



2020  
SUSTAINABILITY  
REPORT



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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements as defined under the federal securities laws. Forward-looking statements relate to future events and anticipated results of operations, business strategies, and other aspects of our operations or operating results. Words and 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" and other similar words can be used to identify forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. Where, in any forward-looking statement, the company expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to be reasonable at the time such forward-looking statement is made. However, these statements are not guarantees of future performance and involve certain risks, uncertainties and other factors beyond our control. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in the forward-looking statements. Factors that could cause actual results or events to differ materially from what is presented include the impact of public health crises, including pandemics (such as COVID-19) and epidemics and any related company or government policies or actions; global and regional changes in the demand, supply, prices, differentials or other market conditions affecting oil and gas, including changes resulting from a public health crisis or from the imposition or lifting of crude oil production quotas or other actions that might be imposed by OPEC and other producing countries and the resulting company or third-party actions in response to such changes; changes in commodity prices, including a prolonged decline in these prices relative to historical or future expected levels; changes in expected levels of oil and gas reserves or production; potential failures or delays in achieving expected reserve or production levels from existing and future oil and gas developments, including due to operating hazards, drilling risks or unsuccessful exploratory activities; unexpected cost increases or technical difficulties in constructing, maintaining or modifying company facilities; legislative and regulatory initiatives addressing global climate change or other environmental concerns; investment in and development of competing or alternative energy sources; disruptions or interruptions impacting the transportation for our oil and gas production; international monetary conditions and exchange rate fluctuations; changes in international trade relationships, including the imposition of trade restrictions or tariffs on any materials or products (such as aluminum and steel) used in the operation of our business; our ability to collect payments when due under our settlement agreement with PDVSA; our ability to collect payments from the government of Venezuela as ordered by the ICSID; our ability to liquidate the common stock issued to us by Cenovus Energy Inc. at prices we deem acceptable, or at all; our ability to complete our announced or any future dispositions or acquisitions on time, if at all; the possibility that regulatory approvals for our announced or any future dispositions or acquisitions will not be received on a timely basis, if at all, or that such approvals may require modification to the terms of the transactions or our remaining business; business disruptions during or following our announced or any future dispositions or acquisitions, including the diversion of management time and attention; the ability to deploy net proceeds from our announced or any future dispositions in the manner and timeframe we anticipate, if at all; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation, including litigation related to our transaction with Concho Resources Inc. (Concho); the impact of competition and consolidation in the oil and gas industry; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; general domestic and international economic and political conditions; the ability to successfully integrate the operations of Concho with our operations and achieve the anticipated benefits from the transaction; unanticipated difficulties or expenditures relating to the Concho transaction; changes in fiscal regime or tax, environmental and other laws applicable to our business; and disruptions resulting from extraordinary weather events, civil unrest, war, terrorism or a cyber attack; and other economic, business, competitive and/or regulatory factors affecting our business generally as set forth in our filings with the Securities and Exchange Commission. Unless legally required, ConocoPhillips expressly disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**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 may 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 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

2020 brought never-before-seen challenges to our industry and the world. The global COVID-19 pandemic resulted in personal, family and community loss and distress and fueled an economic recession that impacted individuals and businesses. ConocoPhillips responded quickly at the outset of the crisis by establishing multiple safeguards to protect workforce health, curtailing global production, managing capital to preserve financial strength and maintaining our focus on environmental, social and governance (ESG) excellence and safe operations.

In late 2020, we acquired Concho Resources Inc. in a transaction that closed in January 2021. We are now working to integrate Concho's ESG programs with ours and will report the integrated company's performance in our 2021 sustainability report.

Stakeholder expectations to deliver both stronger financial returns and ESG and climate-related performance also continued to rise. These expectations along with our own commitments frame a triple mandate of sustainably meeting global energy demand by investing in the lowest-cost resources, generating competitive financial performance and achieving a net-zero greenhouse gas emissions ambition.

Sustainability is core to ConocoPhillips and we see ESG excellence as a strategic principle. We have long recognized the importance of leading on sustainability issues including climate change and we continue to address climate-related risk and opportunity. Building on previous operational GHG emissions reduction targets, we became the first U.S.-based oil and gas company to adopt a Paris-aligned climate-risk strategy framework. Our commitment includes:

- Net-zero ambition for operational (scope 1 and 2) emissions by 2050 with active advocacy for a price on carbon to address end-use (scope 3) emissions.
- 35–45% reduction target for operational emissions intensity by 2030.
- Zero Routine Flaring by 2030, with an ambition to get there by 2025.
- 10% reduction target for methane emissions intensity by 2025, in addition to the 65% reductions we have made since 2015.
- Adding continuous methane monitoring devices to our operations with a focus on the larger Lower 48 facilities.
- ESG performance in executive and employee compensation programs.

Combined with our focus on developing the lowest cost of supply resources, we believe this is an effective way for our company to sustainably contribute to society's transition to a lower-carbon economy.

ESG leadership also includes operating responsibly to safeguard the environment and create shared value for society. Our efforts encompass management of water use, protecting ecosystems and reducing community impacts related to operations, among others. For example, in the U.S. Permian and Canadian Montney areas we recycle produced water to reduce local fresh water withdrawals, the amount of produced water injected for disposal and the number of truck trips required to transport water. We utilize a mitigation hierarchy to manage risks and operational impacts to biologically or culturally significant areas, and in the U.S., under our proactive conservation strategy, we voluntarily conserve and restore biodiversity and habitats near our operations. We contribute to the wellbeing of the communities in which our employees live and work by creating jobs, investing in educational and training programs to develop talent and utilizing local suppliers and service providers. All help build long-term community sustainability.

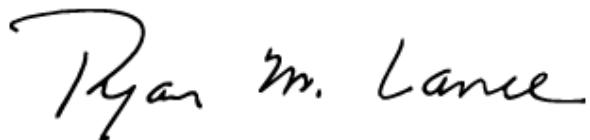
During 2020 we saw a renewed focus on social movements to promote race and gender equality, with notable examples such as Black Lives Matter and the #metoo movement. Within our company, we viewed these events as catalysts to enhance our diversity and inclusion progress.



*Chairman and CEO Ryan Lance*

Exhibiting ESG leadership also means gaining and maintaining people's trust. We highly value engagement with stakeholders and take pride in being accessible, open and transparent about our business practices. We benefit from our engagements, especially as we continue to add to the list of performance metrics and key indicators we report for climate, water, human capital management and safety, aligned with leading frameworks and metrics such as TCFD and SASB.

We emerged from a difficult year with an even greater appreciation for what our stakeholders expect and how we can lead the sector through disciplined capital allocation, strong financial performance and ESG excellence. But as importantly, in the face of many personal, societal and economic challenges, we remained resilient.

A handwritten signature in black ink that reads "Ryan M. Lance". The signature is fluid and cursive, with "Ryan" on the first line and "M. Lance" on the second line.

Ryan Lance, Chairman and Chief Executive Officer  
June 2021

# A Message from our Board of Directors

The ConocoPhillips Board of Directors has been closely monitoring key sustainability matters that are top of mind for ConocoPhillips and its stakeholders. In a dynamic year with many challenges, these matters have ranged from the deep impacts that the COVID-19 pandemic has had on people, society and markets, to climate change, energy transition, and company performance on environmental and social issues. The board recognizes that adopting a proactive posture on environmental, social and governance (ESG) performance and deliberately managing climate-related risk are vital for ConocoPhillips, and we actively oversee the company's enterprise-wide approach to consistently assess and manage risks as well as opportunities.

The board's Public Policy Committee receives regular, detailed briefings from executives and the Sustainable Development Vice President on key sustainability issues. These sessions equip the board to understand relevant trends that inform the company's strategic choices, goals and actions. We probe the options and their implications and scrutinize how the company will achieve its commitment to competitive ESG performance that meets stakeholder expectations.

Sustainability matters are also integrated into annual full-board sessions to review strategy and performance and discuss priority environmental and social matters. Board members also participate in discussions among executive leaders and external stakeholders, such as financial community ESG experts. This direct, in-depth engagement by the full board and board committees ensures strong oversight of the company's sustainability commitments, actions and results.

The company's longstanding commitment to sustainable development, systematic approach, and active engagement with stakeholders has positioned the company to proactively address key environmental and social matters related to its business. We are pleased that ESG excellence is one of the company's foundational principles, along with disciplined investments, balance sheet strength, peer-leading distributions to shareholders, and strong financial returns.

The board also supports the company's strategy to manage climate-related risk by adopting a Paris-aligned target framework for its operational emissions, maintaining a resilient and competitive asset base, allocating capital to emissions reduction technology, and creating a dedicated low-carbon opportunity group.

Further, the board believes that the company's 2020 accomplishments reflect ESG excellence overall, including in operational safety, water stewardship, biodiversity, community engagement, human rights, diversity and inclusion, and human capital management. These are well represented through the company's comprehensive sustainable development reporting.

Looking ahead, we recognize the need for ongoing leadership on ESG matters. We expect continued momentum and progress on sustainability, in response to evolving environmental and social trends, as well as investor, regulator and community expectations. In the board's view, the company has adopted sustainability plans and actions that support its triple mandate of meeting global energy demand, delivering competitive shareholder returns and achieving a net-zero greenhouse gas emissions ambition. We also see that the company appreciates the dynamic and urgent nature of the energy transition and has a credible and ambitious strategy to manage climate-related business risk and opportunity and preserve value across a range of potential transition pathways.



Robert A. Niblock  
Lead Director



Jody Freeman  
Public Policy Committee Chair

# Coping with COVID-19

It seems almost impossible to overestimate the impact the coronavirus pandemic had across every corner of the globe in 2020. The virus impacted our employees, communities, operations, offices and influenced many of the decisions made by ConocoPhillips. During the unprecedented event, our people worked to ensure business continuity and to support and sustain our global workforce, communities and health care professionals. Thousands of ConocoPhillips employees and contractors worked from home for several months and thousands more practiced social distancing out in the field. All were focused on our core job: to safely find and deliver energy to the world.

"Throughout our global operations everything we did came from our core values: protect our people, mitigate the spread of the virus and safely run the business. Our workforce stepped up. People aligned, activated plans and communicated. Our people got the job done while protecting themselves and others," said ConocoPhillips Chairman and CEO Ryan Lance.

As a result, we continue to deliver the oil and natural gas essential to keep society running through the ongoing pandemic.

## Protecting People

Our Crisis Management Support Team (CMST) was activated in early March 2020 to facilitate the COVID-19 response and remains active today. Following our pre-determined framework for emergency preparedness, the team initially met daily to review overall pandemic status updates and critical information from the business units and functions, and prioritize the daily actions for the CMST. The cross-functional team continues to meet regularly to share information and coordinate activities with the business units who manage local responses. Updates are provided to the Executive Leadership Team and to the Board of Directors on a regular basis. In addition, business units also created COVID Response groups to properly implement virus mitigation protocols in field locations. The CMST and leads from business unit operations around the world also meet regularly to share knowledge and best practices.

Non-essential office workers in all locations, including our Houston headquarters, worked from home for portions of the pandemic. As our workforce adjusted to remote work, our IT team ensured we were able to run the business remotely and trained us to navigate the new virtual environment. Building closures and phased re-openings are managed locally, with best practices shared globally. As offices reopened, we adopted rigorous mitigation measures, including temperature checks, contact tracing, social distancing guidance, face covering requirements and enhanced cleaning protocols. In Houston, a phased return-to-office plan was implemented to safely reopen ConocoPhillips headquarters.

"This approach allows the CMST to monitor the trajectory of new COVID-19 cases in our community, while ensuring the smooth implementation of additional health and safety measures, such as temperature checks, social distancing, face-covering requirements and heightened cleaning measures," offered CMST leader, Trond-Erik Johansen, ConocoPhillips vice president of HSE. Employees with coronavirus related health or family circumstances that prevented them from coming back full-time were given temporary flexibility.

In the field, non-essential deferment decisions are also made to safely limit the number of workers onsite. At some worksites, onsite staff was temporarily reduced to "essential only" and crew change logistics were modified to limit exposure, while ensuring adherence to safety maintenance schedules and continuous production.



# Operational Impact

The energy landscape also changed dramatically in early 2020 with simultaneous demand and supply shocks, partly due to the pandemic, that caused oil prices to collapse. We closely monitored the market and took prudent actions in response to this situation. This included safely curtailing significant production at the height of the downturn and bringing it back online later.

Some of our actions:

- **U.S. Lower 48:** Roughly 1,800 wells and over 100 gas compressors were shut down and restored. About 500 surface tanks and 150 miles of pipelines were preserved through treatments.
- **Alaska:** Operations were significantly scaled back. Nearly 2,000 personnel were demobilized from the North Slope. This included ending the 2020 exploration and appraisal program early and laying down all rigs. Approximately 100,000 barrels of oil per day (BOPD) of production was also curtailed in a closed loop arctic environment that involved shutting in about 300 wells.
- **Canada:** One central processing facility was shut-in for several months, production from multiple well pads was minimized or shut in and turnaround activities were rescheduled. At its lowest point, our workforce was minimized by almost 60% and production was reduced by almost 75%, requiring work plans to be adjusted and projects to be executed with fewer resources onsite.
- **Norway:** Operations activities were reduced during the initial phase of the pandemic by approximately 25% offshore and 70% at the Teesside terminal to ensure social distancing.
- **Australia:** All non-essential Australia Pacific LNG personnel were required to work from home and two major maintenance shutdowns of the facility, originally planned for 2020 and 2021, were each deferred by a year, requiring significant rescheduling of equipment and people. All LNG contracted cargos were delivered, even with a 14-day quarantine required by government.
- **Indonesia:** Field operations were placed in semi-lockdown mode and production capacity maintained while minimizing non-routine activity and personnel.

# Supporting Employees

When the pandemic hit, ConocoPhillips immediately set up an internal employee resource website to address common questions and provide information about preventive actions and links to external COVID resources. Throughout the pandemic, we continued to update the website with the latest information available. A robust internal communications regimen included regular email updates from leaders, detailed Frequently Asked Questions documents and videos from our CEO and our chief medical officer. Supervisors were given guidance on managing remote teams, leading change and the role of workplace flexibility. Senior leaders have hosted virtual town halls and small group engagements to provide updates and answer employee questions.

Globally, employee health and wellness benefits were enhanced to assist employees, including an increased focus on our Employee Assistance Program and mental wellness programs and expanded use of time-off policies for COVID-19 reasons. A "Journey to Calm" video series was introduced to provide tips on how to reduce stress and improve mental health. In the U.S., temporary changes were put in place to waive deductibles and/or co-insurance for telehealth services and COVID-19 treatment. COVID-19 testing costs and preventative vaccinations remain 100% covered and home delivery of prescription medications is offered at no charge to employees. We also adopted the CARES Act savings plan withdrawals and loans provisions to provide additional flexibility to current and former employees.

# Working with Communities

In 2020, ConocoPhillips business units and employees donated over \$1.3 million in much-needed relief aid, food and medical supplies to area hospitals and first responders. [Read more](#) about our pandemic-related giving.

The importance of engaging with stakeholders in communities near our operations has also been amplified. [Read more](#) about those efforts.

"This pandemic has touched every community in some form or fashion. As members of the larger global community, we must all work together to help fight this deadly disease," Lance said.



# Integrating Sustainability

We are focused on sustainably meeting energy demand, while creating lasting value for employees, communities and shareholders.

We have been on a journey to integrate sustainability into planning and decision making for decades. Even before our first Sustainable Development Report was published in 2005, we had implemented a process to identify and manage environmental and social issues and assess performance. That process has evolved significantly over the years as our understanding of how to deliver value to a range of key stakeholders developed, and as the risk and opportunity trends in science, demographics, technology and policy have changed. We published our first sustainable development (SD) position and climate change position in 2003. Since that time, we have updated those positions and developed positions on water, biodiversity, human rights and diversity and inclusion. We also continue to refine our governance structure to ensure sustainability risks and opportunities are managed throughout the organization. Our systems-based approach, by design, includes continuous improvement and internal assurance.

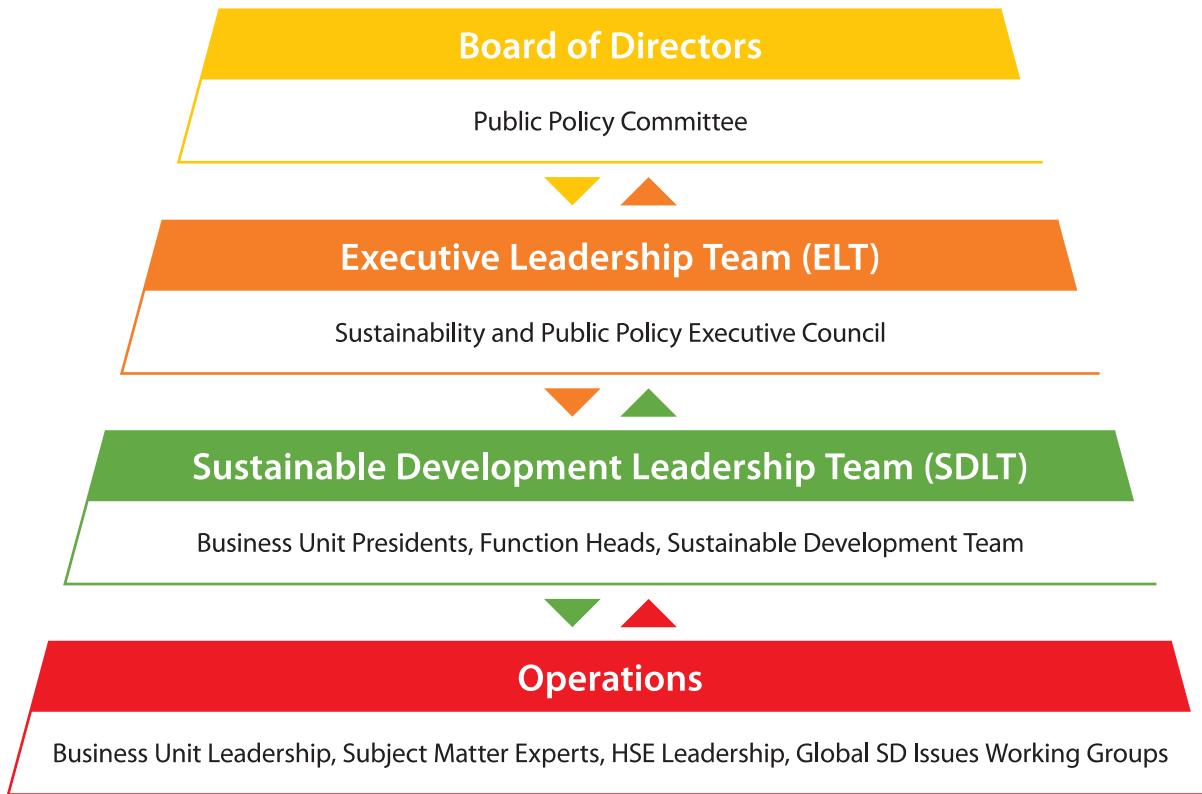
## 2020 Performance Highlights

- Adopted a Paris-aligned climate-related risk framework with an ambition to become a net-zero company for operational emissions by 2050.
- Elevated global head, Sustainable Development to vice president, Sustainable Development reporting directly to the senior vice president, Strategy and Technology.
- Provided two virtual programs to employees featuring discussions from top leaders on key sustainability topics to further position the company to deliver ESG performance through functional excellence and assured management of SD risks.



# 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.



*Note: Each layer represents a Governance level and the corresponding membership entity/support.*

## 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, convenes at least quarterly.

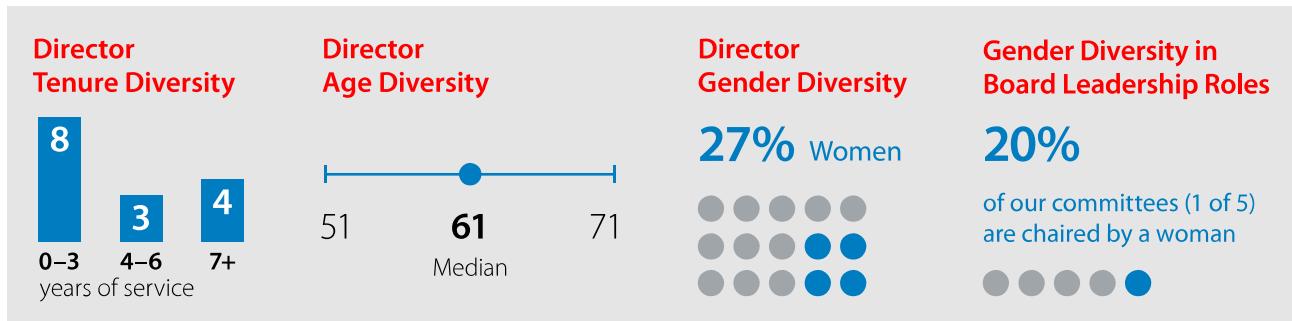
Our directors reflect a range of talents, ages, skills, personal attributes and expertise — including in the areas of leadership and management, financial reporting, issues specific to oil- and gas-related industries, both domestic and international markets, public policy and government regulation, technology, public company board service, human capital management and environmental and sustainability matters — sufficient to provide sound and prudent guidance with respect to ConocoPhillips' strategic needs.

## DIRECTOR SKILLS MATRIX

	Dir. Since	Age*	Ind.	Key Skills							
				CEO or senior officer	Financial reporting	Industry	Global	Regulatory/ government	Technology	Public company board service	Environmental/ sustainability
	Charles E. Bunch	2014	71	●	●	●	●	●	●	●	●
	Caroline Maury Devine	2017	70	●	●	●	●	●	●	●	●
	John V. Faraci	2015	71	●	●	●	●	●	●	●	●
	Jody Freeman	2012	57	●	●	●	●	●	●	●	●
	Gay Huey Evans CBE	2013	66	●	●	●	●	●	●	●	●
	Jeffrey A. Joerres	2018	61	●	●	●	●	●	●	●	●
	Ryan M. Lance	2012	58	●	●	●	●	●	●	●	●
	Timothy A. Leach	2021	61	●	●	●	●	●	●	●	●
	Admiral William H. McRaven	2018	65	●	●	●	●	●	●	●	●
	Sharmila Mulligan	2017	55	●	●	●	●	●	●	●	●
	Eric D. Mullins	2020	58	●	●	●	●	●	●	●	●
	Arjun N. Murti	2015	51	●	●	●	●	●	●	●	●
	Robert A. Niblock	2010	58	●	●	●	●	●	●	●	●
	David T. Seaton	2020	59	●	●	●	●	●	●	●	●
	R.A. Walker	2020	64	●	●	●	●	●	●	●	●

\*As of March 29, 2021

The Committee on Directors' Affairs is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of potential new directors as well as the composition of the board as a whole. This assessment includes members' qualification as independent, as well as consideration of character, judgment, background and diversity (including gender, ethnicity, race, national origin and geographic background), age, skills, including financial literacy, and experience in the context of the needs of the board.



[Read more](#) about our directors.

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. Sustainable development is a standing agenda item at PPC meetings in order to advance the SD risk management process, implementation of net-zero ambition and Paris-aligned emissions reduction targets, and the use of reporting and disclosure frameworks. In 2020, this included:

- SD strategic priorities
- Climate-related risk strategy, management, metrics and disclosure
- Lower 48 flaring and methane emissions
- Water risk management
- New Biodiversity Position
- Social risk management
- ESG trends in the financial sector
- ESG engagement strategy
- SD reporting and ratings

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) and cybersecurity. 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 ESG metrics and targets performance as well as human capital management and diversity and inclusion. 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. The Senior Vice President (SVP), Strategy and Technology, an executive officer with overall accountability for corporate planning and development, including corporate strategy and long-range planning, serves as the ELT's climate change champion. The Sustainability and Public Policy Executive Council (SPEC), a sub-committee of the ELT, has global oversight of existing and emerging sustainable development (SD) and public policy risks and trends including SD and climate-related governance, strategy, risk management and reporting. The SPEC consists of the following executives:

- SVP, Strategy and Technology
- SVP, Global Operations
- Executive vice president, Lower 48
- SVP, Legal and General Counsel
- SVP, Government Affairs
- SVP, Corporate Relations

The SPEC meets regularly to review and discuss priority topics such as climate change, water, biodiversity, human rights and stakeholder engagement. The council's scope includes:

- Review risk trends and set priorities.
- Review and approve public policy and sustainability policies, positions, strategies, goals and actions on priority matters.
- Prioritize resource allocation to external engagement and initiatives.
- Recommend which issues warrant additional executive leadership, full ELT review or additional board engagement.
- Review and endorse agenda and meeting content for the Public Policy Committee (PPC) of the board.

The SPEC is also the governance link to the PPC whose oversight covers SD matters including climate-related risks.

While we engage extensively with a wide range of stakeholders to address issues as they arise, we respect the shareholder resolution process which provides investors the opportunity to raise ESG concerns with our leadership. We find it is most productive to engage when an issue is identified and shared early. We take those concerns seriously and work hard to find a solution so that a resolution is not required.

## Linking Compensation to Sustainability Performance

Executive and employee compensation includes the annual Variable Cash Incentive Program (VCIP). This annual cash bonus is based upon company, business unit and individual performance on metrics that include health, safety and environmental performance as well as the achievement of milestones aligned with strategic sustainable development priorities including managing climate-related risk.

In 2020, employees were rewarded for successfully completing implementation of the Sustainable Development Risk Management Standard, creating risk registers, and submitting action plans that included abatement projects to progress towards greenhouse gas emissions intensity targets by 2030. Employees also managed our global response to the COVID-19 pandemic that prioritized the health and safety of our workforce and mitigated the spread of COVID-19 while minimizing business interruptions. Employees significantly improved key performance indicators for serious events and spills and reduced the significant high-risk event rate, lost workday cases and hydrocarbon spills compared to 2019.

We engage with our stockholders regularly on sustainable development priorities, and this feedback is reviewed with the Human Resources and Compensation Committee of the board when considering executive compensation arrangements programs.

# Organizational Management

## Sustainable Development Leadership Team

The Sustainable Development Leadership Team (SDLT) is comprised of global business unit presidents and functional department heads and supported by the sustainable development team. Chaired by the vice president, Sustainable Development, the SDLT reviews and provides input on proposed strategies, plans and goals to address company SD risks.

## Sustainable Development Team

Within Strategy and Technology, the sustainable development team supports the risk management process by tracking business risks across the company, develops and tracks metrics for annual reporting and forecast data for the long-range plan, provides oversight and support to the businesses and engages regularly with executive leadership. This includes addressing the company's SD risks, opportunities, commitments, performance, external engagement and reporting. Team members are responsible for key topics, including:

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

Team members lead Issues Working Groups (IWGs) for climate change, water, stakeholder engagement/human rights and biodiversity. These are internal global cross-functional groups 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.

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 team reports to the senior vice president, Strategy and Technology. The vice president, Sustainable Development, also leads the standing SD agenda item for the Public Policy Committee of the board.

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.

## Operations

Each ConocoPhillips business unit is responsible for integrating sustainability issues 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. HSE leadership is responsible for environmental assurance at the business level. Subject matter experts in climate change, biodiversity, water, stakeholder engagement and human rights from the business units are members of the IWGs.

# Policies and Positions

POLICIES	
<ul style="list-style-type: none"><li>Code of Business Ethics and Conduct (PDF)</li><li>Health, Safety and Environment Policy</li><li>Political Support Policies &amp; Procedures</li><li>Principles of Environmental Justice</li><li>Supply Chain Policy</li></ul>	<ul style="list-style-type: none"><li>Political Contributions</li><li>Substance Abuse Policy</li><li>Supplier Expectations</li><li>Global Tax Policy</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

In 2020, the Sustainable Development (SD) and Environmental Assurance Teams partnered to develop two virtual programs with a Sustainability Learning Series for environment and SD subject matter experts and a broader Sustainability Engagement Series for all employees. Both forums feature discussions from top leaders on key sustainability topics. The mission of both is to competitively position our company to deliver environmental, social and governance (ESG) performance through functional excellence and assured management of SD risks.

We have 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 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. Stakeholder engagement and human rights training is available for all employees and key contractors.

# Managing Sustainable Development Risks

Our governance structure provides board and management oversight of our risk processes and mitigation plans. Our integrated management system approach to identifying, assessing and managing sustainable development (SD) risks 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. 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

Our SD Risk Management Standard mandates a process for operated assets and projects to assess and manage risks to ensure corporate oversight, assurance and consistent implementation. Risks are identified and assessed against the physical, social and political settings of our operations by subject matter experts in each business unit (BU) and project. Local concerns may influence the potential importance of these environmental and social matters, including cumulative effects. Each risk is then assessed using a matrix that evaluates both its likelihood and consequence. In evaluating the consequence severity, we consider potential impacts on employee and public safety, socio-cultural and economic impacts to stakeholders, environmental impacts, and reputational and financial implications. Risks identified as significant or high at the corporate or BU level are included in the corporate SD Risk Register. The company undertakes a review of SD risks annually and updates the SD Risk Register and associated action plans. An audit protocol for the standard was developed in 2020 with a regular schedule of audits to be implemented in 2021.

We also track risks that have been identified as low or medium through our risk assessment process and manage them through mitigation measures to keep them below the significant or high level.

Read more about our management process for [climate change](#), [water](#), [biodiversity](#) and [social](#) risks.

## Action Plans

The SD Risk Management Standard 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 and milestones. As part of annual 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. Significant and high risks are removed from the corporate risk register when mitigation actions have reduced the level of risk, and they are tracked to ensure ongoing mitigation effectiveness. The SD Risk Register and action plans are also used to track performance and guide goal setting. Action plan milestones are also a component of the annual Variable Cash Incentive Program (VCIP), which is our primary vehicle for recognizing company, and individual performance for the year. [Read more](#) about Performance and Compensation.

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 greenhouse gas (GHG) target setting, prioritization of global emissions-abatement projects and disclosure and reporting, are managed at the corporate level. Line-of-sight goals for business units and key functions are shown as specific action items within the action plans. Mitigation actions can range from single or multiyear specific projects to routine and long-term programs.

## Enterprise Risk Management

Sustainability risks are integrated 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. 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.

## Long-Range Plan and Corporate Strategy

Our long-range and strategic planning activities consider sustainable development risks and mitigation. 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 our future environmental footprint. Environmental and social risk mitigations, such as emissions reduction projects, are reflected in the LRP and our annual budget.

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 geological and geographical) and technology investments are aspects of the corporate strategy that also address sustainability 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 energy transition models to ensure our strategy effectively manages SD risks.

## Key SD Management Processes

Our integrated management system is based on mandatory and auditable corporate standards, which are supported by principles and guidelines aligned with how we make business decisions to ensure the consistent global identification and assessment of SD risks. This includes integration into key business-planning processes for the company, from business development activities and exploration to developing major capital projects and managing our day to day operations.

<b>SD Risk Management Standard</b>	<ul style="list-style-type: none"><li>Identify social and environmental risks, conduct risk ranking and develop mitigation action plans.</li><li>Applies to all operated assets and projects.</li></ul>
<b>HSE Social and Due Diligence Standard</b>	<ul style="list-style-type: none"><li>Identify risks and liabilities related to health, safety, environment, regulatory and social issues for transactions requiring due diligence including acquisitions, divestitures, trades, and farm-in/farm-out agreements.</li><li>Applies to all operated assets and projects.</li></ul>
<b>HSE Management System Standard</b>	<ul style="list-style-type: none"><li>Identify and manage operational risks to the business, employees, contractors, stakeholders and environment.</li><li>Applies to all operated assets and projects.</li></ul>

<b>Capital Projects Management Standard</b>	<ul style="list-style-type: none"> <li>Assess risks, including SD risks during the project engineering stage.</li> <li>Applies to all operated capital projects costing more than \$50 million net.</li> </ul>
<b>HSE Waste Management Standard</b>	<ul style="list-style-type: none"> <li>Prepare management plans for waste and produced water, evaluate the suitability of industrial disposal facilities and contract only with approved facilities.</li> <li>Applies to all operated assets and projects.</li> </ul>
<b>Global Onshore Well Management Principles</b>	<ul style="list-style-type: none"> <li>Provides guidance on protection of groundwater and surface water through strict well-integrity procedures and safe water management practices.</li> <li>Applies to all operated assets and projects.</li> </ul>
<b>Guideline for Groundwater Baseline Assessment</b>	<ul style="list-style-type: none"> <li>Provides guidance on when and how voluntary baseline sampling could be conducted through a risk-based approach.</li> <li>Available for use by operated assets and projects in areas not already covered by state-regulated groundwater baseline assessments.</li> </ul>
<b>Global Induced Seismicity Guideline</b>	<ul style="list-style-type: none"> <li>Provides a method to characterize seismicity risks by assessing historical seismicity, identifying geological faults of concern, assessing existing or proposed injection operating conditions and considering proximity to people and population centers.</li> <li>Available for use by business units for the planning and operation of injection wells for operated assets and for screening third-party injection operations.</li> </ul>

We 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 sustainable development risks and liabilities are clearly identified, understood and documented. This due diligence standard applies to ConocoPhillips and global subsidiaries, and we strive to influence all affiliated companies and joint ventures to conduct due diligence before undertaking binding business transactions.

While 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 are in countries that pose risks associated with political instability, inadequate rule of law or corruption. Before entering a new country — or for other new developments, when warranted by the geopolitical environment — we have adopted comprehensive risk management tools to evaluate and manage these types of risks. A preliminary due diligence assessment is conducted to identify significant risks, including social, environmental and political concerns, and define how they will be managed.

As operated and non-operated projects are developed and put forward for internal approval, consideration is given to environmental and social risks and their mitigation. For qualifying projects, our management system also requires the following for investment approval:

- Climate-related Risk Assessment
- Environmental, Social, Health Impact Assessment
- Stakeholder Engagement Plans

In managing our day to day operations, 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. We also provide guidance to address specific activities in our operations including waste management. This standard ensures all our assets have detailed plans to manage waste streams, minimize where possible, and ensure waste is directed to facilities that have been evaluated and approved by the company.

# 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 ensures adherence with applicable laws and the highest ethical standards, promotes a positive corporate reputation, prevents criminal and civil liability, and sets 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 and Ethics program.

As part of our commitment to continuous improvement, we expanded our monitoring and assurance function in 2020, with activities aimed at preventing retaliation against employees who report potential concerns.

Aspects of our compliance and ethics program relevant to financial reporting are annually reviewed by the company's external auditor and Global Compliance and Ethics processes are periodically audited by our internal audit function and external compliance experts.

## 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 guidance for expected behaviors. It covers a range of topics including business ethics, anti-trust, anti-corruption, gifts and entertainment, conflicts of interest and political involvement.

All employees have access to web-based training on the code any time and are periodically required to complete training. All new employees receive training. As part of our annual certification process in 2020, 100% of active employees confirmed they read the code, made any required disclosures and reported all potential concerns. 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, anti-trust, anti-boycott, economic sanctions and export controls.

## Systems and Practices for Reporting Violations

We encourage employees and contractors to ask questions and seek guidance about compliance and ethics matters and we give them tools to guide ethical decision-making so they understand their responsibility to report actual or suspected misconduct. We have several confidential reporting mechanisms including speaking to a trusted manager, supervisor, human resources representative or 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 of the code anonymously through our [24-hour Ethics Helpline](#). The 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 2020, Global Compliance and Ethics received questions, concerns and requests for advice from employees and stakeholders across our businesses. We investigated workplace conduct, conflicts of interest, financial and business integrity matters, misuse of company assets and other allegations. Depending on the scale and type of concern, issues were elevated to provide appropriate management oversight. Additionally, appropriate remedial and disciplinary action was taken when necessary. Senior management and the Audit and Finance Committee of the board were also provided regular updates on our Global Compliance and Ethics program, so they can ensure that the program promotes ConocoPhillips' [SPIRIT Values](#), addresses the compliance and ethics risks in our business and works 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 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>Financial Sector</b>	<b>Governments</b>	<b>Communities</b>	<b>Employees</b>	<b>Suppliers</b>
<b>Top Priorities</b>	<ul style="list-style-type: none"><li>• Climate Change</li><li>• Carbon asset risk</li><li>• Water</li><li>• Hydraulic fracturing</li><li>• Biodiversity</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>• Employee experience</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 Meetings</li><li>• SEC filings</li><li>• Financial sector outreach</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 developments</li><li>• Collaboration on community investment</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 consultations</li><li>• Local procurement</li><li>• Employment</li><li>• Landowner meetings</li><li>• Virtual 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>• Employee surveys</li><li>• Participation on trade and industry association committees</li><li>• Safety meetings</li><li>• Ethics Helpline</li><li>• Volunteering</li><li>• Virtual leadership town halls</li><li>• Employee network groups</li><li>• Talent Management Teams</li><li>• Global wellness programs</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 more than \$50,000.

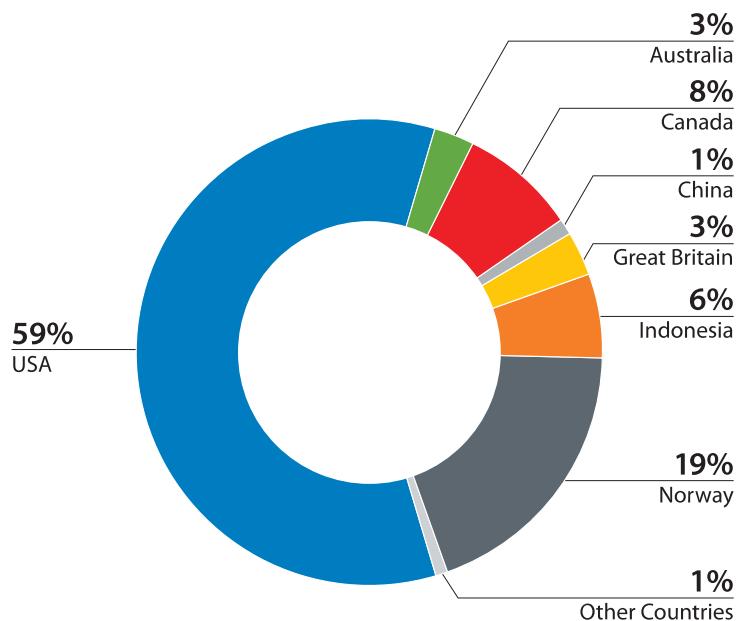
# Our People

Our success depends on our people. Effectively engaging, developing, retaining and rewarding our employees is a priority for us.

2020 was a year unlike any other. While dealing with the COVID-19 pandemic and a significant industry downturn, our workforce stepped up. Throughout our global operations, everything we did came from our core values: protect our people, mitigate the spread of the virus and safely run the business. People aligned, activated plans and communicated. Our people got the job done while protecting themselves and others. [Read more](#) about our COVID-19 efforts.

At year-end 2020, we had approximately 9,700 employees in 15 countries. This reflects a 7% decrease from 2019, driven primarily by asset dispositions. [Read more](#) about our workforce metrics.

## Payroll Country Distribution



# Diversity and Inclusion

Actions matter. Valuing everyone's contribution isn't just something we talk about. It's what we put into practice each day. Our commitment to building a diverse and inclusive environment is foundational to our **SPIRIT Values**. Each employee is accountable for creating and sustaining an inclusive work environment. Senior leadership involvement is critical for achieving meaningful progress on diversity and inclusion (D&I) and our leaders are accountable for having a personal D&I goal each year.

The Executive Leadership Team (ELT) has ultimate accountability for advancing our D&I commitment through a governance structure that includes an ELT-level D&I Champion and a global D&I Council consisting of diverse senior leaders from across ConocoPhillips. Annually we establish corporate D&I priorities in support of three pillars: leadership accountability, employee awareness, and processes and programs.

In 2020, we heightened our focus on D&I activities across the company. We published our first D&I Annual Report internally. The report chronicles steps we have taken over the past year to advance our D&I efforts, describes the resources available for our workforce, and provides a glimpse into our plans beyond 2020. In addition to this qualitative information, we also publish D&I dashboards internally to provide quantitative data. Transparency and disclosure around D&I are important to our workforce, to our stockholders, and are an important mechanism for holding ourselves accountable for visible progress. Some of our key actions and accomplishments for the past year include:

- Focusing our 2020 employee engagement survey, *Perspectives*, on the specific topic of D&I, which received a high response rate and over 10,000 comments. The ELT and council analyzed the survey data to identify strengths and gaps to establish 2021 D&I priorities and action plans.
- Continuing to enhance our internal resource site, which received more than 20,000 views, and fostering candid conversations through our D&I Yammer group, which has become one of the most active groups in the company.
- Awarding our first prestigious "SPIRIT Award" to recognize our internal D&I advocates.
- Implementing a "how" rating as part of our performance management process to hold our workforce and our leaders accountable for behaviors, including D&I.
- Diversifying our council.
- Adding Martin Luther King Day as a U.S. holiday.
- Sponsoring broad participation in our extensive network of employee network groups, which drew participation from over 5,000 employees. [Read more](#) about our networks.

We recognize that achieving our D&I goals requires both the visible actions described above and a clear linkage to the daily activities of our workforce. These activities include:

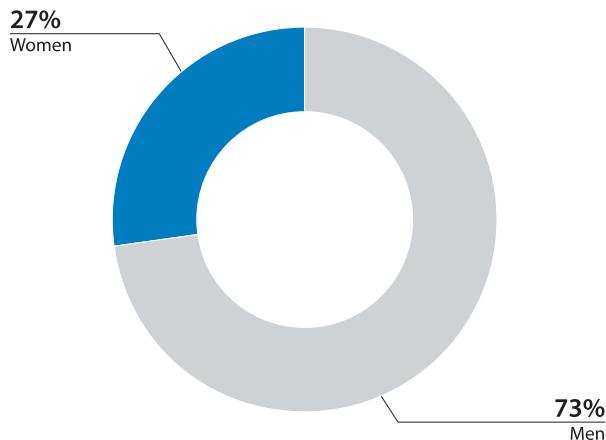
- Educating managers on inclusive hiring practices and improving our recruiting process to mitigate bias, embed inclusion throughout our process and attract a diverse candidate pool.
- Conducting immersive D&I training for senior leaders and influencers.
- Examining our Talent Management Teams' processes to ensure we are eliminating bias within our selection and succession efforts.
- Working with external partners to connect veterans and individuals with disabilities with employment opportunities.
- Promoting inclusion of employees with disabilities through a robust accommodation process available to all employees.
- Ensuring diverse internal and external candidate slates.
- Creating balanced interview teams to mitigate any unconscious bias in our hiring processes.



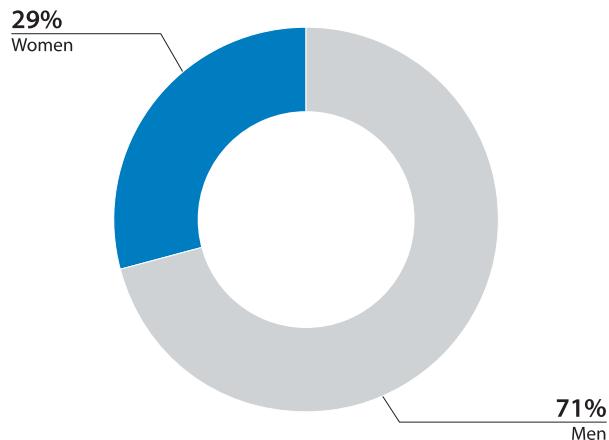
# Workforce Diversity

We are committed to being transparent as we build a more diverse and inclusive workplace and we actively monitor diversity metrics on a global basis. This data is an important step in our D&I journey, and what we do with it matters. The council, in conjunction with the ELT, reviews diversity metrics and identifies the appropriate plans and priorities to address our trends.

**Total Workforce**



**U.S. Payroll Workforce**

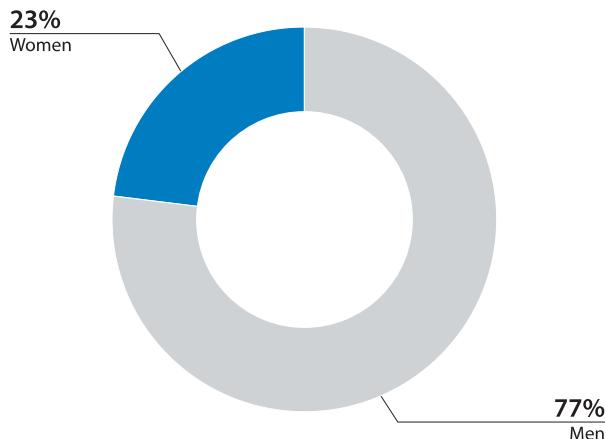


**9,700**  
Employees

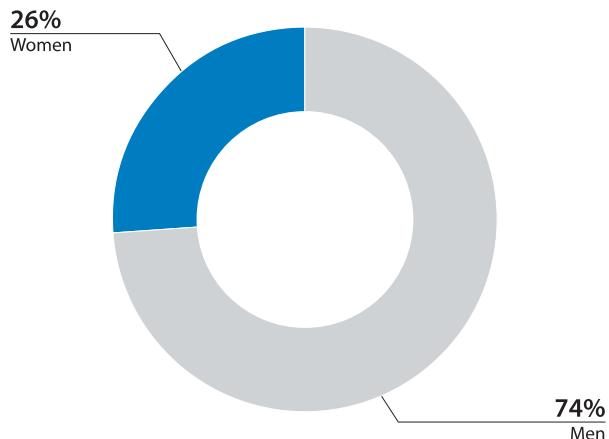
**2,600**  
Women

**29%**  
Global Women Hires

**Global Leadership**



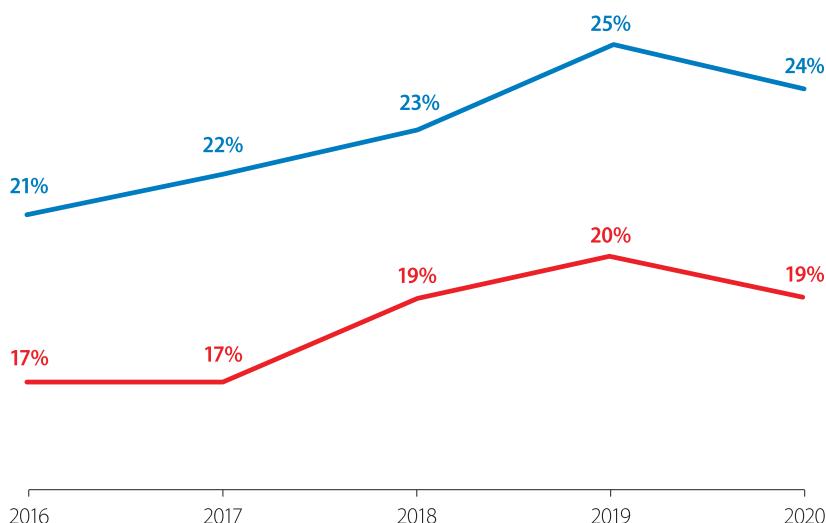
**U.S. Payroll Leadership**



In 2020, 27% of our employees and 23% of our leaders were women. This represents a slight increase (+1%) in the overall representation of women globally.

## Global Women in Leadership

— Junior Leaders — Top Leaders



In 2020, 25% of U.S. employees self-declared as People of Color (POC)<sup>1</sup>, which represents a 1% increase compared to previous years. Our representation of U.S. POC is steady year-over-year with 10.4% Hispanic, 6.7% Asian, 4.1% African American/Black, 2.5% American Indian and Alaska, 0.3% Pacific Islander and 0.8% of two or more races<sup>2</sup>.

**28%\***  
POC Hires

**300\***  
People with Disabilities

**360\***  
Veterans

\*U.S. Workforce

Other key trends include:

- Hiring Diversity:
  - Globally, 29% of our hires in 2020 were women.
  - In the U.S., 33% of our hires were women and 28% of our hires were self-declared as POC.
  - Additionally, 25% of our hires were directly from universities. To attract diverse students for full-time positions and summer internships, we recruit from several universities in the U.S. By attending conferences and recruiting at Hispanic-serving institutions like the University of Houston and historically black colleges and universities (HBCUs) like Prairie View A&M University, we can extend a broader outreach to potential candidates. We also partner with the National Society of Black Engineers and INROADS, a nonprofit committed to leadership and career development for underrepresented talent.
- Turnover:
  - Our voluntary turnover rate remains below 5% year-over-year.
  - We monitor the voluntary turnover rate for women and U.S. POC, which remains on par with the rest of the company and below turnover rates for men and U.S. non-POC.

1. POC: People of Color (includes all ethnic/racial groups).

2. Based on the U.S. Census.

Data may not equal 100% due to rounding.

Demographics for self-reported data only.

All metrics as of December 31, 2020.

We are committed to publicly disclosing ConocoPhillips' Consolidated EEO-1 Report. The report characterizes ConocoPhillips' U.S. workforce by race, ethnicity and gender across job categories established by the U.S. Equal Employment Opportunity Commission (EEOC). ConocoPhillips' EEO-1 reports for the last 3 years:

- [2020 EEO-1 Component 1 Report.pdf](#)
- [2019 EEO-1 Component 1 Report.pdf](#)
- [2018 EEO-1 Component 1 Report.pdf](#)

Additional details on EEO reports are available on the [EEOC website](#).

## Recognition

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.

The Human Rights Campaign's [Corporate Equality Index](#) recognized us in 2020 and 2021 for our commitment to lesbian, gay, bisexual and transgender equality in the workplace with a score of 100. Additionally, four ConocoPhillips colleagues were recognized with a 2020 GRIT Award for their D&I efforts in 2020. The individual GRIT Awards were created to recognize women leaders in energy and the men who advocate for their progress. [Read more](#) about the award and honorees.



# 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 promote diversity and inclusion (D&I) through knowledge sharing, networking, professional development and volunteerism. The networks allow employees to connect with others with similar backgrounds, become allies and learn about those with different backgrounds, whether that be ethnicity, gender, sexual orientation or shared life experiences. Network members also provide valuable input to the company's D&I efforts by sharing feedback and promoting cultural awareness and education.

Our employee networks offer various programs and events to support personal and professional development. Most 2020 events were held virtually, which resulted in higher attendance as employees from different offices and field locations were able to participate in events that were historically limited to those in one physical location. More than 5,000 employees participated in various networks in 2020. A Yammer group focused on conversations regarding D&I was leveraged to promote events and provide replays and key takeaways from network interactions. We also saw an increase in collaboration between the networks across locations.

In June, ConocoPhillips Chairman and CEO Ryan Lance participated in a Juneteenth event hosted by the Houston and Bartlesville Black Employee Networks to share his views on the civil unrest occurring across the U.S. and the world.

Additionally in June, Lance and Kelly Rose, senior vice president, Legal and former Houston Pride executive sponsor, raised the pride flag outside the Houston offices. Our Bartlesville and Norway offices also raised the pride flag in honor of Pride month. The flag raising demonstrates that inclusion is not just something we talk about; it is something we take action on at the highest levels of the organization.

2020 also saw the launch of two new networks. A Better Life for Everyone (ABLE) was established in Houston and Bartlesville to raise awareness and provide support, coaching, mentoring and networking opportunities for employees with disabilities as well as employees with family members impacted by disabilities. The Veterans & Ex-Military Network was established in our Australia business unit to recognize and celebrate current and former service members and look for ways to support the veteran and local communities where we operate.



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

**A Better Life for Everyone-ABLE:** Raises awareness and provides support, coaching, mentoring and networking opportunities for employees with disabilities as well as employees with family members connected through disabilities.

**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:** Highlights the spectrum of diversity within the Alaska business unit by recognizing similarities, promoting opportunities to learn about differences, and celebrating values and experiences.

**Global Support Staff Network:** Dedicated to employees who support business operations. Provides educational and networking opportunities that support the continuously evolving workplace environment.



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

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

**New Hire Network:** Provides recent hires an environment 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 parents' issues and creating a forum for parents to network.



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

**Pride Network:** Creates a forum to support equality of opportunity and experience, where lesbian, gay, bisexual, transgender, queer and other (LGBTQ+) employees, and their allies, can come together to network, develop and provide value back to ConocoPhillips.

**Veterans & Ex-Military Network:** Recognizes and celebrates current and former service members in our Australia business unit and looks at ways to support the veteran and local communities where we operate.

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

# Learning and Development

Investing in our employees maximizes our company's 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.

## Career Development

We empower our employees to grow their careers through personal and professional development opportunities. Employees can identify opportunities through career conversations with their supervisors and by creating an Individual Development Plan, a development tool that captures employees' long-term career plans. As part of ongoing development, we encourage leaders to gain insights on their strengths and areas for improvement through an assessment tool which gathers feedback from supervisors, direct reports and peers to help increase an employee's overall effectiveness.

## Talent Management Teams

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

## Formal Training

In 2020, our employees completed more than 171,700 hours of virtual and in-person training on topics ranging from technical to professional development (approximately 17.8 hours per employee). To facilitate learning and development while working remotely during the pandemic, subject-matter experts across the organization collaborated to create the ConocoPhillips Centralized Learning Resource. This one-stop-shop contains virtual and online/self-paced courses on a variety of focus areas, including diversity and inclusion (D&I), innovation, data analytics, petrotechnical and many more. Throughout the year, employees completed approximately 6,000 online or virtual courses.

We provide numerous training and development offerings to equip our workforce, our hiring managers and our leaders with the skills, knowledge and self-awareness to advance our D&I efforts. In 2020, employees completed approximately 180 D&I courses on LinkedIn Learning, and nearly 350 hiring managers completed our inclusive hiring best practices course.

## 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 2020, nearly 800 supervisors participated in virtual training related to psychological safety in support of fostering our culture of diversity and inclusion.

In an effort to foster collaboration and share best practices, we established the Leaders of Leaders program. This program brings together the company's top senior leaders in small cohort groups to learn, discuss, network and adopt practices promoting diversity and inclusion, psychological safety, innovation, HSE and other important topics.

Additionally, various business units and functions ran "Leaders Connect" programs, an informal community of practice where cohorts of six to eight leaders meet regularly to talk through topical leadership issues. The aim of the program is to help leaders establish a peer network, build trust and share and learn from each other about various leadership topics such as D&I, leading through change, employee engagement and communication.

## Performance Management

We use a performance management program focused on objectivity, credibility and transparency. The program includes broad stakeholder feedback, real-time recognition and a formal “how” rating (implemented in 2020) to assess behaviors to ensure they are in line with our SPIRIT Values and leadership competencies. We have identified leadership competencies that provide a common baseline of knowledge, skills, abilities and behaviors to support employee performance, growth and success. In 2020, we delivered performance management training globally to more than 3,000 employees.

Recognition is important to our employees and core to our culture. In 2020, we launched an employee-driven internal recognition program, The Mark Award: Instant Thanks, allowing employees to send a thank you email through an award system that recognizes other employees for what they accomplished or how they accomplished tasks and projects. In 2020, 54% of employees received Instant Thanks awards and nearly 13,100 Instant Thanks were sent.

## 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. Several business units and functions provide an avenue for their employees to develop mentor and mentee relationships and grow personally and professionally. Employees can also expand their network by participating in mentoring circles. These small groups of individuals meet regularly to learn and grow together and to discuss a wide variety of topics, such as leadership, diversity and inclusion, and communication.

# Compensation, Benefits and 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, competitive time off, paid leave to care for seriously ill family members and [parental leave](#) in many locations. In 2020, our U.S. parental leave benefits increased from two weeks to six weeks. Combined with our maternity benefit (eight weeks), new birth mothers are eligible for up to 14 weeks of paid leave. Given the impact of COVID-19, employee health and wellness benefits were also enhanced globally to assist employees. [Read more](#) about our COVID-19 response.

Our compensation programs are generally comprised of a base pay rate, the annual Variable Cash Incentive Program (VCIP) and, for eligible employees, the Restricted Stock Unit (RSU) program. From the CEO to the frontline worker, every employee participates in VCIP, our annual incentive program, which aligns employee compensation with ConocoPhillips' success on critical performance metrics and also recognizes individual performance. Our RSU program is designed to attract and retain employees, reward performance and align employee interest with stockholders by encouraging stock ownership. Our retirement and savings plans are intended to support employees' financial futures and are competitive within local markets.

Our global wellness programs are designed to educate and promote a healthy lifestyle. The COVID-19 pandemic disrupted our daily routines, limiting interactions with others and changing how we worked and exercised. In light of this, we modified our annual global wellness challenge to include virtual workout sessions and added a new module to address mental well-being, which focused on practicing behaviors that reduce stress and anxiety and promote a culture of caring and inclusion. [Read more](#) about the 2020 challenge.

All employees have access to our employee assistance program, and many of our locations offer custom programs to support mental well-being. This included “Journey to Calm” in 2020, a global weekly message series intended to help employees improve stress management skills. By dedicating time and using the short tips, participants were supported in their efforts to better manage stress and to improve mental well-being in general.

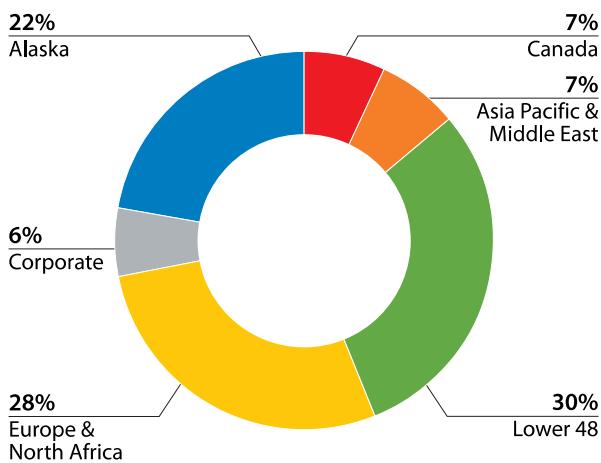
Each year, we spotlight World Mental Health Day to reinforce how employees can improve and maintain their emotional and mental wellbeing. In 2020, we had leaders participate in a panel raising awareness about mental wellbeing.

# Supply Chain Sustainability

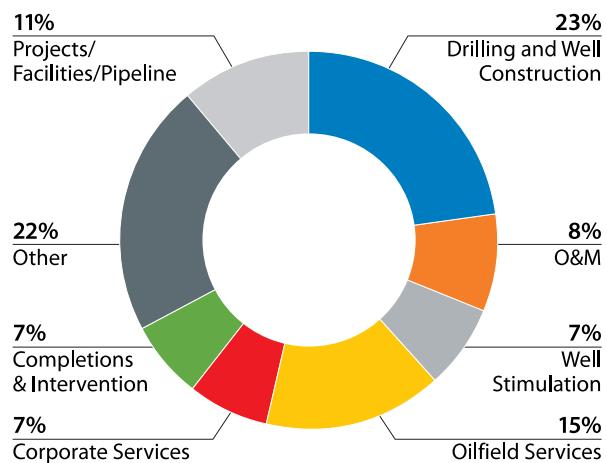
Sustainability is integral to our procurement process. Through Supplier Engagement, Supplier Recognition, and Sustainable Procurement, we continue to improve our business practices and operations to manage risk while increasing productivity and efficiency within the supply chain. We are committed to upholding our Business Ethics by supporting business opportunities and capacity building for **local and diverse suppliers** in our own operations through our supply chain.

**\$7.3 billion**  
Total spend with  
8,615 contractors and  
suppliers in 2020

2020 Total Spend by Segment



2020 Total Spend by Category



## Supplier Engagement

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

We regularly engage our suppliers through business reviews and supplier audits to:

- Review the ConocoPhillips **sustainability governance system** and assess how we can work with suppliers.
- Identify sustainable development opportunities and risks in the extended supply chains of critical categories.
- Standardize Key Performance Indicators (KPIs) to ensure alignment with our Environmental, Social, and Governance (ESG) performance objectives.
- Track metrics, review performance, and identify continuous improvement opportunities through annual review meetings.
- Share best practices for building supplier capacity throughout the supply chain.

Another important element of our ongoing engagement with key suppliers is our annual Supplier Sustainability Forum. In 2020, we hosted a virtual forum with over 100 participants including suppliers from more than 40 companies and ConocoPhillips representatives from across the globe. The agenda was designed to facilitate sharing of sustainability best practices that are transferable throughout our diverse supply chains. Topics discussed included operational adjustments due to COVID-19, rising supplier expectations, and emissions reduction technologies.

Mitigating supplier risk is critical to support our operations through sustainable procurement. Driven by supplier stability concerns, we began monitoring the financial health of suppliers in 2016 through quarterly assessments. Additionally, supply chain leaders meet monthly to proactively assess risk for over 100 business-critical suppliers. This supports continuity of global operations through the development of risk mitigation plans to cover supply or service interruptions. In 2020, we interacted with suppliers regularly to avert bottlenecks, strengthen ties and address risk mitigations due to COVID-19 pandemic and oil market collapse. In several cases, when oilfield services firms notified their intention of exit or showed severe financial distress, we utilized products and services from local suppliers to support our operations. This helped with the continuity of our operations and also improved our local community engagement. In Canada, we also increased utilization of First Nations and Metis related companies. During sourcing events, we also conduct a comprehensive contract risk classification assessment to quantify inherent risks and establish mitigation strategies prior to contract award. This process has been used across our Supply Chain organization globally for over 15 years. Engaging our suppliers to identify and manage risks allows us to mutually improve our sustainability performance.

## Supplier Recognition

Suppliers who positively impact our business are honored by our annual Supplier Recognition Awards. Sustainability is an integral consideration for these supplier awards. In 2020, awards ranged from produced water gathering and disposal to new operational efficiencies. The 2020 Supplier Recognition Award Winners are:

- ALS Industrial Pty Ltd.
- Anlegg og Marine AS
- ASRC Energy Services Alaska, Inc.
- Denali Universal Services, LLC
- Doyon Drilling, Inc.
- Fort McMurray Lodge Services
- Goodnight Midstream LLC
- Hire Station Limited
- NANA Construction, LLC
- NANA Worley, LLC
- PND Engineers, Inc.
- Sealink (Curtis Island Assets Pty Ltd)
- Tiamat Solutions Ltd.
- Transocean Norway Operations AS
- UGL Operations & Maintenance Pty Limited
- Versa Integrity Group, Inc.

## Sustainable Procurement and Business Ethics

The supply chain function contributes to the company's sustainable development commitments by integrating sustainability into our source-to-settle processes and procedures, which include:

- Supplier Expectations
  - Integrity, Labor and Human Rights
  - Environmental Sustainability
  - Supplier Inclusion
- Supplier Qualifications
  - Pre-qualification Questionnaires
- Sourcing and Category Management
  - Requests for Information or Quotes
  - Bid Events
  - Category Risk Assessments
- Contract Delivery
  - Key Performance Indicators (KPIs)
  - Supplier Audits

Integrating engagement on labor and human rights into our procurement processes and procedures includes recommended questions and contract language for supplier pre-qualifications, bids, and audits. 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 Labour 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](#).

We endeavor to conduct all contracting and procurement activities in an ethical manner in accordance with our Supply Chain Standard and applicable laws. We require suppliers to comply with certain requirements as a condition of business and to be guided by the principles and standards set forth in the ConocoPhillips Code of Business Ethics and Conduct and their own ethics and conduct policies. Our Code of Business Ethics and Conduct: Expectations of Suppliers provides additional clarity to our suppliers regarding our expectations in these areas:

<b>Health, Safety and Environment (HSE)</b>	Suppliers must comply with applicable environmental laws and regulations and conduct business with respect and care for the 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 consistently 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>Social Performance</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.

Additionally, our contract templates incorporate requirements for export compliance and the U.S. Foreign Corrupt Practices Act (FCPA).

## Local Content and Employment

We emphasize promoting supplier capacity building in our procurement, and we expect our suppliers to do the same. We also 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 seek 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.

## Supplier Diversity

We expect to do business with qualified suppliers that share our values, whether minority-owned, women-owned, small business enterprises, or global, local and Indigenous suppliers around the world. 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. We support Veteran-owned companies and track our spending with Veteran-owned suppliers. In the U.S., our 2020 Supplier Diversity program totaled \$698 million spent with businesses owned by Veterans, minorities, women, members of the LGBTQ+ community, service-disabled people, and historically underutilized businesses (HUBs). Additionally, ConocoPhillips recorded \$812 million in expenditures with small businesses. 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 provide 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>

In 2020, we conducted one in-person and 17 virtual supplier diversity events aimed at local supplier capacity building efforts. This helped to increase our spending with local suppliers in 2020.

# About Our Reporting

We take a digital approach to our sustainability reporting. To provide stakeholders with timely information we provide performance examples and updates as they occur rather than annually. These highlights and our performance metrics are integrated into the foundational information on our website and consolidated into our [sustainability hub](#). Performance metrics are updated yearly.

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

## Issue Prioritization

We evolve and refresh our perspective on sustainability reporting by considering the most pressing issues affecting our stakeholders, the global community and our industry. We determine the most relevant issues, or materiality, for our reporting by engaging with internal and external stakeholders throughout the year to better understand concerns about our business, particularly relating to the environment, society and our governance.

**An issue is material to SD reporting – in the view of management or stakeholders – if it affects a company's performance significantly and informs external opinion. They tend to be issues that most affect value creation and the economic and reputational resilience of a company in a positive or negative way.**

Source: IPIECA/API/IOGP Sustainability reporting guidance for the oil and gas industry, 4th edition 2020

## Identification

Through our annual risk assessment process, each business unit and project identify potential sustainability risks while considering the physical, social and political settings of our operations. Local concerns may influence the potential importance of these environmental and social matters, including cumulative effects. Each risk is assessed using a matrix that evaluates both its likelihood and consequence. In evaluating the consequence level, we consider potential impacts to stakeholders and the company. Our Issues Working Groups, comprised of internal subject matter experts for climate change, water, stakeholder engagement/human rights and biodiversity, meet quarterly to discuss issues in each subject area. Annual discussions with other key internal functions provide further input and prioritization of the topic list.

Through meetings, correspondence and a review of publicly available materials, we gather opinions and input from key external stakeholders to further identify issues and potential impacts. These include mainstream investors, ESG-focused investors, banks, rating agencies and ESG-focused nonprofit organizations, as well as community members, leaders, policy makers and regulators in the areas where we operate. This is supplemented with analysis of the topics being considered by rating agencies and other survey questions as well as recommended reporting for the Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD) and the World Economic Forum: Measuring Stakeholder Capitalism. We also review the priority issues as publicly reported by industry peers to ensure alignment with identified industry issues.

## Prioritization

We develop a list of potentially important issues across a range of topics from governance to safety to impacts on the environment and society. Subject matter experts from key functions in our organization provide further insight and prioritize topics based on level of interest or concern to key stakeholders and strategic importance to the company. Topics with the highest priority are included in our annual reporting after review by leadership.

<b>2020 Priority Issue</b>	<b>Definition</b>
<b>Environment</b>	
Carbon Asset Risk	Identifying the financial risk of stranded reserves and infrastructure.
Carbon Policy	Considering legislation and regulation related to climate change and an energy transition to a lower carbon economy.
Energy Efficiency	Reducing the amount of energy required to find and produce natural gas and oil.
GHG Emissions	Reducing greenhouse gas emissions from our operations.
Methane	Reducing methane emitted during natural gas and oil production.
Biodiversity Loss	Mitigating the potential impacts on species and habitats from projects and operations.
Produced Water Disposal	Effectively disposing of produced water/waste water by deep well injection.
Fresh Water Sourcing	Minimizing fresh water use by reusing and recycling produced water for operations to mitigate exposure to water stress.
<b>Social</b>	
Stakeholder Engagement	Respectfully engaging with local stakeholders to understand their values and interests, finding mutually agreeable solutions to mitigate their concerns and then integrating them into planning and decision-making.
Community Impacts	Engaging with key stakeholders to reduce the potential impact of our operations.
Human Rights	Implementing human rights policies and practices that promote respect for civil, cultural, economic, political and social rights, including the prohibition of forced labor and human trafficking.
Indigenous Peoples	Implementing policies and practices that promote dialogue and respect for Indigenous peoples.
Local Content	Creating economic stimulus in the communities where we operate through job creation and socio-economic development initiatives.
Safety and Health	Creating and maintaining a safe and healthy workplace that is free of injuries, fatalities and illness.
Workforce	Attracting and retaining talent, offering training and development for workers to build capability and career opportunities while promoting diversity and inclusion.
<b>Governance*</b>	
Business Ethics	Adhering to applicable laws and the highest ethical standards.
Transparency and Corruption	Promoting transparency to reduce corruption, improve government accountability and foster economic stability.
SD Governance Process	Having a comprehensive governance framework in place to manage ESG risks and opportunities.

\*Other aspects of governance are fully addressed in our Annual Report and Proxy.

In this year's report we have increased our level of disclosure on topics most important to stakeholders, including greenhouse gas emissions, water use, biodiversity and our response to COVID-19.

Our Annual Report and financial reporting required by the Security and Exchange Commission (SEC) also include environmental and social risks when they reach a "material" level as defined by regulatory requirements.

## 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 TCFD, SASB, IPIECA, the Global Reporting Initiative (GRI) G4 guidelines, and the Oil and Gas Sector Supplement. We provide regular information to the CDP for climate change, Dow Jones Sustainability Index (DJSI) and other top-tier organizations that assess the ESG performance of companies. We engage with MSCI, Sustainalytics and ISS E&S QualityScore, all of whom rate us based on publicly available information. We have mapped relevant [TCFD](#), [SASB](#), [IPIECA](#), [GRI](#) and [UN Global Compact Principles](#) disclosures for stakeholder convenience, and we continue to assess alignment with other emerging frameworks.

The 2020 Sustainability Report covers data from January 1 to December 31, 2020. 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. Concho Resources performance data is not included in this report and will form part of our 2021 annual report. Photos and videos of people not wearing masks were taken pre-pandemic.

[Read](#) about our Data Quality and Assurance.

# Managing Climate-Related Risks

In a world aiming for net-zero emissions, we have the governance, strategic capability, risk management processes and disclosure to demonstrate resilience across a range of transition scenarios. Our current climate risk strategy and actions for our oil and gas operations are aligned with the aims of the Paris Agreement while being responsive to shareholder interests for long-term value and competitive returns.

## 2020 Performance Highlights

- Adopted a Paris-aligned climate-related risk framework with an ambition to become a net-zero company for operational (scope 1 and 2) emissions by 2050.
- Increased operational greenhouse gas emissions intensity reduction target to 35–45% by 2030.
- Endorsed the World Bank Zero Routine Flaring by 2030 initiative, with an ambition to meet the goal by 2025.
- Added continuous methane monitoring devices to our operations, with an initial focus on our larger Lower 48 production facilities.
- Advocated for a U.S. carbon price to address end-use (scope 3) emissions through our membership in the Climate Leadership Council.
- Established a low carbon technology group to evaluate opportunities and technologies that can closely integrate with our global operations, markets and competencies.



# 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

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. In particular, the board reviews:

- Climate change position statements
- Sustainable development risk management processes.
- Enterprise risk management policy and output.
- Corporate strategy and climate risk strategy.
- Climate-related risk scenarios.
- GHG emissions intensity target and progress.

The board delegates certain elements of climate oversight functions to one or more of the 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. Issues considered by the committees are, as appropriate, regularly reported to the full board.

"The board recognizes that adopting a proactive posture on environmental, social and governance (ESG) performance and deliberately managing climate-related risk are vital for ConocoPhillips, and we actively oversee the company's enterprise-wide approach to consistently assess and manage risks as well as opportunities."

— BOARD PUBLIC POLICY COMMITTEE CHAIR, JODY FREEMAN



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. In 2020, the PPC was briefed on the following climate-related topics:

- Progress of the climate risk strategy.
- Lower 48 flaring and methane emissions update.
- Climate-related risk strategic update.
- ESG trends in the financial sector.
- ESG engagement strategy.
- Governance on public policy positions.
- Alignment with trade associations.

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 climate-related risks and opportunities and assists the businesses in implementing climate-related plans. This includes:

- Reviewing and approving greenhouse gas (GHG) pricing forecasts for inclusion in our long-range planning and project authorization reviews.
- Approving climate-related Variable Compensation Incentive Plan milestones.
- Reviewing the GHG emissions long-range plan and peer analysis.

In 2020, the chief operating officer (COO) who reported directly to the chief executive officer, served as the ELT's climate change champion, with overall accountability for corporate planning and development, including corporate strategy and long-range planning. The COO along with the senior vice president (SVP), Government Affairs and three regional presidents were briefed five times during the year on emerging climate-related issues, strategic priorities and the Climate Risk Strategy in order to understand their implications and represent them to the full ELT. The regional presidents oversee global operations and environmental performance, including setting business unit goals for GHG emissions, implementing action plans and reporting GHG emissions. Examples of issues reviewed by these executives during 2020 include:

- Setting aggressive Paris-aligned GHG emissions intensity target metrics for use in decision support.
- GHG emissions intensity target progress.
- Marginal Abatement Cost Curve opportunities review and project approval.
- Marginal Abatement Cost Curve funding review and approval.
- Internal climate-related education and communications.
- GHG long-range plan and business unit GHG targets.
- Internal GHG prices for the 2021 corporate Long-Range Plan.
- Climate change position statement revision.
- Climate risk strategy review and focus areas for 2021.

The SVP, Strategy and Technology, who reports to the chief executive officer and has overall accountability for corporate planning and development, including corporate strategy and long-range planning, has become the ELT's climate change champion in 2021. In addition, the Sustainability and Public Policy Executive Council, a subcommittee of the Executive Leadership Team, will take over global oversight of existing and emerging sustainable development and public policy risks and trends including climate change. The SVP, Government Affairs continues to be responsible for positions and engagement with government on climate-related public policy. [Read more](#) about our governance structure.

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. The climate-related risk category is managed by the SD team and the SVP, Strategy and Technology and SVP, Government Affairs are jointly accountable for this risk.



*Note: Each layer represents a Governance level and the corresponding membership entity/support.*

Read how climate-related performance is a component of executive compensation.

## Organizational Management

### Sustainable Development Leadership Team

The Sustainable Development Leadership Team (SDLT) is comprised of global business unit presidents and functional department heads supported by the Sustainable Development Team. Chaired by the vice president, Sustainable Development, the SDLT provides consultation and approval for SD focus areas, goals, priorities, action plans and results. Strategic planning, goal setting, implementation, performance and reporting for climate-related risk are reviewed by the SDLT.

### Sustainable Development Team

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. This includes leading the Climate Change Issues Working Group (CCIWG). The SD group reports to the senior vice president, Strategy and Technology, who reports to the chief executive officer. The vice president, Sustainable Development, chairs the SDLT and leads the standing SD agenda item for the PPC.

The SD team works closely with the Environmental Assurance group within HSE to provide environmental metrics 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.

# Operations

Each ConocoPhillips business unit is responsible for identifying and monitoring near- and medium-term climate-related risks and opportunities, and 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 to mitigate risks and a GHG emissions target, and they report progress to the ELT.

Subject matter experts from the business units are members of the CCIWG. This internal global cross-functional group 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.
- Developments in emissions reduction technology.
- The outlook for GHG prices that might impact our operations.
- Climate-related long-range planning issues.

The objective is to share key climate-related risk learnings across the company, identify issues and work to resolve them as they arise. The working group also provides input from subject matter experts on processes, procedures and issues prior to review by the SDLT.

# 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 uncertainties, including government policies, evolving investor sentiment around the world, technologies for emissions reduction and alternative energy technologies.

"In October 2020 we became the first U.S.-based oil and gas company to adopt a Paris-aligned climate risk strategy. Our objective is the sustainable success of our business through the energy transition."

— CHAIRMAN AND CEO RYAN LANCE



As the energy transition continues to evolve, the strategy must be robust across a range of potential future outcomes. The strategy is comprised of four pillars:

## Targets

Our framework consists of a hierarchy of targets - from a long-term ambition that sets the direction and aim of the strategy, to a medium-term performance target for GHG emissions intensity, to shorter-term targets for flaring and methane intensity reductions. These performance targets are supported by lower level internal business unit goals to enable the company to achieve the company-wide targets.

## Technology choices

We continue to expand our Marginal Abatement Cost Curve process to provide a broader range of opportunities for emissions reduction technology. In 2020, we also established an internal low carbon technology group to evaluate opportunities and technologies that can closely integrate with our global operations, markets and competencies. The team is focused on a range of options from emissions reduction solutions for existing operations and developing an offset strategy, to assessing renewable and battery storage as well as considering emerging opportunities including carbon capture utilization and storage and the hydrogen economy. We will disclose additional information on this team's efforts as it moves forward with its evaluations and related business investments. [Read more](#) about our energy transition and climate risk strategy.

## Portfolio choices

We are integrating climate-related risk into our portfolio decision-making by incorporating carbon pricing into our economics for project approval and by addressing the risk of stranded assets by prioritizing major projects with a fully burdened cost of supply less than \$40 WTI per barrel of oil equivalent (BOE).

## External engagement

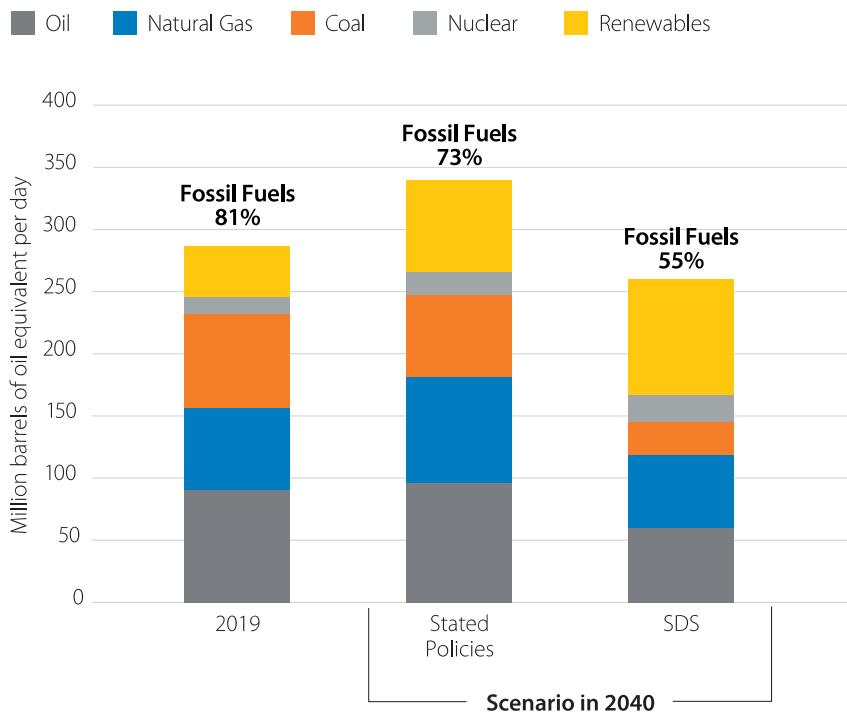
Our external engagement is intended to understand the point of view of stakeholders and further the evolution of climate-related frameworks, metrics and public policy. In 2020, this included:

- Participating in climate-related initiatives like the World Bank Zero Routine Flaring by 2030, which we endorsed.
- Being a leading voice in the Climate Leadership Council to advocate for a price on carbon in the U.S.
- Working with our trade associations to ensure alignment with our climate change position.
- Discussing the Net-Zero Benchmark Assessment with the Climate Action 100+.

# Energy Outlook

In its 2020 World Energy Outlook, the [International Energy Agency](#) (IEA) illustrated two different energy mix scenarios in 2040. Compared to 2019, total energy demand increases in IEA's Stated Policies scenario by over 18% and declines by around 10% in the below 2-degree Celsius Sustainable Development Scenario (SDS). Demand for natural gas and oil has different outcomes across the IEA scenarios. Demand grows relative to 2019 in the Stated Policies scenario but declines in the SDS. Even in the SDS scenario, 2040 oil demand remains at 60MMBBL/day and natural gas at 59MMBOE/day and, despite a reallocation of capital to renewables, significant investment in upstream natural gas and oil is still required. IEA estimates this to be \$407 billion each year from 2020 to 2040 globally and \$121 billion per year from 2030 to 2040 in North America — a total of approximately \$8.5 trillion globally and \$2.5 trillion in North America for the period 2020 to 2040.

## 2040 IEA World Energy Outlook Scenarios



Source: © OECD/IEA 2020 World Energy Outlook, IEA Publishing. License: [www.iea.org](http://www.iea.org)

Achieving the IEA's SDS (below 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 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.

These widely varying factors are the reason scenario planning is important. There is not just one pathway to a low carbon 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

The scenarios we have developed describe possible pathways leading to a particular outcome. They are hypothetical constructs and are not meant to be used as predictions of what is likely or forecasts of what we think is going to happen. Scenarios are not intended to represent a full description of the future, but rather to highlight central elements of a possible future and to draw attention to the key factors that will drive future developments. We use scenarios in our strategic planning process to:

- Gain better understanding of external factors that impact our business to assist in the identification of major risks and inform mitigating actions.
- Test the robustness of our strategy across different business environments.
- Communicate risks appropriately.
- Inform how we position our business, as technologies and markets evolve, to capitalize on opportunities that meet risk and return criteria.



Using scenarios enables us to understand a range of risks around potential commodity market prices 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.

We rarely make any decision based on a single source of information, but use a range of analyses, input and information when developing our strategy. The detail of our scenarios gives insight into the analysis we use to inform our strategic decision-making and provides stakeholders and shareholders a measure of confidence that we are both preparing for reductions in greenhouse gases consistent with the Paris Climate Agreement and developing resilient strategies that reflect the complex and uncertain range of energy futures.

We utilize four main energy transition scenarios: Current Trends, Moderate Transition, Accelerated Transition and Global Carbon Price. The scenarios were constructed using our global energy model and regional differences were included to reflect areas of the world that may take a different pace or direction. While these scenarios extend to 2050, well beyond our operational planning period, they give insights on trends that could have an implication for near- and medium-term decisions and enable the creation or preservation of future options.

Each scenario models the full energy system including oil, natural gas, solar, wind, nuclear and storage, as well as their related GHG emissions and pricing policies. Each of these plausible pathways is designed to stretch our thinking about potential rates of new technology adoption, policy development and consumer behavior. We believe that three of the four scenarios result in global emissions trajectories that may be capable of being Paris-aligned. Only the Global Carbon Price scenario is likely to achieve this without the need for significant negative emissions technology beyond 2050.

The scenarios describe four pathways out of the myriad that are possible, given the uncertainty surrounding the development of future energy markets out to 2050. They do not, and cannot, describe all possible future outcomes. As such, there is no assurance that the scenarios presented in this report are a reliable indicator of the actual impact of climate change on ConocoPhillips' portfolio or business.

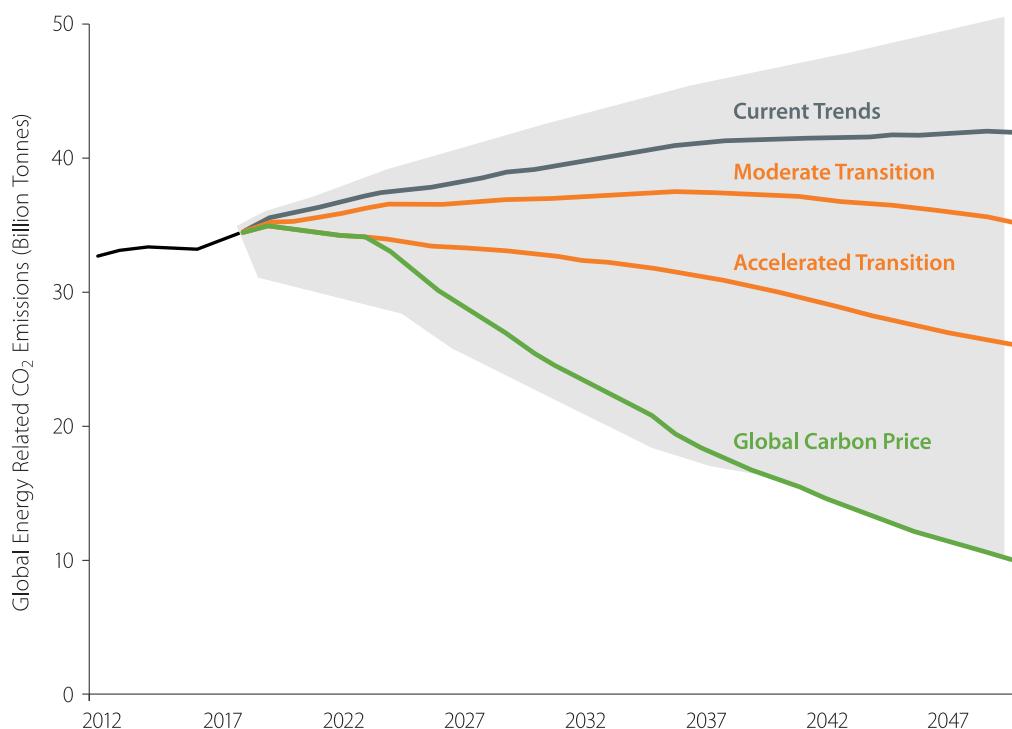
Constructing four very different scenarios means that analyzing and modeling potential outcomes is not the end of the process, as we also need to understand the probability of the world moving toward a specific scenario. We monitor crucial signposts that can indicate the direction and pace of scenario changes. The objective is to connect our scenarios with our climate risk strategy in a way that enables comprehensive strategic decision making. By measuring changes in the key signposts, we aim to track the pace

and direction of the energy transition and identify potential leading indicators of change in the demand for hydrocarbons. In this way we aim to establish not just which scenario we are moving towards, but also identify emerging disruptive scenarios. This analysis is presented to executive management and the board of directors to assist in strategic decision making.

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. 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. Different low carbon scenarios that depict a wide range of future possibilities should be used to facilitate strategic planning, not as reference scenarios to compare companies. 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 either a single or even a range of "reference" scenarios of the thousands that are possible.

## Scenario Descriptions<sup>1</sup>

ConocoPhillips' Energy Transition Scenarios



Source: Various ConocoPhillips estimates and third-party independently published projections. ConocoPhillips estimates are based on industry consultants and publicly available data. Gray area indicates the range of third-party projections.

### Current Trends Scenario

This scenario is built on the assumption that current trends continue. Government policies for carbon emissions remain globally uncoordinated. Technologies evolve at a gradual pace and current modes of transportation and power generation remain the lowest cost, most efficient avenues for energy consumption and generation. Carbon taxes are introduced at a moderate rate in Organisation for Economic Co-operation and Development (OECD) countries, rising to only \$30/tonne of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) in 2050. It is assumed that non-OECD countries have not implemented carbon pricing<sup>1</sup> by 2050 in this scenario. Consequently, fossil fuels continue to deliver roughly 75% of global energy needs in 2050, and energy related carbon emissions continue to increase.

Supported by healthy economic growth, the global oil market grows by 25%, reaching 125 million barrels per day (MMBD) in 2050. Transportation's share of total oil demand expands from 60% today to 65% in 2050. The automotive sector continues to evolve gradually, and the global share of electric vehicle sales increases from 1 – 2% today to 40% in 2050. The global average internal combustion engine efficiency modestly improves, and petroleum remains the most prevalent fuel for all modes of transportation. Production from all regions and resource types are developed.

The natural gas market expands at a faster rate than oil over the long term. By 2050, natural gas demand is 75% larger than today, reaching just under 700 billion cubic feet per day (BCF/D) as growing economies utilize natural gas in all sectors. The volume of natural gas consumed in power generation more than doubles. The focal point of demand shifts away from North America and Europe towards Asia.

## Moderate Transition Scenario

This scenario assumes moderate advances in carbon pricing policies and alternative energy technologies, with incremental shifts in consumer preferences for lower carbon products. Fossil fuels remain at roughly 75% of the primary energy mix in 2050. Carbon taxes go into effect across OECD countries during the mid-2020s and are \$25/tonne CO<sub>2</sub>e (TeCO<sub>2</sub>e) in 2030, rising to \$60 in 2050. It is assumed that China implements its proposed national carbon pricing policy at 50% of the OECD carbon fee and that no other non-OECD countries implement a carbon pricing policy prior to 2050. Global energy-related carbon emissions stabilize by 2050.

Global oil demand peaks in 2040 and then declines very slowly. Average internal combustion engine efficiency improves by one-third. Electric vehicle penetration is slow in the early years but accelerates in the 2030s and 2040s, reaching 60% of the passenger auto fleet in 2050 (compared to 1% in 2019). Regional policies also influence the outcome for electrification in transportation. Global oil production benefits from technology advances which improve productivity and enable global demand to be satisfied. U.S. crude oil production grows through 2030 then falls as incremental productivity improvements slow and high-quality acreage is exhausted.

The global gas market expands by 55% by 2050. The primary driver for natural gas demand growth is power generation. Natural gas consumed in power generation increases from 140 BCF/D in 2018 to 250 in 2050. Improvements in energy storage enable wind and solar to be available throughout the day, increasing their contribution to power generation eightfold. As in the Current Trends scenario, global demand shifts east to Asia, the Middle East and the Commonwealth of Independent States (CIS). Global supplies remain heavily weighted to North America. U.S. shale gas and Permian associated gas drive North American growth until the 2030s, after which Canada leads North America's production growth.

## Accelerated Transition Scenario

This is a scenario with more aggressive changes in technologies, consumer preferences and government policies relative to Moderate Transition. Technology is vital to limiting growth in energy demand, while the population and economy expand. Social trends that are prevalent today in specific regions or municipalities spread because technological advances make these choices universally economic. For example, individual auto ownership gives way to shared mobility. Mass transit and ridesharing are accessible and cost effective for more people in more regions. Consumers shift purchases toward products and services that are viewed as environmentally responsible, and society demands more transparent environmental stewardship from the businesses they patronize. Governments target aggressive policies toward GHG emissions, fossil fuel production and consumption. Carbon pricing<sup>1</sup> goes into effect across OECD countries during the mid-2020s and is \$30 per TeCO<sub>2</sub>e in 2030, rising to \$80 in 2050. Again, China implements its proposed carbon pricing policy at 50% of the OECD price. Other non-OECD countries impose a very low \$5 per TeCO<sub>2</sub>e price by 2030.

Global oil markets reach a peak by 2025 and remain near that level until tapering more quickly after 2035. The combination of internal combustion engine efficiencies and faster adoption of electric vehicles, which reach 75% of new passenger vehicle sales by 2050, reduces oil demand in the transportation sector. Oil demand from the industrial sector grows for plastics and chemicals.

The global natural gas market grows at an average annual rate of 0.6% into the 2040s, peaking at just under 450 BCF/D in 2045 before starting a gentle decline. Natural gas remains a prominent fuel in electricity generation but starts to yield market share to wind and solar in the latter years of the scenario. By the late 2040s, energy storage technology allows renewables to contribute a larger share of power generation. North America's gas production increases 15% over today's level, plateauing in about 2040, before declining.

## Global Carbon Price Scenario

This scenario assumes technology breakthroughs, major social movements to reduce fossil fuel consumption and rapid global policy coordination to price GHG emissions at a level that materially reduces fossil fuel use and emissions. It also assumes that OECD countries and China implement a pricing<sup>1</sup> mechanism by 2025 rising from \$50/TeCO<sub>2</sub>e in 2030 to \$120 by 2050. Other non-OECD nations follow by imposing prices of \$10/TeCO<sub>2</sub>e in 2030 rising to \$50 by 2050. The scenario assumes significant technological advances which reduce battery, wind and solar generation costs, improve fuel efficiencies for internal combustion

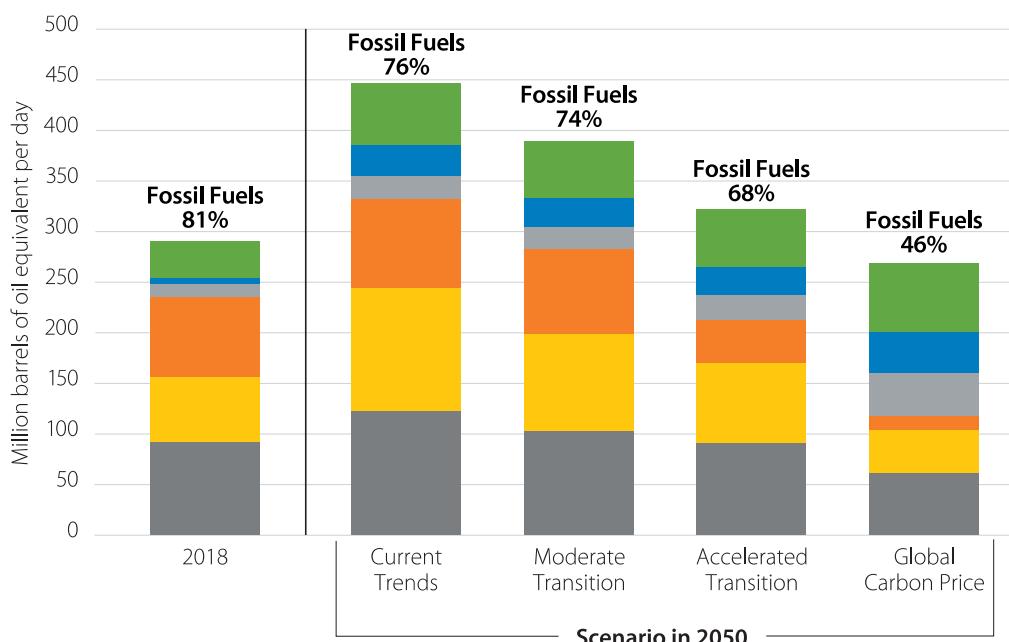
engines (80% more fuel efficient by 2050), improve energy efficiency in buildings and lighting, and other advances impacting energy production, delivery and consumption. Technology and efficiencies allow total energy demand in 2050 to be 5% below today's level with 55% of energy provided by non-fossil fuels.

The global oil market peaks in 2023, before significantly declining thereafter. Energy storage improvements lead to 80% of new passenger automobile sales being electric in 2050. Consequently, transportation sector demand falls to 22% of total oil demand. Industrial demand becomes the largest proportionate sector at 45% as petroleum derived chemicals and plastics remain vital to many sectors. Oil supply dynamics evolve as most production occurs in OPEC countries and Russia and geopolitics play an even larger role in oil prices and the supply and price of oil.

Like oil, the natural gas market peaks in 2023. Natural gas generates only 8% of global electricity in 2050, while wind and solar grow to produce 55% of electricity in 2050. Global gas demand shifts to emerging markets in Asia, the Middle East, CIS and Africa. Only 20% of global gas demand remains in North America and Europe. The market also becomes more reliant on OPEC and Russia for supply as North American gas output declines.

### ConocoPhillips Scenarios Energy Mix





Our scenarios indicate a wide range of oil and natural gas prices. We take this future price uncertainty into account in our strategy by only sanctioning projects with a fully burdened cost of supply which is less than \$40 per barrel (WTI) in 2019 dollars. Of the 15 billion barrels of resources with a cost of supply below \$40 per barrel held in our portfolio, 13.5 billion had a cost of supply below \$35 per barrel in 2020 (does not include Concho resource additions).

None of the scenarios include a significant contribution to emissions reductions from carbon capture and storage.

The scenarios are designed to address transitional risks. A separate scenario process addresses physical climate-related risk using consultant scenarios based on the Intergovernmental Panel on Climate Change (IPCC) modeling.

## Key Strategic Linkages to our Scenario Planning

Our corporate strategy reflects several findings from our scenario analyses. We have acted to:

- Use a fully burdened cost of supply, including cost of carbon where legislation exists, as an important metric in our project authorization process. In 2020, we had a resource base of 15 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 rate of return greater than 10%.
- Prepare for diverse 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 competitive distributions from cash flows to investors.
- Identify and fund emissions reduction projects to reduce the impact of any future regulations, or the introduction of carbon prices or taxes, and help maintain a low life-cycle cost of supply. 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. These process upgrades have resulted in more efficient collection, recording, sharing and funding of emissions reduction projects.
- Introduce a proxy cost of carbon into qualifying project economics 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.
- Focus on the carbon and cost competitive supply of natural gas and oil while continuing to utilize our scenario planning system to monitor and assess additional business opportunities within the evolving energy transition.
- 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](#).

### Note

<sup>1</sup> All carbon taxes are in 2019 dollars.

# Short, Medium and 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:

- Greenhouse gas (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.

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 under the Emissions Management and Climate Resilience Act require any facility existing in 2016, 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, where 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 and roll-out of non-condensable gas co-injection at our oil sands operations, which have improved steam-to-oil ratios by 20-30% in 2019, thereby decreasing GHG intensity.

GHG or carbon prices are another near-term risk in some jurisdictions where we operate. For example, in our Norway business unit, we are managing carbon price risk with specific actions to study emissions reduction opportunities, and we also evaluate project economics with full Norwegian carbon tax and European Union emissions allowance costs.

While a price on carbon in the U.S. will increase our costs and decrease demand for our product, we support a well-designed pricing regime on carbon emissions as the most effective tool to reduce greenhouse gas emissions across the economy. By putting a price on carbon, the U.S. would also maintain the energy advantage it currently has while at the same time building credibility with OECD countries and incentivizing other countries to also price carbon. We are a Founding Member of the Climate Leadership Council (CLC), a collaboration of business and environmental interests working to develop a carbon dividend plan for the U.S. The plan has four key pillars: a gradually increasing price on carbon, a carbon dividend, border carbon adjustments and regulatory simplification. [Read more](#) about the carbon dividend plan.

## 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 where carbon offsets can be used for compliance with an emissions reduction 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 risk strategy, as they include long-term government policy, technology trends and consumer preferences 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.

Both chronic and acute physical climate risks are 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.

Read more about our [Risk Register and Climate Change Action Plan](#).

# 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. Actions within the plan address individual risks identified by our business units or global/regional risks identified by our central corporate staff. For example, both chronic and physical climate-related impacts are more likely to apply to a single business unit, given the specific local nature of the risk and geographical location of our assets.

## Climate Change Action Plan

Risks	2020 Mitigation Actions and Milestones
<b>GHG Policy</b>	
GHG regulations, including carbon taxes	<ul style="list-style-type: none"><li>Review global emerging issues with Sustainability and Public Policy Executive Council on a regular basis.</li><li>Work with Climate Leadership Council and API Climate Working Group to develop U.S. carbon tax framework.</li><li>Focus on operational efficiency globally to reduce GHG intensity.</li><li>Integrate global Marginal Abatement Cost Curve with corporate technology group plans and pilots.</li><li>Consider options and technologies to manage GHG emissions from high native CO<sub>2</sub> natural gas fields at the initial feasibility stage.</li><li>Carry out global implementation plan for revised climate risk strategy including developing operational emissions reduction projects to achieve new targets; advocating for a carbon price through the Climate Leadership Council; and adding additional projects to the Marginal Abatement Cost Curve.</li></ul>
GHG Offset requirements	<ul style="list-style-type: none"><li>Establish global corporate position and strategy on carbon offsets purchases.</li></ul>
<b>Emissions and Emissions Management</b>	
Air emissions regulations	<ul style="list-style-type: none"><li>Develop long-term alternatives and evaluate new technologies to dispose of CO<sub>2</sub> at gas processing plants.</li><li>Develop U.S. flare reduction plans including revising commercial agreements to incorporate flare reduction incentives.</li><li>Evaluate mobile gas capture technologies.</li></ul>
<b>Physical Climate-Related Impacts</b>	
	<ul style="list-style-type: none"><li>Increase application of mitigation measures (fresh water use minimization) in project design phase. Investigate alternative sources for water (e.g. pipelines, desalination, etc.). Consider rotation of fresh water source. Develop global physical risk assessment guidelines for business units and continue with ongoing review cycle.</li><li>Continue assessment of risk of permafrost thaw for new construction and implementation of mitigation measures. Investigate cost-effective approaches for monitoring permafrost thaw and thaw degree days.</li><li>Execute emergency response plan exercise for wildfire threats.</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 Task Force on Climate-related Financial Disclosures (TCFD).



## Products and Services

Compliance with policy changes that create a GHG tax, fee, 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 to displace coal in power generation and in combination with carbon capture and storage in the production of hydrogen for industrial use.

Our scenario analysis indicates that as the energy sector transitions, it will be important to be competitive on both cost of supply and GHG emission intensity. 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 \$19 million in lost revenue, based on the 2020 average production and our average worldwide realized price of \$32.15 per barrel of oil equivalent (BOE). It is unlikely all our Gulf Coast area production would be affected, as our operations are located across a wide span of the coast including inland and offshore assets.

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. Prior to Harvey's landfall, Lower 48 employees safely shut down and secured 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.

In Alaska, we updated our Foundational Design Specification to increase the embedment depths for vertical support members and piles to align with predicted soil temperature trends. This revision updates the specification based on temperature trends and geothermal modeling predictions from 2020 through 2070.

We conduct 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. Workshops were not conducted in 2020 due to COVID-19.

## 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 the NRG COSIA Carbon XPRIZE to incentivize and accelerate development of technologies that convert carbon dioxide into valuable products.

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. Part of a new research and development effort is a multilateral well technology pilot, which enables the drilling of multiple lateral sections without the need for additional above ground capital or additional steam injection, thereby reducing emissions intensity and operating costs.

Over the past three years we have spent more than \$380 million on research and development, equipment, products and services which have reduced our GHG emissions. Large-scale commercial deployment projects include:

- Eliminating the majority of methane emissions by using air, rather than natural gas, to drive equipment at our Montney development in Canada.
- Reducing emissions by electrifying plant and pad equipment in Alaska.
- Installing vapor recovery systems to capture methane emissions in Lower 48.

### Investments Which Reduced GHG Emissions

Technology Area	Stage of Development	2018, 2019, 2020 Investments
Energy Efficiency	Applied research and development	\$4 million
	Pilot demonstration	\$46 million
	Small-scale commercial deployment	\$1 million
	Large-scale commercial deployment	\$203 million
Methane Detection and Reduction	Applied research and development	\$3 million
	Small-scale commercial deployment	\$10 million
	Large-scale commercial deployment	\$5 million
Other Emissions Reductions	Small-scale commercial deployment	\$2 million
	Large-scale commercial deployment	\$111 million

# Operations

We have acted to mitigate our GHG emissions for many years. Our first Climate Change Action Plan was introduced in 2008, and since then we have voluntarily reduced our annual global GHG emissions compared to business as usual. In 2017, we introduced a GHG emissions intensity target to incentivize reductions in our production operations as well as project design, exploration and portfolio decisions. To date, this has resulted in a reduction of both our emissions intensity and our absolute emissions. Most of the reduction projects carried out since 2008 have paid for themselves through increased sales of natural gas. Around two-thirds of the projects 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.

[Read more](#) about our MACC process.

We are one of more than 80 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 scenario work. In the longer term our 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.

# Operating Costs and Revenues

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

- Extent and timing of policy.
- Implementation detail such as cap-and-trade or an emissions tax or fee system.
- GHG reductions required.
- Level of carbon price.
- Price, availability and allowability 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 predict accurately, but we expect the geographical reach of regulations and their associated costs to increase over time. We model such increases and test our portfolio in our long-term transitional scenarios.

# Capital Expenditures and Capital Allocation

We test our current portfolio of assets and investment opportunities against the future prices generated from our **corporate 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](#). 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 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 resource base. Combined with our belief 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. 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.

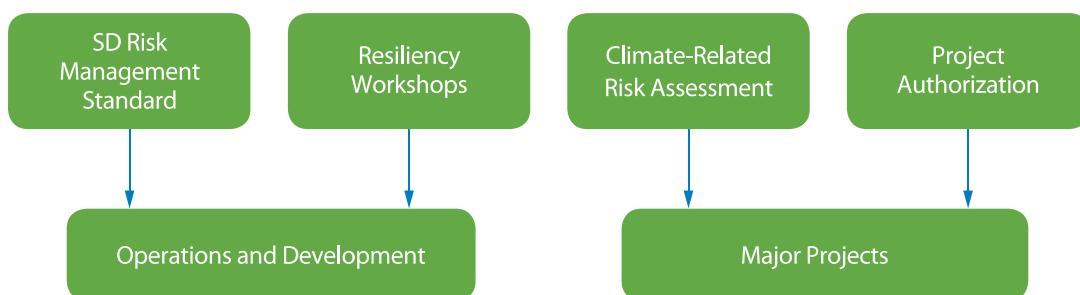
All U.S. publicly traded companies must adhere to a consistent set of regulations that enable investors to evaluate and compare investment choices. We fully comply with rules and regulations, including for reporting natural gas and oil reserves. In order to meet the Securities and Exchange Commission requirement that reserve estimates be based on current economic conditions, our reported reserves are determined by applying a carbon tax only for jurisdictions with existing carbon tax requirements. 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

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



To understand long-term risk and mitigation options, we utilize four scenarios. Depending on the deployment of carbon capture and storage and negative emissions technologies beyond 2050, we believe three of the scenarios may be capable of achieving an emissions trajectory consistent with the aims of the Paris Agreement. This scenario approach helps us evaluate distinct outcomes related to the potential timing and intensity of government climate change policy development, the pace of alternative energy technology development and trends in consumer behavior. This information is then used to shape our analysis and consideration of various outcomes for policy, technology and market risk. [Read more](#) about our use of scenarios.

We periodically review emerging climate-related risks with our Executive Leadership Team as part of 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 the pace and direction of the energy transition. For example, if 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 IPCC “1.5 degree” report, and we would take action accordingly. In our resiliency workshops, we use externally produced scenarios that describe the range of possible future physical risk.

## Annual Assessment

As part of the annual risk management process mandated by our SD Risk Management Standard, we examine operated assets and major projects against the physical, social and political settings of our operations. Subject matter experts in each business unit (BU) and project identify and describe climate-related risks.

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

Read more about our risk register and [Climate Change Action Plan](#).

## 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. Workshops were not conducted in 2020 due to COVID-19 restrictions.



## Climate-Related Risk Assessment

A climate-related risk assessment is conducted on any future project development that costs more than \$50 million net and is expected to emit more than 25,000 metric tonnes 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 based on local jurisdictions and geographies as opposed to using our corporate scenarios. The climate risk assessment guidelines provide 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 that apply to the project.
- 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 include GHG pricing in their project approval economics. The base case for project approval economics now includes the higher of the forecast of existing regulations and the current transition scenario for that jurisdiction. Where there is no GHG price regulation, we use the current transition scenario for that jurisdiction. We also run two sensitivities:

- With only existing carbon pricing regulations, to reflect near-term cash more accurately.
- With a sensitivity of \$60 per tonne CO<sub>2</sub>e to act as a stress test to reduce the risk of stranded assets should climate regulation accelerate.

This ensures that both existing and emerging regulatory requirements are considered in our planning and 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 business goals to address the challenges and opportunities unique to each region's operations. Reporting and overarching climate-related risks, such as GHG target-setting and prioritization of global emissions-abatement projects, 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 Risk Strategy are informed by the output of our corporate 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 and improve returns.
- Maintaining a diversified portfolio of projects and opportunities.
- Diversifying our portfolio to include assets with lower decline rates and low capital intensity to drive higher free cash flow yields.
- Developing technologies that reduce both costs and emissions.
- Monitoring alternative energy technologies.

The objective of our Climate 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, alternative energy technologies and changes in consumer trends. The strategy sets out our choices around portfolio composition, emissions reductions, targets and incentives, emissions-related technology development, and our climate-related policy and finance sector engagement.

[Read more](#) about our emissions reduction targets.

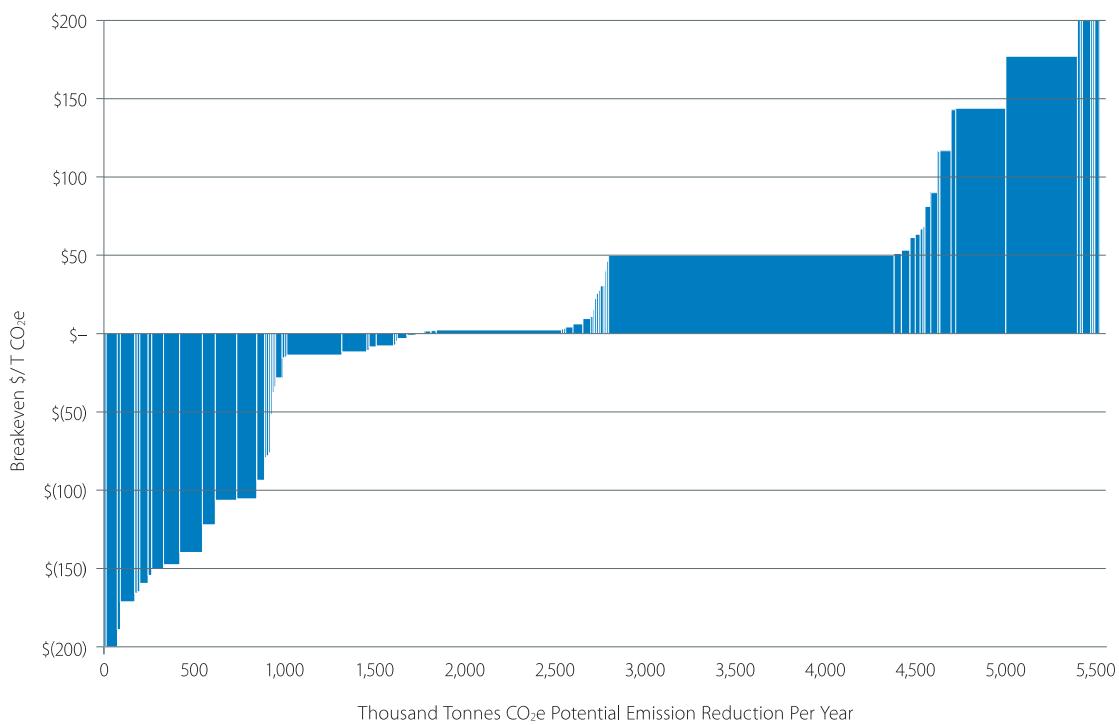
## Long-Range Plan

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, we have completed the installation of non-condensable gas co-injection in the Canadian oil sands to enhance production while reducing energy consumption and emissions. In the U.S. Lower 48, we have changed the design of some new facilities to include instrument air packages rather than gas-driven devices, reducing methane emissions from those sites. 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 additional energy efficiency projects. Output from the MACC informs our annual budget, Long-Range Plan and technology strategy.



Grissik Gas Plant, South Sumatra



Projects below the line are economic and have a negative breakeven cost of carbon. Projects above the line are not economic — the taller the bar, the higher the breakeven cost of carbon. The width of the bar indicates the annual emissions saving that would occur should the project be undertaken — the wider the bar, the greater the emission saving.

[Read more](#) about our MACC process and 2020 projects.

## SD Risk Management Process

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 annual 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. The table below lists our key SD risk management processes, their scope and purpose.

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.

[Read more](#) about our Risk Register and Climate Change Action Plan.

## 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 from the [Climate Change Action Plan](#) 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.

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 board regularly reviews the ERM system and mitigation actions.

Information about issues deemed material to our investors may be found in our [Security and Exchange Commission \(SEC\) filings](#).

# Performance Metrics and Targets

We calculate key metrics and use 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:

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

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

## 2020 Performance Highlights

- Adopted a Paris-aligned climate-related risk framework with an ambition to become a net-zero company for operational emissions by 2050.
- Set a 35-45% reduction target for operational emissions by 2030.
- Set a zero routine flaring target by 2030, with an ambition to meet the goal by 2025.
- Set a methane emissions intensity reduction target of 10% by 2025, which is in addition to our already significant reductions of approximately 65% since 2015.
- Added continuous methane monitoring devices to our operations, with an initial focus on our Lower 48 facilities.

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"Our long-term ambition to reduce our operational greenhouse gas emissions to net-zero by 2050 reflects how we see the company's role in a global mandate to address climate change, meet energy demand and remain financially competitive."

— CHAIRMAN AND CEO RYAN LANCE



# Emissions Reduction Targets

In 2020, we announced a climate risk strategy that sets an ambition to reduce our operational greenhouse gas (GHG) emissions to net-zero by 2050. We also substantially revised our 2030 target to reduce our GHG emissions intensity, endorsed the World Bank Zero Routine Flaring by 2030 initiative and set a target to reduce methane emissions intensity. These targets inform internal climate goals at the business level and support innovation on efficiency and emissions reduction, GHG regulatory risk mitigation and climate-related risk management throughout the life cycle of our assets.

[Read more](#) about our target details.

All data is from January 1 to December 31, 2020. 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. [Read more](#) about our performance metrics.

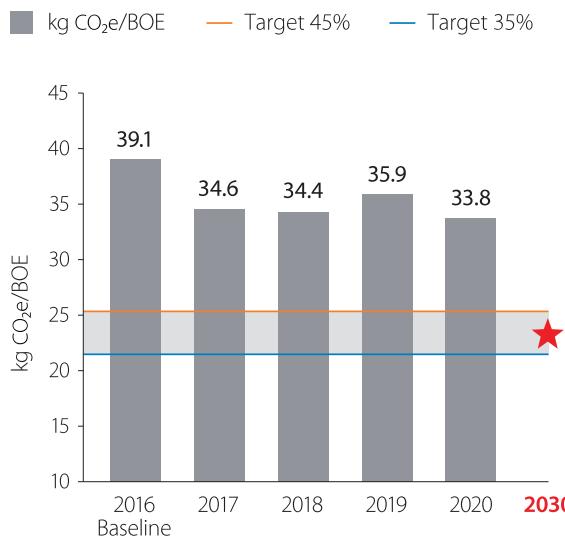
The 2020 oil price crash and economic downturn caused by the COVID-19 pandemic led to reduced drilling activity and production curtailments which translated into reductions of GHG emissions for many of our key performance indicators.

## GHG Emissions Intensity Target

Our target is to reduce our operated GHG emissions intensity by 35-45% by 2030 from a December 31, 2016 baseline.

The target covers scope 1 and scope 2 gross operated emissions as these are the emissions over which we have the most control. Our scope 1 and scope 2 GHG emissions and emissions intensity calculations 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.

### 2020 GHG Emissions Intensity Target Progress



**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.

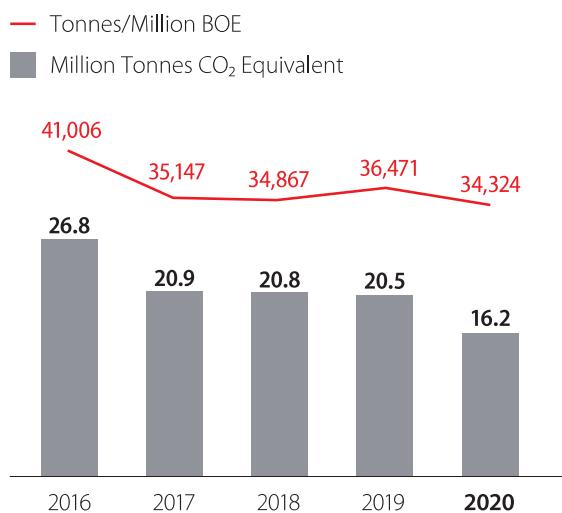
**Scope 3** – All other indirect GHG emissions as a result of ConocoPhillips activities, from sources not owned or controlled by the company.

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

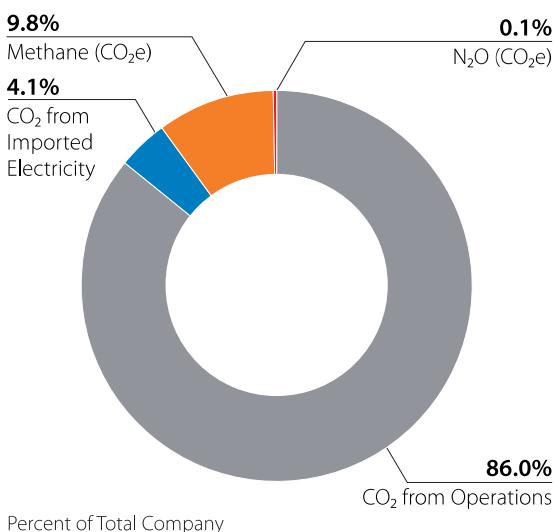
The target includes emissions that are related to production and excludes emissions from our Aviation and Polar Tankers fleets. This may give rise to small differences between the intensity we report for our GHG target purposes and the intensity we report for our annual metrics.

In 2020, our total gross operated GHG emissions, in CO<sub>2</sub> equivalent terms, were approximately 16.2 million tonnes.

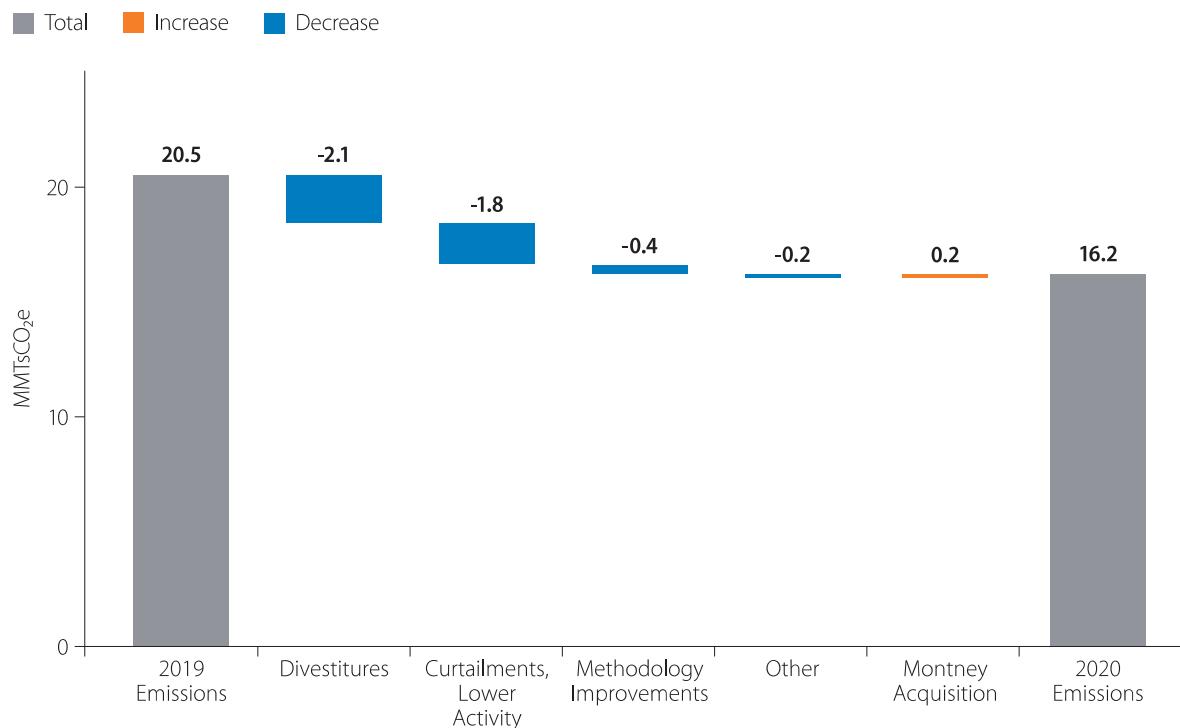
## Total GHG Emissions and Intensity



## Total GHG Emissions



## GHG Emissions Changes



## GHG Emissions Intensity Reduction Projects

Our 2020 gross operated global GHG emissions are 30% lower as a result of discretionary projects since 2009 when compared to business-as-usual emissions.

## Canada

Reducing the GHG emissions intensity of our in-situ oil sands operations continues to be a priority for our Canada operations. We are using technology to co-inject noncondensable gas (NCG) with steam to reduce steam requirements and increase production at Surmont. This allows for a reduction in the steam-to-oil ratio (SOR) and consequent reduction in GHG emissions intensity. Four

of the 16 producing pads had NCG infrastructure installed and ongoing co-injection. In 2020, co-injection was expanded to the remaining 12 pads. The technology can be applied to almost any Steam Assisted Gravity Drainage (SAGD) operation, resulting in GHG intensity reductions of approximately 15-35%. Early project results have been shared with [Canada's Oil Sands Innovation Alliance](#) (COSIA) Innovation Plus consortia to encourage widespread deployment of the technology throughout Alberta's oil sands.

The Innovation Plus mandate focuses on technology innovation and ConocoPhillips led members through an in-situ fundamentals workshop covering NCG co-injection in early 2020. The forum provided an opportunity for knowledge sharing and collaboration to develop increased confidence for our Surmont operation to adjust NCG plans in 2020 to accommodate for a more rapid deployment in the face of COVID-related curtailment pressures.

We are also piloting multilateral well technology including innovative drilling and completion methods and thermal junction technology in existing vertical wellbores to increase production from a single surface location. Thermal junction technology enables the drilling of multiple lateral sections without the need for additional above-ground infrastructure. These wells reduce surface footprint and provide increased bitumen production without additional steam injection, thereby reducing GHG emissions intensity and operating costs per barrel of bitumen. The pilot is expected to result in a reduction in GHG emissions intensity of 17%.



Both technology pilots have benefitted from financial support provided through [Emissions Reduction Alberta](#) (ERA). ERA invests the proceeds from carbon pricing paid by large industrial emitters into Alberta's Technology Innovation and Emissions Reduction (TIER) regulation to reduce GHGs and strengthen the competitiveness of new and incumbent industries in Alberta. These investments help innovators develop and demonstrate GHG-reducing technologies that lower costs, improve competitiveness, and accelerate Alberta's transformation to a low carbon economy.

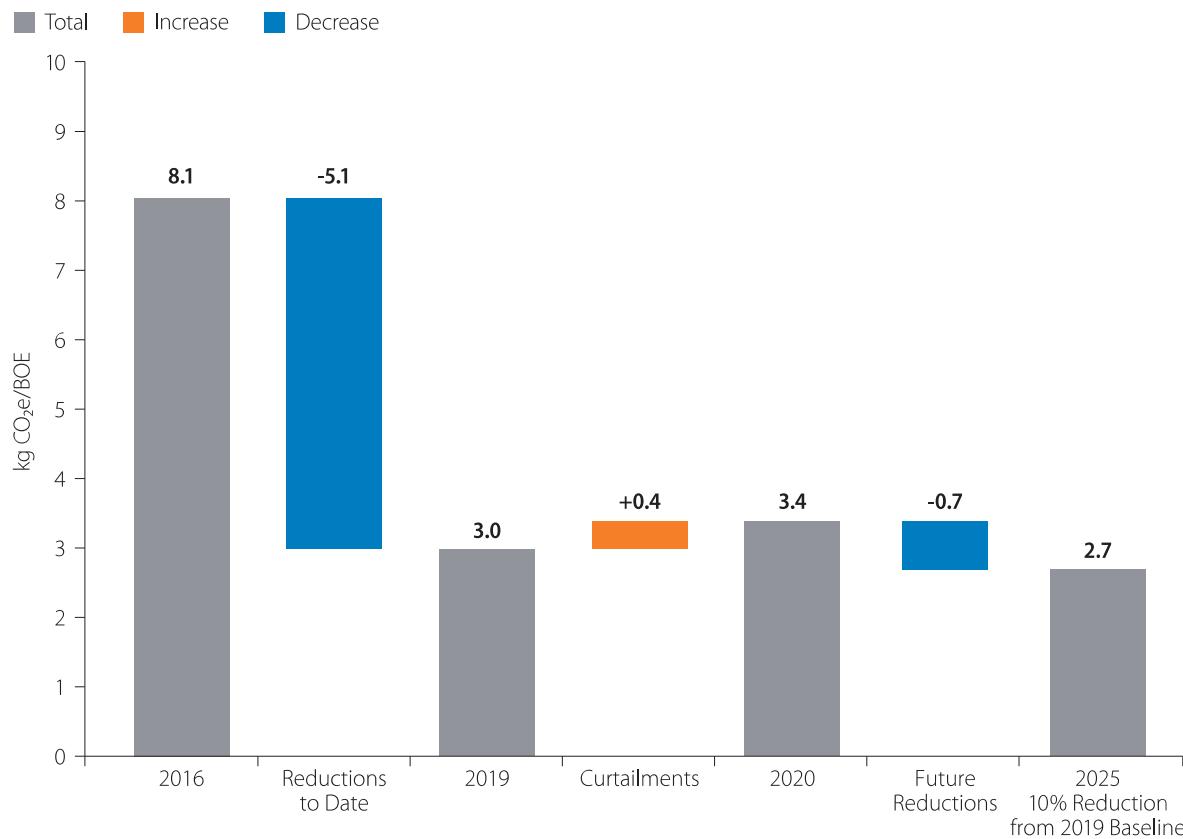
## Lower 48

In our Zia Hills operations in the Permian, we tested the use of associated natural gas that is co-produced with oil to power hydraulic fracturing at a well in 2020. The dual fuel trial resulted in replacing about 30% of the diesel typically required for a frac job and reduced combustion emissions by over 650 tonnes CO<sub>2</sub>e. Results will be used by our operations to further reduce the amount of diesel required during future trials. This innovation along with innovations in efficiency, water and safety are also providing significant cost savings per well.

## Methane Emissions Intensity Target

Reducing methane emissions, even the small equipment leaks known as fugitive emissions, is a key part of our operations. We have a near-term target to reduce methane emissions intensity by 10% by 2025. This is in addition to our already significant reductions of approximately 65% since 2015. Just over half of that reduction has come from voluntary methane reduction activities and the rest from portfolio changes. In 2020, methane intensity increased slightly due to production curtailments while absolute methane emissions continued to decline.

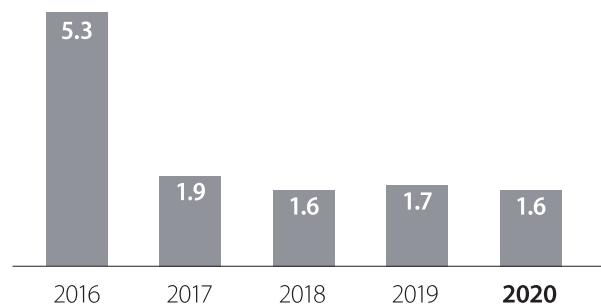
## Methane Emissions Intensity Target Progress



In 2020, methane emissions totaled 1.6 million tonnes of CO<sub>2</sub>e and constituted 9.8% of our total company GHG emissions.

## Total Methane Emissions

■ Million Tonnes CO<sub>2</sub> Equivalent



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.

We comply with federal, state and local regulation of methane detection processes. At many of our locations, especially high rate producing wells and stand-alone compressor stations, we also have a periodic voluntary fugitive monitoring program using optical gas imaging cameras (OGI) to enhance our LDAR. OGI cameras create real-time images of gases or liquids leaking from pipes, vessels, tanks and other types of process equipment. OGI 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. We implement engineered solutions and/or operational changes if we identify developing trends of systemic hardware problems. We are also piloting other technologies that potentially provide continuous monitoring capability of facilities. [Read more](#) about methane emissions detection.

## Methane Reduction Projects

### Lower 48

Setting a methane emissions intensity target ensures continued focus on methane emissions reductions, including designing new facilities to avoid methane emissions as much as practical. In 2020, we evaluated ways to better design our well pads and central facilities for zero GHG emissions. This includes:

- Electrification — using power from the grid, waste gas generators or alternative energy such as solar rather than natural gas.
- Combustion control — making flares efficient.
- Emissions capture and suppression — reducing connections and installing sensors to detect open hatches.
- Vapor recovery units — installing at all central facilities and adding to the base design for all future facilities. These capture low pressure emissions from oil and water tanks for sale.

[Read more](#) about our Marginal Abatement Cost Curve.

We are participating in [The Environmental Partnership](#), a coalition of over 80 natural gas and oil companies working to improve methane emissions management. As part of our commitment, we have focused on two key areas:

- LDAR programs — In 2020, we conducted approximately 7,600 surveys across our assets to detect leaks and quickly repair them. While this is a regulatory requirement in many areas, over 40% of the surveys were done voluntarily. These surveys continue to provide a better understanding of where leaks occur and how we can minimize fugitive emissions.
- Eliminating gas-driven pneumatic devices — Many of our greenfield designs at new facilities include devices to use supplied air instead of site gas to reduce natural gas emissions from pneumatics.

In addition, we continue to test and deploy new methane detection technologies, including continuous monitoring. [Read more](#) about our methane detection toolkit. While this technology is proving to work well for expeditiously identifying and mitigating leaks, our reported emissions continue to be based on the EPA-mandated methodology for reporting GHG emissions.

### Canada

Our new development in Montney was designed to eliminate the majority of methane emissions by utilizing self-generated electricity and electric equipment rather than traditional natural gas driven equipment.

### Flaring Target

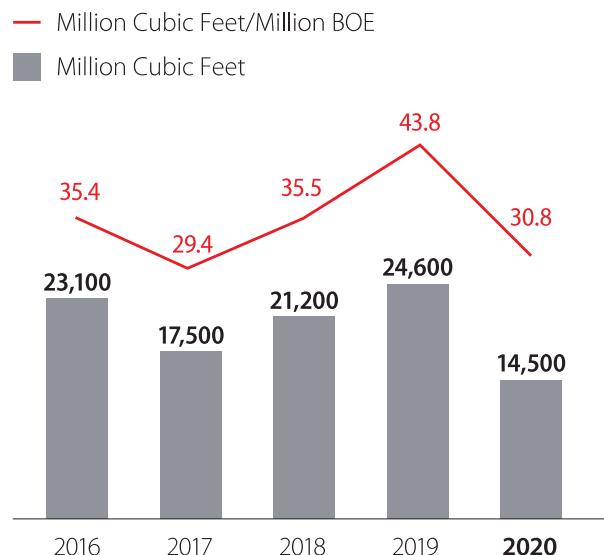
Flaring is a regulated and permitted process for the controlled release and burning of natural gas during oil and gas exploration, production and processing operations. Flaring is required to safely dispose of flammable gas released during process upsets or other unplanned events and to safely relieve 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.

Setting a target to get to zero routine flaring by 2030, with an ambition to get there by 2025, is a key near-term action within our ambition to become a net-zero company by 2050. While our flaring emissions make up only 8% of our total GHG emissions, the target will drive continued near-term focus on routine flaring reductions across our assets. Routine flaring is defined as flaring that occurs during the normal production of oil in the absence of sufficient facilities to utilize the gas onsite, dispatch it to a market, or re-inject it. Flaring for safety reasons, non-routine flaring or flaring gas other than associated gas is not included as part of the World Bank Zero Routine Flaring initiative.

As the target was announced in late 2020, we do not yet have data specific to routine and nonroutine flaring emissions for the year. We will be collecting one full year of data in 2021 and begin reporting our performance on the goal in our 2021 reporting.

In 2020, our total volume of flared gas was 14.5 BCF. The 41% reduction was primarily due to production curtailments, better flare management and the Australia West divestiture. In the Permian, we are utilizing an internal decision tree to optimize our operations to reduce flaring during third party outages.

## Total Flaring Volume



## Flaring Reduction Projects

### Lower 48

We have reduced flaring 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). Our Bakken team has identified several measures to reduce flaring, including a focus on debottlenecking, reducing H<sub>2</sub>S, and working with midstream partners to better align pipeline capacity with production. [Read more](#) about our Bakken flaring reduction projects. In the Permian, we have built and operate our own gathering system, which enables more flexibility and connections to multiple third-party processors. We have also developed and implemented facility design changes to reduce (or eliminate) flaring from tanks.

### Norway

In the North Sea, we are reducing our safety flaring by installing a new gas compressor that will reduce emissions from the flare tower at Ekofisk 2/4 J by more than 90% or 26,000 tonnes per year. Instead of gas being flared, it will now become part of production.

## Scope 3 Emissions

Our current GHG intensity target does not cover scope 3 emissions. While we recognize that scope 3 emissions arise because of our business, as an exploration and production company with no downstream assets we do not own the sources of emissions or control how the raw materials we produce are transformed into other products or the efficiency of their consumption.

## Reporting

We have reported annually on scope 3 emissions in our CDP submissions since 2010 to acknowledge the role they play in climate risk assessment. We calculate scope 3 emissions using the IPIECA 2016 *Estimating Petroleum Industry Value Chain (scope 3) Greenhouse Gas Emissions* [guidance](#) based on net equity production numbers. We report the four largest categories of scope 3 emissions that apply to our operations.

For oil and natural gas exploration and production companies, scope 3 emissions fall primarily into the “use of sold products” category. Though we do not control how our total production is ultimately processed into consumer products, we make the conservative assumption that the majority of production is ultimately burned as fuel by end users. We use the Environmental Protection Agency GHG emissions factors for crude oil and natural gas burned as fuel. This method accounts for all possible GHG emissions that could be associated with end use of our production. Our assumption and method are especially conservative when the “double counting” issues inherent in scope 3 estimations for an exploration and production company (discussed below) are taken into account.

We conservatively calculate the other three categories of scope 3 emissions by taking our entire volume of crude and natural gas and applying the relevant transportation, distribution and processing emission factors from academic life cycle analyses, including the 2019 National Energy Technology Laboratory study: *Life cycle analysis of natural gas extraction and power generation*. In 2020, scope 3 emissions decreased by 17%, primarily due to decreased net production.

Source	Estimated Million Tonnes CO <sub>2</sub> e
Upstream transportation and distribution	2.2
Downstream transportation and distribution	6.6
Processing of sold products	11.6
Use of sold products	142.3

## Target Setting

### Climate Policy to Address End-Use Demand and Emissions

We have been clear since our first Climate Change Position in 2003 that end-use emissions must be addressed to meet global climate commitments. Climate policies along with advances in technology and consumer choice will ultimately drive demand and end-use emissions. We have long taken the position, consistent with the conclusions reached by many leading economists, that an economy-wide, escalating price on carbon emissions, aligned with the aims of the Paris Agreement, is the most effective and efficient way to impact consumer demand and end-use emissions. Our constructive advocacy for effective carbon pricing policy began when we became the first U.S. oil and gas company to join the United States Climate Action Partnership in 2007 and continued in 2018 when we joined the Climate Leadership Council as a founding member. It is also reflected in the fact that our main industry associations have now adopted positions on carbon pricing and other climate policy that align with our public positions.

### Production and GHG Emissions Shift

To meet a scope 3 target, an exploration and production company would need to shift its capital to alternative energy products or curtail production. This capital shift would not necessarily address the world’s net-zero emission ambitions because it does not impact the oil and gas demand that is predicted across any Paris-aligned transition pathway. Instead, it would result in a production shift with economic and carbon leakage to local and overseas producers, which could lead to an increase of GHG emissions.

### Exploration and Production Company versus Integrated Company

As an exploration and production company, we do not have the same opportunities to influence end-use emissions as integrated oil and gas companies which have ownership and control over the production and sale of end-use energy products to consumers. A consumer-facing integrated company has the option to dilute risk and pursue opportunity by changing their mix of energy products in line with the course of the energy transition.

## Double Counting

The double-counting of end-use emissions makes accurate accounting and credible target-setting extremely problematic for companies along the natural gas and oil value chain. For example, the scope 3 emissions from refining the oil we produce are a refiner's scope 1 emissions. The combustion of that oil in the form of an end-use product such as gasoline are also scope 3 emissions for the producer of the oil, the refiner and the marketer. The combustion of gasoline is also a scope 1 emission for distribution and transportation companies. There is double counting throughout the economy. Likewise, our scope 3 emissions from the combustion of natural gas at a power station would be the electricity producer's scope 1 emissions and our own scope 2 emissions for electricity purchased to run our operations.

We are following the development of the Science Based Targets Initiative methodology for the Oil and Gas industry and have responded to their recent Net-Zero criteria consultation. We believe that the most practical way to avoid double-counting of emissions and overlap of targets is for all companies to align with the Paris Agreement and set targets for their scope 1 and 2 emissions.

"We are focused on reducing the emissions that we own and control, assessing emerging low carbon opportunities, and advocating for an economy wide price on carbon as the most effective policy to reduce end-use GHG emissions across the economy."

— DOMINIC MACKLON, SENIOR VICE PRESIDENT, STRATEGY AND TECHNOLOGY



## 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.

Total energy consumption in 2020 was 185 trillion British Thermal Units (BTUs). Approximately 98% of our consumption was combustion of fuel for our own energy use with the remaining from purchased electricity.

## Low-Carbon Emitting Products

In 2020, we supplied customers with approximately 0.9 trillion cubic feet (or 2.4 billion cubic feet per day) of natural gas. To put this in perspective, if all the natural gas we produced in 2020 had been used to replace coal for electricity generation, GHG emissions would have been reduced by approximately 48 million metric tonnes, 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 [2020 CDP document](#).

Read more about our [Performance Metrics](#) and [SASB metrics](#).

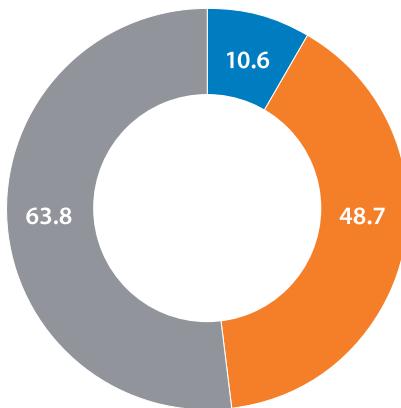
# Water

Access to water is essential to the communities and ecosystems near our operations and for our ability to produce natural gas and oil. Water risks are evolving globally in response to cumulative effects of human water demand, physical effects of climate change and changing priorities and expectations of governments, investors and society. We measure and report on the volume of fresh water and non-fresh water withdrawn from local water sources and the volume of produced water that is reused, recycled, disposed or discharged after treatment. This data is used to estimate our water intensity and exposure to water stress. We also collect water forecast data for our Long-Range Plan which enables us to test our portfolio of projects against our water risks to make better-informed strategic decisions.

## Source Water – Global

MM Cubic Meters

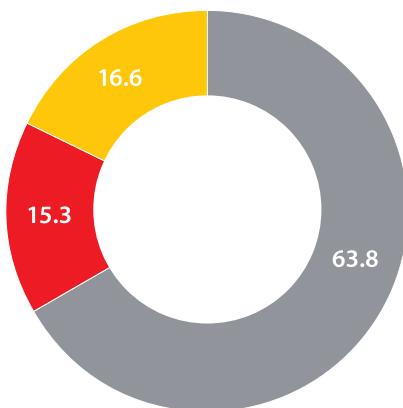
■ Fresh   ■ Non-fresh   ■ Reuse/Recycled  
Produced Water



## Produced Water Managed – Global

MM Cubic Meters

■ Disposed   ■ Discharged   ■ Reuse/Recycled  
Produced Water



The 2020 fresh water consumption intensity for our unconventional assets in the U.S. (Eagle Ford, Delaware and Bakken) and in Canada (Montney) was 0.23 bbl/BOE EUR<sup>1</sup>. The 2020 fresh water consumption intensity for our conventional (Alaska, Canada Surmont, U.S. Permian, LNG and Indonesia) and offshore assets (Norway) was 0.05 bbl/BOE. [Read more](#) about our water metrics.

Water sourcing and produced water disposal for our unconventional assets continue to be priority risks for our business and stakeholders. While some water is required during drilling, the majority is used for hydraulic fracturing. Some wells can produce more water than natural gas or oil, and the relative volumes vary significantly with basin geology/hydrogeology. [Read more](#) about how we manage our water risks.

We use the [World Resources Institute Aqueduct Risk Atlas](#) (Aqueduct tool) to assess our portfolio exposure to water stress. Our Anadarko, Lost Cabin Gas Plant, Permian Midland Basin and Alaska Kuparuk assets are located in basins with high or extremely high baseline water stress and accounted for 4.5% of our total fresh water withdrawal and 1.5% of our total fresh water consumption in 2020. In water stressed regions, fresh water is mostly used for domestic purposes in staff camps, operational activities that require wash water, processing and drilling (e.g., for water-based drilling mud) where fresh water use is required.

<sup>1</sup>. Estimated ultimate recovery.

# Strategic Flexibility and 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, low cost of supply, low decline rates and low capital intensity that drive free cash flow, 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.

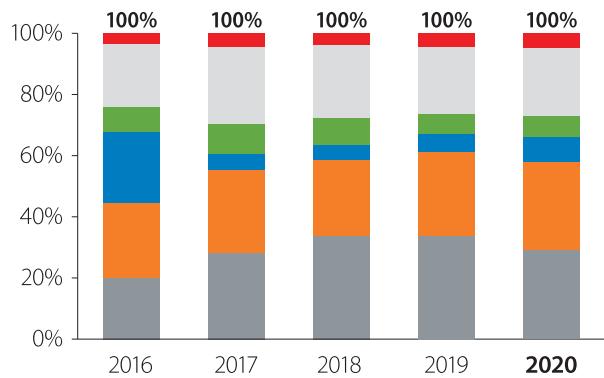
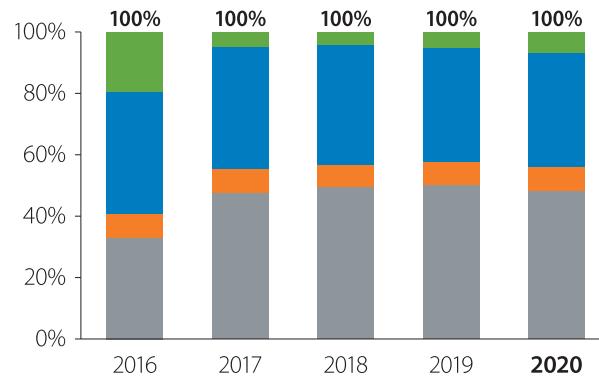
## Portfolio Diversification

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)**



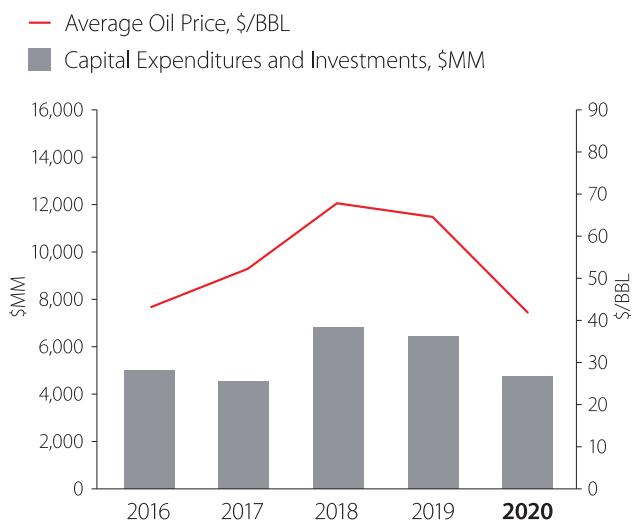
**Percent of Proved Reserves by Region (Net Equity)**



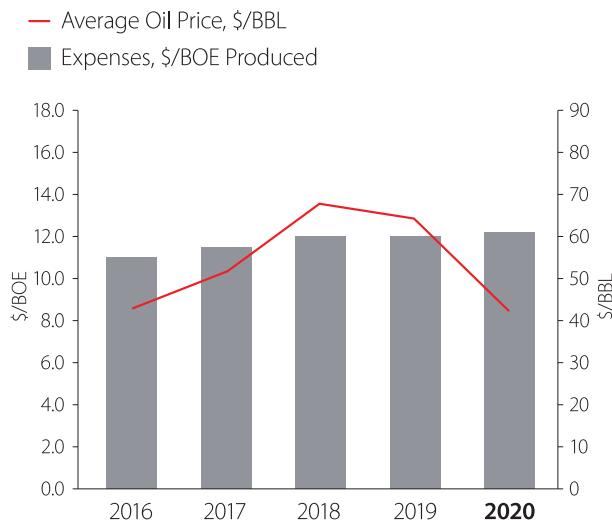
## Capital and Operating Spend

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

## Capital Expenditures



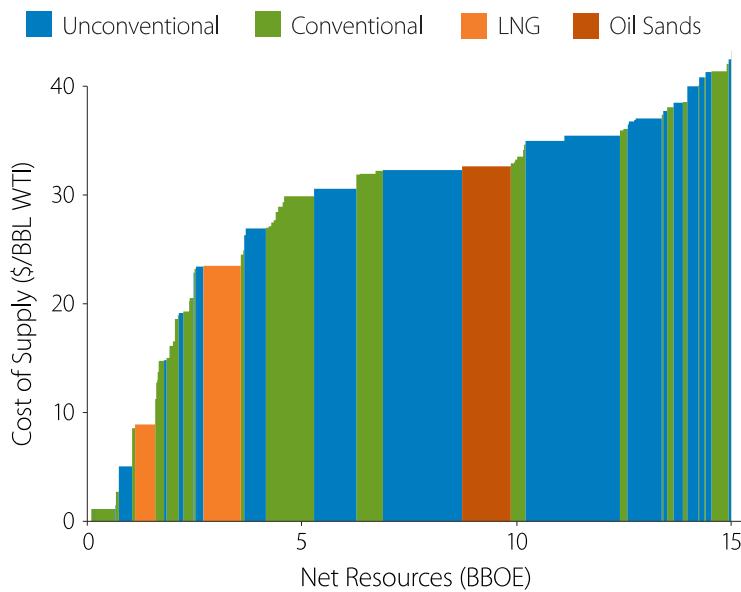
## Expenses



## 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, including cost of carbon where legislation exists. 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](#). In 2020, we had approximately 15 billion barrels of resource below \$40 per barrel diversified across four megatrends (does not include Concho resource additions).



As of November 2019

## GHG Price

We use GHG pricing to navigate GHG regulations, change internal behavior, drive energy efficiency and low-carbon investment, and stress-test investments. In 2020, the company used 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. In 2021, we have made changes to the way that qualifying projects will include GHG pricing in their project approval economics and long-term planning. The base case for project approval economics and planning will now include the higher of the forecast of existing GHG pricing regulations and our current energy transition scenario for that jurisdiction. Where there is no GHG price regulation, we use the current transition scenario for that jurisdiction. We also run two sensitivities:

- With only existing carbon pricing regulations, to reflect near-term cash more accurately.
- With a sensitivity of \$60 per metric tonne CO<sub>2</sub>e, increased from \$40 per tonne in 2020, to act as a stress test to reduce the risk of stranded assets should climate regulation accelerate.

This ensures that both existing and emerging regulatory requirements are considered in our planning and decision-making.

In accordance with SEC guidelines, 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

Climate Legislation	2020 Cost of Compliance, Net Share Before Tax (US\$ approx)	Operations Subject to Legislation	Percent of 2020 Production*
European Emissions Trading Scheme (EUETS)	\$7 million	U.K., Norway	11
Alberta Carbon Competitiveness Incentive Regulation (CCIR)	\$2 million	Canada	5
Norwegian carbon tax	\$29 million	Norway	11
British Columbia and Alberta carbon tax	\$3.5 million	Canada	6

\*2020 country production over total production; cost of GHG emissions may only apply to some of our assets or to a portion of our emissions over a set baseline.

## Carbon Capture, Use and Sequestration

In the U.S. our operations at Buckeye East in New Mexico use recycled CO<sub>2</sub> for enhanced oil recovery, and in 2020 we purchased 195,000 tonnes of CO<sub>2</sub> for injection. We are also a member of the Energy Advance Center (EAC), a voluntary association of energy and energy-related organizations dedicated to advancing the development and deployment of carbon capture, utilization and storage to achieve a cleaner energy profile and improve U.S. economic security. Our interest in EAC centers around advocating for a commercially reasonable standard to demonstrate secure geological storage in the context of captured carbon dioxide that gets sequestered underground as a tertiary injectant in enhanced oil recovery projects.

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 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. [Read and view more](#) about the Carbon XPRIZE teams.

# Verification and 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 and 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:** Greenhouse Gas Emissions Trading Scheme Regulations 2012.
- **Alberta, Canada:** Emissions Management and Climate Resilience 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 2012 regarding Guideline for the Emission Load Calculation for Oil and Gas Industry Activities.
- **United States:** 40 CFR 98 Subparts C, MM, PP, UU, W, and Y — Stationary Combustion Sources; Suppliers of CO<sub>2</sub>; Suppliers of Petroleum Products, Injection of CO<sub>2</sub>; Petroleum and Natural Gas Systems; Petroleum Refineries

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 10,000 tonnes per year. In our corporate reporting system, we include scope 2 (emissions from imported electricity) which are not required under regulatory reporting.

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.

The verification and assurance process for 2020 data consists of independent third-party limited assurance of scope 1, scope 2 and scope 3 GHG emissions, as well as methane emissions, GHG intensity, methane intensity, flaring volumes and energy use. See our most recent [ERM CVS Assurance Statement](#).

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

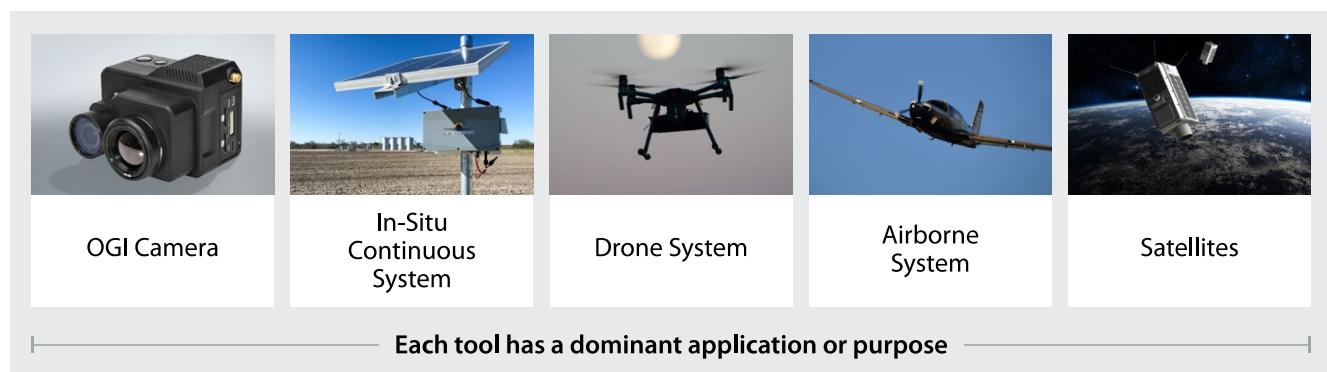
# Building a Technology Toolkit for Methane Emissions Detection

Quickly detecting and repairing methane leaks is crucial as we work to reduce our greenhouse gas (GHG) emissions and continuously test and deploy new methods to mitigate methane emissions.

In the U.S. Lower 48, we rely on a variety of tools and techniques as part of our well-established leak detection and repair (LDAR) process to find and address leaks with solutions that best suit each site. In addition to traditional audio-visual-olfactory inspections and the use of optical gas imaging (OGI) cameras, recent advancements in technologies are providing additional monitoring solutions.

We have been conducting pilots of new technologies at several facilities within the Lower 48 to determine effectiveness and scalability for these next-generation detection and quantification technologies. This has included a range of possible technologies from ground based to aerial with each providing different strengths for different monitoring situations.

"The goal is to identify and repair leaks faster, resulting in faster mitigation of emissions from our operations," said ConocoPhillips' Senior Geoscience Fellow, Khalid Soofi.



## Continuous monitoring

In 2020, we led industry by working with Scientific Aviation to develop and test continuous methane monitoring devices at select Lower 48 facilities to further enhance LDAR. Building on previous experience with plume modeling using planes and drones, Scientific Aviation and ConocoPhillips worked to design a ground-based sensor system to detect leaks.

The SOOFIE, which stands for Systematic Observations of Facility Intermittent Emissions, sensor is a relatively simple and cost-effective metal oxide sensor that continuously records several methane measurements a second. Three to four sensors are placed on poles around a facility for better coverage and effectiveness under variable wind conditions.

Any elevated measurement of emissions picked up by the SOOFIE sensors are integrated into an automated machine learning system that considers details such as equipment location, distance, wind speed and direction to identify the most probable emission source. By using information and lessons learned from our operations, Scientific Aviation was able to modify the system to improve its capabilities quickly. If the system suspects a leak, an alert is sent to operations personnel for investigation and repair.

Testing has shown the sensors to be more effective at quickly detecting leaks commonly found using OGI cameras. While the sensors are wind dependent and require internet connectivity to operate, they have been tested against other more established and expensive equipment and show similar accuracy.

"Unlike other detection systems we use, which are deployed on a more scheduled basis, these sensors allow industry to shut down large emission sources quickly," said Steve Conley, Scientific Aviation's President and Chief Executive Officer.



*The large red triangles represent how the algorithm geolocates an emission source using methane readings and accurate wind data. The deep red coloring where all the wind triangles intersect is the most probable emission source.*

The SOOFIE system allows us to mitigate methane emissions by identifying leaks in real time and fixing them more quickly than other technologies which only sample on demand. We evaluated the risk associated with assets across our operations and deployed continuous monitoring sensors to locations based on the potential for emissions and proximity to neighbors. We have installed approximately 360 devices covering over 100 locations, with a focus on continuous monitoring of our larger Lower 48 production facilities. We are continuing to evaluate system durability through weather events in the field and to optimize the number of sensors required at each location. We are also aligning methane data with our operations data to better understand the correlation of leaks and equipment functions. Implementation of continuous monitoring has given our operations people on the ground the opportunity to better understand how equipment performs and it is changing the way we manage and mitigate anomalous leaks. Just as a continuous focus on safety has changed behavior and made us a safer company, we believe the continuous detection of emissions will change the way we think and handle methane leaks.

ConocoPhillips, Scientific Aviation and six other energy companies have also joined together to further study the best way to deploy continuous methane monitoring technology to detect emissions and assess quantification uncertainty. Referred to as Project Falcon, the data and results from SOOFIE sensors will be made available to the industry, regulators and the public through publication in a peer reviewed journal.

In addition, we have also tested cameras at several facilities to allow operators to conduct virtual site visits. These cameras, which are also equipped with sound, provide a complete view of the well facility. Operators can monitor for lifted hatches on tanks, smoking or unlit flares, releases from pressure safety valves and spills. The integrated operations center (IOC) team can also view the well site immediately after a remote monitoring alarm is triggered to assess the situation and prioritize dispatching an operator.

## Aerial monitoring

We have tested several different types of aerial monitoring technologies that enable routine monitoring over a larger area and number of facilities. Airborne systems are an established way of providing a better overview of emissions from an entire facility and geographic area.

Drones are an established technology that have proven to be very effective in detecting the source of leaks and quantifying emissions due to their low flying altitude. By flying a vertical plane pattern downwind of facilities, they can pinpoint the source of emissions and quantify the leak. While very accurate, we only use them in specific circumstances as they are difficult to execute across hundreds of facilities due to economics, drone-related flight regulations and the special resources required to use them. [View more](#) about drone technology.

Airplanes with mounted sensors fly over facilities to detect leaks based on the relative amount of methane and wind direction and speed. If leaks are suspected, operations personnel take over to verify and fix the leak. The sensors can detect smaller leaks, but their effectiveness can be diminished in areas where other facilities are in close proximity, like the Permian Basin.

Satellite-based detection technology is another large-scale leak detection option, and its effectiveness has improved rapidly. We are currently testing the technology at a range of assets where it works well at detecting larger leaks such as unlit flares, but also has limitations in areas where facilities are in close proximity. Recently launched satellites are showing promise in providing better imaging, detecting smaller leaks, and providing more frequent monitoring of specific facilities.

Combined, these technologies have helped build a stronger and more robust monitoring toolkit as we work to reduce emissions across our operations.

# Creating a Pipeline of GHG Reduction Projects

ConocoPhillips has been using a marginal abatement cost curve (MACC) to analyze operational greenhouse gas (GHG) emissions reduction projects since 2008 when we developed our first corporate Climate Change Action Plan. The MACC began to take on an even more important planning role with the development of our 5-year strategy in 2014. The process has been a key component in identifying and prioritizing reduction projects to drive our actions since we set our first public GHG emissions reduction target in 2017. In 2019, we enhanced the process by establishing a discretionary corporate funding mechanism so that projects could be more broadly analyzed through a company-wide lens rather than driven by capital constraints of specific business units (BUs). In 2020, as we set our new energy transition and climate risk strategy, the MACC process gained further importance as a driver for emissions reduction projects across the company.

## Driving Action

The purpose of the MACC is to identify projects that decrease GHG intensity and lower long-term climate-related risk for current operating assets, non-operated assets and future designs. The MACC plots a breakeven cost of carbon that considers capital cost, operating costs and potential increased revenue for each project against the cumulative GHG emissions that can be reduced. For example, a project that installs a compressor to move previously flared gas into a sales pipeline will have an upfront cost, increased expenses to operate and maintain, and increased revenue from natural gas sales. Depending on the volume and natural gas price, this could lead to either a positive or negative breakeven cost of carbon associated with executing the project.

The annual process gathers insights into project viability such as planning time, technology readiness and permitting. Detailed economic analysis is performed on candidate projects to determine which might achieve the most emissions reductions at the lowest cost if implemented. Together, this data helps identify projects that might become viable through future research, development and deployment. The result is an inventory of projects that can potentially be developed over the next 10 years, which informs annual budgeting, long-range planning and our technology strategy.

Additionally, the MACC allows us to compare operational emissions reduction projects across the world on a consistent basis, regardless of different local carbon pricing regulations. An internal carbon price is not included in the economic analysis because the MACC provides an overall picture of which projects, and how many projects, would be economic at certain carbon price levels.

Each year the Executive Leadership Team determines which projects to fund to optimize emissions reduction opportunities. Project funding is based on a number of criteria:

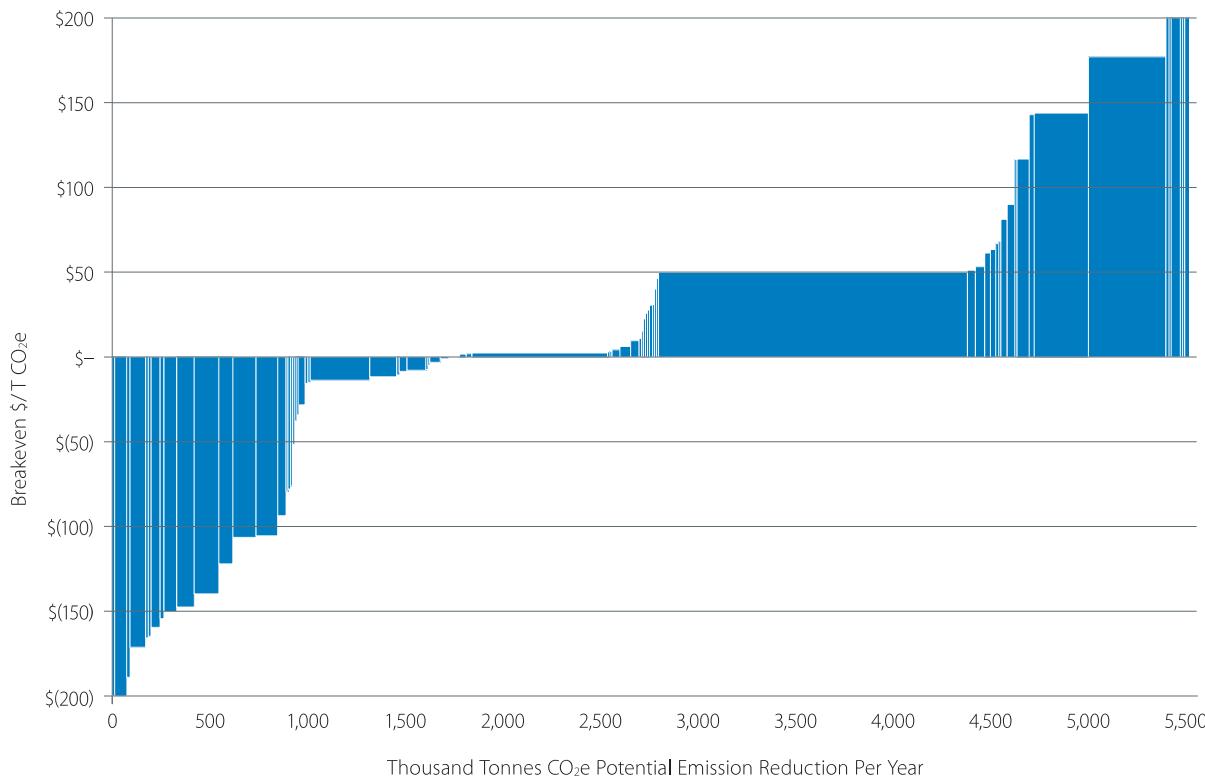
- Lowest \$/tCO<sub>2</sub> equivalent – project reduces emissions and cost or boosts production with minimal increase in emissions.
- Scalability – project or pilot that can be scaled up to provide meaningful emissions reductions.
- Repeatability – project can be repeated in other business units.
- Strategic implications – project can lead to further future opportunities or reduce future regulatory risks.
- Visibility – project has an impact on reductions important to stakeholders such as flaring, methane emissions and use of renewables.
- Offsets – project generates high quality (real, verifiable, permanent, additional) emissions reductions that are certified to international standards.
- Partner agreement – joint venture partners are willing to participate in funding the project.

Regional teams in North America, Australia, Southeast Asia and Europe use the MACC process to identify further energy efficiency projects through collaboration. By using our global innovation pipeline platform, FUEL, we are increasing innovation and knowledge sharing between business groups for emissions reductions projects. Through this online platform, project ideas are submitted, shared and tracked across the entire company, enabling successes and learnings to be shared with ease and accelerating adoption of new technologies globally. Additionally, teams like our cross-functional GHG technology working group meet monthly to share project details and ideas.

# Building a Project Pipeline

The MACC process provides a pipeline of projects that we continue to monitor for economic and technological viability. By establishing the corporate funding mechanism, the number of projects included in the 2020 MACC increased substantially. It also drove the inclusion of several studies and pilot projects that had previously been considered as optional since the work to complete them did not compete for capital within individual businesses.

The number of projects has steadily increased, from 11 projects in 2015, to 45 in 2019 and more than 100 in 2020.



Projects below the line are economic and have a negative breakeven cost of carbon. Projects above the line are not economic — the taller the bar, the higher the breakeven cost of carbon. The width of the bar indicates the annual emissions saving that would occur should the project be undertaken — the wider the bar, the greater the emissions saving.

Our current MACC projects fall within two areas. Studies and pilot programs are focused on power generation and electrification of oil and gas operations, including the use of renewable energy and oil sands emissions reductions. Projects that are ready for implementation focus on flaring, venting and methane detection along with greenfield projects to utilize electric power generation and equipment.

## Project Examples

In Norway, options to further reduce emissions in the Greater Ekofisk areas are being studied as part of the MACC process, including utilizing power from offshore wind turbines. The Greater Ekofisk area currently depends on gas-powered turbines and offshore wind has the potential to deliver large amounts of clean, renewable energy. The first phase of the study was completed in 2020. The concept establishes two wind turbines, in conjunction with gas power generators, providing electricity with the potential to reduce CO<sub>2</sub> emissions by approximately 75,000 tonnes per year. The second phase will evaluate optimal wind turbine location, tie-in location and power integration to the Ekofisk complex systems. To complement the ongoing wind study, the BU is also studying electrification with power from shore or larger offshore wind power farms. This could be implemented in two ways: a direct current cable from shore, or from future offshore wind power farms connected by an alternating current cable. These concepts have the potential to provide needed power and further reduce GHG emissions significantly at the Greater Ekofisk area.

Our Indonesia business unit evaluates GHG emissions reduction opportunities through integrated department workshops, operations and business unit innovation channels and collaborative evaluations by an integrated team. Feasibility studies include technical and economic evaluations using the MACC and Indonesia-specific economic models. By the end of 2020, 23 reduction opportunities have been evaluated and seven projects will be implemented with total potential GHG reductions of approximately 320,000 tonnes of CO<sub>2</sub>e. 2020 implementation included flare valve replacement at Suban, compressor seal gas utilization at Dayung and amine flash gas utilization at Grissik and Suban. The BU works closely with key corporate functions and through the FUEL process to share knowledge and develop new opportunities.

In the U.S., our team in the Bakken is working to implement several MACC projects aimed at reducing routine flaring. This includes removing barriers that limit our ability to process associated gas. Examples include installing vapor recovery units at new facilities so produced gas from 3-phase separators is sold and utilizing mobile recovery units which convert flare gas into CNG. The produced CNG can then be used to power drilling or completion operations. In addition, they are working with a third-party gatherer to debottleneck segments of a gathering system, allowing more gas to be sent to the pipeline and adding equipment to high H<sub>2</sub>S sites to gather more gas for sales, rather than flaring. These projects have the potential to reduce our flaring by half in the Bakken, the equivalent of removing approximately 100,000 tonnes of CO<sub>2</sub>e per year.

## Future

To gain a greater understanding of the extent of the reduction opportunities we may have, we plan to expand the current MACC to better support our ambition to reach net-zero emissions for our operational scope 1 and scope 2 emissions by 2050. Business units are now being asked to provide a wider range of emissions reduction options that could contribute to achieving net-zero emissions. This net-zero MACC goes beyond projects that are technically possible today to include projects that utilize emerging or not yet commercial technology to reach zero emissions and offset opportunities. This includes feasibility assessments across three themes: carbon capture and utilization, the hydrogen economy and alternative energy technologies that can reduce the emissions intensity of current operations.

The multi-year project to develop a rigorous net-zero MACC will help track our progress on meeting our emissions intensity target and inform future technology development and our energy transition strategy.

# External Collaboration

External engagement is important to understanding 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 that support our efforts to manage climate-related risks.

The [American Petroleum Institute](#) (API) Climate Committee addresses climate change issues affecting the U.S. oil and natural gas industry. The group oversees the development of API's Climate Position, Climate Policy Principles and industry initiatives. The group developed the recent [Climate Action Framework](#), a combination of policies, innovation and industry initiatives to reduce emissions from energy production, transportation and use by society. 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.

# Public Policy Engagement

ConocoPhillips supports well-designed climate policy that is practical, equitable and cost-effective in reducing greenhouse gas (GHG) emissions. We support the aim of the Paris Agreement to limit the rise of global average temperatures well below 2 degrees Celsius which is reflected in our Paris-aligned ambition to be a net-zero operational emissions company by 2050. [Read more](#) about history of engagement on climate issues.



## Proactive Engagement

Climate-related policy action can support an orderly transition to a low-carbon economy, facilitate the development of innovative technology, and reduce the overall risks associated with climate. 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. 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, will be most effective in reducing GHG emissions.

We are a founding member of the [Climate Leadership Council](#) (CLC), an international policy institute founded in collaboration with business and environmental interests to promote a carbon dividends framework as the most cost-effective, equitable and politically viable climate solution in the U.S. 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. In the U.S., we support and are advocating for a carbon price contingent upon four pillars - a gradually increasing carbon price, carbon dividends for all Americans, border carbon adjustments and regulatory simplification.

Many trade organizations we participate in have climate change positions aligned to ours. Where they do not, we have continued to offer our viewpoint and attempt to work with them to better align their position with ours. For example, we've worked to influence the American Petroleum Institute (API), the Business Roundtable (BRT), the U.S. Chamber of Commerce and other organizations to support the direct federal regulation of methane. In addition to actively participating in trade organization position updates, we have also voted against or abstained from supporting specific actions requested by a trade organization if their positions were not aligned with ours. We have also decided not to renew some memberships because of misalignment on a number of policy topics, one of which is climate change.

[Read more](#) about our alignment with our associations regarding climate change.

[Read more](#) about public policy governance and major trade association memberships.

## Effective Policy

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. Effective climate change policy requires a number of elements:

**Integrates energy and climate policy** - Climate change policy and energy policy should be coordinated to ensure a diverse and secure supply of affordable energy and avoid overlapping or duplicating existing energy and climate change programs. This must create a level competitive playing field among energy sources and between countries and encourage efficient use of energy.

**Promotes innovation** - Climate change policy should promote government and private sector investment in energy research and development and match the pace at which new technology can be developed and deployed.

**Demonstrates real GHG reductions** - It should result in the stabilization of global GHG atmospheric concentrations at safe levels and foster resiliency to the impacts of a changing climate.

**Provides economic certainty**- It should provide long-term certainty for investment decisions and avoid undue harm to the economy.

[Read more](#) about our climate change public policy principles.

## Carbon Pricing

A well-designed pricing regime on carbon emissions is the most effective tool to reduce greenhouse gas emissions across the global economy. Carbon pricing policy should support the implementation of currently economic emission reduction projects and provide support for innovation to encourage the development of currently uneconomic projects. A revenue-neutral carbon tax that is transparent, predictable and cost effective to administer would be an effective policy option. It should result in some relief via the elimination of other laws and regulations aimed at reducing or controlling carbon and other GHG emissions. It is also the best way to regulate methane.

[Read more](#) about our carbon pricing principles.

## Methane Policy

In the absence of a carbon price in the U.S., the economy-wide direct regulation of methane would be effective. We support well-formulated federal regulation of methane emissions from oil and gas exploration and production if that regulation:

- Encourages early adopters and voluntary efforts.
- Incorporates cost-effective innovations in technology.
- Supports appropriate state-level regulations.

# Water

We manage water risks and mitigate potential impacts to water resources, taking into account the unique hydrologic, quality, use and ecological settings of each basin or offshore marine area. For every barrel equivalent of energy we produce, we manage about two barrels of water, including:

- Withdrawing it from local fresh surface water and groundwater or non-fresh groundwater and seawater sources for use at our facilities and operations to produce natural gas and oil.
- Managing it as produced water, as part of the natural gas and oil production process.
- Reusing or recycling it to use as an alternative to local water resources for enhanced oil recovery, steam generation and hydraulic fracturing.
- Discharging it from offshore operations after treatment in accordance with local water quality regulations.
- Disposing of it in disposal wells in accordance with local regulations.

Water sourcing and produced water disposal for our unconventional assets continue to be priority risks for our business and stakeholders.

## 2020 Performance Highlights

- Recycled treated produced water for use in hydraulic fracturing at China Draw in the Delaware Basin in the U.S. and Montney in Canada.
- Enabled produced water recycling through installation of a central gathering, distribution and treatment facility for Zia Hills asset in the Delaware Basin.
- Tracked and disclosed fresh water consumption intensity metrics.
- Achieved lowest ever oil in water concentration in produced water discharges in Norway.



# Risk Management

Access to water is essential to the communities and ecosystems near our operations and for our ability to produce natural gas and oil. We identify and mitigate water risks at every stage of development and continue to work to improve our environmental performance.

## Governance

Our governance structure provides board and management oversight of our risk processes and mitigation plans. Water risks rated significant or high, and their associated mitigation measures are reviewed by the Sustainability and Public Policy Executive Council, a sub-committee of the Executive Leadership Team. They are also mapped to key categories in the enterprise risk management (ERM) process and shared with category risk owners to inform their assessments of risk ranking and mitigation actions. The ERM system and mitigation actions are reviewed regularly by executive leadership and the board of directors.

[Read more](#) about our sustainable development governance structure.

## Strategy

Water is an essential natural resource for communities, ecosystems and economic development. It is also integral to our operations. Our strategic priorities are to:

- Continue to integrate water management into asset lifetime risk assessments, asset planning and project design.
- Identify, rank and mitigate water risks through mandatory and auditable management system processes.
- Identify and implement opportunities for improving water management performance through metrics tracking and through leveraging technology and innovation.
- Promote continuous improvement of a water stewardship culture through development of corporate guidance and engagement with company staff and external stakeholders.

## Portfolio Risks and Exposure

Water risks are evolving globally in response to cumulative effects of human water demand and impacts to local water resources, physical effects of climate change, and changing priorities and expectations of governments, investors and society. Water risks associated with fresh water use, water stress, offshore produced water discharges or onshore produced water disposal by well injection could affect our business through project delays or cancellation, business interruption, or increased costs for supply, discharge/disposal or regulatory requirements. Potential water risks for our business and asset portfolio are related to:

- Restricted access to water supply or produced water discharge/disposal options.
- Policy changes and regulations to address basin-level cumulative effects, limiting production techniques such as hydraulic fracturing or restricting produced water discharge/disposal.
- Changes related to the impact of physical effects of climate change on local water resources exacerbating local water stress or scarcity.
- Actions by investors and the financial sector including ESG performance and reporting expectations and shareholder resolutions.

For our operations, local water risks are determined by the combination of social, regulatory, economic and environmental conditions, which are unique to every basin or offshore marine area. Risks are influenced by 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.

# Risk and Impact Assessment

As part of the annual risk management process, operated assets and project activities are assessed for potential 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.
- Exposure to water stress or scarcity.
- Transport and storage of source water and produced water.
- Produced water or process wastewater treatment requirements.
- Water quality of discharged produced water and process wastewater.
- Produced water disposal.

# Risk and Mitigation Actions

Corporate and BU water risks rated significant or high are included in the SD Risk Register and actions are developed to track mitigation activities. Risks that are no longer ranked significant or high due to the effectiveness of mitigation actions continue to be tracked, as are risks assessed to be medium or low to ensure those risks do not increase. 2020 priority risks continue to be related to securing water supply sources and produced water management.

Priority Risks	2020 Mitigation Milestones
Secure source of water supply.	<ul style="list-style-type: none"><li>• Enabled produced water recycling through installation of central gathering, distribution and treatment facilities at Zia Hills in the Delaware Basin in the U.S.*</li><li>• Recycling treated produced water for use in fracking at China Draw in the Delaware Basin and Montney in Canada.*</li><li>• Working towards achieving oil sands fresh water intensity reduction goal.</li><li>• Tracking and disclosing fresh water consumption intensity metrics.</li></ul>
Produced water management.	<ul style="list-style-type: none"><li>• Installed produced water central gathering and distribution system for new wells in Karnes County in the Eagle Ford.</li><li>• Participating in research initiatives on third party reuse of treated produced water.</li><li>• Monitoring seismic events in the vicinity of operations and completing seismicity risk assessments.</li><li>• Achieved lowest ever oil in water concentration in produced water discharges in Norway with an average of 5.1 mg/L.</li></ul>

\* Mitigation applies to both secure source and produced water management risks.

[Read more](#) about our risk management process.

# Risk Mitigation

Water sourcing and produced water management are global challenges that require local solutions. Priority water risks identified for our operated assets and projects are managed at the BU level, enabling a tailored region-specific approach.

Our onshore water risks and priorities are determined by water sourcing and produced water disposal challenges that are specific to each basin. Onshore water sources include fresh, non-fresh and reused/recycled produced water used 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 liquified natural gas (LNG) production.

Produced water from our onshore operations is treated and recycled to hydraulically fracture wells and generate SAGD steam, reused untreated for EOR or disposed by well injection. We also manage waste water at our terminals, for LNG production and domestic waste water for staff accommodations at remote assets.

## Unconventional

Hydraulic fracturing requires water for drilling, but the majority of water is used during completions or fracking. The volume of water used, as well as overall water intensity, has increased over the years as more unconventional wells have been completed and techniques have evolved to a more complex and large-scale process. We have optimized this process by leveraging advanced data analytics and innovative technologies to implement design changes that have not only improved the economics but have also helped to increase the average overall production (estimated ultimate recovery – EUR) of wells across our unconventional asset portfolio. While each asset has a unique set of optimum parameters determined by subsurface conditions and geology, several general trends are consistent:

- Lateral lengths of wells have increased for most assets, reducing the number of wells and surface facilities, reducing costs and increasing production.
- Cluster spacing is now five-times denser, and there are twice as many clusters per stage, creating a more efficient fracture network and increasing production.
- The amount of proppant has increased almost four-fold, improving the flow in the fracture network and increasing production.
- Water use has more than doubled and now typically ranges from approximately 200,000 to 650,000 barrels (32,000 to 100,000 cubic meters) per well.

For most unconventional wells, water is recovered together with crude oil, natural gas or natural gas liquids throughout the operational lifetime. This water is referred to as produced water. Some wells can produce more water than natural gas or oil, and the relative volumes vary significantly with basin geology and hydrogeology. Similarly, produced water quality varies between and even within basins.

In 2020, our unconventional assets included Eagle Ford, Delaware and Bakken in the U.S. and Montney in Canada. Produced water recycling has been identified as the best option to hydraulically fracture our Delaware and Montney basin assets. This has both economic and environmental benefits, as the use of treated produced water reduces the amount of water withdrawn from local sources, the amount of produced water injected for disposal and truck traffic used to transport the water. Minimizing fresh water use and reducing produced water disposal by recycling produced water to mitigate exposure to water stress or to address stakeholder concerns is a priority reporting issue for us.

In the China Draw area of the Delaware Basin, we manage water using a centralized water gathering and distribution system. The system includes a water treatment facility, storage ponds for treated produced water and pipeline gathering and distribution infrastructure. We have a target to use 98% recycled produced water for hydraulic fracturing in China Draw. Due to reduced drilling activity and production curtailment, the recycle rate remained below target, while recycled produced water and non-fresh water use accounted for 99% of the water used in 2020. A similar centralized water gathering, treatment and distribution system was installed in the Zia Hills area of the Delaware Basin, which began recycling produced water in October 2020. The last frack of the year used 51% produced water and the operations team expects to use recycled water as the primary source for future wells. [Read more](#) about water recycling in the Delaware Basin.

In Montney, we also manage water using a centralized water gathering and distribution system. Produced water from operating wells is treated for recycling, stored in engineered ponds and then used to frack the next well. In 2020, about 43% of the water used for fracking was recycled produced water. As more wells are completed in future development phases, we will reduce the volume of fresh water withdrawn from the Halfway River and gradually increase the volume of treated produced water used for new wells. Our ultimate target is to recycle at least 80% of the produced water for fracking, reducing fresh water withdrawal and produced water disposal. We anticipate a delay in the development schedule and reduced drilling activity for 2021, which is expected to lead to a short-term increase of produced water disposal. [Learn more](#) about our Montney water management.

In the Eagle Ford, we target groundwater sources that are not in proximity to local municipal, domestic or agricultural users. In support of this goal, we progressed our deep water well project in Karnes County. Deeper wells are more likely to be brackish, helping us to boost the volume of non-fresh water used for operations. All source water for drilling and completions is transported using temporary, lay-flat pipelines from central storage ponds, rather than trucks. In 2020, we also began the installation of a pipeline-based produced water central gathering and disposal system for new facilities in Karnes County. A similar central gathering and disposal system is already being used in DeWitt County. Both initiatives have removed truck traffic from local roads. In 2020, about 44% of the water sourced for operations in the Eagle Ford was non-fresh water.

For our Bakken operations, the majority of water is sourced from local surface and groundwater which is transported using temporary, lay-flat pipelines from central storage ponds. The majority of produced water is transferred to disposal wells using pipeline infrastructure.

## Induced Seismicity

Our comprehensive, risk-based Global Induced Seismicity guideline has been developed to characterize and mitigate the risk of seismicity associated with our water injection operations and for screening third-party injection operations. We utilize the Texas Bureau of Economic Geology (BEG) and the United States Geological Survey (USGS) for our U.S. Lower 48 assets and [Nanometrics](#) (a commercial monitoring agency) for our British Columbia assets to monitor seismicity near our operations. British Columbia seismicity regulations require continuous seismic monitoring during fracking operations, and if an anomalous seismic event occurs, regulators have the authority to stop operations immediately.

In 2020, we continued to work with the BEG and peer companies to support funding to deploy and manage seismic monitoring equipment that can help address earthquake-related risks. [TexNet](#) is a system of earthquake sensors placed in the ground at over one hundred locations across the state of Texas. 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 TexNet data is publicly available and widely used by academics.

We maintain an ongoing dialog with regulators, industry peers, and academic partners to ensure monitoring, mitigation, and regulation of induced seismicity risks are scientifically based. We actively support research at the University of Texas at Austin-led multi-disciplinary Center for Integrated Seismicity Research (CISR) to understand seismicity across Texas as well as the Stanford Center for Induced and Triggered Seismicity (SCITS).

## Conventional

Our diverse operated 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.

Water management for our Alaska operations is unique, as most of our fresh water 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 returned to the environment every spring as meltwater. To produce natural gas and oil, our Alaska assets rely on non-fresh water, specifically seawater, and reused produced water for EOR.

For our conventional assets in the Permian Basin we are reusing produced water for EOR.

In Indonesia, we use fresh water from groundwater and surface water sources for operations. 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.

## LNG Facilities

Water management priorities for our Australia Pacific LNG (APLNG) facility 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. 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. [Read more](#) about our water management at APLNG.

## Oil Sands

In Canada, to create steam for our Surmont oil sands operation we use recycled produced water, fresh water from low-quality groundwater sources and non-fresh water from brackish groundwater sources. Our fresh water sources have been deemed by regulators as not high-quality fresh water due to low water quality, lack of connection to shallow aquifers, lack of local water stress and lack of use by local communities. Water management priorities for Surmont include produced water recycling and reducing fresh water use intensity. As a founding member of [Canada's Oil Sands Innovation Alliance](#) (COSIA) we are committed to the in-situ oil sands [performance goal](#) to reduce fresh water use intensity by 50%, from a 2012 benchmark, by 2022. To date, the fresh water use intensity has been reduced by about 44% collectively by COSIA companies.

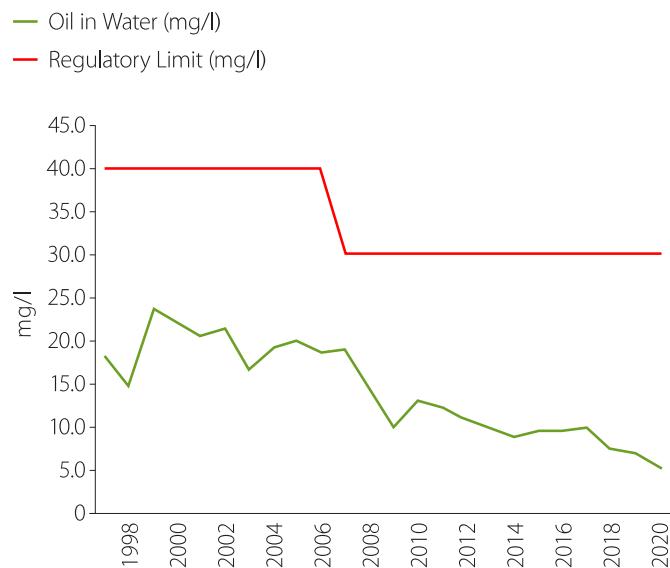
## Offshore

Water management priorities for our Norway offshore operations are treatment and water quality of discharged produced water. Norway operations treat produced water prior to discharge from offshore platforms in accordance with local regulations. Fresh water for offshore operations is mostly used for domestic purposes, but also for well stimulation. Fresh water is used at the Teesside Terminal, which receives natural gas, oil or natural gas liquids (NGL) from Norway offshore fields. Norway is our largest user of non-fresh water (seawater) for drilling and EOR.

Our Ekofisk operations have a long history of improving the quality of water discharged into the sea and our oil in water (OIW) ratio has declined significantly and continues to out-perform regulatory requirements.

In the last decade, the focus has been on optimization to further reduce OIW concentrations and 2020 was once again a “best ever year” with an average of 5.1 mg/L, approximately one sixth of the regulatory limit of 30 mg/L. Potential impacts from produced water being discharged into the sea have been monitored and assessed 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. New in situ water column monitoring is ongoing at the Ekofisk area and we expect to have results in late 2021.

### Oil in Water Reductions – Ekofisk Area



# Performance Metrics

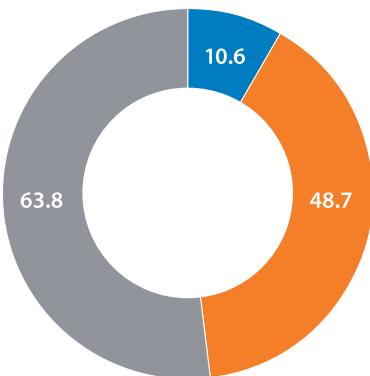
We measure and report on the volume of fresh water and non-fresh water withdrawn from local water sources and the volume of produced water that is reused, recycled, disposed or discharged after treatment. This data is used to estimate our water intensity and exposure to water stress. We also collect water forecast data for our annual Long-Range Plan process which enables us to test our portfolio of projects against our water risks to make better-informed strategic decisions.

The March 2020 oil price crash and the COVID-19 pandemic led to reduced drilling activity and production curtailment, which translated into a significant reduction in water handling for either withdrawal or produced water recovery across most of our operations. More than 90% of the source water we used globally for our operations in 2020 was non-fresh groundwater, seawater and reused/recycled produced water. Of the produced water<sup>1</sup> recovered, 67% was reused or recycled, 16% was disposed and 17% was treated and discharged offshore. Our total non-fresh water<sup>2</sup> withdrawn was 48.7 million cubic meters and our fresh water<sup>3</sup> withdrawn was 10.6 million cubic meters.

## Source Water – Global

MM Cubic Meters

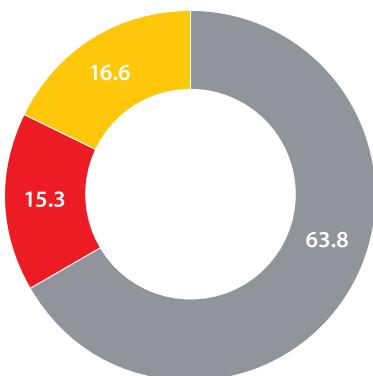
■ Fresh ■ Non-fresh ■ Reuse/Recycled Produced Water



## Produced Water Managed – Global

MM Cubic Meters

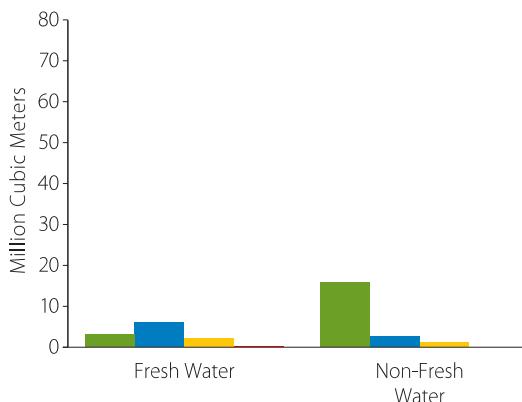
■ Disposed ■ Discharged ■ Reuse/Recycled Produced Water



## Regional Water Metrics

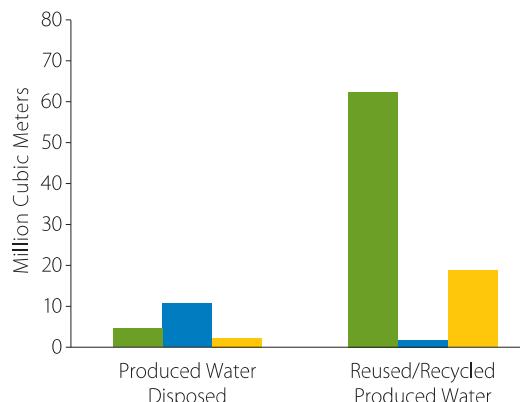
### Onshore Source Water

■ Conventional ■ Oil Sands  
■ Unconventional ■ LNG



### Onshore Produced Water Managed

■ Conventional ■ Oil Sands  
■ Unconventional



## Unconventional\*

	EAGLE FORD	BAKKEN	DELAWARE	MONTNEY
Fresh Water Withdrawn	3.9	1.0	0.01	1.0
Fresh Water Discharged	0	0	0	0
Non-Fresh Water Withdrawn	2.1	0	0.5	0
Produced Water Reused/Recycled	0	0	0.9	0.7
Produced Water Disposed	3.3	3.1	4.2	0.1

## Conventional/LNG/Oil Sands\*

	ALASKA	PERMIAN	INDONESIA	APLNG	SURMONT
Fresh Water Withdrawn	0.6	0.1	0.3	0.04	2.0
Fresh Water Discharged	0.4	0	0.07	0.04	0.04
Non-Fresh Water Withdrawn	14.7	0	0	0	1.0
Produced Water Reused/Recycled	34.9	8.4	0	0	18.7
Produced Water Disposed	0	0.3	0.6	0	2.2

\* All data in units of million cubic meters.

## Offshore

Our Ekofisk operations and Teesside Terminal used 30.5 million cubic meters of seawater and discharged 16.6 million cubic meters of treated produced water. About 1.6 million cubic meters of fresh water were used at offshore staff accommodations and at the Teesside Terminal for processing, treated and discharged.

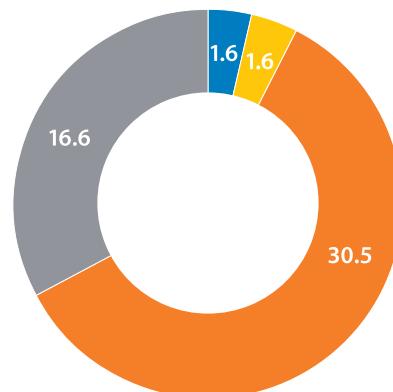
## Fresh Water Consumption Intensity

We measure and track the fresh water consumption intensity for our unconventional, conventional and offshore assets. The 2020 fresh water consumption intensity<sup>4</sup> for our unconventional assets in the U.S. (Eagle Ford, Delaware and Bakken) and in Canada (Montney) was 0.23 bbl/BOE EUR<sup>5</sup>. The 5% increase compared to 2019 is mostly related to the increase of the Eagle Ford fresh water use percentage from 48% to 65%. The 2020 fresh water consumption intensity<sup>6</sup> for our conventional (Alaska, Indonesia, Permian, APLNG and Surmont) and offshore assets (Norway) was 0.05 bbl/BOE. The conventional/offshore water intensity remains relatively unchanged.

### Offshore Water Managed

MM Cubic Meters

- Fresh Water Withdrawn
- Fresh Water Discharged
- Non-fresh Water Withdrawn
- Produced Water Discharged



# Fresh Water Withdrawn and Consumed in Regions with High Baseline Water Stress

We use the [World Resources Institute Aqueduct Risk Atlas](#) to assess our portfolio exposure to water stress. The Aqueduct tool, also used by the Sustainability Accounting Standards Board (SASB), measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. Our Anadarko, Lost Cabin Gas Plant, Permian Midland Basin and Alaska Kuparuk assets are located in basins with high or extremely high baseline water stress and accounted for 4.6% of our total fresh water withdrawal and 1.5% of our total fresh water consumption in 2020. In water stressed regions, fresh water is mostly used for domestic purposes in staff camps, operational activities that require wash water, and for processing and drilling (e.g., for water-based drilling mud) where fresh water use is required.

## Notes:

<sup>1</sup>Produced water ranges from less than 10,000 to more than 300,000 milligrams per liter TDS.

<sup>2</sup>Non-fresh water includes brackish/saline groundwater with ranges between 2,000 to more than 10,000 milligrams per liter TDS and seawater with about 35,000 milligrams per liter TDS.

<sup>3</sup>Regulatory definitions of fresh water can range from less than 1,000 to less than 4,000 milligrams per liter total dissolved solids (TDS).

<sup>4</sup>Calculated using Enverus data for the average volume of fresh water (bbl) divided by the average estimated ultimate recovery (EUR, BOE) as of March 31, 2021. Intensity value may change as EUR data is updated.

<sup>5</sup>EUR - estimated ultimate recovery.

<sup>6</sup>Calculated using the average volume of fresh water (bbl) divided by the average annual production (BOE). <sup>4</sup>Calculated using Enverus data for the average volume of fresh water (bbl) divided by the average estimated ultimate recovery (EUR, BOE) as of March 31, 2021. Intensity value may change as EUR data is updated.

<sup>5</sup>EUR - estimated ultimate recovery.

<sup>6</sup>Calculated using the average volume of fresh water (bbl) divided by the average annual production (BOE).

# 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, Australian Institute of Marine Sciences.

# Celebrating 10 years of the Global Water Sustainability Center



The future of the oil and gas industry depends on its ability to effectively manage water resources. To advance water-related technology, in 2010 ConocoPhillips inaugurated its Global Water Sustainability Center (GWSC) at Doha's Qatar Science and Technology Park.

2020 marked 10 years of investigative problem-solving, educational outreach and research that advances the science around produced water treatment, seawater desalination and water reuse and recycling. Establishing the center presented unique challenges.

"It was ConocoPhillips' first research center outside its Bartlesville, Okla. labs, and advanced water technology research was a new frontier for the company," said GWSC Manager Samer Adham. "It was also located near a non-operated production asset, so we had to develop relationships within Qatar and demonstrate our value in order to gain access to operations."

"GWSC has played a critical role in developing and maintaining our excellent relationships with stakeholders in Qatar," said Chief Financial Officer Bill Bullock. "Throughout the business community, government institutions and universities, the center is valued for its specialized expertise, problem-solving approach and can-do attitude. It's a great example of a small, talented and diverse team having an outsized impact."

GWSC cut its teeth providing support and testing for the startup of the Qatargas 3 liquefied natural gas megatrain and continues to provide specialized technical support to the company and local governmental organizations.

In 2010, Doha lacked the in country analytical capabilities necessary to support QatarGas 3 and 4. Samples had to be sent to labs outside the country, hampering progress.



Samer Adham

"We engaged in investigative troubleshooting and daily analyses during the startup to ensure correct chemicals were being added for flow assurance," said Principal Engineer Arnie Janson.

Since 2012, Qatargas has designed and built industrial wastewater recycling plants for its Qatargas 2, 3 (partly owned by ConocoPhillips) and 4 facilities. GWSC provided process engineering support with respect to design and plant commissioning.

"In a synergy integration project, we evaluated the technical feasibility of diverting wastewater from other trains to the new water recycling plants to reduce costs. A comprehensive analysis showed that the project was feasible and integration is under review," said Janson.

"A key part of our legacy — and a component of the country's national vision — is this transfer of technology to the Qataris in our office and at Qatargas," said Janson. "Ten years ago, that expertise wasn't here. Now ConocoPhillips has a brand."

The GWSC team is currently working to develop methods for chemical analysis at Ekofisk in the Norwegian Sea and Teesside in the U.K.

"We receive samples from Teesside and Ekofisk to monitor corrosion inhibitor residuals in the pipeline," said Scientist Eman Al Shamari. "We also develop analytical methods for new corrosion inhibitor products. These projects demonstrate the value of GWSC's state-of-the-art laboratories to ConocoPhillips' business units around the world."

GWSC also has supported ConocoPhillips' Lower 48 and Surmont business units on ion exchange, a key process in water management. "We evaluated two new ion exchange resins, comparing them against existing products, and found that one was better than the one we were using," Senior Engineer Joel Minier Matar said. "We qualified the better solution and delivered it to the operations team to consider in future facility upgrades."

## Pioneering technologies

Of more than 15 water technologies evaluated by the GWSC team, two have been fully implemented: membrane bioreactors and reverse osmosis. Forward osmosis is currently being pilot tested.

"Membrane bioreactors, used to remove organics, are being installed at Qatargas to treat process water from natural gas trains," said Engineer Dareen Dardor. "Once the organics are removed, the water goes to the reverse osmosis unit for desalination and is used as boiler feedwater."



Dareen Dardor

The cornerstone of GWSC's education effort is the Water Visitor Center, where a series of interactive displays appeals to young and old.

"The center was a new concept for Doha and one of which we're very proud," Adham said.

In 2019, upgrades to the Water Visitor Center added more hands-on, interactive displays and a section featuring innovation and technology.

"The new section gives us an opportunity to show students what we do, why we wanted to become engineers, and encourages students to consider a STEM education," said Engineer Dareen Dardor.

## Looking to the future

Over the next five years, the GWSC team will increase its focus on unique flow assurance investigative analysis for Qatargas and ConocoPhillips operations.

"GWSC will remain a center of excellence for advanced technologies in oil and gas water management. Of course, there will be challenges as our industry's focus on innovation grows," Adham said. "We look forward to conducting more field qualifications with the goal of enhancing GWSC's international exposure and affirming its high-tech brand."

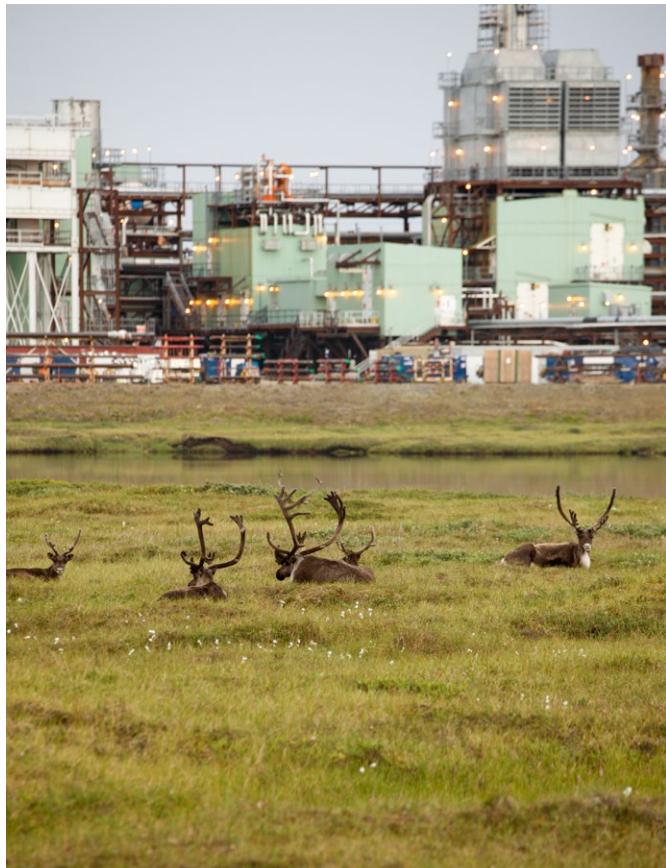
# Biodiversity

Across much of the globe, biodiversity has been significantly altered by human pressure, including land- and sea-use change, direct exploitation of organisms, climate change, pollution and invasive species. The World Economic Forum estimates that diversity within and between species and the diversity of ecosystems is declining faster than at any other time in human history.

ConocoPhillips recognizes our operational footprint could impact biodiversity and we mitigate impacts through the use of the [Mitigation Hierarchy](#). We support habitat and species conservation through strategic [proactive conservation](#) initiatives.

## 2020 Performance Highlights

- Conducted research on species behavior, seasonal habitats and establishing forest vegetation.
- Planted trees in support of forest rehabilitation.
- Tracked metrics for protected areas, protected/restored habitats and International Union for Conservation of Nature (IUCN) Red List species.
- Supported joint venture partnerships for proactive conservation of grassland and wetland habitats.



# Risk Management

We utilize an integrated management system approach based on our Sustainable Development (SD) Risk Management Standard to identify, assess and manage biodiversity risks. We mitigate potential impacts through the use of the mitigation hierarchy.

## Governance

Our governance structure provides board and management oversight of our risk processes and mitigation plans. Biodiversity risks rated significant or high, and their associated mitigation measures, are reviewed by the Sustainability and Public Policy Executive Council, a sub-committee of the Executive Leadership Team. Those risks are also mapped to key categories in the enterprise risk management process and shared with category risk owners to inform their assessments of risk ranking and mitigation actions. Cumulative impacts to biodiversity, habitats or ecosystems have been identified as an emerging risk. The ERM process is a direct input into our strategic business planning process. [Read more](#) about our governance structure.

## Strategy

Biodiversity and ecosystems services provide ecological, cultural, economic, recreational and scientific value. Our strategic priorities are to:

- Continue to integrate biodiversity into asset lifetime risk assessments, asset planning and project design.
- Identify, rank and mitigate biodiversity risks through established management processes.
- Identify and implement opportunities for improving biodiversity management performance through metrics tracking and through leveraging technology and innovation.
- Promote continuous improvement through development of corporate guidance and engagement with company staff and external stakeholders.

## Portfolio Risks and Exposure

Our direct and indirect operational footprint and accidental releases or spills to the environment could impact biodiversity. These potential impacts represent business risks that can lead to restricted access, project delays or cancellation, business interruption, restrictions for product transport and access to markets, and increased policy or regulatory costs. Potential biodiversity risks for our asset portfolio are related to policy changes and regulations to address:

- Global biodiversity loss.
- Basin-level or marine-area cumulative effects.
- Physical effects of climate change.

## Risk and Impact Assessment

As part of our annual risk management process, operated assets and major project activities are assessed for potential biodiversity risks including:

- Species characterized as at-risk, endangered, rare, significant, threatened or of cultural value.
- Internationally, nationally, regionally 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 accidental releases, spills or discharges to the environment.

# Risk and Mitigation Actions

Corporate and business unit (BU) biodiversity risks identified as significant or high in the annual process are included in the SD Risk Register and action plans are developed to track mitigation activities. Risks that are no longer ranked significant or high due to the effectiveness of mitigation actions continue to be tracked, as are risks assessed to be medium or low to ensure those risks do not increase. 2020 priority risks continue to be related to cumulative impacts to ecosystems, habitats and threatened or valued species.

Priority Risks	2020 Mitigation Milestones
Cumulative anthropogenic impacts to ecosystems, habitats, threatened or valued species could lead to regulatory restrictions or limitations on access for new developments.	<ul style="list-style-type: none"><li>Published updated Biodiversity Position.</li><li>Continuing long-term scientific studies to understand the behavior of birds, mammals and fish species near operations.</li><li>Initiated research to identify and map seasonal habitats, local species movement patterns and habitat connectivity.</li><li>Conducting research on establishing forest vegetation to minimize footprint during operations.</li><li>Planting trees in support of forest rehabilitation.</li><li>Tracking metrics for protected areas, protected/restored habitats and IUCN Red List species.</li><li>Supporting joint venture partnerships for proactive conservation of grassland and wetland habitats.</li><li>Engaging with regulatory agencies and conservation organizations to develop species and habitat conservation policy.</li></ul>

[Read more](#) about our approach to managing sustainable development risks.



# Risk and Impact Mitigation

A [global biodiversity assessment report](#) issued by the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES) in 2019 cautioned that existing biodiversity conservation goals cannot be achieved. In the report, IPBES projected that one in four species is at risk of extinction, predicted further acceleration of the global extinction rate, and suggested that global biodiversity loss also undermines other goals, such as the Paris Climate Change Agreement.

The Convention on Biological Diversity's post-2020 Global Biodiversity Framework seeks to stop further biodiversity loss by 2030 and to reverse population declines by 2050. The framework provides guidance for goals to reduce threats to biodiversity including smart targets for protection, sustainable use and control of invasive species.

Biodiversity loss is a global challenge that requires local mitigation solutions. Without mitigation, exploration and production activities can disturb or alter habitats, reduce habitat intactness and impact species distribution and abundance through the construction of roads, well pads, compressor stations and storage facilities. We manage risks and mitigate impacts to areas with biological or cultural significance through the use of the [Mitigation Hierarchy](#). We support habitat and species conservation through strategic proactive conservation initiatives in collaboration with conservation partners. [Read our](#) updated Biodiversity Position.

## Mitigation Hierarchy

The mitigation hierarchy is a decision-making framework involving a sequence of four prioritized steps to mitigate adverse biodiversity impacts: Avoid, Minimize, Restore, and Offset.

### 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 aerial infrared surveys where winter activities are planned on the North Slope of Alaska to look for heat signatures indicative of polar bears in dens. For over 16 years we have also funded grizzly bear research to help improve our activities and avoid human influence on bears. [Read more](#) about how we work to avoid human-bear interactions.

Ice road routes are carefully mapped out, avoiding rough terrain, cultural sites and other potentially sensitive areas. In 2020, we built the equivalent of 105 miles of winter ice roads and 519 acres of ice pads which melted away in the summer. Ground disturbing activity on the tundra, such as gravel placement and other construction, occurs in the winter, outside of the migratory bird breeding season.

### U.S. Lower 48

In the Bakken area of North Dakota, we aim to design our footprint to balance protection of the existing ecosystem with current and future land uses near our operations. Sharp-tailed grouse are considered a management indicator species for North Dakota and are present throughout our asset area in McKenzie County. Because of their importance in the North Dakota grasslands, we initiated a three-year study in 2020.

The goal of the study is to gain a better understanding of their nesting, summer/brood rearing, and wintering habitat types. We will use the data to minimize the impact of current and future operations on the species. 31 GPS transmitters were deployed on female and male sharp-tailed grouse between a main study area, with a high proportion of badland and forested habitat, and a reference area, located on a large block of intact native grassland within the Little Missouri National Grassland. Sharp-tailed grouse

were found to be relatively common and widespread with numerous leks (i.e., strutting and breeding sites) in both areas. Preliminary results from the GPS-tagging indicate grouse within the study area use a wide variety of habitats including areas in close proximity to badland and forested habitat as well as agricultural fields.

Nesting hens were found in both native and non-native grassland, shrubland habitat and grassland with scattered trees present. Armed with this preliminary data, we are broadening our research toward identifying and mapping critical seasonal habitats and understanding specific movement patterns and connectivity in relation to our future development. This will provide the scientific input needed to determine the most effective way to avoid impacting sharp-tailed grouse populations throughout their life cycle. [See more](#) about our project-specific approach to avoidance planning in North Dakota.

Strategic initiatives like voluntary conservation agreements also help avoid biodiversity impacts and protect sensitive habitats near our operations. 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. We have enrolled over 231,000 acres in conservation agreements that protect the lesser prairie chicken in Oklahoma, New Mexico and Texas and the dunes sagebrush lizard in New Mexico.



*Two female sharp-tailed grouse inside a walk-in trap and one male displaying outside.*

## 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

Through [Canada's Oil Sands Innovation Alliance \(COSIA\)](#), our Surmont team led the development of a goal to reduce the [footprint intensity](#) by 10% by 2022. The goal applies to the in-situ projects of COSIA members collectively and is achieved primarily through surface infrastructure footprint optimization, improved drilling technology and progressive reclamation.

The Surmont Boreal Reclamation Project, a research initiative with the Northern Alberta Institute of Technology's [Centre for Boreal Research](#), is an example of progressive reclamation. The research focuses on the use of alternative site preparation and planting native plant species to establish forest vegetation on soil stockpiles decades in advance of final reclamation. The soils that are removed prior to construction of operations infrastructure are set aside and conserved to return former operations sites to a stable, productive and self-sustaining ecosystem at the time of decommissioning. The soil stockpile for our Surmont Regional Residence covers an area of about 25 acres and will remain in place for decades. Historically, stockpiles would typically be seeded with grass to prevent erosion and treated with pesticides to prevent the establishment of invasive weed species. This "conventional" approach inhibits native plant establishment and can result in grassy monocultures.



Soil stockpile with grassy monoculture in 2015



Soil stockpile with native plant species in 2020

Initial research data from plant surveys indicate that the alternative site preparation and revegetation with native plant species reduce erosion, contribute to increasing plant and animal biodiversity, significantly reduce the relative abundance of undesirable weed species and improve the amount and quality of reclamation material for final reclamation. Plant species diversity has increased from around ten in the grassy monocultures observed on the site in 2015 prior to treatment to about 100 after 5 growing seasons. The stockpile is now literally buzzing with insect life and fluttering with birds that did not previously use the site.

## 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 has increased from 5,000 feet to about 22,000 feet. Our extended-reach drill (ERD) rig will have an even greater radius of around 37,000 feet. Our engineers are also integrating biodiversity preservation measures into the design and siting of infrastructure. New pipelines are elevated seven or more feet above the tundra to allow caribou to cross underneath. New roads and pipelines are also typically constructed 500 feet apart to further facilitate unimpeded caribou movement. For new projects, we place power cables on the pipeline racks to eliminate the need to build overhead powerlines and reduce bird collision hazards.

We collaborate with the North Slope Science Initiative and the Bureau of Land Management to share environmental reports. Our [2020 reports](#) include polar bear surveys, avian studies, fish surveys and caribou monitoring results.

## U.S. Lower 48

Shrinking pad size and increased drilling radius have also helped minimize the infrastructure footprint for our unconventional operations in the Lower 48. Our China Draw and Zia Hills assets in the Delaware Basin also utilize a centralized facility concept, which reduces infrastructure footprint, 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%.

## Australia

In Australia, we manually monitored the mangroves near the APLNG facility quarterly from 2013 to 2019. This included analyzing leaves, assessing seedling regeneration, measuring trees and assessing water chemistry. Results indicate the facility has not caused an impact to the surrounding mangroves and canopy circumference has increased. In 2020, we transitioned to satellite monitoring capturing high-resolution and multispectral images that are analyzed quarterly with annual on the ground monitoring to check alignment with remote sensing data. The new approach allows us to monitor long-term mangrove canopy trends and minimizes human impact from on the ground monitoring.

## Restore

When impacts and disturbance cannot be completely avoided or further minimized, we employ measures to restore the area to a stable, productive and self-sustaining ecosystem through remediation or reclamation activities, taking into account beneficial uses of the impacted and surrounding areas. Remediation or reclamation of disturbed areas is part of our ongoing risk management at operating facilities and includes temporary and permanent measures. Asset retirement obligations are included in our Long-range Plan.

## Norway

Removal and recycling of offshore platforms reduces our footprint and restores marine habitat. In 2020, we removed two well platform topsides as part of our offshore decommissioning activities. This included Ekofisk Alpha which was the first fixed platform installed on the Norwegian continental shelf in 1973. Several first-generation Ekofisk platforms installed in the 1970s have been removed since 2017 and approximately 98% (excluding hazardous waste) has been reused or recycled. Safety zones around removed platforms have been mapped and debris identified and removed, restoring approximately 1,750 acres of seabed associated with nine platforms since 2010.

## Canada

To accelerate reclamation and restore disturbances in the Canadian boreal forest, we have led an industry collaboration through COSIA to develop, share and implement best practices for reclaiming exploration well sites. The [Faster Forests](#) program started in 2009 and has resulted in more than 6 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 disturbances from legacy conventional seismic lines in caribou habitat. The five-year project included tree planting and regeneration protection of about 240 miles of linear disturbances, restoring over 600 acres.

## **U.S. Lower 48**

Our U.S. Lower 48 assets leverage strategic partnerships for proactive conservation with the goal of conserving biodiversity and restoring habitat before they need to be protected through government regulations. [Read more](#) about our proactive conservation achievements.

## **Offsets**

Biodiversity offsets may be used for impacts or disturbances that remain after avoidance, minimization and restoration measures have been implemented, or to address a regulatory requirement. Our Biodiversity Offset Guideline provides direction to asset teams where 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 fulfill that regulatory requirement. As part of the offset program, our contribution supported approximately 40% of the 88 acres of peatland rehabilitated within the Sriwijaya Botanical Garden. The 247-acre garden in South Sumatra was established as a center for conservation, research and education, as well as outdoor recreation.

In 2020, we continued forest rehabilitation of about 1,100 acres in South Sumatra by planting over 490,000 trees, including almost 200,000 classified as local endangered species. The reforestation program involves local communities for growing seedlings, tree planting, and to prevent and extinguish small-scale forest fires.

## **Australia**

Federal and state environmental approval to develop major construction projects in Australia requires biodiversity offsets to counterbalance disturbance. Curtis Island represents a local LNG industry's landmark conservation achievement. 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. [Read more](#) about the Curtis Island Conservation Park.

## **Canada**

In Canada, we co-funded the Junction Lake Conservation Site in Northern Alberta as a voluntary offset. The 289-acre conservation area provides a unique opportunity for the public to view the piping plover, an endangered bird species with a local population of only about 100. Through this conservation collaboration, we received the first "early action recognition" from the Government of Alberta for a voluntary offset in 2015.

In collaboration with Ducks Unlimited we conserved the Bullshad Conservation Area in southeastern Alberta in 2014. It encompasses more than 2,050 acres of wetland-rich prairie, native grasslands and high-value wildlife and plant species, including large numbers of waterfowl.

# Proactive Conservation

Proactive Conservation describes voluntary efforts with the goal of conserving or restoring biodiversity and habitats, focusing on conservation of species before they need to be protected through government regulations. Voluntary conservation actions benefit species that are at-risk to become threatened or endangered in the future as well as species already designated.

In North America, we collaborate with strategic partners including government agencies, nonprofit organizations, institutions and conservation groups to advance conservation efforts, practices and build skills essential to slowing and ultimately reversing species decline. In 2020, efforts were focused on:

- Conserving and restoring grassland and wetland habitats necessary for birds and terrestrial species survival.
- Tracking and reducing migratory barriers essential for avian and terrestrial species survival.

**We have been collaborating with government agencies, nonprofit organizations, institutions and conservation groups to conserve or restore over 12 million acres and enhance or improve over 800,000 acres.**

## Grasslands Conservation

Over the past 20 years, ConocoPhillips has taken an increasingly active role in helping to preserve and protect avian species and habitat. With one in four adult grassland birds lost since 1970, we know there is more that must be done quickly before some species are lost forever. We continue to work with our strategic conservation partners to improve data sharing and focus on common goals. In 2020, significant progress was made.

We were a presenting sponsor and keynote speaker at the first [Central Grasslands Roadmap Summit](#) attended by 250 participants representing conservation NGOs, indigenous tribes, governmental agencies, policy makers, and corporations from the U.S., Canada and Mexico. Group panels discussed a range of topics including science, Indigenous knowledge, cultural perspectives and applicable legislation efforts. Working sessions focused on three key themes: partnerships and engagement, research and evaluation, and policy and funding.

Participants finalized goals and plans to manage and conserve 100 million grassland acres, reduce grassland bird decline, and champion new legislation that will support grassland conservation. Partners are continuing to work on 5-, 10- and 30-year milestones.

As part of this larger conservation effort, eight of the [Migratory Bird Joint Ventures](#)<sup>1</sup> joined forces to create the JV8 Central Grasslands Initiative. Representing over 63 federal, state, provincial, nonprofit, and industry conservation partners, the [JV8](#) is working together to stem grassland losses and negative impacts to migratory birds across the breeding, migration and wintering habitats in the U.S., Canada, and Mexico. We are supporting five of the joint venture members of the JV8 with projects near our operations.

The JV8 is implementing grassland conservation programs with the goal of reversing or stabilizing declining bird populations in the central grasslands of North America. In 2020, the JV8 has:

- Completed a North American Great Plains Grassland Assessment to understand the extent of undisturbed native grasslands across the U.S., Canada and Mexico.

- Released a full-annual cycle conservation plan for Sprague's Pipit, Chestnut-collared and McCown's Longspur and Baird's Sparrow.
- Hired a full-time coordinator to fill the science data gaps and implement grassland conservation programs.

To date, our support has helped to conserve, restore or enhance over 900,000 acres.

Through our longstanding partnership with the National Fish & Wildlife Foundation, the ConocoPhillips SPIRIT of Conservation program selected nine proposals totaling \$1.3 million in 2020. With matching funds of \$3.0 million, and a total conservation investment of \$4.3 million, these efforts will conserve or restore more than 58,000 acres of breeding, stopover and wintering bird habitat. Funded projects ranged from supporting the Borderlands Research Institute of Sul Ross State University's efforts to enhance 3,500 acres of wintering habitat in the Marfa and Marathon grasslands of Texas, to the Wyoming Stock Growers Land Trust's efforts to obtain a 1,432-acre conservation easement in Carbon County, Wyoming which secures habitat for more than 160 bird species. Current funding priorities for the program include:

- Restoring or improving grassland, sagebrush, wetland and coastal habitats for birds.
- Protecting key habitats for birds.
- Providing technical assistance on working lands.
- Implementing innovative bird data gathering techniques or technologies.

Since 2005, this initiative has helped to conserve, restore or enhance more than 503,000 acres.

In addition, we support grassland conservation initiatives to minimize biodiversity impacts in areas at or near our operations. We are contributing to the conservation of sage grouse habitat on over 1,800 participating ranches in 11 western states by providing \$1 million to the [Intermountain West Joint Venture](#) over a five-year period. Funds support the [Sage Grouse Initiative](#), an effort by regulators, nongovernmental organizations, universities and industry to conserve native rangelands for the species. We are also co-funding a three-year, landscape-scale assessment project to develop a grassland birds conservation plan. 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. To date, our support for these initiatives has helped to conserve or restore over 10,800,000 acres.

## **Wetlands Conservation**

As the largest private owner of wetlands in Louisiana, we collaborate with Ducks Unlimited to conserve and restore wetlands habitats that threatened and endangered species depend on to live and thrive. Through these efforts, more than 500 wetland acres were restored and 4,150 acres benefitted in 2020.

Additional marsh terracing was completed in the Terrebonne Basin, and "bird islands" were incorporated to reduce predation. These projects increased emergent marsh and restored habitats vital to migratory waterfowl, fish and other water dependent species. Freshwater enhancement efforts were also expanded in this region to increase water flow which improves habitat efficiencies and combats saltwater intrusion. One hundred acres of new marsh habitat was created at Golden Meadow by filling shallow open water with dredged and pumped sediment at precise elevations in order to restore the area to its historic habitat condition. The result of this project has also benefitted an additional 150 acres of wetlands habitat in the surrounding area. [Read more](#) about the Golden Meadow Marsh project.

These efforts also provided greater societal benefits by:

- Preserving the land's ability to protect and nourish the habitats of many wildlife species.
- Protecting the nation's seafood, maritime trade and natural gas and oil industries.
- Protecting local homes and businesses.
- Increasing the quality of commercial and recreational fishing.

Since 2012, these efforts have helped to restore, conserve or enhance over 23,600 acres. [Read more](#) about ConocoPhillips' conservation activities in Louisiana.

# Migration

Understanding and tracking bird migration is crucial for conserving habitats essential to species survival. Without understanding migratory connectivity, conservation investments can often be ineffective because they are implemented at the wrong place or time, or for the wrong purpose. Further, regulatory or policy decisions based on missing or inconclusive scientific data have the potential to negatively impact our industry.

We support the world-renowned [Smithsonian Institution](#) to collect migratory connectivity information for several bird species of concern that follow a migratory flyway aligned with our areas of operation. While field work in 2020 was limited due to the COVID-19 pandemic, the Smithsonian team focused their efforts on updating species migratory maps and publishing six scientific papers. Collaborating with several partners, they also developed the first-ever *Atlas of Migratory Connectivity* expected to be complete in 2021 with publication in 2022. The atlas will synthesize migratory connectivity information for more than 500 species, including data from tracking, band recoveries, stable isotopes and genetics. Since project inception in 2014, we have supported their efforts to track over 670 birds from 23 species. View the [Common Nighthawk migratory map](#).

Our focus on species migration is not limited to birds, we also support the [National Fish & Wildlife Foundation's Improving Habitat Quality in Western Big Game and Migration Corridors Program](#) which focuses on conserving habitat and migration corridors needed to maintain healthy populations of pronghorn, elk and mule deer. In 2020, the program provided \$3.1 million in grant funding for 15 projects in 11 states, supporting the restoration and conservation of 55,800 acres. With matching contributions and a total conservation impact of \$23.4 million, these projects will enhance and improve habitats on winter ranges, stopover areas and migration corridors used by big game species on federal lands and private lands. Private landowners also volunteer to participate in these conservation efforts. These projects focus on state-identified migratory bottlenecks and places that must be secured and improved to ensure healthy populations of these iconic animals. Since 2019, our support has helped to restore, improve or protect more than 629,000 acres and remove 190 miles of fencing.

<sup>1</sup>Northern Great Plains\*, Oaks and Prairies\*, Prairie Habitat, Prairie Pothole\*, Playa Lakes\*, Rainwater Basin, Rio Grande\*, Sonoran (\* JVs we are supporting).



# Performance Metrics

We collect data and information related to species occurrence and sensitive habitats located within or adjacent to our operated assets. We focus on species characterized as at-risk, endangered, rare, significant, threatened or of cultural value, and habitats characterized as sensitive by local regulators or conservation organizations as well as International Union for Conservation of Nature (IUCN) I-VI protected areas. Data and information are used to develop metrics related to protected areas, restored or protected habitats and the IUCN Red List of Threatened Species.

## Protected Areas

We complete an annual enterprise-wide assessment of protected areas located within or adjacent to operated assets. The assessment includes areas designated at the national and regional level (national parks or wildlife sanctuaries) as well as at the international level (World Heritage or Ramsar sites). Our infrastructure within or adjacent to protected areas includes pipelines, well pads, compressor stations, one LNG facility and one terminal.

- Operated asset lease areas overlapping with IUCN I-VI protected areas: 0.24%
- Number of IUCN I-VI protected areas within 3 miles (5 km) of operated assets: seven

## Habitats Protected or Restored

We consider habitat to be protected where the environment remains in its original state with a healthy and functioning ecosystem, and habitat to be restored where actions have either restored the environment to its original state or enhanced it to a state where it has a healthy and functioning ecosystem. We have:

- Protected or restored more than 275,000 cumulative acres on company-owned lands and operated assets.
- Contributed to joint ventures who collectively have protected or restored over 12,000,000 cumulative acres of habitat.

## IUCN Red List Species

For our operated assets, we identify species of interest at the local level including at-risk, endangered, rare, significant, threatened or of cultural value. Some of the local species of interest may also have been identified as near-threatened, vulnerable, endangered or critically endangered on the [IUCN Red List of Threatened Species](#). The majority of our assets actively mitigate risks related to at least one species of local importance that is also an IUCN Red List species. We have 13 assets in five countries with one or more IUCN Red List species observed or known to occur.

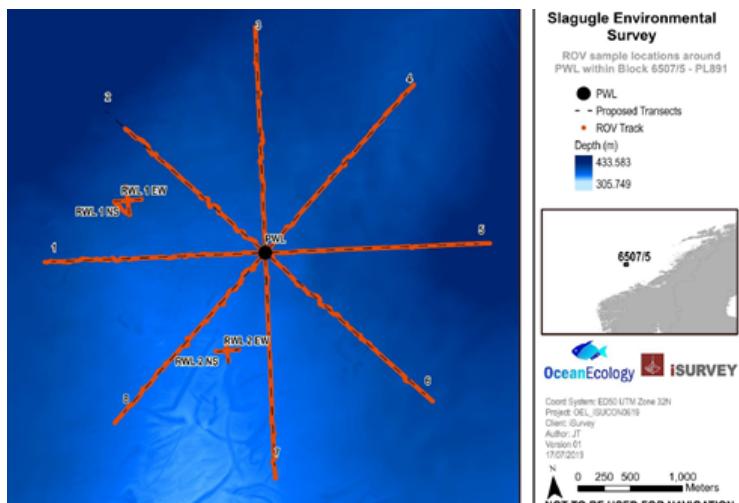
# Surveying the Norwegian Seabed

In preparation for drilling two new offshore exploration wells on the Slagugle and Warka prospects in Norway, we conducted environmental and habitat assessment surveys of the seabed fauna to identify sensitive species and habitats.

Our biodiversity management approach is designed to manage risks and mitigate impacts to biodiversity, from strategic planning through to field operations. This often includes complying with regulatory requirements to collect data and information on local biological diversity through site assessments and baseline studies. The objective of the habitat assessment survey was to acquire sufficient environmental data to describe all habitats around the planned well location (PWL) and to identify and delineate the extent of any potentially sensitive habitats or species near the PWL, anchor corridors, and relief well locations (RWLs). This included investigating, locating, identifying and evaluating sensitive resources on the seabed that might be disturbed by exploration drilling activities such as sponge communities, cold-water corals and/or other sensitive species/habitats as well as fish spawning grounds.



Coral gardens



ROV survey paths

Initial side-scan sonar data was reviewed by environmental scientists to ensure the planned path for the remote operated vehicle (ROV) was appropriately positioned around the well and to identify any potential sensitive features that required further investigation. Next, HD video and high-resolution images were collected using the ROV. The ROV conducted seabed scans along four, four-kilometer paths which transected the exploration well position. A further four, 200-meter paths were conducted to transect the two relief well areas. Images were taken every 20-30 meters along each path and reviewed live by a marine ecologist onboard a survey vessel at the surface. Review of the video and still images allowed scientists to assess the condition of sponge and coral habitats and to map the distribution of habitat and species on the seafloor near the well location.

Results from this baseline assessment provided the scientific information for us to execute the drilling projects in 2020 while avoiding impact to coral gardens and minimizing impact to less sensitive habitats through optimal placement of wells and rig anchor lines.

# Studying Our Impact on Alaska's Goose Population



Understanding the biodiversity near our operations is key to managing and mitigating our impacts. On the North Slope of Alaska, we conduct numerous long-term studies to understand the birds, mammals and fish species in our area of operations.

The Greater White-fronted Goose, or Nigliq in Inupiat, is commonly found near our CD-5 drill site and is a valued subsistence resource for the people in nearby Nuiqsut. Not only are the birds harvested, but Nigliq eggs are also collected for consumption. As we began developing CD-5, the first oil and gas development in the northeast National Petroleum Reserve Alaska (NPR-A), the community was concerned about the potential effects of habitat modification and disturbance from construction in the area. As part of the permitting process for the project, the North Slope Borough required a multi-year study of the potential effects of development on the Greater White-fronted Goose as an indicator species for the area.

The specific objectives of this study were to:

- Record the abundance, distribution, and fate of nests of White-fronted Geese, and evaluate the relationships of these variables to the distance of potential disturbance sources and phases of development.
- Monitor a sample of nesting geese for changes in incubation behavior that may result from activities at the CD-5 development.
- Identify changes in the occurrence and frequency of nest predators during all phases of development.



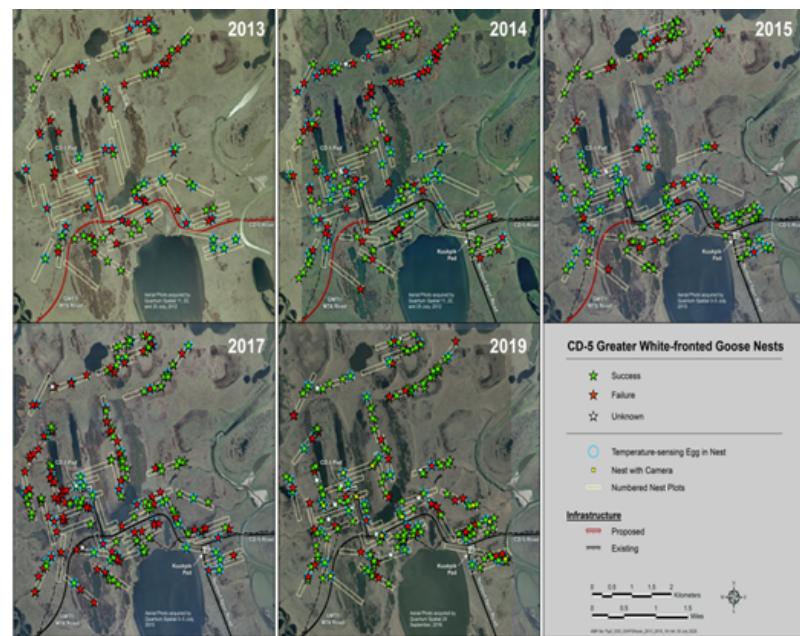
*Greater White-fronted Goose brood*

40 fixed plots were established within a 6x6 kilometer grid centered around the CD-5 drill site. Nest searches were conducted on foot for 10 days in June of each study year once eggs had been laid. Nest location, type of tundra habitat and number of eggs were recorded, and a sample of eggs were inspected to determine estimated nest age and start of incubation. Temperature-

sensing thermistors embedded in artificial eggs were placed in approximately 41 nests to provide ongoing information on incubation activity, nest survival and hatch or failure dates. In 2019, 10 time-lapse cameras were also deployed to record incubation behavior of geese on nests and visits by predators.

Predevelopment surveying in 2013 found approximately 22 nests per square kilometer. During construction, nest densities increased to approximately 29 in 2014 and 30 in 2015. In the second year of operations, the nest density had increased to 38. Overall nest survival improved during construction and then decreased to slightly higher than the 2013 sample year. The average apparent nesting success (the proportion of nests hatching  $\geq 1$  egg) for White-fronted Geese over 5 years was 65%. Nesting success was low in 2013, 2014, and 2017, ranging from 53 to 58%. In 2015 and 2019, nesting success was higher at 79% to 83%.

To evaluate whether human activity such as traffic and construction affected nesting success of White-fronted Geese, we examined the proximity of oilfield facilities to nests that failed to hatch compared to those that hatched. Our hypothesis was that geese nesting closer to facilities during times with higher levels of human activity would be more likely to fail due to disturbances causing geese to flush or leave the nest more often or for longer, making them more vulnerable to predation. In 2013, before any construction in the CD-5 area, there was essentially no difference between successful and failed nests and their distance to the future location of roads and pads. While roads and pads were constructed the following winter, there was little vehicle traffic during the 2014 breeding season. Activity on CD-5 roads and pads was highest in 2015. Contrary to the expected disturbance response, in both 2014 and 2015, successful nests were nearer to the road and pad than were failed nests. In 2017, during operational use of roads and pads, failed nests were closer on average to roads and pads than were successful nests. In 2019, the final operational year in the study, the average distances of successful and failed nests to roads and pads were nearly the same. Thus, there was no consistent relationship between nest success and proximity to facilities by development phase.



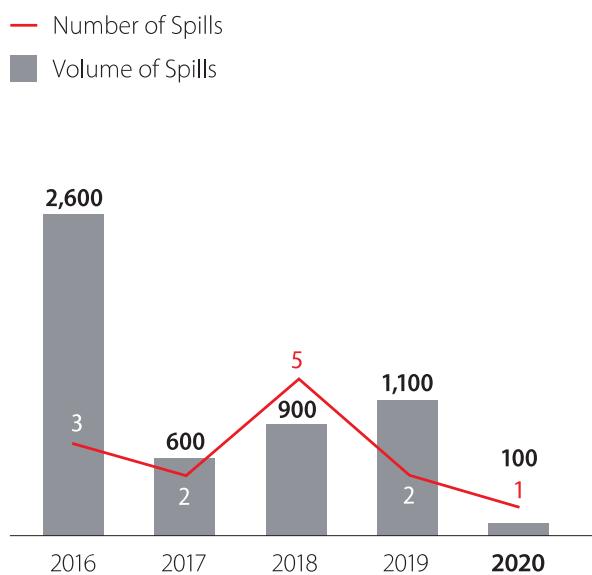
White-fronted Geese are an important part of the arctic food chain so scans for avian and mammal predators were also conducted. In all years of this study, gulls and jaegers were the most abundant and widespread nest predators observed during both predator scans and incidental observations on nest plots. Arctic fox was the only mammal observed on plot during predator scans and it was observed only once in 2015. Grizzly bears and arctic and red foxes were observed more often off plot during predator scans or incidentally (during nest searching) each year, but less than 5 mammals were observed during predator scans and incidentally during nest searches in any year.

Yearly findings were shared with the community, stakeholder groups, the research community and North Slope Borough. The study is also currently going through the scientific peer review process for journal publication. Populations of White-fronted Geese are on the rise in the Arctic, and other studies conducted elsewhere on the North Slope have demonstrated similar results – the geese are fairly resilient and appear to be largely unaffected by industrial activity. ConocoPhillips has a strong commitment to promote and protect the wildlife in our area of operations, and this is continually reinforced to workers in the field. Wildlife, including the Greater White-fronted Goose, always have the right-of-way, and our employees love seeing these beautiful birds while out in the field. While this study is complete, we continue to monitor the avian species in and around our areas of operations.

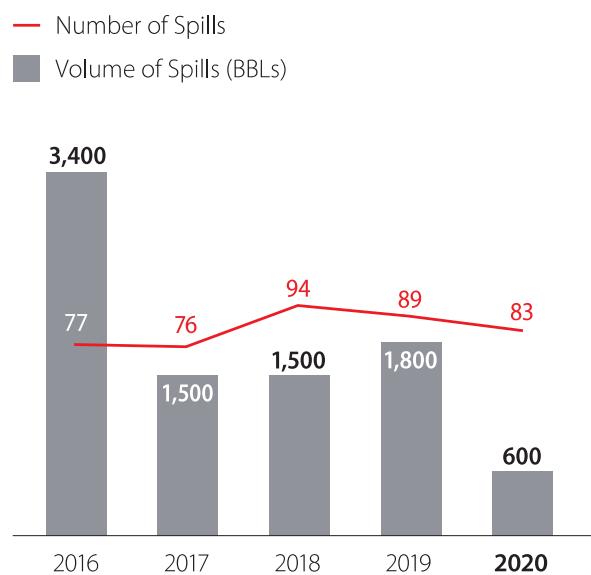
# Spill Prevention

We evaluate spill risks and take numerous precautions to prevent spills across our operations. Specialized designs, operating procedures, routine maintenance of our facilities, verifications and process safety best practices play a key role in protecting the environment where we operate. If a spill does occur, established practices and resources are employed to control and mitigate risk. We are also focused on strengthening our critical incident risk management capability through our systematic, multi-tiered approach to emergency preparedness and crisis management. Hydrocarbon spills impacting a sensitive area and spills greater than 100 barrels are immediately reported to our corporate office. In 2020, we experienced one spill greater than 100 barrels. The spill occurred on land in the U.S. Lower 48 and resulted in approximately 136 barrels being released with an 82% recovery rate. None of our spills in 2020 impacted a shoreline.

## Volume of Spills >100 Barrels (BBL)



## Volume of Spills >1 BBL



The number of spills greater than one barrel and volume was reduced in 2020. We had 83 spills that were greater than one barrel, with 73 of those between one and 10 barrels. Fifty-nine percent of the volume of our spilled material was fully recovered. [Read more](#) about our Process Safety culture.

## 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 U.S. 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.

Read more about our [Emergency Preparedness](#).

# Social

We are committed to respectfully engaging 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. We build shared value for the company and local communities by first listening to understand concerns, finding mutually agreeable solutions to mitigate these concerns through our actions and then integrating them into planning and decision-making. This includes contributing to the well-being of the communities in which we operate through jobs, business opportunities, charitable giving, employee volunteerism and civic leadership.

In addition to people in the communities near our operations, we also engage with government representatives, nongovernmental organizations, academic institutions, industry associations and the financial sector. We also 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.

## 2020 Performance Highlights

- Continued to engage with stakeholders in communities near our operations, despite the challenges posed by the COVID-19 pandemic.
- Provided relief aid to help communities fight COVID-19.
- Contributed \$31.3 million in global charitable investments.
- Championed human rights and racial justice with law enforcement, government and business leaders.

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



# Approach to Social Aspects

We address the social or community aspects related to our operations and projects at the business unit (BU) level.

## Governance and Strategy

We have a comprehensive governance framework that extends from the board of directors, through executive and senior management to the working levels in each BU. Priority risks and mitigation measures are provided to the Sustainability and Public Policy Executive Council, a sub-committee of the Executive Leadership Team. 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 system and mitigation actions are reviewed regularly by executive leadership and the board of directors. [Read more](#) about our sustainable development governance structure.

While engaging with people who may impact or be impacted by our business is a cornerstone of our operations across the globe, stakeholder engagement priorities, risks and their mitigation solutions are typically distinct at the local level. For each project, we engage with our stakeholders to understand their values and interests, learn their expectations and then incorporate what we learn into our business plans and actions. We seek early and frequent engagement with our stakeholders to build trust, garner respect and develop mutually beneficial relationships. Two-way conversations allow us to best understand the needs and concerns of communities and collaborate for mutual benefit. In dispersed communities, we identify key stakeholders and engage with them face-to-face to ensure that our activities are understood and that we consider their feedback. Where there are opportunities to bring stakeholders together, we work with multi-stakeholder groups. By integrating community input into business decision-making processes, we are able to manage social risks.

## Risk and Impact Assessment

Social risks at the community-level could result from potential project, operational and cumulative impacts to community safety, human rights, infrastructure, services, land use, environmental quality (air and water quality), cultural heritage, business opportunity and employment. Risks could impact our business through project delays, business interruption, policy or regulatory costs, reputational damage, increased cost of capital or reduced demand for our products. Social risks for our asset portfolio are related to:

- Community opposition based on negative social and/or environmental impacts, including cumulative impacts.
- Community expectations of economic benefits, such as local hiring and local content.
- Public policy that restricts access to, or development of, natural gas and oil resources.
- Investor and financial sector expectations about environmental, social and governance (ESG) performance and reporting.
- Negative consumer sentiment.

By understanding the social, economic, political and environmental factors affecting stakeholders, we can identify and monitor emerging social trends, better manage social impacts and reputational risks associated with our operations and contribute to social value.

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. This is done through our integrated sustainable development (SD) risk management process where existing and planned exploration and production and major projects are examined against the physical, social and political settings of our operations. Social assessments consider:

- Impacts to community, including human rights, Indigenous Peoples' rights, labor rights, security, public health, political and economic issues.
- Stakeholder priorities.

- Stakeholder opposition to company activities.
- Risks and impacts related to supplier and contractor activities.
- Cumulative effects of company and/or industry activities.

Each business unit manages its own social risks, priorities and regulatory requirements, enabling tailored, region-specific business goals to address unique challenges and opportunities. To support our business units in operationalizing our Stakeholder Engagement Principles, we provide Social Performance Guidance with recommended internal processes and external engagement to understand and address stakeholder priorities.

Stakeholder Engagement Principles	Social Performance Guidance
<ul style="list-style-type: none"> <li>• Proactively identify and seek out stakeholders.</li> <li>• Include stakeholders in the design and implementation of the engagement process.</li> <li>• Listen to understand stakeholders' interests, concerns and culture.</li> <li>• Communicate openly.</li> <li>• Seek solutions that create mutually beneficial relationships and build long-term value for both the company and our stakeholders.</li> <li>• Follow through on our commitments and stand accountable for the results, both internally and externally.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Community Engagement:</b> Identifying our stakeholders and how they may impact or be impacted by company activities.</li> <li>• <b>Human Rights:</b> Assessing potential risks to stakeholders' human rights, incorporating risks into planning and providing a grievance mechanism to remedy realized impacts.</li> <li>• <b>Indigenous Peoples:</b> Consulting with Indigenous stakeholders to understand their culture, identify their priorities and work together to address them.</li> <li>• <b>Security and Human Rights:</b> Implementing the Voluntary Principles on Security &amp; Human Rights.</li> <li>• <b>Community and Social Investment:</b> Aligning investments with community needs and company strategy.</li> </ul>

## Risk and Mitigation Actions

Social risks rated significant or high are included in the corporate SD Risk Register. The 2020 Risk Register includes two social categories: infrastructure targeting and local intervention. Mitigation actions and milestones address the potential impacts and risks to stakeholders. Risks that are no longer ranked significant or high due to the effectiveness of mitigation actions continue to be tracked, as are risks that have been identified as low or medium to ensure those risks do not increase.

Priority Risks	2020 Mitigation Actions And Milestones
Delayed or restricted access to pipeline infrastructure results in constrained market access and/or production limits.	<ul style="list-style-type: none"> <li>• Continue to educate, build awareness and explore solutions to market access challenges with senior political and government officials as well as industry partners.</li> <li>• Continue to collaborate with internal subject matter experts to identify and address emerging issues related to market access and develop appropriate government and stakeholder engagement advocacy and engagement plans.</li> </ul>
Project delays, business interruptions and damage to reputation due to local actions regarding economic benefits or environmental effects, including cumulative impacts.	<ul style="list-style-type: none"> <li>• Conduct stakeholder forums to solicit stakeholder feedback.</li> <li>• Incorporate stakeholder feedback into project designs and operations plans.</li> <li>• Negotiate community management plan with local stakeholders and regulators.</li> <li>• Identify additional opportunities to bring benefits to the community from company operations.</li> </ul>

## Social Performance Metrics

We implemented a pilot program in 2019 to measure our stakeholder engagement efforts through social performance metrics. During 2020, we published our performance results, assessed the utility of the metrics for the business and our stakeholders, and further refined the metrics through discussions with our stakeholder engagement practitioners. We will publish our performance against a revised set of indicators in our 2021 report. [Read more](#) about our approach to managing sustainable development risks.

# Working with Communities

By taking a personal approach with communities, we are able to build strong relationships and an environment of transparency, courtesy and trust. This allows us to better manage potential risks and impacts to local stakeholders and our business.

In 2020, ConocoPhillips Chairman and CEO Ryan Lance and other members of the Business Roundtable [published a statement condemning racial inequity](#) in response to the killing of unarmed black men and women in the U.S. We are committed to eliminating bias and injustice in all its forms. We strive to represent and reflect the global communities in which we live and work, including recognizing the dignity of all human beings and fostering an environment of inclusion that respects individual contributions and differences. In our hometown of Houston, [Lance also encouraged](#) and recognized the efforts of the Houston Police Department (HPD) and mayor to apply these and HPD's own stated principles in their approach to demonstrations.

## Engaging with Communities During the Pandemic

Being a good neighbor is especially important in challenging times. During the COVID-19 pandemic, helping communities where we live and operate is a priority for ConocoPhillips.

This was challenging during the pandemic and engaging with our stakeholders looked different during most of 2020. Since face-to-face interactions were not possible, ConocoPhillips representatives used traditional mail, made phone calls, sent email and held online meetings. They also used creative methods to interact with people living in communities near our operations.

Our operations manager in the Eagle Ford sent a video message to provide a brief business update to stakeholders in June 2020. We also hosted a virtual Citizens Advisory Committee (CAC) meeting in August to check in and get firsthand feedback about how the community was coping with the market downturn and the pandemic. The CAC is comprised of local leaders from DeWitt, Karnes, Live Oak and Bee counties and is an important advisory group for both the community and ConocoPhillips.

On Alaska's North Slope, we created remote learning opportunities in the Nuiqsut school gym for CareerQuest participants. Teachers from the Sylvan Learning Center in Anchorage worked with students via iPads and CareerQuest chaperones helping locally. CareerQuest is a vocational program that offers students hands-on life-skills training ranging from budgeting and personal banking to resume writing and job interviews.

By utilizing our internal supply chain, our Canadian team was able to efficiently provide needed items to people living in Indigenous communities near our Surmont and Montney operations throughout 2020. A COVID response committee was formed to manage the support, which included donations of food, cleaning products and personal protective equipment (PPE). In Indonesia, we continued our corporate social responsibility programs amid the COVID-19 pandemic, including training and support for rubber farmers, small business development, and the installation of electricity to those who could not afford it. In-kind donations included face masks, sanitizer, rubber gloves, thermometer guns and handwashing facilities for local hospitals, clinics and schools. About 20,000 people received support from the business unit during 2020. In Australia, engagement occurred via mail, phone, email and online meetings, with face-to-face consultation resuming with the easing of travel restrictions. [Read more](#) about how we provided a helping hand during the global COVID-19 crisis.

## Listening to Understand Our Stakeholders

We proactively engage our stakeholders to understand their interests, concerns and culture.

### Canada

Due to the close proximity of Indigenous communities to our Canadian operations, we have developed a values and interest assessments (VIA) process to guide practitioners as they work with those 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, such as the Halfway River First Nation (see below for more information). 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.

## **U.S. Lower 48**

In the Eagle Ford, our Citizens Advisory Committee (CAC), comprised of community leaders from DeWitt, Karnes, Live Oak and Bee counties, meets quarterly to discuss industry-related issues. [Read more](#) about the CAC. Our Leadership Roundtable in the Bakken brings together local government and civic leaders to discuss our development plans and to collaborate on key community issues.

## **Integrating Stakeholder Input into Business Decisions**

As we understand stakeholders' priorities and concerns, we seek to integrate their input into our plans and operations. Through inclusive and transparent engagement, we work with stakeholders to find mutually beneficial solutions that address the impacts of our operations on their communities. We believe the primary purpose of environmental justice policy should be to create and maintain inclusive, transparent and mutually beneficial relationships among stakeholders. [Read](#) our Principles of Environmental Justice.

## **Alaska**

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.

- For the past decade, we've met regularly with subsistence representatives from areas near our operations to discuss planned helicopter and small aircraft operations as well as locations of hunting and gathering activities to ensure our operations don't interfere with the subsistence lifestyle of our neighbors. In 2020, those virtual discussions led us to postpone all flights for a week during caribou migration at the request of Nuiqsut Village representatives. [Read more](#) about how we manage helicopter traffic near our operations.
- 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. [Read more](#).

## **Canada**

In Northeast British Columbia, we continue to work with local communities as we develop our Montney project. We are implementing a "life of project" agreement with the Halfway River First Nation (HRFN), 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 has 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.

## **Lower 48**

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.

# **Building Local Economies**

We work with stakeholders to support economic development through capacity-building and contracting opportunities for local businesses.

## **Canada**

For more than two decades, we have worked with Indigenous-owned businesses near our oil sands operation to develop local capacity. The region near our Surmont project is home to five First Nations communities and six Métis Locals. In Canada, Aboriginal Peoples (who consist of First Nations, Métis and Inuit) have constitutionally protected rights to their traditional territories and ways of life. The Cooperation and Mutual Benefits Agreement (CMBA) with Fort McMurray First Nation (FMFN) is a culmination of years of engagement to identify mutual areas of interest and benefit, and build trust, respect and a formal commitment to a stronger relationship. Leaders meet regularly to discuss:

- Local contracting opportunities and capabilities.
- Shared goals for local business benefits and environmental monitoring.
- Opportunities to support environmental stewardship of the Surmont Project and FMFN community values and vision.

At our Montney development, we launched an effort in 2020 to promote inclusion of First Nation vendors at all stages of the supply chain to support a healthy contracting relationship with Indigenous communities near our operations. We established business working groups with both HRFN and Blueberry River First Nation to discuss shared goals and values, share contracting outlooks, and provide feedback on existing contractors and/or bid processes so that First Nation vendors can build their capacity and improve services.

## **Indonesia**

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 more than 650 farmers from the villages near our operations in the Musi Banyuasin regency, South Sumatra province. Our business unit, through Sembawa, provides ongoing capital support for 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. Additionally, our economic empowerment efforts in Indonesia included training and capital support for small business development for 150 local entrepreneurs and the installation of electricity to those who could not afford it. ConocoPhillips was recognized by the government for outstanding and sustainable CSR programs, including being given the nationally recognized Padmamitra Award by the Minister of Social Affairs for the third time.

# **Strengthening Communities**

We work with stakeholders to identify and support programs and identify opportunities to publicly leverage our role as a corporate citizen that will make a real difference in communities.

## **Alaska**

50% of federal revenue from NPR-A is available to communities impacted by oil and gas development through a mitigation grant program. As a community impacted by development in the area, Nuiqsut is eligible to receive funding for community projects from this program. We have partnered with the City of Nuiqsut, the Native Village of Nuiqsut and the Kuukpik Corporation to create the Nuiqsut Community Development Foundation, a nonprofit focused on assisting the community to access grants by providing services for project planning, grant writing and administration, accounting and project execution. As a result of this increased capacity, the city has received a significant increase in grants for projects and operations in the village during the past few years.

## **Australia**

We fund a scholarship for a Queensland Indigenous female student to study at an all-girls boarding school in Brisbane, Australia. Yalari is a not-for-profit organization that provides secondary education scholarships for Indigenous children from regional, rural and remote communities. Through ongoing engagement with Indigenous communities, we aim to create long-term benefits through education. [Read more](#) about our investment in Australian communities.

## Canada

In 2008, ConocoPhillips partnered with other oil sands companies, Indigenous communities and community organizations to create the Sustainable Communities Initiative, a social innovation project focused on youth empowerment and designed to build stronger relationships with and benefit nearby communities in the oil sands region. The project has evolved from joint planning and programming to the community managing their own social innovation projects. ConocoPhillips Canada continues to support Sekweha, whose main service offering to the community is youth center programming, as one of three signature community investments of our Surmont asset. [Read more](#) about SCI.

In 2020, we were awarded for our long-standing support of Indigenous women in Canada by [Women Building Futures](#), an organization that empowers economic prosperity for women by removing barriers and providing industry recognized training in the construction trades, maintenance, transportation industries and more. We have provided funding for Women Building Futures since 2017.

## Indonesia

Since 2002, we have had a scholarship program that provides financial assistance to local university students and elementary and high school teachers to obtain undergraduate degrees. More than 5,800 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.

## Malaysia

Our ongoing partnership with MyKasih, through the 'Love My School' program, supports school children from underprivileged and low-income households. The program aims to help students from disadvantaged families by providing schoolbooks and stationery from the school bookstore, as well as food and drinks from the school canteen. Around 330 underprivileged students from six primary schools in Sabah and Sarawak are provided this assistance via a student smartcard annually.

Our signature program supports the Fulbright English Teaching Assistant (ETA) Program in partnership with the U.S. Embassy in Malaysia. Each year 14 ETAs who are American college graduates are placed in rural secondary schools in Sabah to engage students in interactive English activities to increase student interest in English and enhance their confidence.



We have also awarded scholarships to Geology students from University Malaya (UM) and Petroleum Engineering students from University Technology Malaysia (UTM) since 2006. Additionally, our Exploration and Subsurface team organized a full day workshop with the Geology students from UM in 2020 and we were invited to be a member of the UTM Industrial Advisory Panel, a group that advises the Department of Petroleum Engineering about how to best educate and develop local petroleum engineering students.

## U.S Lower 48

We are a member of the [Permian Strategic Partnership](#) (PSP), a coalition of energy companies and regional leaders that is working to address current and future challenges associated with oil and gas development. 2020 PSP efforts included:

- Providing internet access to students from 135 families during the COVID pandemic.
- [National Board Certification](#) training for over 300 teachers.
- Funding for additional physician assistants throughout the Permian Basin.
- Funding for the expansion of professional mental health care in the region.
- Supporting an awareness campaign about the 2020 U.S. Census.

- Funding for grant writing expertise resulting in awarding of over \$1 million in federal and state grants to communities in southeast New Mexico.
- Advocating for improvements to the transportation system.

PSP advocacy has resulted in \$75 million in federal BUILD grants in west Texas and \$12.5 million in southeast New Mexico. Additionally, \$600 million in new road funding was allocated by the Texas Department of Transportation. In an effort to reduce vehicle crash fatalities across the Permian Basin, the PSP partnered with the Permian Road Safety Coalition (PRSC) to provide \$1.1 million in life-saving equipment to emergency response personnel in 22 counties across west Texas and southeast New Mexico. First responders received safety kits containing critical emergency response equipment such as battery powered "jaws of life," medical supply kits, fire extinguishers, mobile lighting tools and rescue helicopter landing zone kits. "First on scene" local responders also receive related training.

As part of our ongoing community giving in the Permian, our sponsorship of the Bad Boy Blast sporting clays tournament has raised almost \$3.2 million since 2004 for local fire departments and crime stopper organizations in West Texas. In the Permian region of southeast New Mexico, our golf tournament and silent auction has raised \$1.55 million since 2014 for the Make-a-Wish Foundation and other charities serving Lea County.

In Texas's Eagle Ford, we are a major sponsor of the [Escondido Creek Parkway](#), including the Children's Play Area and the Horned Toad Habitat. Over the years, we have given over \$100,000 to the nature park, which is dedicated to a balanced relationship with the surrounding ecosystem. Future recreational amenities will include hiking and biking trails, playground, pavilion, amphitheater, picnic tables, benches, and a pond. The city of Kenedy, where the park is located, was proclaimed by the Texas Legislature to be the Horned Lizard Capital of Texas and Texas Christian University conducts annual horned toad studies in the area.

## **Global**ly

We support charities near our operations by funding programs that support education, civic and social services, arts, health and the environment.

2016-2020 Contributions	
Alaska	\$23.9 million
Canada	\$7.8 million
Lower 48/Corporate	\$129.6 million
Australia/East Timor	\$5.9 million
Norway/United Kingdom	\$3.8 million
Other	\$9.5 million

## **Engaging employees**

Our employees strive to improve the quality of life in the communities where we live and work.

- Despite a challenging year, 223 ConocoPhillips Canada staff volunteered 874 hours on a range of activities in 2020, including serving lunches at the Calgary Drop-In Centre, making lunches for kids through Brown Bagging for Calgary's Kids, cleaning our river and pathways with the City of Calgary, and helping children learn to read at Calgary's Connaught School.
- Eagle Ford employees have contributed more than 8,425 hours serving nonprofit organizations since 2015.
- With our Bakken operations close to the Little Missouri State Park, our employees have volunteered in the spring to prepare the campground facilities and riding trails for tourist season. View more about our stakeholder commitment in the Bakken.
- Employees in Malaysia volunteered to beautify an Orang Asli (Indigenous Peoples) School by painting corridors, decorating classrooms and helping plant vegetables in the school's edible garden.

[Read more](#) about some of our efforts around the globe.

# Flying Alaska's Friendly Skies

Recognizing and respecting the choice of Indigenous communities to live as distinct peoples, with their own cultures and relationships to the land, is a cornerstone of our operations. On Alaska's North Slope, this includes working to ensure that our activities don't interfere with the subsistence lifestyle of our neighbors – both on the ground and in the air.

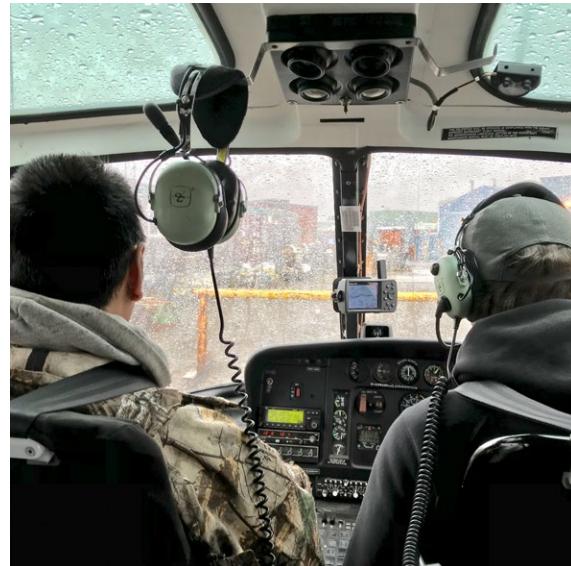
During helicopter season, Village Outreach Liaison Mark Jennings starts each day by having a quick phone call with helicopter operators and stakeholders from the nearby community of Nuiqsut, talking about planned helicopter and small aircraft operations. In turn, the designated village subsistence representative shares the anticipated locations of hunting and gathering activities. Call participants discuss where wildlife has been spotted on the slope, allowing helicopter pilots to make necessary adjustments to avoid these areas. If it is safe to do so, pilots also adjust flight paths to avoid disturbing large groups of caribou, hunters and gatherers, other community members and gravel roads being used for subsistence activities. They are also asked to avoid flight routes along gravel roads where subsistence users may be traveling or hunting.

"Last summer the community reported that a large herd of caribou were about to cross the Colville River near Nuiqsut, and they were concerned about helicopter noise disrupting their subsistence hunting activities. The community depends on caribou for a large portion of their diet. So, we discussed the situation internally and decided that, based on the work scheduled for that week, we would postpone flights for a week until the herd had crossed the river," Jennings noted.

The daily calls have been taking place for about 10 years, beginning annually around mid-May and continuing until the helicopter work is complete, typically mid-September. The key to program success, Jennings said, is consistent communication and coordination with pilots. In his role as the village liaison coordinator for helicopter activity on the North Slope, he aims to ensure that flights are not disruptive. In support of this effort, Jennings began inviting industry peers to participate in the daily exchange of information, asking everyone to share flight plans as an added safety measure in the remote terrain. ConocoPhillips Alaska also created a poster with photos of the helicopters used on the North Slope to help residents and other operators easily identify aircraft and owners. Since the program started, successful coordination efforts have resulted in a significant reduction in the number of community concerns regarding helicopters.

"It's all about transparency, communication, and working together, minimizing our impact on people and the environment," said Jennings. "The process has evolved – we now have confidence that the community knows who is flying where and when. We also provide a toll-free number that people can call anytime for updates on the daily flight plans."

Helicopters are commonly used to access the vast, undeveloped land of the North Slope. Passengers include surveyors and technicians who install and check stream gauges along creeks and rivers, watch for ice jams and flooding, inspect pipelines, and check culverts and bridges to make sure they are not blocked so that water and fish can easily pass. Scientists and technicians conducting studies on fish, wildlife, birds, tundra plants, archaeological resources, air and water quality, permafrost and climate change also rely on the helicopters. Other frequent fliers include engineers examining the landscape to develop road, pad and infrastructure concepts that minimize environmental impacts.



A pilot and a Nuiqsut resident about to depart the Alpine Field to inspect the family's native allotment.

# Collaborating to Benefit Communities

Across the globe, we work with communities to establish open dialogue so that we can create and maintain inclusive, honest and mutually beneficial relationships with our stakeholders — those individuals and groups who are impacted by our business. These relationships are viewed as tangible, valuable assets critical to our business success.

In Texas's Eagle Ford, some of this engagement occurs through forums like the Citizens Advisory Committee (CAC). An important advisory group for both the community and ConocoPhillips, the CAC is comprised of local leaders from DeWitt, Karnes, Live Oak and Bee counties. The group meets quarterly to discuss hot topics and industry matters including ConocoPhillips operations, environmental concerns, safety practices, emergency preparedness, community involvement and any other issues that are deemed important.

"It's an open discussion forum that is based upon trust, respect and collaboration," said ConocoPhillips Stakeholder Relations Director Harmony Jurkash. "We believe the CAC provides us with the opportunity to get a feel for the community pulse and gives us an open line of communication."

Pauline Word is a charter member of the CAC. As a fifth-generation resident of Live Oak County, Word has seen firsthand the impact the development of the Eagle Ford shale basin has had on families and communities.

"People were concerned at first – there was an influx of people, more traffic. There were a lot of questions about fracking; no one knew what it was. There were also challenges since there weren't enough places for the new people to live. The community liked the inflow of money but didn't really understand the industry. The committee gives people an opportunity to ask questions, voice opinions and give feedback," said Word.

In 2020, the CAC consists of 14 community members and six ConocoPhillips employees. The initial requested term of service is two years and vacancies are filled via nominations from the membership. Members are not compensated for their participation in the CAC and the committee is an advisory group, not a decision-making body. In the last year, the CAC has discussed topics such as water quality, road safety and emergency response.

"It's also a great vehicle for us to gauge the thoroughness and effectiveness of our stakeholder relations and philanthropic efforts. We want to ensure that we are truly listening to concerns raised by people in communities and that our charitable dollars are being effectively spent to have the best impact," said Gulf Coast Business Unit Vice President Erec Isaacson.

The CAC also provides ConocoPhillips with a source of information and insight into public opinion. Participation by our Stakeholder Relations advisors ensures that committee members can easily provide feedback to the company regarding ways to improve and enhance communication with the community.

Mark Veit, who is an assistant vice president at Cuero National Bank, joined the CAC in February 2020. He is a ConocoPhillips land and royalty owner who learned about the committee at an Eagle Ford Leadership Roundtable meeting.

"Shale and the fracking process have led to an amazing transformation in communities. Mostly good, but not all. The CAC sets the scene for two-way conversation, whether I have an individual concern or one for the greater community, and to clear up misinformation," Veit said. He said he has



*Mark Veit at the Texas State Capitol*

experienced challenges related to local resource production, including increased traffic on roads that may cause accidents and additional wear-and-tear. He's also noticed more litter near roadways.

One way we addressed these concerns was by instituting a multiyear road safety program, "Slow Down Don't Trash Our Town," which has provided training to over 900 employees, contractors and community members to change negative behavior around speeding and littering.



Kathy Oehlke

The CAC has helped address some of these concerns, noted member Kathy Oehlke. A 42-year resident of the area, Oehlke is active in the Chamber of Commerce, her church and the local Rotary Club, in addition to the CAC. She is also an instrumental part of fundraising and development of the Escondido Creek Parkway, a 20-acre nature park under construction in Karnes County. The project, managed by the City of Kenedy and the San Antonio River Authority, is projected to have amenities including walking and hiking trails, a playground, pavilion, amphitheater, splash pad, sports complex and a skate park. ConocoPhillips is the playground and horned toad habitat sponsor.

"All of the schools and churches in our area have done major additions and/or renovations because of the increased revenue resulting from oil and gas. This parkway will be the icing on the cake for our community" Oehlke said.

In addition to regular meetings, the CAC has traveled to Austin to meet with lawmakers and discuss the responsible production of natural gas and oil. They also visited the Port of Corpus Christi to learn about the importance of the area for the oil and gas industry. As the third largest port in the U.S. in total revenue tonnage, the port is instrumental in positioning the U.S. as the largest exporter of energy in the world.

"During my time on the committee, I've learned a lot about how important the oil and gas industry is to our daily lives — not just here in my community but across the globe," Word said.



CAC members and elected officials met with Port of Corpus Christi executives

## Roundtables

Another way that the ConocoPhillips team communicates with stakeholders in the Eagle Ford is through "Leadership Roundtables," which are forums aimed at engaging and sharing information with appointed/elected officials in our operating counties. They help convey information about current operations and community projects and provide another way for our Stakeholder Relations Team to listen to the concerns and suggestions of area leaders. Since they began in 2015, each roundtable has included presentations from ConocoPhillips subject matter experts on topics chosen by the local county judge. In one roundtable, a local superintendent expressed his concerns about industry truck traffic in and around local school zones. We took action by developing the Drive Safe: STOP for School Buses program. This initiative included safety presentations to remind employees, contractors and industry partners to follow the rules of the road to help keep children safe. After receiving favorable feedback on the Eagle Ford Leadership Roundtable, we have expanded the practice to our operations in the Bakken to discuss our development plans with local government and civic leaders and to collaborate on key issues.

"All of these forums are priceless opportunities to interact with our stakeholders and to get feedback on how we can be the best community partner," Jurkash said.

# Global Giving

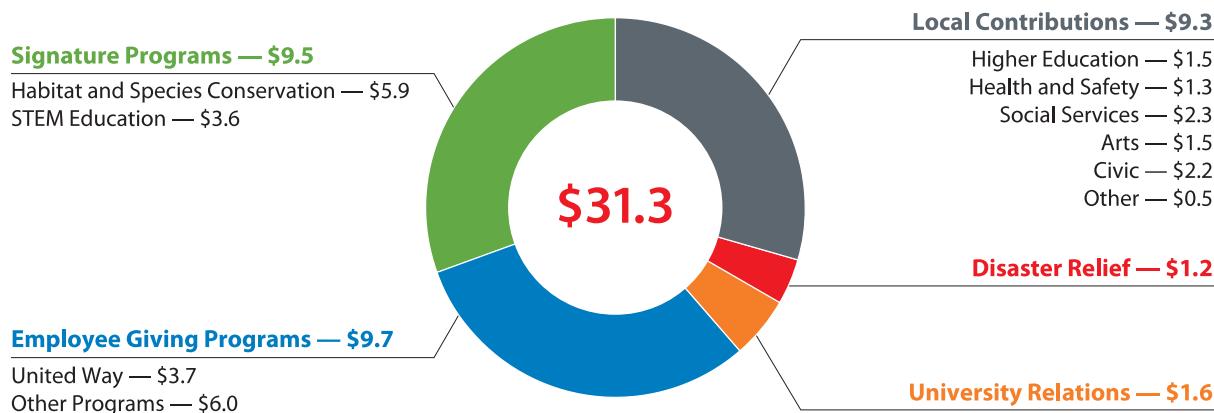
We contribute to the well-being of the communities in which we operate through charitable giving, employee volunteerism and civic leadership. We believe the most effective charitable investments are made through strategic relationships with organizations dedicated to serving our communities, day in and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

2020 was a difficult year for people in many of our local communities. With a global pandemic and natural disasters occurring around the world, as well as a renewed focus on social justice, this was a year that demanded prompt and appropriate response.

Globally, we donated \$1.2 million in cash, plus goods and services totaling \$0.1 million, to provide COVID-19 relief aid to hospitals, first-responder organizations and social services providers to help those impacted by this deadly disease. We also provided disaster relief funding to the Australian Red Cross to help local communities impacted by the devastating brushfires in Australia and to the American Red Cross to help those impacted by Gulf Coast hurricanes. The remainder of our global giving budget was balanced across our signature programs, local contributions, university relations and employee programs. Our global giving budget is balanced across our signature programs, local contributions and employee programs. [Read more](#) about our COVID-19 efforts.

## 2020 Global Charitable Investments

In Millions



Input and insight from business units are overlaid by uniform, global processes and policies to provide:

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

The global charitable investment budget is reviewed annually by the Executive Leadership Team and approved by the Public Policy Committee of the board.

## Alignment with UN SDGs

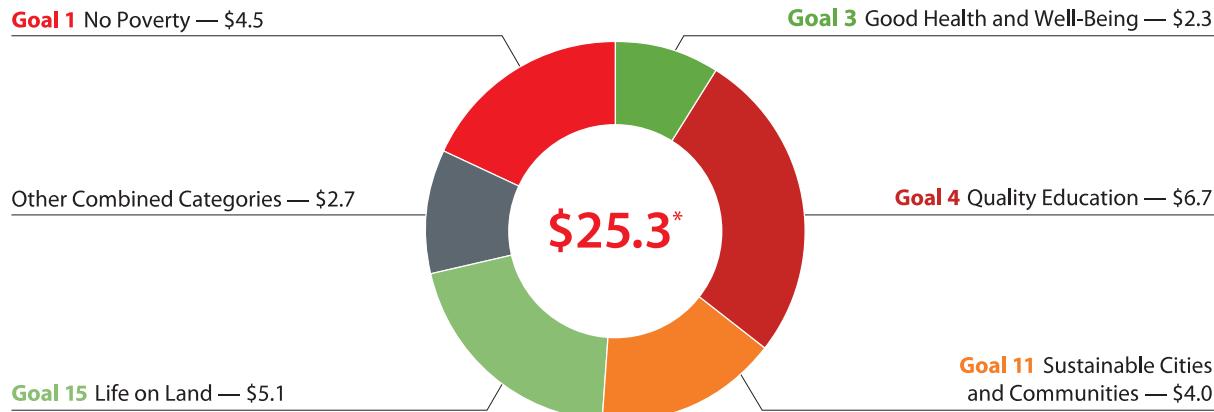
The United Nations General Assembly has adopted 17 Sustainable Development Goals (SDGs) that set the global agenda for equitable, socially inclusive and environmentally sustainable economic development. Our core business of delivering energy to the world contributes directly to:

- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.
- Goal 8: Promote sustained, inclusive and sustainable economic growth; full and productive 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 related to education, poverty and good health. Our 2020 global charitable investments supported the following SDGs:

### Global Charitable Investments Supporting UN SDGs

*In Millions*



\*Excludes \$6.0 million for Employee Giving Programs (e.g., Matching Gifts, Volunteer Grants).

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.

## Signature Programs

Signature programs help unify our global giving around relevant themes and make our charitable investments program significantly more impactful.

2020 provided substantive opportunities to further our global signature program focused on proactive conservation efforts. We championed the first Central Grasslands Roadmap Summit to integrate North American species and habitat conservation efforts. We also provided funding support for the [JV8 Central Grasslands Initiative](#). Through this effort, eight of the [Migratory Bird Joint Ventures](#) joined forces to complete a North American Great Plains Grassland Assessment to map the extent of undisturbed native grasslands across the tri-national geography. [Read more](#) about our conservation efforts.

Our [Houston Signature Program](#) continued building on the success of its math teacher development and student enrichment efforts in 2020 by adapting the Rice Applied Math Program (AMP!) and Have a Ball with MATH program curriculum to reach teachers and students in a new virtual classroom setting. United Way Math in a Flash television segments were aired on Houston Public Media/PBS Kids, receiving more than 6.2 million impressions through the year. We also launched a new set of programs that build on our STEM education programs and address racial equality and the barriers that exist for students that prevent them from pursuing STEM careers. We identified partners with local expertise to help build the pipeline from K-12 education to well-paying jobs, particularly targeted to underrepresented students from lower income backgrounds. These programs help students successfully navigate their way from high school to college or vocational training to full-time employment. Examples of these programs include mentoring, college preparation, scholarships and help with securing well-paying internships and full-time jobs.

## 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 includes 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.

2020 efforts included support of the Nuiqsut Community Development Foundation in Alaska and holding our company's first-ever virtual United Way campaign, raising \$5.6 million to help eight local communities. Our ongoing support of the **Calgary Immigrant Women's Association** work experience training program funds programs and services that use a holistic approach to support clients in the areas of settlement and integration, literacy and language training, employment support and bridging programs, family violence, parenting, individual counseling, in-home support, civic engagement, health, housing and community development.

## Lending a Helping Hand During the Pandemic

In response to the global COVID-19 crisis, we partnered with established relief organizations and outreach groups to accelerate the delivery and distribution of much-needed supplies. We also donated funds and supplies, with business units identifying organizations to support at the local level. In the early stages of the outbreak, ConocoPhillips donated \$300,000 in cash and supplies to support medical personnel in Wuhan, China, the epicenter of the pandemic. Months later, ConocoPhillips Chinese American employees purchased a secure shipment from China and delivered 4,500 masks and 200 protective gowns to several Houston hospitals and first responders. The company also sent donations to relief agencies in other areas, including the U.S., Canada, Indonesia, Libya, Norway and the United Kingdom. This included:

- **Houston, Texas:** \$200,000 to The Greater Houston COVID-19 Recovery Fund, a fund to help residents facing economic hardships created by the pandemic.
- **New Mexico, North Dakota, Texas and Wyoming:** \$225,000 to relief agencies operating in the company's Lower 48 assets (Bakken, Eagle Ford, Lost Cabin Gas Plant, Permian Basin).
- **Bartlesville, Okla.:** \$25,000 to the Salvation Army and \$25,000 to the American Red Cross.
- **Alaska:** \$200,000 to the Alaska Can Do Fund, which supports nonprofits that serve Alaskans impacted by the pandemic; \$25,000 to Camp Fire Alaska benefitting local children of active duty and deployed military personnel; \$10,000 to the Children's Lunchbox, which provides meals to local youth.
- **Canada:** \$175,000 to relief agencies and food banks in Fort McMurray, Calgary and Fort St. John.
- **Indonesia:** \$10,000 for personal protective equipment, including masks and gloves, to support hospitals and medical clinics. This included 2,100 sets of hygiene kits (soap, hand sanitizer, cotton mask, and health protocol posters), 15 thermometers, 3,000 surgical masks and 2,400 latex gloves.
- **Libya:** \$50,000 to purchase medical supplies and ventilators.
- **Norway:** Dozens of lunches delivered to the staff at Stavanger University Hospital.
- **Middlesbrough, U.K.:** Gloves, visors and protective masks donated to the staff at James Cook University Hospital.
- **Permian Basin:** \$10,000 each to the West Texas Food Bank and the United Way of Carlsbad/Eddy County and \$5,000 to the Carlsbad Foundation.

[Read more](#) about our COVID-19 efforts.

## Employee Giving Programs

Our employees 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 gift contributions and volunteer grants. In 2020, \$5 million in combined employee, retiree and company matching gift contributions was donated to more than 2,000 charities around the world. These donations supported a number of local needs ranging from local education programs to providing COVID-19 relief aid for hospitals, first responders and social services organizations.



# Valuing Human Rights

ConocoPhillips is committed to respecting human rights. 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 approach is consistent with the human rights philosophies expressed in the following global frameworks:

- [Universal Declaration of Human Rights \(UDHR\)](#)
- [United Nations Guiding Principles on Business and Human Rights](#)
- [International Labour Organization Declaration on Fundamental Principles and Rights at Work](#)

This includes the core labor standards related to nondiscrimination, freedom of association, right to collective bargaining, and avoiding the use of forced or child labor. We perform high-level human rights risk assessments on our global operations to identify countries for deeper evaluation of potential human rights issues. Key areas considered include:

- Security and human rights.
- Land rights and relocation.
- Land use.
- Indigenous Peoples issues and rights.
- Company and supplier labor standards.
- Access to water.
- Cultural heritage.
- Vulnerable groups.

Human rights issues are incorporated into capital project planning and HSE management systems including our HSE Due Diligence Standard. Our intent regarding human rights is also reflected in our [Code of Business Ethics and Conduct](#) and our [health, safety and environment policy](#) and [supplier expectations](#) set the standards of behavior and human rights commitments for our people, as well as contractors, suppliers and others who perform work for ConocoPhillips. [Read our](#) updated Human Rights Position.

Business units assess and manage human rights risks. If our operations identify potential human rights concerns, engagement plans and specific actions to manage and mitigate that risk are developed through engagement with the community or other stakeholders. Where appropriate, business units, assets or projects communicate and engage communities and their representatives on how to contact the company and how to address any concerns or grievances. In addition, all interested stakeholders may access the [ConocoPhillips Ethics Helpline](#) to report a potential violation of our Code of Business Ethics and Conduct, which is publicly available on our website.

## 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. [Read more](#) in a presentation from our Vice President of Sustainable Development to the Interfaith Center on Corporate Responsibility in March 2020.

When engaging with Indigenous Peoples who may impact or be impacted by our operations, we seek first to understand their social values, cultures 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 to address potential operational impacts on the community. 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. [Read more](#) about our work with local Indigenous communities.

## Human Rights Training and Awareness

ConocoPhillips developed a human rights training course which incorporates IPIECA's guidance on human rights training and includes a module on security and human rights. The training has been rolled out globally via a computer-based module to our stakeholder engagement practitioners and other operations staff and management as appropriate based on location. We continue regular training of security providers in priority countries for security and human rights issues.

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.

## Voluntary Principles on Security and Human Rights

We drive collective action to address security and human rights issues through engagement with government, NGO and other business stakeholders 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 the 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 relevant to 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 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.

# Condemning Racial Injustice, Championing Human Rights

As a company, we are committed to eliminating bias and injustice in all its forms. We strive to represent and reflect the global communities in which we live and work, including recognizing the dignity of all human beings and fostering an environment of inclusion that respects individual contributions and differences. ConocoPhillips Chairman and CEO Ryan Lance and other members of the Business Roundtable recently reinforced this value by publishing a [statement condemning racial inequity](#). ConocoPhillips is a participant in the [Voluntary Principles on Security & Human Rights](#) (VPSHR), which states that "force should be used only when strictly necessary and to an extent proportional to the threat; and the rights of individuals should not be violated while exercising the right to exercise freedom of association and peaceful assembly."

In our hometown of Houston, [Lance encouraged](#) and recognized the efforts of the Houston Police Department (HPD) and mayor to apply these and HPD's own [stated principles](#) in their approach to the demonstrations taking place in our city. We believe that police forces in every city should follow these principles and [Lance also encouraged](#) the International Association of Chiefs of Police to do the same.

# Safety, Health & Security

## 2020 Performance Highlights

- Reduced the number of serious events, process safety events, environmental spills and injuries compared to 2019.
- Strong focus on human performance and learning organization concepts.
- Utilizing Life Saving Rules and Process Safety Fundamentals to control work and mitigate serious events in the field.
- Crisis management teams employed globally and cross-functionally to safely run the business and protect personnel during the coronavirus pandemic.

## 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. [Read our Health, Safety and Environmental Policy](#).

## A Learning Organization

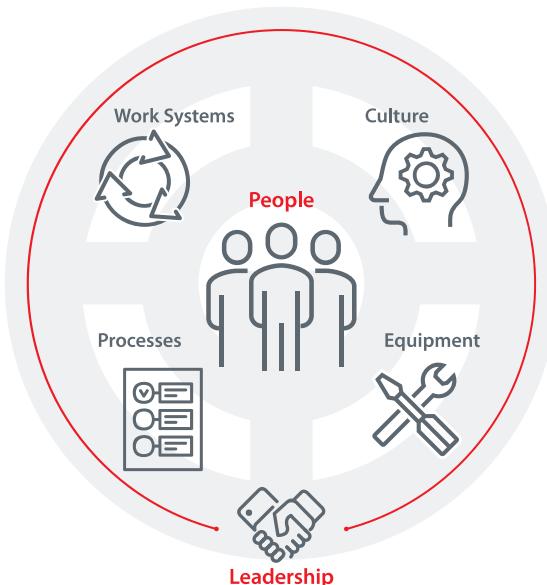
Our vision is to increase operational reliability and resiliency, and we believe that begins with learning. By being curious about how work is done, mindful of risks and committed to predicting errors, we can minimize or eliminate the likelihood of unexpected events.

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-like situations, and by applying safeguards to reduce the likelihood of error. [View more](#) about safety leadership in the Bakken.

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.

We have processes in place to encourage candid dialogue on the work being done and to share ideas that promote operational reliability and resilience. Learning teams are facilitated sessions in which the team and facilitator discuss successful work or an unplanned event to better understand the context of how the work was done. Our Opportunity to Learn process enables information to be shared quickly following an incident or near miss so learnings can be recognized and applied to other applicable locations to prevent repeat incidents.

This approach is reinforced through additional activities such as verification of personal and process safety safeguards, and meaningful leadership engagement with field operations.

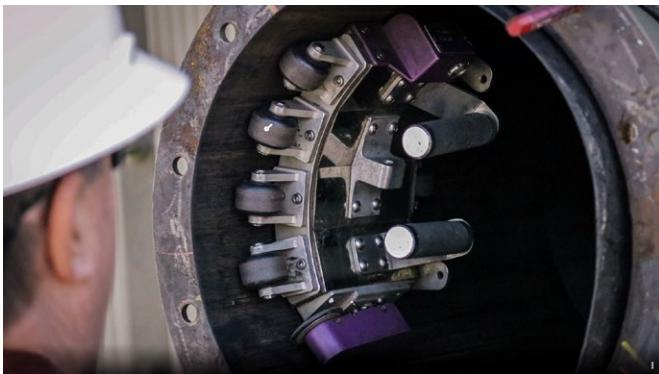


## Process Safety

Process safety is achieved by using special precautions, or barriers, to keep our facilities safe and our products safely contained, eliminating potential impact to people, property or the environment. An unplanned or uncontrolled release of any material is considered a process safety incident. We have consistent practices and processes for the prevention, control and mitigation of process safety incidents. Effective precautions, or barriers, can be active, passive or procedural, and can involve equipment and/or people. We utilize multiple barriers to achieve redundant safeguards depending on the severity of the potential hazard.

We seek to continually improve our process safety culture and performance across the entire company. A global network of process safety experts meets regularly to share knowledge and discuss best practices for continuous improvement. To strengthen our process safety performance:

- Engineers design safer systems with new knowledge and technologies.
- Trained operations staff performs routine maintenance to mitigate process hazards and ensure asset integrity.
- Process safety experts analyze events and share knowledge globally.



Enhancing process safety awareness and competency across our company is one of our key objectives. Our [Process Safety Fundamentals](#) are simple, actionable, good operating practices developed to improve process safety awareness. Over time, people naturally become desensitized to the risks they face, making errors more likely. Recognizing this, the Process Safety Fundamentals are intended to increase focus on critical tasks.

In our Norway business unit (BU), risk-based assessments and a robust asset integrity process contributed to an impressive safety year in 2020. For the fifth year in a row, there were zero significant or high-risk incidents and, for the sixth consecutive year, zero significant hydrocarbon spills occurred. Additionally, the BU's total recordable rate (TRR) of 0.09 is one of the best on record. With an emphasis on systematic operating integrity, the BU focused on key risk areas including process isolations, work on wells and lifting operations. A daily permit to work process was established for Life Saving Rules verification planning, selecting key risk activities and emphasizing the relevant rules. These efforts allowed the team to execute safe operations offshore and at the Teesside terminal, despite the pandemic.

## Personal Safety

Our [Life Saving Rules](#) are visual reminders with easy-to-follow minimum requirements to keep our workforce safe during high-risk operations. They are part of our safe work cycle that includes planning, execution, verification and correction. Our Life Saving Rules reinforce our strong culture of safety and contribute to our long-term decline in high-consequence events, process safety events, hydrocarbon spills and personal injuries.

ConocoPhillips employs extensive COVID-19 mitigation efforts which often exceed the local standards and requirements. However, we did experience instances of workplace transmission in 2020. Including lost workday cases related to COVID-19, our 2020 total recordable rate (TRR) was 0.21. Excluding COVID-19 cases, our TRR was 0.12, a new company best.

We compare our TRR to oil and gas peers and to other industries. Our 2020 workforce TRR of 0.12 excluding COVID-19, is industry leading.

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

## Total Recordable Incident Rates (TRR)

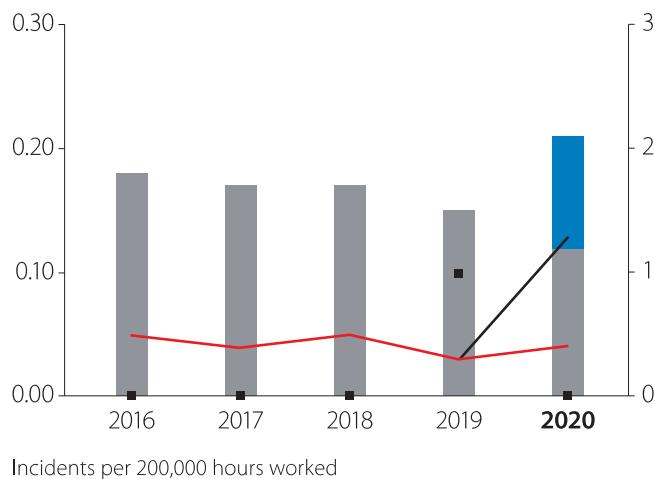
Combined TRR

Rates Including COVID-19

LCWR (Excluding COVID-19)

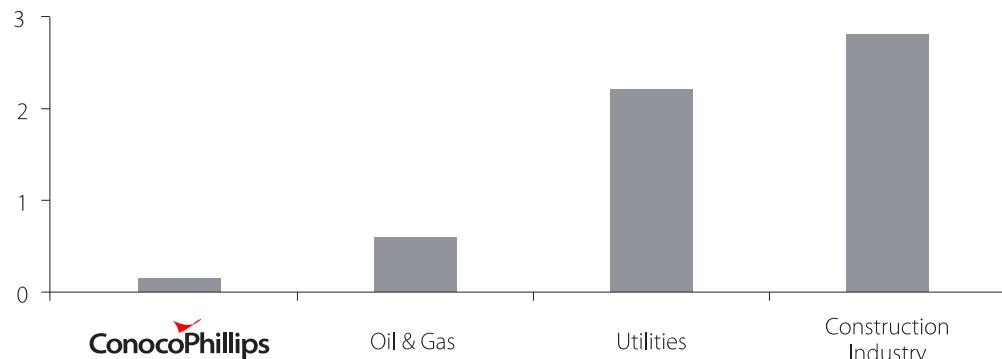
LCWR (Including COVID-19)

Fatalities



Incidents per 200,000 hours worked

## Sector Injury Rates



U.S. Bureau of Labor Statistics. Incidence rates and numbers of nonfatal occupational injuries by sector, released in 2020.

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.

## HSE Management System

Our corporate HSE Management System Standard helps ensure that business activities are consistently conducted in a safe, healthy, environmentally and socially responsible manner across the globe. Our corporate standard aligns with, and is based on, industry standards such as ISO 45001, OHSAS 18001, ISO 14001 and ISO 9001. In accordance with the corporate standard, each

business unit maintains an HSE Management System to assess and manage the local operational risks to the business, employees, contractors, stakeholders and the environment.

All our business units periodically review their HSE management systems against the corporate standard and are responsible for integrating HSE and 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 improve HSE performance. They are held accountable through an annual performance assessment.

Objectives, targets and deadlines are set and tracked annually to improve our HSE performance. Targets and progress are reported to our Executive Leadership Team and the Board of Directors.

Corporate HSE audits manage and maintain a process to provide an independent, objective and consistent assessment for global company-wide operations. Business units have auditing processes to provide an assessment of compliance with applicable HSE legal requirements and conformance with ConocoPhillips HSE policies, standards and practices.

Results of closure on corrective actions from audits and other risk improvement items are annually reported through a process designed to ensure items are communicated through all levels of company management and driven to appropriate resolution in a timely manner.

[Read more](#) about our Sustainable Development risk management process.

## Emergency Preparedness

The complex nature of our business means we must be prepared to respond to a range of possible disruptions such as major accidents, political instability or extreme weather. Preventing incidents through good project planning, design, implementation and leadership is our primary objective. However, if a spill or other unplanned event occurs, we have plans and processes in place to respond effectively. We also conduct thorough investigations of all significant incidents to understand the root cause, and we share lessons learned to prevent future incidents. We report on our [spill performance](#) annually.

## Preparedness Policies

Our corporate Crisis and Emergency Management Plan outlines the framework used to manage our response to significant incidents of all types. A Crisis Communications Functional Support Plan outlines how we will communicate with internal and external stakeholders, including emergency responders, regulatory agencies and community members, should an incident occur. Each business unit maintains emergency response plans specific to each asset's potential risks. Response plans are available to all employees, contractors and designated suppliers.

We have a comprehensive tiered response framework to efficiently mobilize the appropriate teams in an emergency. A Tier 1 response is fully managed at the business unit level. If the response exceeds the capabilities of an individual business unit, the Crisis Management Support Team and Global Incident Management Assist Team (GIMAT) would be activated as part of our Tier 2 and Tier 3 response frameworks. The Crisis Management Support Team provides functional, strategic and/or tactical support to the affected business unit during a significant incident or crisis. The GIMAT is comprised of subject matter experts from different BUs and functions who have undergone extensive emergency response training. In a Tier 3 response scenario, the Crisis Manager would provide direct access and updates to the Executive Leadership Team.



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

## Training

We develop effective emergency responders by conducting multiple emergency response training events and exercises each year for our global operations in compliance with company standards and local regulatory requirements, including the [U.S. Oil Pollution Act](#).

In 2020, we conducted virtual crisis-response training for our Montney asset area in British Columbia, Canada. The drill was designed to audit the response plan and optimize collaboration between local staff and virtual GIMAT participants in an exercise that included a hypothetical tank farm fire and explosion, resulting in a major highway closure and nearby community evacuation. Scenario training and drill exercises provide an opportunity to evaluate BU, regional and corporate incident management systems. Lessons learned and best practices from key exercises are shared within our internal emergency response community and with external response partners and vendors to further enhance our capabilities.

## 24/7 Monitoring

Our Crisis Management Notification Process is anchored by a hotline — staffed 24 hours per day, 7 days per week — that allows stakeholders to report emergencies. The number is publicly available and is included in product transport paperwork. If assistance is required, a ConocoPhillips representative will coordinate the activation and/or mobilization of corporate resources as necessary.

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# 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](#).

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# Security and Cybersecurity

The security and protection of our people, assets, information and reputation are cornerstones of our business. While risk can never be eliminated, we continuously strive to mitigate it by prudently anticipating, preventing and responding to internal and external security incidents.

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:

- U.S. Customs-Trade Partnership Against Terrorism standards
- Department of Transportation
  - Transportation Worker Identification Credential (TWIC)
  - Hazmat Transportation Security requirements
- Chemical Facility Anti-Terrorism Standards
- International Ship and Port Facility Security Code
- Maritime Transportation Security Act
- Maritime Transport and Facilities Security Regulations (Australia)
- Bureau of Land Management
- All other applicable governmental security requirements



We maintain a “Tier III” 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 [U.S. State Department Overseas Security Advisory Council \(OSAC\)](#), the [Domestic Security Alliance Council \(DSAC\)](#), [Voluntary Principles on Security and Human Rights \(VPSHR\)](#) and other national and international security organizations.

## Cybersecurity

Our business has become increasingly dependent on digital technologies, some of which are managed by third-party service providers on whom we rely to help us collect, host or process information. Among other activities, we rely on digital technology to estimate oil and gas reserves, process and record financial and operating data, analyze seismic and drilling information and communicate with employees and third parties. As a result, we face various cybersecurity threats including:

- Attempts to gain unauthorized access to, or control of, sensitive information about our operations and our employees.
- Attempts to render our data or systems (or those of third parties with whom we do business) corrupted or unusable.
- Threats to the security of our facilities and infrastructure as well as those of third parties with whom we do business.
- Attempted cyberterrorism.

The Information Technology Security, Strategy and Planning team is responsible for cybersecurity strategy and planning. The team reports to the Chief Information Officer who reports to the Senior Vice President, Strategy and Technology. Information security requirements for all employees, contractors and partners are detailed in the ConocoPhillips Information Security & Protection policy, which is approved by senior leaders. Our ongoing information security management strategy is to align the company's program with the [NIST Cybersecurity Framework](#).

While our management team is responsible for the day-to-day management of risk, the board of directors has broad oversight responsibility for our risk-management programs. In order to maintain effective board oversight across the entire enterprise, the board delegates certain elements of its oversight function to individual committees. The [Audit and Finance Committee](#) (AFC) assists the board in fulfilling its oversight or enterprise risk management regarding the effectiveness of information systems and cybersecurity. In addition, the board delegates authority to the AFC to manage the risk oversight efforts of the various committees. As part of this authority, the AFC regularly discusses ConocoPhillips' enterprise risk-management policies and facilitates appropriate coordination among committees to ensure that our risk-management programs are functioning properly.

To minimize the likelihood of cyberattacks, employees and contractors are required to complete information security training annually, and we frequently communicate with our workforce about best practices to avoid cyberthreats. We revised internal security awareness training in 2020 to reflect current security challenges and the company's security objectives. Each employee was required to complete the annual training.

Although we have experienced occasional breaches of our cybersecurity, we continue to modify or enhance our protective measures and investigate and remediate any vulnerabilities detected. During 2020, none of these breaches had a material effect on our business, operations or reputation and do not meet the criteria to be deemed a reportable incident per SEC reporting requirements. For example, ConocoPhillips is one of many customers of SolarWinds, a major U.S. information technology firm. In December 2020, SolarWinds was subject to a cyberattack that spread to its clients, including ConocoPhillips. Upon learning of the cyberattack, both from U.S. Cybersecurity & Infrastructure Security Agency advisories and SolarWinds' vulnerability notification, ConocoPhillips promptly initiated actions. Our coordinated response activities included a comprehensive review and analysis which did not identify any compromising activity and we continue to review emergent data against our environment.

# Performance by Year

METRIC	Operated Total <sup>1</sup>				
	2020	2019	2018	2017	2016
<b>ENVIRONMENT</b>					
<b>Energy Use (trillion BTUs)</b>					
Combustion Energy	181	221	231	227	237
Imported Electricity	4	4	5	5	6
<b>Total Energy</b>	<b>185</b>	<b>225</b>	<b>236</b>	<b>232</b>	<b>243</b>
Energy Intensity (trillion BTUs/MMBOE)	0.39	0.40	0.40	0.39	0.37
<b>Greenhouse Gases (thousand tonnes)</b>					
CO <sub>2</sub> from Operations	13,800	17,700	18,000	17,700	19,900
CO <sub>2</sub> from Imported Electricity (Scope 2)	700	1,000	1,100	1,200	1,500
Methane (CO <sub>2</sub> equivalent)	1,600	1,700	1,600	1,900	5,300
Nitrous Oxide (CO <sub>2</sub> equivalent)	100	100	100	100	100
<b>Total Greenhouse Gases</b>	<b>16,200</b>	<b>20,500</b>	<b>20,800</b>	<b>20,900</b>	<b>26,800</b>
<b>Scope 1 Emissions (thousand tonnes CO<sub>2</sub>e)<sup>2</sup></b>					
Flaring	1,300	2,300	n/a	n/a	n/a
Combustion	12,300	15,200	n/a	n/a	n/a
Process Venting	1,500	1,500	n/a	n/a	n/a
Fugitive Venting	200	200	n/a	n/a	n/a
Other <sup>3</sup>	200	300	n/a	n/a	n/a
<b>Total Scope 1 Emissions</b>	<b>15,500</b>	<b>19,500</b>	<b>19,700</b>	<b>19,700</b>	<b>25,300</b>
Percent of Scope 1 Emissions Covered by Regulation	40%	40%	41%	41%	33%
<b>GHG Intensity</b>					
Total Greenhouse Gas Intensity (kg CO <sub>2</sub> e/BOE)	34.3	36.5	34.9	35.1	41.0
Target-related GHG Intensity (kg/CO <sub>2</sub> e/BOE) <sup>4</sup>	33.8	35.9	34.4	34.6	39.1
CO <sub>2</sub> e Per Dollars of Revenue (tonnes/\$M) <sup>5</sup>	0.86	0.63	0.57	0.72	1.13
Potential CO <sub>2</sub> e From Proved Reserves (million tonnes)	1,875	2,190	2,173	2,079	2,842
<b>Net Equity Emissions</b>					
Net Equity Greenhouse Gas Emissions (thousand tonnes) <sup>6</sup>	16,800	n/a	n/a	n/a	n/a
Net Equity GHG Intensity (kg CO <sub>2</sub> e/BOE) <sup>7</sup>	41.1	n/a	n/a	n/a	n/a
<b>Methane</b>					
Methane Intensity (kg CO <sub>2</sub> e/BOE)	3.4	3.0	2.7	3.2	8.1
Methane Emitted as Percent of Natural Gas Production	0.28%	0.24%	0.21%	0.23%	0.52%
Methane Emitted as Percent of Total Hydrocarbon Production	0.10%	0.08%	0.08%	0.09%	0.23%
Percent of Scope 1 Emissions From Methane	10%	9%	8%	10%	21%
<b>Flaring</b>					
Flaring Volume (million cubic feet, routine and non-routine)	14,500	24,600	21,200	17,500	23,100
<b>Other Air Emissions (tonnes)</b>					
Volatile Organic Compounds (VOC)	60,800	69,900	69,200	62,700	93,100
Nitrogen Oxides (NOx)	28,200	36,100	36,100	33,900	57,200
Sulfur Oxides (SOx)	2,700	4,700	4,900	4,200	7,400
Particulate Matter (PM)	1,100	1,400	1,300	1,200	1,300
<b>Water (million cubic meters)</b>					
Fresh Water Withdrawn	10.6	14.4	18.3	14.5	10.2
Fresh Water Consumed <sup>8</sup>	8.5	12.1	15.7	11.4	6.9
Fresh Water Withdrawn in Regions with High Baseline Water Stress <sup>9</sup>	5%	8%	7%	6%	11%
Fresh Water Consumed in Regions with High Baseline Water Stress <sup>10</sup>	2%	8%	6%	n/a	n/a
Non-Fresh Water Withdrawn <sup>11</sup>	48.7	51.3	49.2	47.1	42.8

Total Produced Water Recycled or Reused <sup>12</sup>	63.8	82.3	78.9	81.1	73.5
Percent of Produced Water Recycled or Reused	67%	66%	67%	69%	61%
Percent of Produced Water Injected or Disposed	16%	22%	17%	16%	13%
Percent of Produced Water Discharged Offshore	17%	12%	15%	15%	26%
Hydrocarbons in Overboard Discharges (tonnes)	124	145	185	217	265
<b>Water Intensity (barrels per BOE)</b>					
Unconventional Fresh Water Consumption <sup>13</sup>	0.23	0.22	0.28	0.28	0.20
Conventional Fresh Water Consumption <sup>14</sup>	0.05	0.05	0.04	0.06	0.04
<b>Biodiversity</b>					
Percent of Operated Area Overlapping With IUCN Protected Areas <sup>15</sup>	0.24%	0.25%	n/a	n/a	n/a
Number of IUCN Protected Areas Near Operated Assets <sup>15</sup>	7	7	n/a	n/a	n/a
Habitat Areas Protected or Restored by ConocoPhillips <sup>16</sup>	275,000	316,000	n/a	n/a	n/a
Habitat Areas Protected or Restored by Supported Partnerships <sup>16</sup>	12,000,000	5,900,000	n/a	n/a	n/a
Number of Operated Assets with IUCN Red List Species <sup>17</sup>	13	15	n/a	n/a	n/a
<b>Liquid Hydrocarbon Spills</b>					
Spills > 100 Barrels	1	2	5	2	3
Volume of Spills > 100 Barrels (barrels)	100	1,100	900	600	2,600
Spills > 1 Barrel	83	89	94	76	77
Volume of Spills > 1 Barrel (barrels)	600	1,800	1,500	1,500	3,400
Volume Recovered from Spills > 1 Barrel (barrels)	400	1,200	800	400	400
Arctic Spills > 1 Barrel	1	1	3	2	2
Volume of Arctic Spills > 1 Barrel (barrels) <sup>18</sup>	2	2	5	5	21
Volume Recovered From Arctic Spills > 1 Barrel (barrels)	2	2	5	5	21
<b>Process Safety (rate per 200,000 hours worked by operations)</b>					
Tier 1 Process Safety Event Rate <sup>19</sup>	0.03	0.03	0.04	0.02	0.04
<b>Wastes (tonnes)</b>					
Hazardous Wastes	28,200	21,900	18,800	15,000	20,700
Non-Hazardous Wastes	159,400	279,000	224,600	199,900	259,000
Recycled Wastes	107,500	130,400	120,200	103,500	148,300
<b>Total Waste Generated</b>	<b>295,100</b>	<b>431,300</b>	<b>363,600</b>	<b>318,400</b>	<b>428,000</b>
Waste Disposed	187,600	300,900	243,400	214,900	279,700

## SOCIAL

<b>Economic Contribution</b>					
Payments to Vendors and Suppliers (\$ billion) <sup>20</sup>	7.3	9.4	8.4	7.4	9.3
Shareholder Dividends (\$ billion)	1.8	1.5	1.4	1.3	1.3
Capital Investments (\$ billion)	4.7	6.6	6.8	4.6	4.9
Charitable Investments (\$ million)	31.3	43.9	33.7	36.7	34.8
<b>Safety (rate per 200,000 hours worked)<sup>21</sup></b>					
Workforce Fatalities	0	1	0	0	0
Workforce Total Recordable Rate	0.12	0.15	0.17	0.17	0.18
Workforce Total Recordable Rate (including COVID-19)	0.21	n/a	n/a	n/a	n/a
Workforce Lost Workday Rate	0.04	0.03	0.05	0.04	0.05
Workforce Lost Workday Rate (including COVID-19)	0.13	n/a	n/a	n/a	n/a
Employee Total Recordable Rate	0.09	0.05	0.06	0.07	0.09
Employee Total Recordable Rate (including COVID-19)	0.20	n/a	n/a	n/a	n/a
Employee Lost Workday Rate	0.02	0.03	0.03	0.02	0.04
Employee Lost Workday Rate (including COVID-19)	0.13	n/a	n/a	n/a	n/a
Contractor Total Recordable Rate	0.13	0.18	0.20	0.22	0.23
Contractor Total Recordable Rate (including COVID-19)	0.21	n/a	n/a	n/a	n/a
Contractor Lost Workday Rate	0.04	0.03	0.06	0.06	0.06
Contractor Lost Workday Rate (including COVID-19)	0.12	n/a	n/a	n/a	n/a

## Global Workforce<sup>22</sup>

Employees at Year-End <sup>23</sup>	9,700	10,400	10,800	11,400	13,300
Employees - Women	27%	26%	26%	26%	27%
All Leadership - Women	23%	24%	22%	21%	21%
Top Leadership - Women	19%	20%	19%	17%	17%
Junior Leadership - Women	24%	25%	23%	22%	21%
Professional - Women	29%	28%	28%	27%	28%
Petrotechnical - Women	20%	20%	20%	19%	20%
Non-U.S. Employees	41%	45%	49%	48%	49%
Non-U.S. Top Leadership	25%	31%	34%	30%	33%
Non-U.S. Junior Leadership	49%	50%	57%	53%	55%
All Non-U.S. Leadership	44%	47%	52%	49%	51%
Avg. Years of Service	11.9	11.4	11.3	11.1	10.3
Avg. Years of Experience	17.9	17.5	16.8	16.5	15.8
Employees by age group					
Under 30	8%	8%	9%	10%	11%
30 - 50	60%	60%	60%	59%	59%
50+	33%	33%	31%	31%	30%

## Additional Workforce Statistics (U.S.)<sup>24</sup>

Employees - POC <sup>25</sup>	25%	24%	24%	23%	23%
All Leadership - POC	19%	19%	18%	17%	16%
Top Leadership - POC	13%	13%	11%	10%	10%
Junior Leadership - POC	22%	21%	20%	19%	18%
Professional - POC	24%	24%	23%	23%	22%
Employees covered by a collective bargaining agreement	4%	4%	5%	4%	4%
Veterans	6%	6%	n/a	n/a	n/a
Employees with disabilities	5%	n/a	n/a	n/a	n/a
Employees by race/ethnicity and gender					
White Women	21.2%	20.9%	21.4%	21.4%	21.6%
White Men	54.0%	54.6%	54.9%	55.1%	55.4%
Hispanic Women	2.6%	2.5%	2.6%	2.7%	2.6%
Hispanic Men	7.8%	7.9%	7.3%	7.0%	7.2%
Asian Women	2.0%	2.0%	1.9%	2.0%	1.8%
Asian Men	4.7%	4.7%	4.6%	4.5%	4.2%
Black/African American Women	1.8%	1.8%	1.9%	1.9%	1.7%
Black/African American Men	2.3%	2.2%	2.2%	2.2%	2.0%
American Indian or Alaskan Women	0.9%	1.0%	1.0%	1.1%	1.2%
American Indian or Alaskan Men	1.6%	1.6%	1.7%	1.6%	1.8%
Pacific Islander Women	0.1%	0.1%	0.1%	0.1%	0.1%
Pacific Islander Men	0.2%	0.1%	0.1%	0.1%	0.1%
Two+ races Women	0.3%	0.2%	0.1%	0.1%	0.1%
Two+ races Men	0.5%	0.3%	0.2%	0.2%	0.2%

## Hiring (Global unless identified as U.S.)

University hires	25%	12%	11%	18%	21%
Diversity hiring - Women	29%	24%	25%	28%	28%
U.S. Hiring					
Diversity hiring - U.S. POC	28%	29%	26%	29%	26%
External hire acceptance rate					
University hire acceptance (U.S.)	85%	84%	78%	87%	76%
Interns acceptance (U.S.)	74%	68%	87%	87%	85%
Conversions from Interns to Hires	91%	73%	75%	47%	27%
Interns - U.S. Minorities	36%	32%	33%	27%	20%

## Turnover rate

Total turnover rate	5.3%	11.2%	8.3%	17.4%	13.8%
Voluntary turnover	3.0%	4.1%	4.2%	4.1%	3.5%
Voluntary turnover - Women	2.8%	3.8%	4.3%	4.0%	3.8%
Voluntary turnover - U.S. POC	2.9%	3.4%	5.1%	4.1%	4.0%
Voluntary turnover less than 5 years of tenure	2.5%	4.3%	4.8%	5.2%	4.2%

## Training, Development & Promotions

Training of Petrotechnical employees (Hours of training/empl.)	27.1	28.5	22.9	20.3	17.8
D&I Training courses completed by employees	1,872	n/a	n/a	n/a	n/a
D&I Psychological Safety Training completed by supervisors	48%	n/a	n/a	n/a	n/a
Promoted - Women	32%	31%	33%	31%	33%
Promoted - U.S. POC	24%	27%	25%	28%	29%
Promoted to Top Leadership - Women	22%	9%	23%	18%	32%
Promoted to Top Leadership - U.S. POC	6%	24%	7%	12%	26%

## GOVERNANCE

### Board<sup>26</sup>

Independent Members	92%	91%	91%	90%	91%
Women	31%	36%	36%	40%	5%

## EXPLORATION AND PRODUCTION

### Average Daily Net Production<sup>27</sup>

Crude Oil (MBD)	568	705	653	599	598
NGL (MBD)	105	115	102	111	145
Bitumen (MBD)	55	60	66	122	183
Natural Gas (MMCFD)	2,394	2,805	2,774	3,270	3,857
Total (MBOED)	1,127	1,348	1,283	1,377	1,569

### Total Operated Production (MMBOE)<sup>28</sup>

Total Operated Production (MMBOE) <sup>28</sup>	471	561	597	595	653
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## NOTES

1 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 aligned with regulatory reporting requirements. To provide the most current and accurate data available, we have updated previously reported data for prior years as needed.

2 Includes CO<sub>2</sub> from operations, methane (CO<sub>2</sub> equivalent), Nitrous Oxide (CO<sub>2</sub> equivalent).

3 Includes marine and aviation support operations.

4 GHG intensity target excludes emissions from exploration and transportation services (i.e. Polar Tankers and Global Aviation), which are not directly related to oil or gas production. This may give rise to small differences between the intensity we report for our GHG target purposes and our total greenhouse gas intensity.

5 Scope 1 and scope 2 emissions divided by sales and other operating revenues.

6 ConocoPhillips equity share of emissions from operated and non-operated assets based on the company's financial interest.

7 Using net production values reported in ConocoPhillips 2020 Annual Report, which represent the company's equity share of total production.

8 Calculated as total fresh water withdrawn minus total fresh water discharged in 2020.

9 Based on World Resources Institute Aqueduct Risk Atlas water stress mapping layer as of December 31, 2020 and calculated as the percentage of total fresh water withdrawn.

10 Based on World Resources Institute Aqueduct Risk Atlas water stress mapping layer as of December 31, 2020 and calculated as the percentage of total fresh water consumed.

11 Includes water withdrawn from saline/brackish groundwater aquifers and seawater.

12 Includes produced water recycled for production (e.g. steam generation) or completions (e.g. hydraulic fracturing) and produced water reused for enhanced oil recovery.

13 Calculated using Enverus data for the average volume of fresh water (bbl) divided by the average estimated ultimate recovery (EUR, BOE) as of March 31, 2021. Intensity value may change as EUR data are updated.

14 Calculated using the average volume of fresh water (bbl) divided by the average annual production (BOE).

15 Operated lease area overlapping with IUCN I-VI protected areas based on World Database on Protected Areas accessed on December 31, 2020.

16 Cumulative acreage includes impact avoidance, grassland and wetland restoration, habitat conservation, biodiversity offsets and voluntary conservation areas.

17 Operated assets with species observed or known to occur based on IUCN Red List of Threatened Species mapping tool accessed on December 31, 2020.

18 All but one of the Arctic releases over five years were to gravel pads.

19 Rate of process safety events of greater consequence as defined by API 752 and IOGP 456 Standards.

20 Payments to vendors and suppliers is an estimate based on Production and Operating Expenses and Capital Program.

21 Rates are shown including and excluding COVID-19 work related illnesses experienced in 2020, as defined by OSHA.

22 Data may not equal 100% due to rounding.

23 Employee headcount based on active employees as of December 31, 2020.

24 U.S. workforce demographics accounts only for self-reported data.

25 POC: People of Color (includes ethnic/racial groups defined per the U.S. Census).

26 As of December 31, 2020.

27 Production data is average daily net production from continuing operations.

28 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.

29 In the 20 lowest ranked countries per Transparency International's Corruption Perception Index.

#### 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</sup>					
	U.S.A.	Canada	Norway	Australia	All Others <sup>2</sup>	2020
<b>ENVIRONMENT</b>						
<b>Energy Use (trillion BTUs)</b>						
Combustion Energy	58	52	20	36	15	181
Imported Electricity	2	2	0	0	0	4
<b>Total Energy</b>	<b>60</b>	<b>54</b>	<b>20</b>	<b>36</b>	<b>15</b>	<b>185</b>
<b>Greenhouse Gases (thousand tonnes)</b>						
CO <sub>2</sub> from Operations	4,600	2,800	1,200	2,000	3,200	13,800
CO <sub>2</sub> from Imported Electricity	400	300	0	0	0	700
Methane (CO <sub>2</sub> equivalent)	1,500	100	0	0	0	1,600
Nitrous Oxide (CO <sub>2</sub> equivalent)	0	100	0	0	0	100
<b>Total Greenhouse Gases</b>	<b>6,500</b>	<b>3,300</b>	<b>1,200</b>	<b>2,000</b>	<b>3,200</b>	<b>16,200</b>
<b>Total Greenhouse Gas Intensity (kg CO<sub>2</sub>e/BOE)</b>	<b>29.3</b>	<b>63.3</b>	<b>21.6</b>	<b>25.8</b>	<b>50.2</b>	<b>34.3</b>
<b>Flaring Volume (million cubic feet, routine and non-routine)</b>	<b>11,700</b>	<b>400</b>	<b>700</b>	<b>400</b>	<b>1,300</b>	<b>14,500</b>
<b>Other Air Emissions (tonnes)</b>						
Volatile Organic Compounds (VOC)	56,400	500	3,400	100	400	60,800
Nitrogen Oxides (NOx)	20,300	2,500	2,400	1,000	2,000	28,200
Sulfur Oxides (SOx)	1,400	800	100	100	300	2,700
Particulate Matter (PM)	900	100	100	0	0	1,100
<b>Water (million cubic meters)</b>						
Fresh Water Withdrawn	5.7	3.0	1.6	0	0.3	10.6
Non-Fresh Water Withdrawn <sup>3</sup>	17.3	1.0	30.4	0	0	48.7
Produced Water Recycle/Reuse <sup>4</sup>	44.4	19.4	0	0	0	63.8
Hydrocarbons in Overboard Discharges (Tonnes)	0	0	124	0	0	124
<b>Liquid Hydrocarbon Spills</b>						
Spills > 100 Barrels	1	0	0	0	0	1
Volume from Spills > 100 Barrels (barrels)	100	0	0	0	0	100
Spills > 1 Barrel	79	2	2	0	0	83
Volume of Spills > 1 Barrel (barrels)	600	0	0	0	0	600
Volume Recovered from Spills > 1 Barrel (barrels)	400	0	0	0	0	400
<b>Waste (tonnes)</b>						
Hazardous Waste	0	14,800	13,200	0	200	28,200
Non-Hazardous Waste	94,400	63,600	1,100	100	200	159,400
Recycled Waste	98,800	100	8,300	300	0	107,500
<b>Total Waste Generated</b>	<b>193,200</b>	<b>78,500</b>	<b>22,600</b>	<b>400</b>	<b>400</b>	<b>295,100</b>
Waste Disposed	94,400	78,400	14,300	100	400	187,600
<b>GLOBAL WORKFORCE <sup>5</sup></b>						
Employees at Year-End	5,720	780	2,150	290	760	9,700
Employees - Women	29%	26%	21%	18%	30%	27%
All Leadership - Women	26%	18%	20%	11%	27%	23%
Top Leadership - Women	23%	6%	11%	0%	0%	19%
Junior Leadership - Women	27%	19%	22%	12%	28%	24%
Professional - Women	30%	31%	27%	16%	29%	29%
Petrotechnical -Women	20%	21%	23%	19%	17%	20%
Avg. Years of Service	11.5	9.2	14.3	6.9	12.9	11.9
Avg. Years of Experience	16.7	18.8	20.5	18.4	18.5	17.9
Employees by age group						
Under 30	9%	3%	8%	4%	1%	8%
30 - 50	57%	75%	51%	72%	79%	60%
50+	34%	22%	41%	24%	19%	33%

## PRODUCTION

Total Operated Production (MMBOE) <sup>6</sup>	219	51	59	77	65	471
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## NOTES

1 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 aligned with regulatory reporting requirements. To provide the most current and accurate data available, we have updated previously reported data for prior years as needed.

2 All Others includes Indonesia and Malaysia.

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 Workforce for All Others include China, Indonesia, Malaysia and other small operations.

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.

## 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.

# 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 to ensure we meet all applicable government reporting requirements as well as internal requirements. The 2020 verification and assurance process consisted of independent third-party limited assurance of scope 1, scope 2 and scope 3 GHG emissions as well as methane emissions, GHG intensity, methane intensity, flaring volumes and energy use. See our [most recent ERM CVS Assurance Statement](#).

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 performance metrics. 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 along with corporate review and approval is practiced annually to promote accountability for the results and to ensure the best possible data quality.
- **Independent 3rd Party Assurance.** We conduct reasonable and limited assurance in countries having a regulatory requirement to verify reported emissions, including Australia, Canada and Norway.

Our internal quality assurance process begins at the business unit and continues at the corporate 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 internal data verification — 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.

To honor our commitment to continuously improve the quality of our environmental metrics data, we work with business units to review our reporting processes and facilitate consistent and accurate reporting. In 2020, corporate Environmental Assurance published a new corporate environmental metrics practice with increased governance and assurance over the process. The corporate environmental assurance group continues to conduct internal detailed review of emissions inputs and accounting practices for business unit operations.

# Ratings and Recognition

We have been honored for our sustainable development performance and success.

## Awards and Recognition

### **Newsweek Green Rankings 2020**

United States

### **Ducks Unlimited Diamond Life Sponsor Award for Recognition of Outstanding Contributions to Waterfowl Conservation**

United States

### **Human Rights Campaign's 2020 Corporate Equality Index score of 100, making us a "Best Place to Work for LGBT Equality"**

United States

### **Forbes' America's Best Employer for Diversity in 2020**

United States

### **Fortune's World's Most Admired Companies in 2020**

Global

### **Institutional Investor Research**

Named a top company for ESG disclosure

### **2020 Padmamitra Award in Poverty Eradication**

Indonesia

### **Indonesia's Ministry of Energy and Mineral Resources, Recognition for Energy Management**

Indonesia

## Ratings and Questionnaires

### **Dow Jones Sustainability Index**

88th percentile, North America Index List, inclusion in the Sustainability Yearbook and top U.S. performer in the Oil & Gas Upstream & Integrated sector

### **CDP Climate**

B score, above average

### **Sustainalytics**

Top 6th percentile, Oil and Gas Producers

### **ISS E&S Quality Score**

1 = Lowest Risk, both Environmental and Social

### **Corporate Human Rights Benchmark**

38%; industry average is 29.4%

### **MSCI ESG**

A rating

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 Intervention Services (formerly 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](#).

