the public’s trust and to be recognized as the leader in HSE performance.

# Occupational Health and Industrial Hygiene

The goal of our Occupational Health and Industrial Hygiene program is to protect the health of workers and the neighboring community through the identification, evaluation and control of potential workplace exposures. Each business unit develops and implements an Exposure Assessment Plan that identifies potential chemical and nonchemical exposures and implements controls to prevent worker or community exposures.

Health assessments are conducted to ensure that control measures are protecting the health of potentially exposed workers.

Read more about [employee benefits and wellness](#).



# Security

Although security risks can never be fully eliminated, we believe they can be effectively managed. We have taken comprehensive steps and invested heavily to address potential threats to our operations around the world. Through systematic security processes, we continuously monitor and assess the security environment, our compliance globally with security regulations, and company security policies. To provide for the safety and security of our personnel and operations worldwide we implement a wide variety of security measures.



As an operator of critical infrastructure and facilities in challenging locations worldwide, we work closely with governmental agencies, nongovernmental organizations, our peers and local communities on initiatives to identify, deter, prevent and mitigate a range of potential threats to company personnel, facilities and operations. Our facilities are compliant with national and international security regulations including the:

- Chemical Facility Anti-Terrorism standards
- Maritime Transportation Security Act
- Hazmat Transportation Security requirements
- International Ship and Port Facility Security Code
- U.S. Customs-Trade Partnership Against Terrorism standards
- Maritime Transport and Facilities Security Regulations (Australia)
- All other applicable governmental security requirements

We maintain a "Tier 3" status in the Customs-Trade Partnership Against Terrorism program by demonstrating effective security that exceeds the minimum program criteria. Our program ensures categories of company procedures intended to maintain the integrity and security of the international supply chain. This effort is conducted through our partnership with U.S. Customs and Border Protection who assess the overall effectiveness of our security processes.

We remain an active, participating member of the [Overseas Security Advisory Council \(OSAC\)](#), [Domestic Security Alliance Council \(DSAC\)](#), and other national and international security organizations.

# Performance Metrics & Assurance

We use key metrics to measure and monitor our ESG performance and progress in managing sustainability risks.



## Our Performance

Table of key metrics to measure and monitor our performance.

[LEARN MORE](#)



## Assurance

Internal assurance and independent, third-party verification.

[LEARN MORE](#)



## Ratings & Recognition

Recognition for our sustainable development performance.

[LEARN MORE](#)

# Performance by Year

METRIC	Operated Total <sup>1,2</sup>				
	2018	2017	2016	2015	2014
<b>ENVIRONMENT</b>					
<b>Energy Use (trillion BTUs)</b>					
Combustion Energy	224	220	229	211	222
Imported Electricity	4	5	6	6	6
<b>Total Energy</b>	<b>228</b>	<b>225</b>	<b>235</b>	<b>217</b>	<b>228</b>
<b>Greenhouse Gases (thousand tonnes)</b>					
CO2 from Operations	17,500	17,400	19,600	18,600	19,500
CO2 from Imported Electricity	1,100	1,200	1,500	1,300	1,400
Methane (CO2 equivalent)	1,600	1,900	5,300	6,100	6,700
Nitrous Oxide (CO2 equivalent)	100	100	100	100	100
<b>Total Greenhouse Gases</b>	<b>20,300</b>	<b>20,600</b>	<b>26,500</b>	<b>26,100</b>	<b>27,700</b>
<b>Greenhouse Gas Intensity (tonnes/MMBOE)</b>	33,843	34,558	40,928	37,756	35,440
<b>Flaring (million cubic feet, routine and non-routine)</b>	21,400	17,500	23,200	26,200	29,200
<b>Other Air Emissions (tonnes)</b>					
Volatile Organic Compounds (VOC)	68,600	62,100	92,500	97,900	87,600
Nitrogen Oxides (NOx)	35,000	33,100	56,300	88,500	100,500
Sulfur Oxides (SOx)	4,800	4,200	7,300	7,100	8,500
Particulate Matter (PM)	1,400	1,200	1,300	1,600	2,000
<b>Water (thousand cubic meters)</b>					
Freshwater Withdrawn	18,300	14,500	10,200	11,600	12,100
Non-freshwater Withdrawn <sup>3</sup>	49,200	47,100	42,800	50,100	n/a
Produced Water Recycle/Reuse <sup>4</sup>	78,900	81,100	73,500	78,700	n/a
Hydrocarbons in Overboard Discharges (tonnes)	185	215	265	300	360
<b>Spills</b>					
Spills ≥ 100 Barrels	5	2	3	8	3
Volume from Spills ≥ 100 Barrels (barrels)	900	600	2,600	1,300	900
Spills ≥ 1 Barrel	91	74	75	149	258
Volume of Spills ≥ 1 Barrel (barrels)	1,500	1,500	3,400	3,000	3,300
Volume Recovered from Spills ≥ 1 Barrel (barrels)	800	400	400	1,100	1,800
<b>Wastes (tonnes)</b>					
Hazardous Wastes	19,900	15,000	20,700	13,800	36,800
Non-Hazardous Wastes	212,900	199,800	259,000	193,000	113,600
Recycled Wastes	120,300	103,500	148,300	130,700	327,300
<b>Total Wastes</b>	<b>353,100</b>	<b>318,300</b>	<b>428,000</b>	<b>337,500</b>	<b>477,700</b>
<b>SOCIAL</b>					
<b>Economic Contribution</b>					
Payments to Vendors and Suppliers (\$ billion) <sup>5</sup>	8.4	7.4	9.3	17.1	26.0
Shareholder Dividends (\$ billion)	1.4	1.3	1.3	3.7	3.5
Capital Investments (\$ billion)	6.8	4.6	4.9	10.1	17.1
Charitable Investments (\$ million)	33.7	36.7	34.8	44.0	50.0
<b>Safety (rate per 200,000 hours worked)</b>					
Workforce Fatalities (number)	0	0	0	0	0
Workforce Total Recordable Rate	0.16	0.16	0.18	0.20	0.28
Workforce Lost Workday Rate	0.05	0.04	0.05	0.05	0.04
Employee Total Recordable Rate	0.06	0.06	0.09	0.09	0.11
Employee Lost Workday Rate	0.03	0.02	0.04	0.03	0.02
Contractor Total Recordable Rate	0.19	0.22	0.23	0.24	0.34
Contractor Lost Workday Rate	0.06	0.05	0.06	0.06	0.04

<b>Workforce</b>					
Employees at Year-End	10,800	11,400	13,300	15,900	19,100
Employees - Women	26%	26%	27%	27%	28%
Top Leadership - Women	19%	17%	17%	14%	20%
Leadership - Women	22%	21%	21%	20%	20%
Junior Leadership - Women	23%	22%	21%	21%	22%
Professional - Women	27%	27%	28%	27%	28%
Non-U.S. Employees	49%	48%	49%	50%	48%
Non-U.S. Top Leadership	35%	31%	24%	24%	18%
Non-U.S. Junior Leadership	57%	53%	55%	57%	53%
Non-U.S. Leadership	52%	49%	51%	52%	49%

#### **Additional Workforce Statistics (U.S.)**

Employees - Minorities	24%	24%	23%	24%	24%
Top Leadership - Minorities	12%	11%	10%	8%	7%
Leadership - Minorities	18%	17%	16%	16%	16%
Junior Leadership - Minorities	20%	19%	18%	18%	19%
Professional - Minorities	23%	23%	22%	23%	23%

#### **GOVERNANCE**

##### **Board<sup>6</sup>**

Independent Members	91%	90%	91%	91%	91%
Women	36%	40%	5%	5%	5%

#### **EXPLORATION AND PRODUCTION**

##### **Average Daily Net Production<sup>7</sup>**

Crude Oil (MBD)	653	599	598	605	595
NGL (MBD)	102	111	145	156	159
Bitumen (MBD)	66	122	183	151	129
Natural Gas (MMCFD)	2,774	3,270	3,857	4,060	3,943
Total (MBOED)	1,283	1,377	1,569	1,589	1,540

##### **Total Operated Production (MMBOE)<sup>8</sup>**

Total Proved Reserves at Year-End (billion BOE)	600	595	647	692	780
	5	5	6	8	9

#### **NOTES**

1 HSE data is based on assets where we have operational control. Environmental data is represented as 100% ownership interest regardless of actual share owned by ConocoPhillips with acquisitions and divestitures reflected using the effective date of the transaction.

2 To provide the most current and accurate data available, we have updated previously reported data for prior years as needed.

3 Includes water withdrawn from saline/brackish groundwater aquifers and seawater.

4 Includes produced water recycled for production (e.g., steam generation) or completions (e.g., hydraulic fracturing) and produced water reused for enhanced oil recovery.

5 Payments to vendors and suppliers is an estimate based on Production and Operating Expenses and Capital Program. This reflects a methodology change versus the 2014 Sustainable Development report.

6 As of December 31.

7 Production data is average daily net production from continuing operations.

8 Data is normalized using barrels of oil equivalent (BOE) from production operations, including gas plant liquid production of ethane, propane, butane and condensate and LNG production from third-party gas not accounted for in production operations. For gas production, 6,000 standard cubic feet of gas is assumed to equal one BOE.

#### **UNITS OF MEASURE**

MBD	Thousands of Barrels per Day.
MBOED	Thousands of Barrels of Oil Equivalent per Day.
MMCFD	Millions of cubic feet per day. Represents quantities available for sale and excludes gas equivalent of natural gas liquids.
MMBTU	Millions of British Thermal Units.

# Performance by Country

METRIC	Operated Total <sup>1,2</sup>					
	U.S.A	Canada	UK/Norway	Australia	All Others <sup>3</sup>	2018
<b>ENVIRONMENT</b>						
<b>Energy Use (trillion BTUs)</b>						
Combustion Energy	60	64	31	61	8	224
Imported Electricity	2	2	0	0	0	4
<b>Total Energy</b>	<b>62</b>	<b>66</b>	<b>31</b>	<b>61</b>	<b>8</b>	<b>228</b>
<b>Greenhouse Gases (thousand tonnes)</b>						
CO2 from Operations	5,000	3,300	2,100	4,200	2,900	17,500
CO2 from Imported Electricity	600	500	0	0	0	1,100
Methane (CO2 equivalent)	1,400	0	100	0	100	1,600
Nitrous Oxide (CO2 equivalent)	0	0	0	0	0	100
<b>Total Greenhouse Gases</b>	<b>7,000</b>	<b>3,800</b>	<b>2,200</b>	<b>4,200</b>	<b>3,000</b>	<b>20,300</b>
<b>Greenhouse Gas Intensity (tonnes/MMBOE)</b>	<b>29,154</b>	<b>63,479</b>	<b>19,527</b>	<b>37,354</b>	<b>42,297</b>	<b>33,844</b>
<b>Flaring (million cubic feet, routine and non-routine)</b>	<b>13,300</b>	<b>100</b>	<b>1,900</b>	<b>4,900</b>	<b>1,200</b>	<b>21,400</b>
<b>Other Air Emissions (tonnes)</b>						
Volatile Organic Compounds (VOC)	61,800	400	4,100	1,700	600	68,600
Nitrogen Oxides (NOx)	23,300	1,100	5,000	4,600	1,000	35,000
Sulfur Oxides (SOx)	4,000	400	100	100	200	4,800
Particulate Matter (PM)	900	100	100	200	100	1,400
<b>Water (thousand cubic meters)</b>						
Freshwater Withdrawn	13,000	2,800	1,800	500	200	18,300
Non-freshwater Withdrawn <sup>4</sup>	15,100	1,600	32,500	0	0	49,200
Produced Water Recycle/Reuse <sup>5</sup>	56,700	22,200	0	0	0	78,900
Hydrocarbons in Overboard Discharges (Tonnes)	0	0	200	0	0	200
<b>Spills</b>						
Spills ≥ Barrels	4	1	0	0	0	5
Volume from Spills ≥ 100 Barrels (barrels)	700	200	0	0	0	900
Spills ≥ 1 Barrel	83	7	0	0	1	91
Volume of Spills ≥ 1 Barrel (barrels)	1,100	400	0	0	0	1,500
Volume Recovered from Spills ≥ 1 Barrel (barrels)	700	100	0	0	0	800
<b>Wastes (tonnes)</b>						
Hazardous Wastes	0	8,900	3,700	900	6,400	19,900
Non-Hazardous Wastes	195,700	15,000	1,100	700	400	212,900
Recycled Wastes	100,800	200	17,600	1,600	100	120,300
<b>Total Wastes</b>	<b>296,500</b>	<b>24,100</b>	<b>22,400</b>	<b>3,200</b>	<b>6,900</b>	<b>353,100</b>
<b>PRODUCTION</b>						
<b>Total Operated Production (MMBOE) <sup>6</sup></b>	<b>240</b>	<b>60</b>	<b>120</b>	<b>110</b>	<b>70</b>	<b>600</b>
<b>NOTES</b>						
1 HSE data is based on assets where we have operational control. Environmental data is represented as 100% ownership interest regardless of actual share owned by ConocoPhillips with acquisitions and divestitures reflected using the effective date of the transaction.						
2 To provide the most current and accurate data available, we have updated previously reported data for prior years as needed.						
3 All Others includes Indonesia, Malaysia and Colombia.						
4 Includes water withdrawn from saline/brackish groundwater aquifers and seawater.						
5 Includes produced water recycled for production (e.g., steam generation) or completions (e.g., hydraulic fracturing) and produced water reused for enhanced oil recovery.						
6 Data is normalized using barrels of oil equivalent (BOE) from production operations, including gas plant liquid production of ethane, propane, butane and condensate and LNG production from third-party gas not accounted for in production operations. For gas production, 6,000 standard cubic feet of gas is assumed to equal one BOE.						
<b>UNITS OF MEASURE</b>						
MBD	Thousands of Barrels per Day.					
MBOED	Thousands of Barrels of Oil Equivalent per Day.					
MMCFD	Millions of cubic feet per day. Represents quantities available for sale and excludes gas equivalent of natural gas liquids.					
MMBTU	Millions of British Thermal Units.					

# Assurance

The accuracy of the information reflected in our report is very important to us. We use a triennial process for third-party limited assurance for selected metrics, including energy use, flaring, water use, and safety. We conduct annual external assurance for our Scope 1, Scope 2, and Scope 3 GHG emissions. Internal quality assurance is conducted annually.

In 2017, we conducted required and **voluntary independent verification** work of 2016 data in three areas:

- Reasonable and limited assurance in countries having a regulatory requirement to verify reported emissions, including the U.K., Australia, Canada and Norway.
- Voluntary limited assurance review of select corporate-level metrics, including reported overall Scope 1, Scope 2 and Scope 3 greenhouse gas volumes.
- Voluntary third-party review of asset-level methods used to report HSE data to the company's corporate HSE metrics database.

We are in the process of assuring the 2018 GHG emissions data, which will be complete this fall. See our [2017 ERM CVS assurance statement](#).

Our internal quality assurance process begins at the business unit level. This process includes:

- Ensuring that business units understand the corporate reporting obligations associated with safety, health and environmental metrics.
- Establishing standardized methods of data collection and expected reporting procedures.
- Verifying that the data provided by business units is accurate and complete.
- Reviewing and questioning the results.
- Assessing results to identify trends and better understand the drivers of year-over-year changes.

There are three phases of data verification at this level — during submission, review and approval. Before the data is sent from the business unit to the corporate level, it undergoes vetting by technical peers and leaders, who challenge any findings that they find questionable. When the final business unit data is submitted to the corporate level, it contains an explanation for all variances greater than 10% from the prior year. Reasons for significant variances may include startups or dispositions. At the corporate level, data submitted for each asset is further reviewed and challenged by a team of subject matter experts utilizing a data quality checklist.

Once all business unit data is compiled at our corporate level, it undergoes further verification by subject matter experts. During this effort, an intensity analysis is conducted to measure total volumes and production throughput and year-over-year data changes to help identify any inconsistencies. The data is also compared to similar operations during this process. The information is then analyzed in aggregate by metric to understand the significant drivers behind any year-over-year change in company values. After this process, the data is presented to company leaders, who have an opportunity to review and challenge the information, possibly spurring additional verification. Final data undergoes executive-level approval prior to publishing.

# Ratings & Recognition

We have been honored for our sustainable development performance and success. As of May 31, 2019, this includes:

## Awards and Recognition

### Corporate Responsibility Magazine

100 Best Corporate Citizens  
United States

### America's Best Employers 2018

Forbes  
United States

### Human Rights Campaign

2018 Corporate Equality Index  
United States

### Top 25 Companies for Diversity

Texas Diversity Council  
United States

### Social Conflict Management Award

Colombia Ministry of Mines and Energy and the National Hydrocarbons Agency  
Colombia

### Sriwijaya CSR Award and Padmamitra Award

Governor of South Sumatera for efforts to eradicate poverty and support local content  
Indonesia

## Ratings and Questionnaires

### CDP Climate

(B score, above average)

### Disclosing the Facts

(16 out of 25)

### ISS E&S Quality Score

1 = Lowest Risk, both Environmental and Social

### Sustainalytics

82nd percentile, Oil and Gas Producers

### Sustainability Yearbook, RobecoSAM

Top 15% of industry; One of only two North American energy companies listed

### Corporate Human Rights Benchmark

38.7%; industry average is 29.4%

### MSCI ESG

'AA' rating from, up from an 'A' rating in 2017

### Dow Jones Sustainability Index (DJSI)

Highest ranked North American energy company

### Vigeo Eiris

Highest ranked North American energy company

We also have a long history of sustainable development leadership:

- Founding member of the [United States Business Council for Sustainable Development](#).
- Founding member of the [Marine Well Containment Company](#).
- Founding member of the Subsea Well Response Project.
- Co-led the development of the [GEMI® Local Water Tool™](#).
- Co-led the development of the [IPIECA Human Rights Training Toolkit](#).
- Founding member of the [Climate Leadership Council](#).

