

The background of the cover is a vibrant green field with a subtle grid pattern. In the upper left, there's a blue triangular section containing icons for a database cylinder, a gear with a plant inside, and an oil pumpjack. The central part of the cover features a large, stylized globe with green leaves and vines wrapped around it. Above the globe, there are icons for a sun, clouds with raindrops, and a small plant growing from a hand. The text 'LEADERS IN CREATING A SUSTAINABLE FUTURE' is written in white, bold, sans-serif capital letters across the middle. To the right, the year '2018' is displayed in large, bold, sans-serif font, with '20' in white and '18' in green. Below the year, the word 'SUSTAINABILITY' is written in very large, bold, white, sans-serif capital letters, running vertically down the right side. At the bottom left, the company logo 'ARC RESOURCES LTD' is shown in white on a dark blue background. The overall design uses a color palette of green, blue, and white, with black outlines for the icons and text. The illustration conveys themes of environmental stewardship, sustainable growth, and corporate responsibility.

2018 LEADERS IN CREATING A SUSTAINABLE FUTURE SUSTAINABILITY REPORT

ARC RESOURCES LTD



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“ At ARC, we believe in doing what is right, not just what is required. **Doing the right thing means**

running our business with honesty and integrity, undertaking leading environmental practices, committing to corporate leadership through community engagement and investment, and transparency and accountability to our stakeholders.

We believe sustainability efforts should focus on the areas that matter most to our stakeholders and have a material impact on the success of our business.”



MESSAGE FROM OUR CEO AND CHAIRMAN

“ The vision at ARC Resources is to demonstrate leadership in our approach to managing sustainability through thoughtful governance, communication of the importance of sustainability, and achieving technical excellence. ”



Myron M. Stadnyk

MYRON M. STADNYK
President and Chief Executive Officer

Harold N. Kvisle

HAROLD N. KVISLE
Chairman

We are pleased to present ARC's 2018 Sustainability Report, a summary of the exceptional work of our team. The vision at ARC Resources is to demonstrate leadership in our approach to managing sustainability through thoughtful governance, communication of the importance of sustainability, and achieving technical excellence. At ARC, we believe in organizational learning, industry leadership, and that positive outcomes in sustainability performance are valuable investments.

The key elements of sustainability highlighted in this report include discussion of our people and culture, our performance in relation to safety and the environment, and the importance of communication with our stakeholders to create positive outcomes. This year we are also reminding readers of our history at ARC in the area of sustainability and environmental, social and governance ("ESG") performance. ARC was first publicly acknowledged for its sustainability practices in 2000 by being awarded the "Leadership Award" for Canadian Upstream Oil and Gas by the Voluntary Climate Registry ("VCR"). In 2018, we have differentiated ourselves as a leader in producing some of the lowest greenhouse gas ("GHG") emissions per unit of production within our industry. We have set targets for continued excellence in this area, aiming for an additional 25 per cent reduction in our greenhouse gas intensity by the end of 2021, relative to our 2017 baseline.

ARC's engagement with government and regulatory bodies, Indigenous groups and other key stakeholders including shareholders, landowners, communities, contractors, suppliers and employees is key to our business. The best decision making incorporates considerations for multiple stakeholders and we respect the contributions of these parties. Our goal is to create positive, lasting impacts in the communities and areas in which we invest.

Our people are critically important to the long-term viability of the company and the execution of our strategies. Our strong safety culture is reinforced with behaviours, daily commitment, systems and processes. Our employees have achieved 1,448 days at the end of 2017 without a lost-time incident and our contractor statistics continue to improve. We foster a culture of diversity and encourage employees to bring their unique perspectives and experiences, and support our employees with ongoing professional development. In Calgary, 43 per cent of our staff are women and 45 per cent of the supervisory and professional positions are held by women; this is an example of diversity in action. In the creation of our culture of excellence around sustainability we also take the time to measure our performance. We pride ourselves on measuring the strength of our workplace engagement and affirming that our organizational culture is strong. Some examples that we are pleased to report are that over 95 per cent of our staff acknowledged that safety is the number one priority at ARC and 98 per cent of staff indicated that they believe ARC is a responsible member of the community. In summary, our Strength of the Workplace survey indicated that at ARC, we see world-class engagement of our team in the connections with our stakeholders.

We would also like to highlight the innovation of our team in finding ways to integrate excellent environmental outcomes with business performance. For example, we are employing the use of electrical-driven equipment and waste heat recovery in our oil and gas processing facilities, dramatically reducing our overall emissions, and we are investing \$50 million in water infrastructure to increase our capacity to recycle and re-use water.

In summary, responsible development has shaped the company we are today and underpins our thinking for continued long-term success. We continue to deliver reliable and responsible energy to meet the world's growing energy needs. Our innovation, strong culture of integrity and commitment to working with stakeholders in the planning of our business strategies will continue to shape positive outcomes in the future.

Sincerely,



MYRON M. STADNYK
President and Chief Executive Officer



HAROLD N. KVISLE
Chairman

ABOUT ARC

ARC Resources Ltd. ("ARC") is a Canadian oil and gas producer committed to delivering strong operational and financial performance, upholding our strategy of risk-managed value creation, operational excellence and responsible development.



Founded in 1996, ARC's operations are focused in the Montney region of Alberta and northeast British Columbia ("BC"), and in the Pembina Cardium region in Alberta. ARC has field offices located in Alberta and BC and its corporate office is located in Calgary, Alberta, Canada.



ARC pays a monthly dividend to shareholders and its common shares trade on the Toronto Stock Exchange under the symbol **ARX**. As of December 31, 2017, ARC had an enterprise value of **\$5.9 billion** and approximately 353.5 million shares outstanding.



ARC RESOURCES



\$1.2 Billion
2017
Revenues



\$927 Million
2017
Capital Spending



519
Employees
& Contractors



4,200
Local
Suppliers

EXPLORATION & DRILLING



PRODUCTION



OWNED & OPERATED GAS PROCESSING



TRANSPORTATION



836 MMboe

Proved plus Probable
Reserves (Gross)

122

Wells Drilled in 2017
(Gross Operated)

122,937 boe/d

2017 Annual Average
Production



Commodity

Natural Gas 71%
Liquids 29%



Region

Montney 88%
Other 12%

13

Major Natural Gas
Processing Facilities

407 MMcf/day

Gas processed

6,687

Kilometers of
Pipeline Managed



Liquid volumes transported
by mode of transportation

Pipelines 77%
Trucked 23%

SIGNIFICANT OPERATIONAL CHANGES

In December 2016, ARC divested its Saskatchewan assets and operations. The sale included approximately 7,500 barrels of oil equivalent ("boe") of production and approximately 38 million boe of proved plus probable ("2P") reserves, for a total cash consideration of \$700 million.

In June 2017, our Dawson Phase III gas processing and liquids-handling facility was commissioned ahead of schedule. New production from this facility, which has 90 million cubic feet ("MMcf") per day of gas processing and sales capacity and 7,500 barrels per day of liquids-handling capacity, has more than offset the 8,800 boe per day of non-core production that ARC divested in 2016.

10 YEARS OF SUSTAINABILITY REPORTING

ARC has always believed in the importance of transparency and has been a leader in sustainability disclosure. We received the “Leadership Award” for Canadian Upstream Oil and Gas by the VCR dating back to 2000, and this year marks ARC’s tenth anniversary of formal sustainability reporting and our sixth biennial public report. ARC believes that being transparent with our ESG practices is a key tool for continuous improvement. ARC has reached several milestones and has been recognized within industry, and we are even more excited about the progress we strive to make in the coming years.

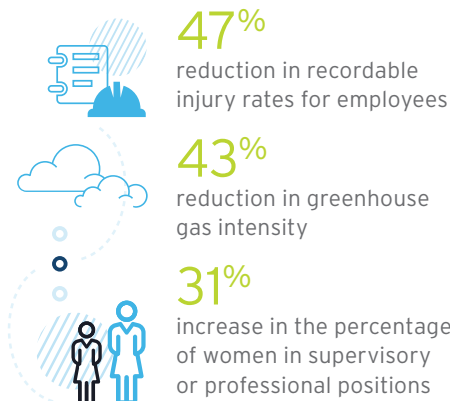
2017

- Integrated our safety, asset integrity and environmental management systems
- Developed Carbon and Emissions Management and Water Stewardship Strategies
- Recognized by IR Magazine with the following awards: Best Investor Relations (“IR”) in Energy Sector, Best IRO (mid-cap), Best IR by a CEO (mid-cap), Best Financial Reporting, Best Use of Technology and Grand Prix for a Mid-cap
- Commissioned Dawson Phase III gas processing and liquids-handling facility and replaced our Redwater facility, both with lower greenhouse gas emission profiles
- Recognized by Hermes Creative Awards as the Platinum winner for 2016 Sustainability Report
- Ranked as low risk by Institutional Shareholder Services on corporate governance practices and executive compensation

2016

- Awarded Best IR in Energy Sector, Best IRO (mid-cap), Best Financial Reporting, Best Use of Technology, and Grand Prix for a Mid-cap at IR Magazine Awards; Governance Gavel Awards for Best Disclosure of Corporate Governance and Executive Compensation; and ranked eight out of 247 by the Globe and Mail based upon the quality of our governance practices
- Continued inclusion in “MSCI Global Sustainability Index” and “Jantzi Social Index”

PERFORMANCE HIGHLIGHTS 2007 – 2017



2014

- Began participating in "FracFocus", a public, national hydraulic fracturing information registry
- Included in Corporate Knights' "Future 40 Most Responsible Corporate Leaders in Canada" list

2013

- Awarded the Canadian Association of Petroleum Producers' ("CAPP") Responsible Canadian Energy Chair's Award
- Ranked #1 on CDP (formerly Carbon Disclosure Project) "Canada 200 Carbon Performance Leadership Index"

2012

- Began participating in carbon offset market

2011

- Commissioned second phase of low-emissions gas processing facility at Dawson
- Introduced "Say on Pay" advisory vote



Other notable awards since inception

- Platinum level achieved for multiple years in the CAPP Stewardship Program
- Leadership Award for Canadian Upstream Oil and Gas by the VCR in 2000

2007

- Began reporting to the Carbon Disclosure Project
- Included in Jantzi Social Index

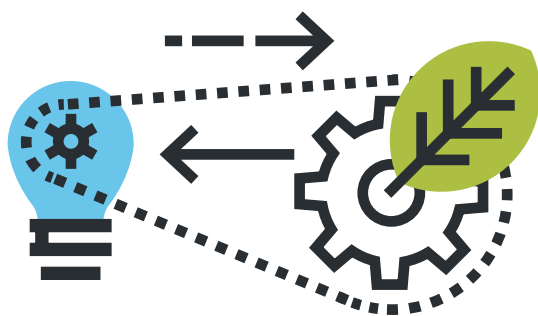
2008

- Published first Sustainability Report
- Built bio-remediation facility at Redwater
- Piloted carbon dioxide ("CO₂") injection and sequestration project

2009

- Launched EcoEfficiency Program, focused on funding energy efficiency projects and emerging technologies

ABOUT THIS REPORT



We publish a full-length sustainability report on a biennial basis and in interim years we provide an update of our performance for key sustainability metrics on our [website](#).

The terms “ARC”, “ARC Resources”, “our”, “we”, “us”, “the company”, “organization” and “the Corporation”, refer to ARC Resources Ltd. combined with its subsidiaries.

The report provides performance data for 2016 and 2017 and when available, presents data from the five preceding years to provide trending information and context.

ARC used the Global Reporting Initiative (“GRI”) Standards to guide the development of this report. The report contains some GRI standard disclosures, but does not fulfill all the requirements to be “in accordance” with the GRI Standards. The GRI index is included on page 49 and indicates where specific disclosures are addressed within the report.

Unless otherwise noted, this report covers performance for ARC, including data for joint arrangements for which ARC is the operator, regardless of financial ownership. The presentation of joint arrangements may be addressed differently in this report than as disclosed in ARC’s consolidated financial statements included within ARC’s 2017 Annual Report.

Data presented in this report covers the entire company. Any data limitations are explicitly noted within the performance figures.

We strive to continuously improve our tracking and measurement systems, and have adjusted indicator definitions and performance data to reflect current best practices. In most cases, ARC uses standard industry calculation methodologies and definitions; these may also be updated periodically to improve accuracy. If not industry standard, applied techniques are stated alongside the data.

Performance data relating to non-core assets disposed in 2016 and 2017 is included in the report.

Financial data is stated in Canadian dollars and environmental data is stated in metric units. For further details on ARC’s financial performance, please refer to ARC’s audited consolidated financial statements for the years ended December 31, 2017 and 2016, ARC’s Management’s Discussion and Analysis for the year ended December 31, 2017 as well as ARC’s Annual Information Form that is filed on SEDAR at www.sedar.com.

This report contains forward-looking information as to ARC’s internal projections, expectations or beliefs relating to future events or future performance. For more details, read our forward-looking statements on page 52.

ARC'S SUSTAINABILITY FRAMEWORK

At ARC, we believe in doing what is right, not just what is required.

Doing the right thing means running our business with honesty and integrity, undertaking leading environmental practices, committing to corporate leadership through community engagement and investment, and transparency and accountability to our stakeholders.

We believe sustainability efforts should focus on the areas that matter most to our stakeholders and have a material impact on the success of our business. ARC's sustainability framework below provides clarity on these material topics and our priorities within the organization.

To determine the most material topics, we consulted international guidance (GRI Standards), a framework currently under development (Sustainability Accounting Standards Board) and other relevant materials. We regularly engage with our stakeholders to ensure our disclosures are relevant and focused. Our material topics have been relatively consistent year after year.

At ARC, Sustainability means **doing the right thing for:**



Our People

Safety
Diversity
Employee Training
& Development



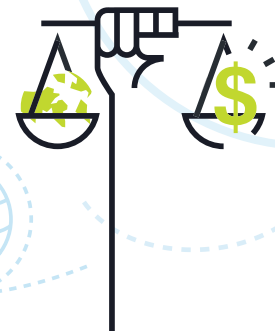
Environment

Climate Change & Emissions
Water Management
Spill and Asset Integrity
Land Management & Asset Liability



Communities

Landowner & Community Engagement
Indigenous Relations
Economic Contribution



Shareholders

Risk Management
Ethical Business Practices
Governance



"At ARC,
we believe in
accountability
and **measuring**
progress
towards our
commitments
to the
environment,
our people, and
the community."

The following table summarizes our efforts towards ARC's commitments in these areas over the course of the past two years.

Commitments from ARC's 2016 Corporate Sustainability Report ("CSR")	Status	Progress	Read More
People			
Integrate our management systems to better align health and safety, asset integrity, environment and regulatory compliance.	+	We completed the development and testing phase of ARC's Integrated Management System ("AIMS") that brings nine systems into a single platform. The new system reduces duplication of work, closes operational gaps and guides end-to-end operations.	P. 19
Continue to enhance internal communications about ARC's business and industry.	+	Results from our 2017 employee engagement survey show that employees saw improvements in corporate communications.	P. 16
Promote increased skills development among local talent in northeast BC.	+	Since 2014, we have supported 23 of our BC employees to pursue their Power Engineering and Gas Processing Certification. In addition to technical skill development, we have enhanced our focus on leadership and skills training for frontline supervisors.	P. 40
Environment			
Construction of our new Dawson Phase III facility with many low-emissions design considerations.	+	Our Dawson Phase III facility came on production in 2017. It includes emission-reducing design elements, such as a waste heat recovery unit that is estimated to save 1.3 MMcf per day of gas and avoids approximately 30,000 tonnes of CO ₂ emissions per year.	P. 28
Replacement of our Redwater natural gas processing plant with a more efficient plant with lower emissions.	+	We commissioned a new natural gas processing facility at Redwater in 2017, reducing the facility's greenhouse gas emissions by approximately 33 per cent.	P. 28
Increase our total water storage capacity to minimize water disposal.	+	In 2017, ARC invested \$7 million as part of a \$50 million plan to further develop our water infrastructure. We continued to participate in the Montney Water Group, which enables additional produced water sharing.	P. 31
Community			
Enhance stakeholder communications surrounding ARC's strategy and development plans.	●	We invested more resources towards proactively communicating with our stakeholders, including a dedicated stakeholder engagement liaison to address landowner concerns.	P. 39
Implement a new landowner communication tracking tool.	+	Implemented software to track landowner concerns and ensure appropriate follow up has been completed.	P. 39

+ Achieved / ● In progress / X No progress was made during the reporting period

OUR PEOPLE



“ Doing the right thing for our people means engaging, training, and developing our people so they can reach their full potential, creating a strong work environment that respects diversity, and maintaining a strong safety culture. **”**





Highlights

Integrating safety, environment, regulatory compliance and asset integrity systems into a single management system

Reached 1,448 days without a lost-time injury for employees

Workforce engagement score of 89 per cent in 2017

Partnered with the 30% Club, demonstrating our support for a diverse workplace



Looking Ahead

Rolling out our new integrated management system to all employees and sites

Developing a more comprehensive competency and learning management system

Expanding leadership and technical development opportunities

Enhancing communication around our industry and company performance

Evolving our analysis and investigation of safety incidents through looking at potential severity

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

To perform their best, employees must feel they are valued, challenged, respected and connected to the organization's commitment and purpose. ARC conducts an annual company-wide employee engagement survey, "Strength of the Workplace". In 2017, employee engagement was recorded at 89 per cent. To benchmark our efforts, we use the [Gallup Q12 questions](#). Gallup's data indicates that world-class organizations have an average engagement score of 70 per cent, confirming our conviction in our efforts to build a strong and engaged culture.



Percent of employees who agreed with the following statements

Based on our 2017 Strength of the Workplace Survey

98%

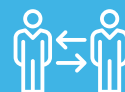
I believe ARC is a responsible member of the community

96%

I believe safety is a #1 priority at ARC

ARC believes that top talent is a differentiator for success, and is committed to the attraction, retention and development of talented and committed people in industry. In the past two years, ARC has explored unique ways to provide training opportunities to its employees:

- Created an on-site training room at our corporate office;
- Certified two employees to lead internal team-building workshops such as "Insights Discovery Workshops";
- Hosted a "lunch and learn" series showcasing presentations from internal subject matter experts on business-relevant topics such as emissions policy, well planning best practices, and risk management; and
- Strengthened our mentorship program, by facilitating 142 pairs of mentors-mentees in 2017, which represent more than half of ARC's total number of employees.



Why is employee engagement and development material to ARC's business?

As our industry becomes more competitive, it is our people who will be the drivers of our long-term success.

Why is employee engagement and development important to ARC's stakeholders?

It contributes to a more satisfied workforce, stronger communities and a better bottom line for our shareholders.

ARC has transformed its business to be more efficient, through the disposition of non-core assets and discretionary efforts to streamline processes across the organization. As a result, ARC's total workforce has decreased by 16 per cent from 2013 to 2017. Concurrently, ARC has taken an opportunistic approach to hiring difficult-to-attract talent and filling critical positions that had previously been outsourced during this low in the commodity cycle.

DIVERSITY

ARC upholds its core values of accountability, trust, respect and integrity. Respect for diversity and the different skills, perspectives and backgrounds that our people bring to our workplace is a natural extension of these values.

ARC's management and Board of Directors ("the Board") are committed to ensuring a diverse and inclusive work environment. ARC will always select the best candidate for promotions and hiring based on skills, qualifications and fit. We are aware that biases can exist and therefore, we have a rigorous decision-making process to ensure a skilled, qualified and diverse candidate pool. At ARC, we believe it is essential to support and develop female candidates today to ensure we have a diverse candidate pool for senior-level positions in the future. To further this commitment, we have partnered with organizations such as the 30% Club, and drafted a Board Diversity Policy which was approved by ARC's Board of Directors in March 2018.

At ARC, we are committed to workplace practices that support and recognize the distinct needs of our female employees such as allowing elements of our long-term incentive plan to continue during maternity leaves and providing flexible work schedules. Our compensation planning practices support pay equity for comparable work and we conduct gender pay analysis to ensure equity. To increase diversity of thought and knowledge sharing, we encourage employees to make cross-functional moves to develop new skills and take on new responsibilities. In 2017, 48 employees were provided with cross-functional learning and development opportunities.

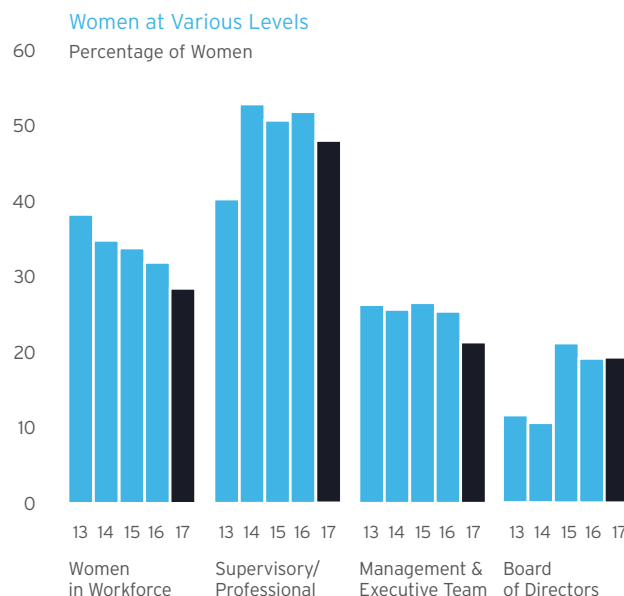


Why is diversity material to ARC's business?

ARC recognizes the benefits of diverse views on decision-making outcomes and how that contributes to financial and operational performance.

Why is diversity important to ARC's stakeholders?

ARC's employees are key to the company's success and ARC wants to create an inclusive and diverse environment where employees can achieve their full potential. Investors seek companies with diverse boards and workforces.



The majority of ARC's growth over the last five years has occurred within our field operations. Despite our best efforts to hire a diverse workforce at these locations, the majority of applicants have been male. In our Calgary office our workforce consists of 43 per cent female employees. Looking ahead, ARC will continue to create opportunities and training that support women throughout our organization.

SAFETY

ARC is committed to a safe and injury-free workplace. We give our employees and contractors the tools, guidance and training to do their jobs safely. We believe that safety starts at the top and is a shared responsibility of our leaders, employees and contractors.

Safety is ingrained in our culture, and we are always seeking to improve our safety performance. In the past few years we have gathered feedback from employees, unified our systems, focused on data-driven decisions, and strengthened our culture and relationships with contractors.



UNDERSTANDING OUR STARTING POINT

Understanding the current state of our safety programs and culture was a critical first step in designing a robust management system that would work across all functions and operational areas. In 2016, ARC:

- Conducted a customized safety perception survey, gathering 363 responses from employees, contractors and executives;
- Conducted 13 workshops, facilitated by safety experts from DuPont, to gather in-depth feedback and identify opportunities for improvement;
- Performed an extensive gap analysis against global best practices and regulations for all of our health, safety, environment and asset integrity systems; and
- Analyzed data from more than 14,000 near misses, incidents and hazard identifications covering the past seven years.

The feedback and analysis highlighted some common themes. The majority of participants agreed that they feel safe working for ARC and that our company is a close-knit organization where safety is a core value. To improve safety at ARC, respondents highlighted the need to unify various processes and procedures. Employees also expressed a desire for further clarity on roles and responsibilities, stronger accountability, and more consistent training and competency verification.



Why is safety material to ARC's business?

Operating safely is our number one priority and a crucial element in delivering strong business performance. Significant incidents affect our reputation, morale and bottom line.

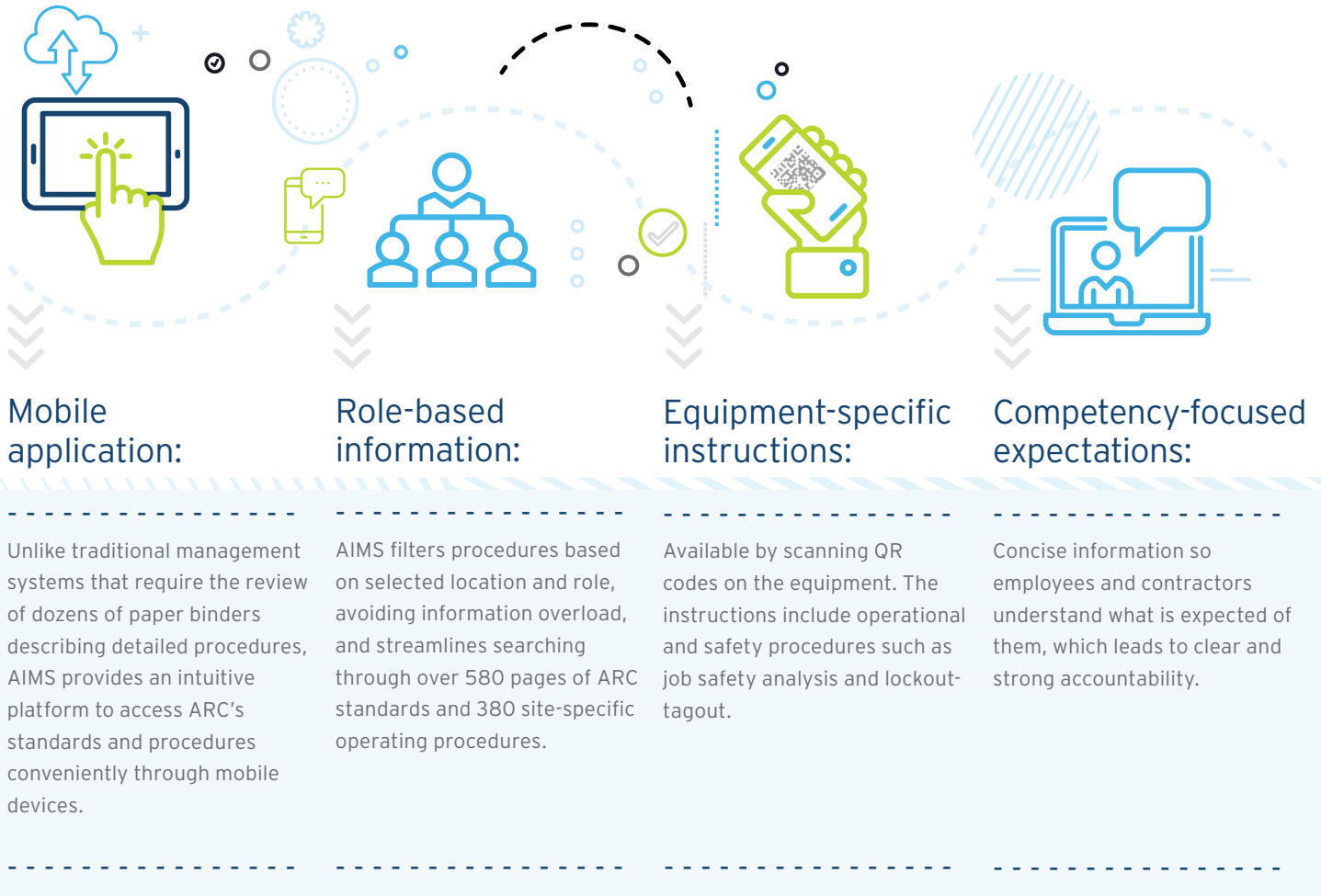
Why is safety important to ARC's stakeholders?

Employees and contractors expect to return home safely after working at our operations and offices. Investors want to invest in safe and responsible operators.

UNIFYING OUR APPROACH TO SAFETY THROUGH AIMS

Employee feedback was the catalyst for the development of a new integrated management system, AIMS, which strives to reduce duplication of work, close operational gaps and guide end-to-end operations. The new system brings together nine of ARC's management programs covering safety, asset integrity, emergency management, security and environmental disciplines.

AIMS provides unique features when compared to traditional management systems:



In 2017, we completed the development and testing of AIMS. In 2018, ARC's focus will be on implementing the system across the organization and creating standardized safety competencies for all employee and ARC consultant roles, so that individuals can be trained and assessed against these standard competencies. By streamlining our systems, we aim to reduce environmental and safety incidents, increase operational efficiencies, improve regulatory and reporting management processes, and increase employee skills and competencies.

DATA-DRIVEN ANALYSIS

Tracking and understanding safety performance is a critical element of improving our safety performance, and we are focused on ensuring that data and trend analysis are the drivers of our safety programs. Our safety dashboard allows leaders access to data analysis, trends and follow-up activities in real time, and gives them the ability to identify areas for improvement.

ARC achieved strong safety performance in 2016 and 2017. With more than four million hours worked, ARC employees have recorded no lost-time incidents (“LTI”) in over three years, totaling 1,448 LTI-free days.

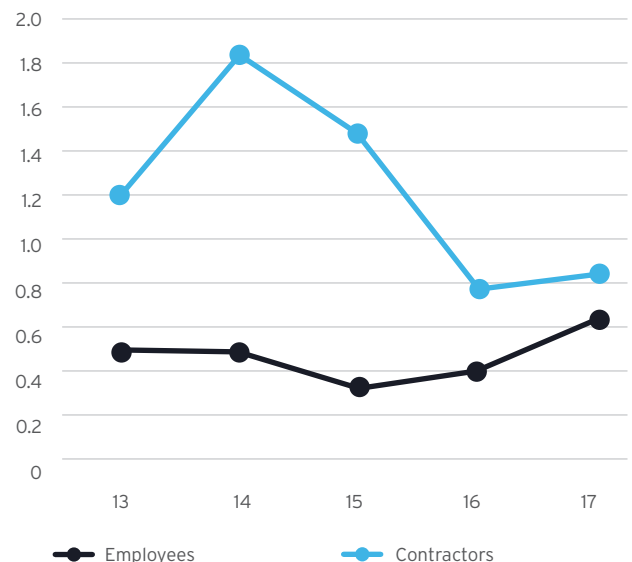
Analysis of historical injury data indicates that the main causes of incidents continue to be slips, trips and falls, and pinch points. In the last two years, 35 per cent of all employees’ and contractors’ injuries were a result of slips, trips and falls with low severity.

To increase safety awareness, in 2016 ARC introduced “Weekly Safety Moments” that are communicated to all field-based employees, ARC consultants and third-party contractors to increase knowledge about contributing factors of workplace incidents and provide leadership resources to frontline staff. Safety Moments also help deliver seasonal reminders regarding slip prevention in early winter and heat exhaustion prevention in the spring.

ARC’s fleet consists of 268 vehicles. Preventable motor vehicle accidents (“PMVA”) are closely monitored due to their potential for serious injuries. ARC continues to work towards reducing its PMVA frequency, which has remained relatively unchanged over the last few years. In 2016, behavioural driver training was provided to approximately 100 employees and we engaged a third-party driving expert to identify opportunities to improve our driving program. In 2017, In-Vehicle Monitoring Systems in several company vehicles were piloted to track and encourage safe driving habits. This system has since been implemented fleet-wide.

Recordable Injury Rates

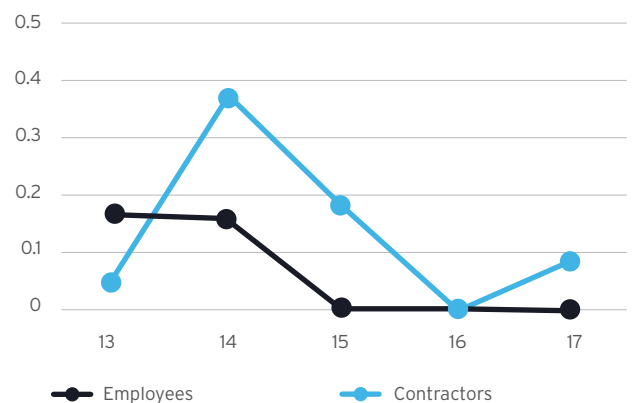
Cases per 200,000 Hours Worked



Contractor injury rates have been significantly reduced over the past five years. The increase to employees’ recordable rates from 2016 to 2017 is a result of just two additional recordable injuries.

Lost-Time Injury Rates

Cases per 200,000 Hours Worked



ARC employees experienced zero lost-time incidents in the past three years. ARC continues to work with contractors to improve their safety performance.

ENHANCING OUR SAFETY CULTURE

One of the critical elements of a strong safety culture is having leaders who are genuinely committed to safety. In 2016, more than 100 frontline leaders were asked to describe “what a good safety leader looks like”. Based on the feedback, we introduced an awareness campaign to emphasize the four domains of leadership: demonstrating, influencing, inspiring and mentoring. To equip ARC’s leaders with the tools to mentor others, we held a three-hour leadership workshop called “Coaching for Safety Leadership” for more than 175 leaders.

Common threats to a strong safety culture include: normalization of deviance (i.e., when it becomes generally acceptable to deviate from safety systems and procedures) and complacency (i.e., when there is reduced attention to risk based on the belief that all possible hazards are controlled). To mitigate these threats, ARC provided training in 2017 to 153 supervisors about the “10 Factors That Influence Risk Tolerance on the Frontline”. Throughout 2018 this training will be provided to all staff and contractors.

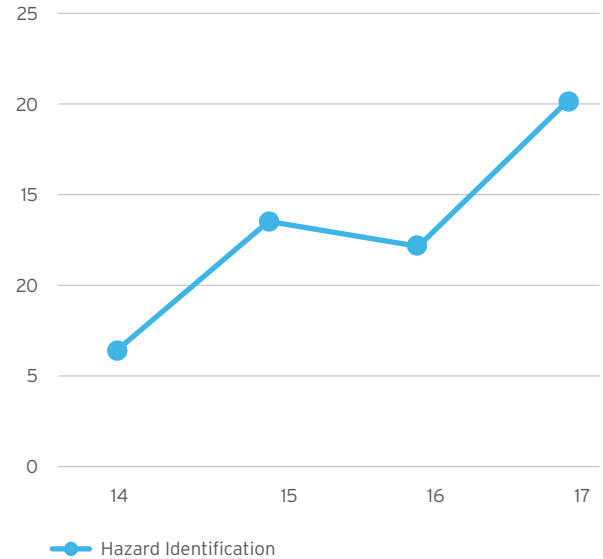
Although it is essential to counteract safety threats, it is just as important to build cultural defenses such as vigilance. At ARC, we invest resources in hazard identification and monitoring in addition to focusing on post-incident response.

ENGAGING OUR CONTRACTORS

ARC partners with third-party contractors for finding and development activities. In 2017, contractors performed 72 per cent of the 4,505,081 total hours worked. ARC takes due care to select contractors with best-in-class safety records, however, managing contractor safety goes beyond pre-qualification; it requires ongoing engagement to create alignment, strong relationships and learning opportunities. In 2017, ARC held contractor engagement sessions that involved more than 100 contractors. These workshops were an opportunity to review contractor safety performance and share ARC safety initiatives and learnings. In 2018, we will make further improvements to our contractor management program by increasing controls before, during and after work for our highest-risk contractors, to further improve ARC’s safety performance.

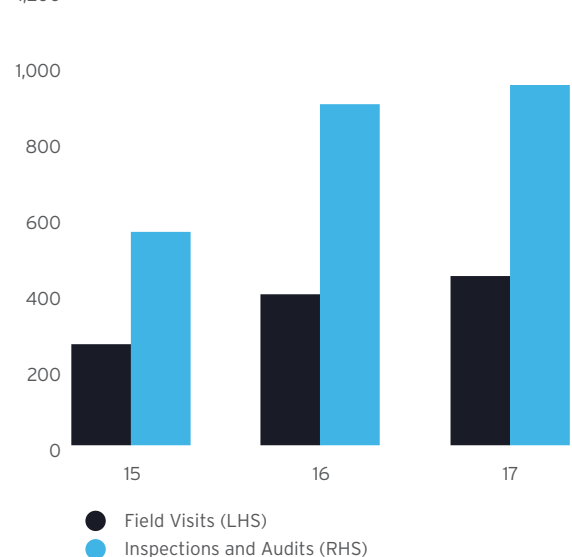
Leading Indicators: Hazard Identification

Number (000's)



Leading Indicators: Monitoring Activities

Number



ARC employees and contractors have more than doubled the number of hazards reported in the last four years illustrating their commitment to proactive safety behaviours. Additionally, ARC has increased its monitoring activities (field visits, inspections and audits) by more than 60 per cent in the last three years.

PROTECTING THE PUBLIC

Equally as important as ensuring the safety of our employees and contractors is protecting the safety of the public. As a responsible operator, ARC has a detailed emergency management program that guides how to prevent incidents and respond should a situation occur. Regular training exercises engage first responders and local health authorities, and help clarify the responsibilities and capabilities required in the event of an incident.

Traditionally, emergency response plans (“ERPs”) were primarily focused on sour gas (i.e., containing unsafe concentrations of hydrogen sulfide). At ARC, we include all hazards associated with our operations. ARC’s “all-hazards” ERPs evaluate the relevant risks and describe appropriate responses for hazards associated with chemical and fuel storage, flammable substances, high-pressure lines, rotating and moving equipment, oil and water spills, and trucking. Our company’s full Emergency Management Program and ERPs, regulated by the National Energy Board, are available on our website.

ARC conducts major emergency response exercises every three years which are a multi-agency, multi-jurisdictional activity involving actual deployment of resources in a coordinated response, as if a real emergency had occurred. In the years between major exercises ARC conducts table-top exercises, which tests the emergency response plans and procedures without the deployment of resources. In addition to these training exercises, public involvement programs are conducted every year. This outreach informs more than 300 stakeholders about ARC’s operations, including residents, businesses, churches, government agencies, schools and town facilities, as well as those who may pass through ARC’s emergency planning zones such as trappers or forestry outfitters.



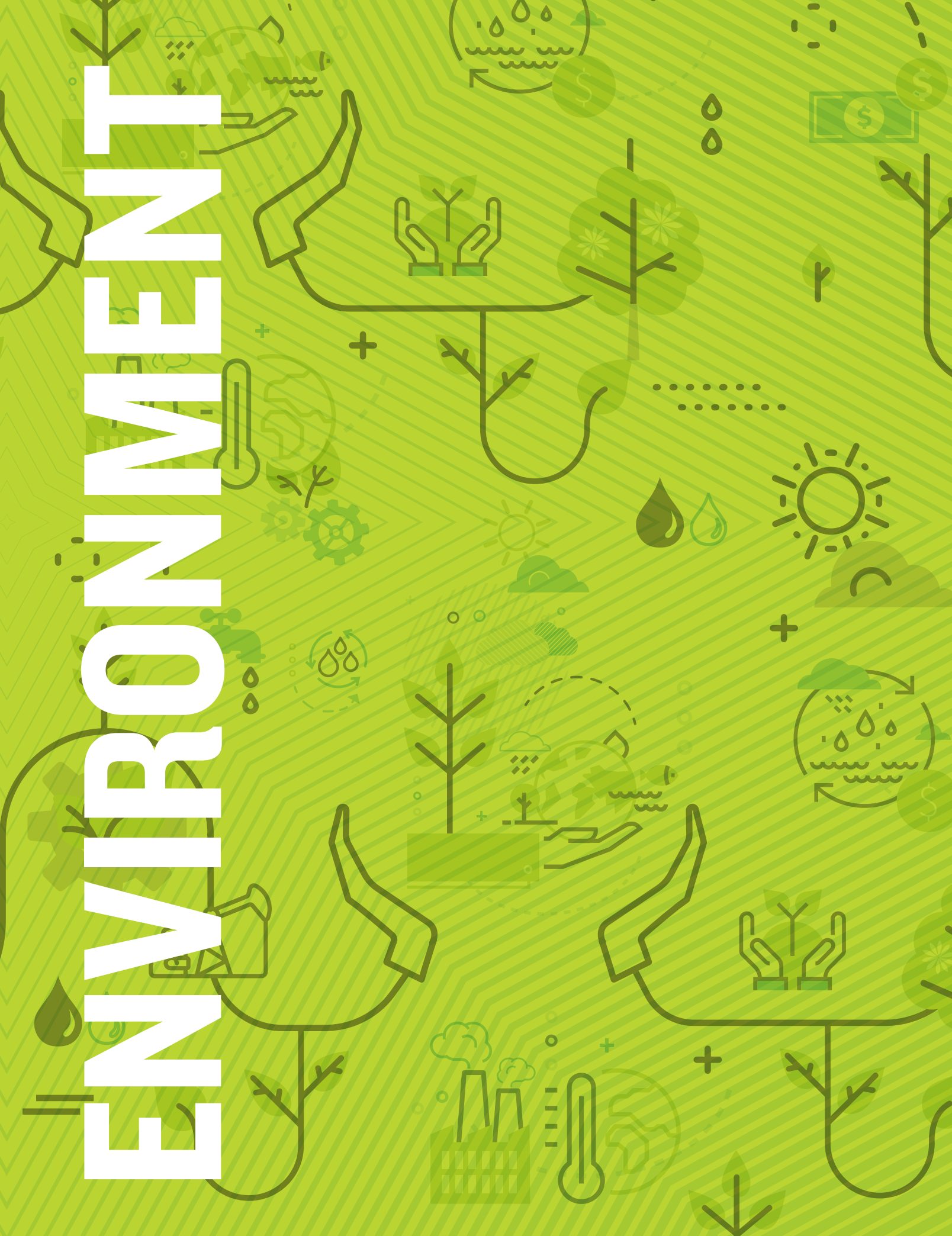
Why is ensuring public safety material to ARC’s business?

Reducing the risk of incidents that can affect the safety of employees and neighbouring communities is paramount.

Why is public safety important to ARC’s stakeholders?

Communities and landowners expect to be safe at all times and to be protected in the event of an emergency.

ENVIRONMENT



“ Doing the right thing for the environment means

managing ARC’s impacts in a way that balances both environmental and economic risks and costs; and more specifically, reducing corporate emissions and water use, mitigating the potential for spills, and managing ARC’s land-related liabilities through a structured and proactive abandonment and reclamation program. ”





Highlights

Created principles that guide our carbon management and water stewardship strategies

Set a greenhouse gas emission intensity reduction target of 25 per cent

Included low-emission technology in the construction of Dawson Phase III



Looking Ahead

Proactively adapting to carbon and methane policies and new regulations

Managing asset integrity of our legacy infrastructure

Preparing Parkland and Sunrise facilities for electrification

Investing \$50 million in water-related infrastructure projects at Dawson, Sunrise, and Parkland/Tower

CLIMATE RISKS & EMISSIONS

ARC is committed to minimizing emissions that pose potential climate risks while recognizing the importance of economic viability of development activities. ARC is a leader in creating low-emission infrastructure and will continue to evaluate and implement viable alternatives to conventional industry practices.

ARC's deliberate shift towards owning and operating properties with lower carbon intensity profiles relative to legacy assets has made ARC's business more resilient to climate policy changes, significantly lessening their financial impact to ARC and resulting in approximately \$6 million in carbon offsets from the electrification of ARC's Dawson plant.

In 2017 the Recommendations of the Task Force on Climate Related Financial Related Disclosures ("TCFDs") were released. Each of these recommendations relates to governance, strategy, risk management, metrics and targets for climate-related risks. Many of these recommendations have been addressed through ARC's Climate Management Strategy, Carbon and Emissions Management Plan, CDP submissions and our annual GHG emissions reporting. Climate-related risks and opportunities are reviewed on a quarterly basis with both management and ARC's Safety, Reserves and Operational Excellence sub-Committee of the Board. ARC's comprehensive Climate Management Strategy and Carbon and Emissions Management Plan incorporates physical and financial-related climate risks to the organization including the implications of adverse weather events, carbon tax, and regulatory requirements; along with associated mitigation strategies. ARC has set a company-wide target to reduce greenhouse gas emissions intensity by 25 per cent by the end of 2021, relative to our 2017 baseline. The development of this target took into consideration current and future policy drivers, the growth profile of the organization and offset market opportunities. Reductions will be achieved primarily through further electrification of ARC's BC facilities, application of other low-emission technologies and continuing to divest of higher-carbon producing, non-core assets. ARC is confident in its ability to achieve this target within the timeframe outlined. ARC also recognizes that reductions of this magnitude will be difficult to sustain in the future, but we will continue to evaluate further opportunities to reduce or maintain our best-in-class GHG intensity.



Why is managing emissions material to ARC's business?

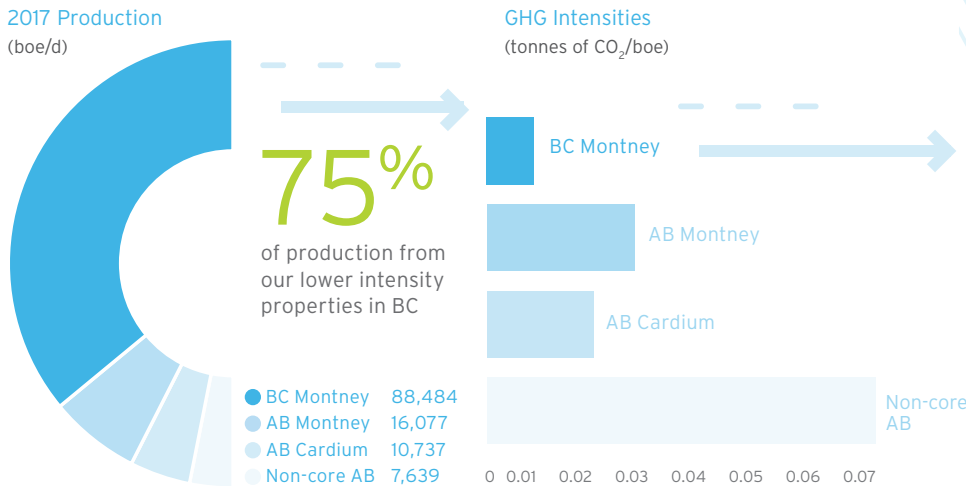
Managing emissions not only decreases regulatory, reputational and financial risks, it often leads to operational efficiencies and is aligned with our strategy of being a responsible, low-risk operator.

Why is climate risk important to ARC's stakeholders?

Our stakeholders, especially governments and investors, expect us to do our part in reducing greenhouse gas emissions.

SHIFTING OUR FOCUS

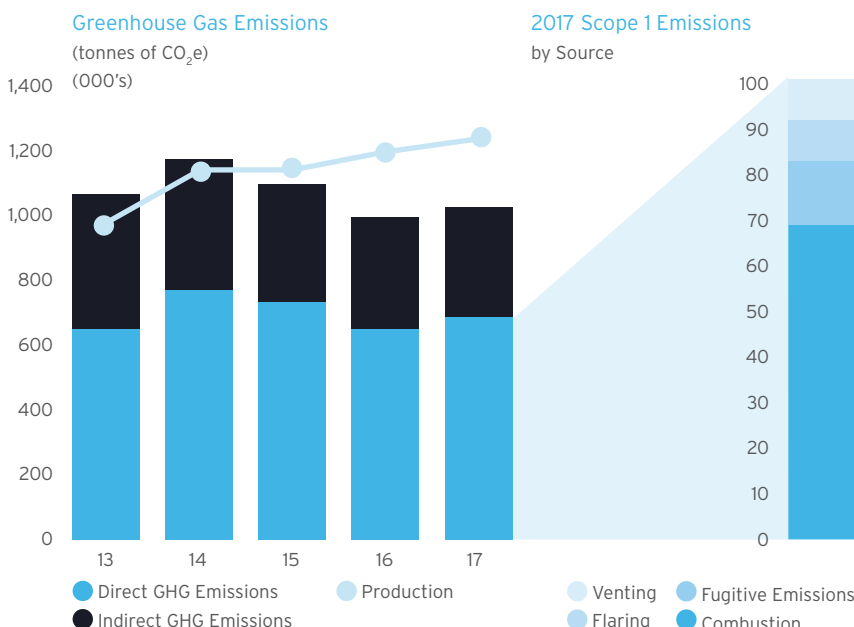
ARC's long-term strategy is focused on the continued development of our highly-competitive Montney assets. Development in this area will result in further improvements in operational efficiencies, and will support our emission reduction goals. In the past five years, we have shifted our business towards our lower GHG-intensity assets and have become a leader in this area, outperforming our peers.



The majority of our production comes from our **lowest GHG intensity assets**

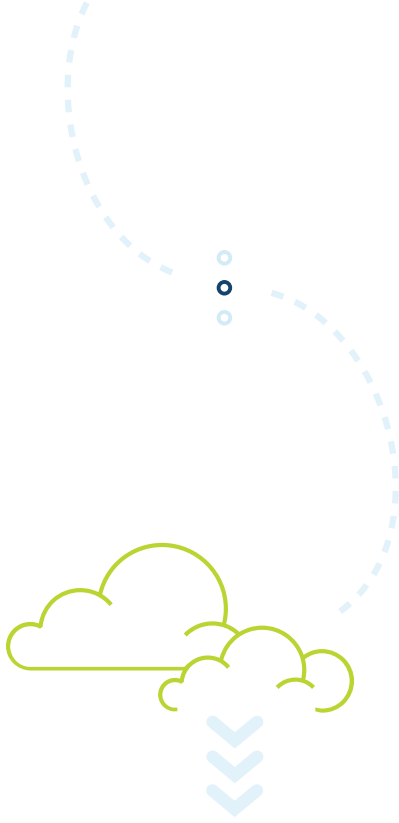
EMISSIONS DATA

To implement a carbon management plan that effectively evaluates costs, risks and opportunities, ARC must have a clear understanding of its carbon footprint. To do so, ARC maintains an emissions inventory and identifies emission sources in each of the areas where we operate. To ensure the accuracy of our numbers, ARC's BC emissions are verified by a third-party engineering firm. Additionally, in 2017, PricewaterhouseCoopers LLP ("PwC") provided a limited assurance report on ARC's Scope 1 emission for Alberta of 322,789 tonnes CO₂ equivalent, and company-wide Scope 2 emissions of 326,013 tonnes CO₂ equivalent. See PwC's independent limited assurance report on page 53 in accordance with the International Standards on Assurance Engagements ("ISAE") 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board.



Since 2013, ARC has reduced its absolute GHG emissions by three per cent, while growing production by nearly 30 per cent. The largest portion (69 per cent) of ARC's total direct emissions are related to combustion required to process gas and deliver it to markets. ARC has decreased its flaring volumes by

44%
in the past five years.



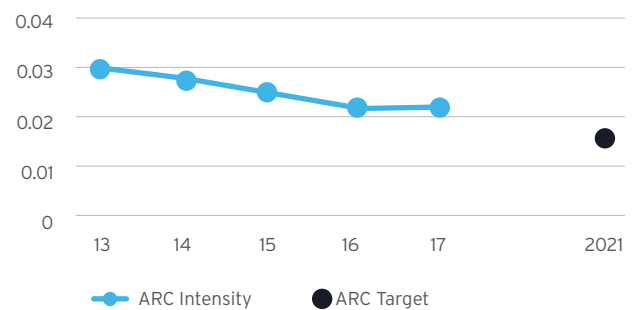
ARC has decreased its company-wide GHG emission intensity by nearly

25 per cent

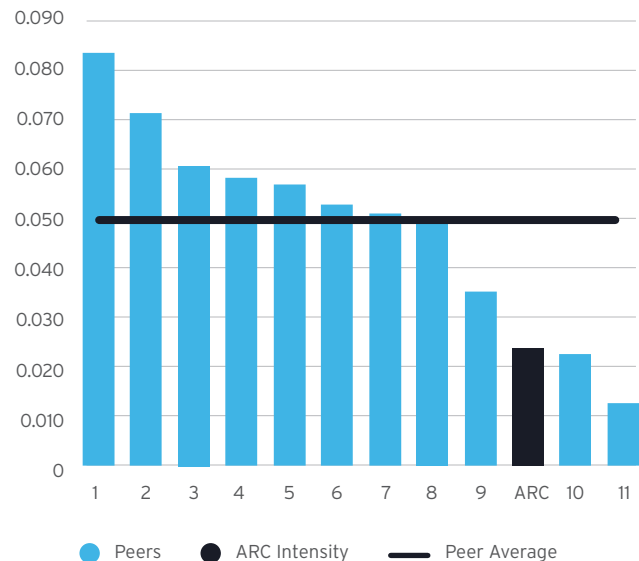
in the past five years and will continue to reduce it in alignment with our 2021 target. Our company is in the top quartile when compared to industry peers and our intensity is half the peer average intensity.

Data for Canadian peers' intensity for 2016 available through their 2017 CDP submissions and other publicly available data sources. The average is determined based on data reported by the following 11 companies: Baytex Energy Corp., Canadian Natural Resources Limited, Cenovus Energy Inc., Crescent Point Energy Corporation, Husky Energy, Enerplus Corp., Keyera Corp., MEG Energy Corp., Seven Generations Energy, Suncor Energy Inc., and Vermilion Energy Inc.

GHG Intensity
(tonnes of CO₂/boe)



2016 GHG Intensity
Compared to peers (tonnes of CO₂/boe)



CARBON MANAGEMENT PRINCIPLES IN ACTION



To support its carbon emission reduction target, ARC has outlined five guiding principles that outline the organization's framework for its Carbon Management Strategy. The guiding principles and examples of how they have been put into action are described here.



1. UNDERSTAND, MEASURE AND REPORT OUR CARBON EMISSIONS

EMISSIONS DATA: ARC has invested time and resources to ensure a comprehensive inventory of all equipment and assets is maintained to find opportunities for emission reduction improvements. Understanding company-wide intensity and area-specific emissions allows ARC to reduce compliance costs, analyze investments and shift the business to lower-risk, lower-cost areas. See page 26.

Data Assurance: ARC voluntarily elected to have GHG emissions assured by a third party to demonstrate our confidence in our industry-leading performance data.



2. EVALUATE ECONOMIC OPPORTUNITIES TO REDUCE EMISSION INTENSITY

WASTE HEAT RECOVERY: During construction of the Dawson Phase III facility, several emission-reducing elements were integrated into the design, such as a waste heat recovery unit that captures heat energy from the turbines and transfers it to processes that rely on heat, as opposed to using additional boilers. The unit is estimated to save 1.3 MMcf per day of natural gas and avoids approximately 30,000 tonnes of CO₂ emissions per year.

UPGRADING FACILITIES: In 2016, ARC replaced its 60-year-old Redwater facility with a smaller, more energy efficient plant. The new facility releases 30 per cent less GHG emissions than before the upgrade.



3. EVALUATE OPPORTUNITIES TO PARTICIPATE IN CARBON MARKETS AND INFRASTRUCTURE INCENTIVES

ELECTRIFICATION: Since 2010, ARC has generated approximately \$6 million in sales from carbon offsets resulting from the electrification of our Dawson Phase I and II facilities. In 2018, ARC plans to connect the Parkland and Sunrise facilities to the electric grid in BC which is expected to reduce the facilities' GHG emissions by approximately 85 per cent and to reduce ARC's carbon tax obligation by \$10 million by 2021. ARC will continue to evaluate potential electrification opportunities.



4. PARTICIPATE IN INDUSTRY/GOVERNMENT DIALOGUE TO ENSURE COST-EFFECTIVE EMISSIONS REDUCTIONS

EMISSIONS REDUCTION DIALOGUE: ARC engages directly with the provincial governments and actively participates with CAPP on senior- and working-level committees in federal and provincial discussions on cost-effective emission reductions. ARC's position is that federal and provincial carbon taxes and regulations must be implemented in a way that ensures reductions are meaningful, measurable and cost effective and maintain the competitiveness of the Canadian natural gas sector.



5. SUPPORT INDUSTRY RESEARCH, COLLABORATION, AND THE EXPLORATION OF NEW TECHNOLOGIES

AERIAL GHG MAPPING: In 2017, ARC participated in a pilot that used drones equipped with optical sensors and anemometers to map GHG emissions. This technology can provide a cost-effective and accurate representation of GHG emission data for our remote wells and pipelines. In 2018, we will be participating in this pilot again to further validate this technology.

METHANE MANAGEMENT

The second largest contributor to ARC's direct emissions is fugitive emissions. Fugitive emissions are the unintentional release of uncombusted natural gas during extraction, transportation and processing. Natural gas is 85 to 90 per cent methane, which has 25 times the GHG potential as compared to CO₂. ARC has a Leak Detection and Repair ("LDAR") program in place at all of our properties, in which small fugitive leaks from equipment are identified, reported and repaired. In 2017, the LDAR program was reviewed and the number of facilities to be surveyed has been increased in 2018.

Another source of methane emissions is gas-driven pneumatic equipment. Gas-driven pneumatics are normally used where electric power is not available and the pneumatic equipment is designed to vent small amounts of methane. ARC initiated an inventory of gas-driven pneumatic equipment in 2017 that was completed in 2018. ARC is developing a program to replace equipment with lower-emission or zero-emission pneumatics where possible.

OTHER EMISSIONS

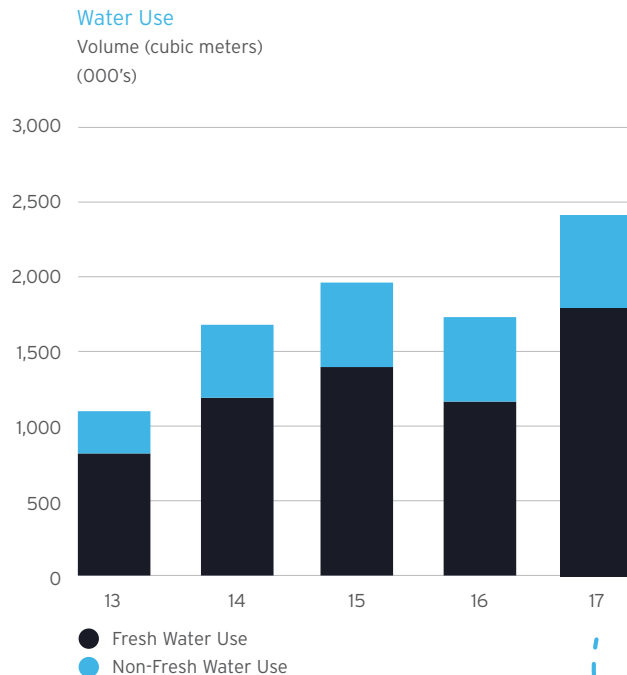
ARC closely tracks and has a plan in place to reduce other air emissions such as sulphur oxides ("SO_x") and nitrogen oxides ("NO_x"). Federal regulations (Multi-Sector Air Pollutants Regulations) were introduced in 2016. Performance requirements for stationary combustion engines and boilers/heaters will be phased in over 10 years. ARC has reviewed our inventory and developed a plan so that we will be in compliance before the stipulated deadlines. Our performance in this area is disclosed in the Performance Table on page 47.



WATER MANAGEMENT

Water is a critical component in ARC's operations and is a resource that is used every day. ARC recognizes its role as a water steward and is committed to responsible water management that aligns with sustainable and economic development of oil and gas resources. ARC's ability to effectively and efficiently develop its assets is dependent on access to water over the long term.

Water must be stored and transported between properties and ultimately disposed of. ARC is committed to doing this in a responsible manner that minimizes environmental impacts and ensures public safety.



Why is managing water material to ARC's business?

Water is needed for oil and gas development, especially for hydraulic fracturing; consequently, our financial success is dependent on a secure supply of water.

Why is water important to ARC's stakeholders?

ARC uses fresh water in the areas where we operate, and it is our responsibility to be stewards of this resource to ensure continued fresh water access for our neighbouring communities.

ARC's water use, both fresh and non-fresh, has increased due to an increase in completion activities. ARC continues to work towards increasing the percentage of non-fresh water use through water infrastructure development.

OUR CURRENT WATER INFRASTRUCTURE INVESTMENT PLAN INCLUDES:



\$50 million
investment in water infrastructure planned

Specifically for our Parkland/Tower properties, we expect:

80 per cent
recycle rate for produced water

30 per cent
expected reduction in water cost

The opportunity to invest in water infrastructure depends on a number of factors, including pace and scale of development, geography and current infrastructure. ARC continues to evaluate opportunities for development of water infrastructure.

WATER STEWARDSHIP STRATEGY



To guide ARC's water management activities, we established five guiding principles that underpin the organization's water stewardship strategy.

1. ENSURE A SUSTAINABLE AND ECONOMIC WATER SUPPLY TO SUPPORT OUR OPERATIONS

2. PRACTICE CONSERVATION OF FRESH WATER

3. TRANSPORT, STORE AND DISPOSE OF WATER RESPONSIBLY

4. UNDERSTAND, MEASURE, MONITOR AND REPORT

5. SUPPORT INDUSTRY RESEARCH, COLLABORATION, AND THE EXPLORATION OF NEW TECHNOLOGIES

WATER PLANS:

For the life of each development project, ARC does a comprehensive evaluation of water requirements, availability, cost and risks associated with access to fresh and saline water. Water management plans are in place for each of ARC's key development areas.

RECYCLE AND REUSE PRODUCED WATER/FLOWBACK:

ARC conducts hydraulic fracturing, which is a water-intensive process. Water requirements are continually evaluated and optimized in the design stage. ARC is focused on increasing the recycling and reuse of our water. ARC has commenced the development of a \$50 million water infrastructure plan, which involves more than 30 kilometres of water pipeline, a pipeline interconnect of two core facilities, a treatment facility and the construction of storage ponds. Upon completion, ARC is targeting to recycle 80 per cent of its produced water within our Parkland/Tower properties. The project will enable ARC to reduce the percentage of fresh water required for the development of the area.

WATER INFRASTRUCTURE:

In 2017, ARC increased our water storage capacity through the construction of a large storage pond in our Sunrise field. Having substantial storage capacity allows ARC to reduce the number of trucks required to transport fluid, reducing GHG footprint as well as truck traffic and its associated impacts.

WATER DATA:

ARC measures and reports on its baseline water usage and disposal, which helps inform ARC's fresh water usage intensity metrics (see graph on page 30). To ensure aquatic system health, water supplies are also monitored.

MONTNEY WATER GROUP:

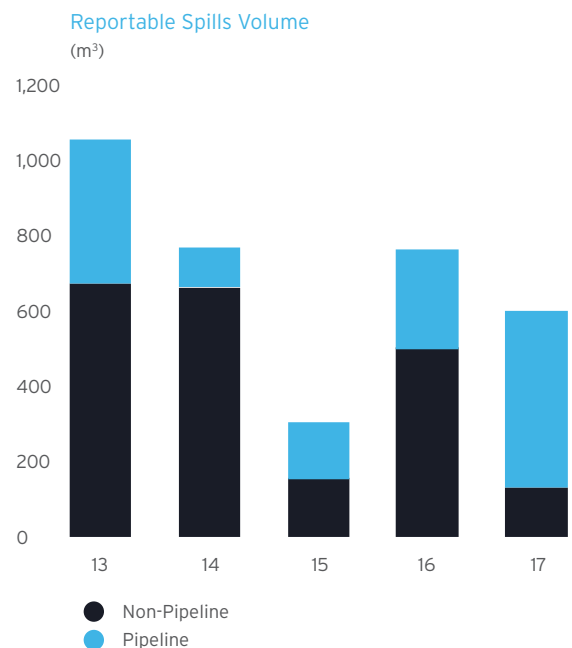
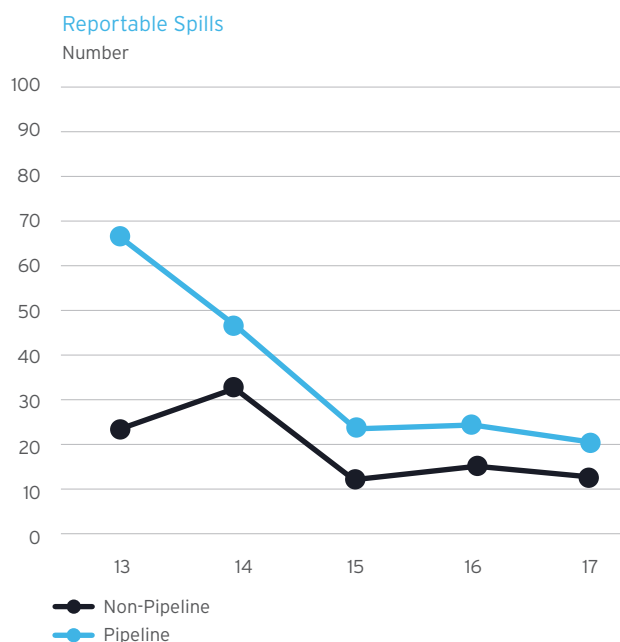
ARC is a member of the Montney Water Group, an innovative industry collaboration of 15 oil and natural gas producers. A producer's water needs change depending on where the producer is in the production cycle, and members of the Montney Water Group share water by storing it in large storage tanks and pits. By pooling our water resources, the group increases its collective use of flowback, and ultimately decreases the industry's use of fresh water in the Montney area. This is the only group of its kind in Canada.

SPILLS AND ASSET INTEGRITY

ARC is committed to the responsible development of resources across our operations, and manages more than 6,500 kilometers of pipeline, 13 major natural gas processing facilities and more than 3,300 sites (including wells, satellites and storage tanks). At each of these locations there is the potential for oil or water spills. ARC's spill management efforts encompass monitoring, review of the integrity of our assets and equipment replacement, as well as timely response when a spill occurs.

Despite our best efforts, ARC experienced two significant spills in the past two years. In 2016, internal corrosion of a drain valve caused a spill at our Redwater field of approximately 400 m³. In 2017, a spill of 400 m³ of oil and water emulsion in our Pembina field was attributed to a loss of containment from a pipeline due to internal corrosion. See page 32 for a discussion on how ARC monitors spills, addresses equipment corrosion risk and is improving its leak detection program.

While the number of reportable spills has been relatively flat for the past three years, ARC had significant volume spills in 2016 and 2017. This graph includes spills reportable to authorities according to each jurisdiction's regulations.



Why is preventing spills material to ARC's business?

Spills result in cleanup costs and potential regulatory fines, as well as interruption of operations. Prevention is the best way to reduce these risks.

Why are spills important to ARC's stakeholders?

Spills can affect land and water quality and therefore affect how our local stakeholders can use and benefit from these key resources.

ASSET INTEGRITY

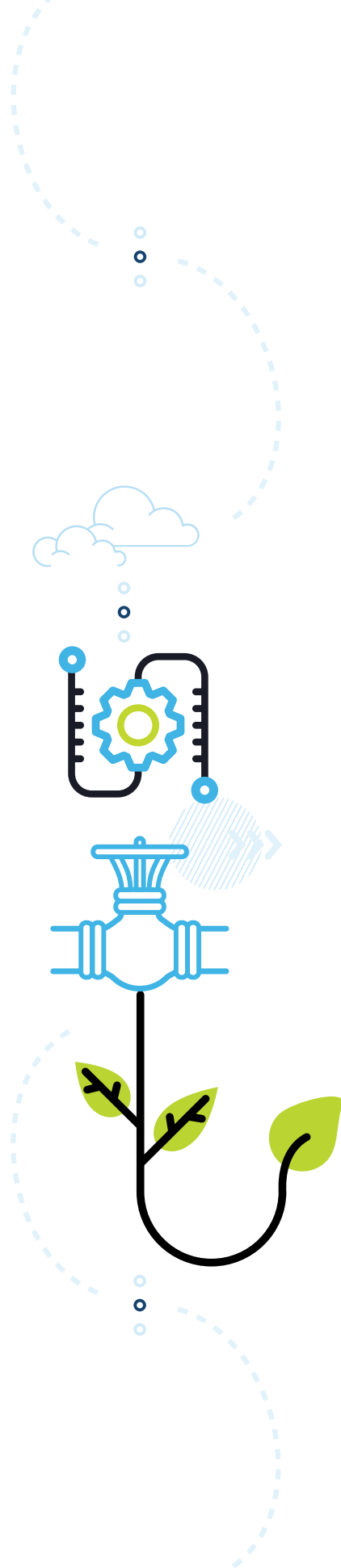
ARC analyzes historical spill data, regularly monitors the integrity of its assets and has systems in place to prevent spills. Prevention is the first line of defense against spills and ARC focuses on prevention by:

- Regularly assessing whether ARC's assets are fit for continued service by conducting ultrasonic inspections of pipelines and visual inspections on pressure equipment;
- Conducting regular pipeline inspections, which are determined based on operational risk. ARC increased the number of pipeline inspections from 11 in 2016 to 30 in 2017; and
- Inspecting and replacing pipeline risers.

ARC's pipeline inspections, monitoring, and spill mitigation programs continue to evolve. ARC uses incident findings and learning to enhance our integrity programs by including:

- New technologies to conduct internal pipeline inspections such as smart pigging;
- Pipeline right of way surveillance;
- Application of corrosion inhibitors;
- Subscription to a flood and water flow monitoring tool that sends alerts to ARC personnel in case of a flood or a significant ground change that could affect our assets or sites;
- Assessment of geotechnical (e.g., ground movement, soil changes) and hydrotechnical (e.g., water level changes, flood) risks;
- Evaluation of leak detection technologies looking for opportunities to improve our systems and identify spills at early stages to enable timely response; and
- Abandonment of nine high-risk wells and associated pipelines near the North Saskatchewan River to prevent wellhead submersion or river bank erosion issues.

ARC continues to evaluate its infrastructure to ensure that appropriate integrity programs are in place and to continually enhance our suite of programs.



LAND MANAGEMENT AND ASSET LIABILITY

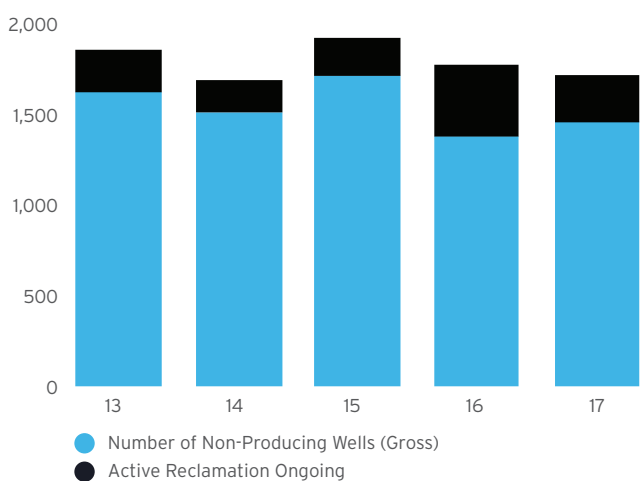
ARC is committed to returning land to its owners and other stakeholders in a responsible manner following the completion of our operations and development of resources. Asset liability encompasses ARC's obligations for abandonment of inactive wells, pipelines and facilities, and for site decommissioning and reclamation.

In line with the organization's long-term view, ARC currently estimates that the associated cost of its asset retirement obligations will span over the next 60 years. Full details of ARC's asset retirement obligations at December 31, 2017 and at December 31, 2016 is disclosed in its audited consolidated financial statements for the year ended December 31, 2017 and is available on SEDAR at www.sedar.com.

Through the recent low in the commodity cycle, there has been a significant strain on companies in the oil and gas industry, moving many of them into financial difficulty which has translated to an increase in orphan wells in both BC and Alberta. ARC contributes to the Orphan Site Reclamation Fund ("OSRF") and Orphan Well Association ("OWA") which are funds managed by the respective provinces to address these issues. ARC recognizes the importance of liability management and despite a low in the commodity cycle, ARC has consistently invested in our well abandonment and reclamation programs in a proactive manner. While current regulations stipulate that producers must restore inactive sites within 10 years of abandonment, it is ARC's goal to obtain reclamation certificates within five years. ARC prioritizes the reclamation of sites with higher environmental risks, and targets regions with higher densities of liabilities to achieve efficiencies.

Reclamation Statistics

Number of Wells



To advance ARC's management of asset retirement obligations, in 2017 we implemented the use of ARKit, a software that tracks and provides information on inactive wells. ARKit provides instant data access to users and replaces traditional two-dimensional drawings with three-dimensional maps and landscape models to analyze well sites, landscapes and regional profiles. ARKit makes it easier to identify higher densities of liabilities, track spending by site, and to assign tasks to different teams.



Why is land management material to ARC's business?

At the end of 2017, ARC had asset retirement obligations of more than \$400 million. Managing these obligations proactively is crucial to our risk-managed value creation business strategy and to the profitability of the business.

Why is land management important to ARC's stakeholders?

Because local stakeholders live and work on the land, its quality affects their livelihoods and quality of life.

In the past five years, ARC has made sustained progress towards our obligations and received a total of

125
reclamation
certificates.



LAND DISTURBANCE AND BIODIVERSITY



Resource development has the potential to impact biodiversity and alter ecosystems. To reduce our impact on habitats, at ARC we minimize land disturbance through multi-well pad drilling, integrate future reclamation and abandonment plans into the early development of an asset and have a waste management program for drilling cuttings.



COMMUNITIES



“ Doing the right thing for the communities in which ARC operates means

engaging with all of our stakeholders and Indigenous groups, acknowledging and responding to local stakeholders' concerns.

ARC strives to make a positive, lasting impact on these communities through the distribution of wealth, local hiring practices and community investment. **”**





Highlights

Implemented software for tracking landowner and community concerns

Continued investment and project development with more than \$1.1 billion spent with suppliers and contractors in 2017



Looking Ahead

Managing community concerns related to increased truck traffic and noise during project work

Maintaining hiring, procurement and investment in a competitive industry environment

Using our new software to analyze and respond to recurring community concerns

Growing and evolving our involvement with Indigenous groups

IDENTIFYING AND ENGAGING ALL STAKEHOLDERS AND INDIGENOUS GROUPS

ARC defines stakeholders as persons or groups who are directly or indirectly affected by our activities, as well as those who might have interests in a project or have the ability to influence its outcomes. ARC engages with stakeholders and Indigenous groups throughout the planning, development, operations and reclamation stages of our activities. The type and frequency of engagement is based on the potential impacts of our operations and the degree to which parties wish to be involved. The diagram below provides links to additional content contained within the report, and explains how we engage with our key stakeholders and Indigenous groups.



STAKEHOLDER ENGAGEMENT

ARC works to establish and maintain positive relationships based on trust with all stakeholders. Special attention is paid to landowners and adjoining communities whom our operations directly affect. In all interactions, we ensure that landowners feel that their concerns have been heard, that they have been treated fairly, and that ARC has responded in a timely manner. ARC has a 24-hour line and a dedicated stakeholder relations liaison who responds to landowner and community concerns. Most concerns voiced by landowners and adjoining communities are related to road maintenance, dust, noise levels, and weed control. To help ARC monitor and respond to these concerns, a new software was implemented in 2017.

An ongoing subject of public concern is the effect that fracturing operations may have on the increased frequency of seismic activity. To respond to these concerns, ARC conducts extensive studies and notifies community members before drilling and completing wells in any given area of its operations. ARC takes a precautionary approach and has an Induced Seismicity Hydraulic Fracture Protocol in place.

In the event of a major project or change, community open houses are hosted to allow for face-to-face information sharing and discussion with landowners and community stakeholders. In 2016, ARC hosted an open house in Rolla, B.C. which was attended by approximately 100 community members.



Why is engagement material to ARC's business?

Engagement is paramount to the timely approval of new projects and to our social license to continue operating.

Why is engagement important to ARC's stakeholders?

People want to be informed of, and have a voice in, activities that may impact them.

INDIGENOUS RELATIONS

A portion of ARC's assets are held within the traditional territory of Indigenous groups. The Government of Canada and provincial governments have been transforming and renewing their relationships with Indigenous communities with guidance from the principles established by the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). ARC recognizes the constitutionally protected rights of Indigenous people and acknowledges our role in engaging Indigenous communities with honour, integrity, respect and fairness. ARC proactively engages with neighbouring Indigenous communities in our operating areas. Each Indigenous group is unique and our aim is to build strong long-term relationships based on those unique needs. ARC is transparent about development activities and future plans and works to understand each Indigenous community's environmental knowledge, traditional land uses and ability to potentially provide services to ARC.

ECONOMIC CONTRIBUTION

ARC believes that successful communities are built on strong economic activity, employment and community involvement, and that ARC should contribute to its local communities in each of these areas. We contribute to broader provincial and national economies by paying taxes and royalties, providing employment, and supporting economic activity by engaging in supplier contracts.

ARC's approach is to hire locally when possible and aims to use local suppliers when appropriate in our operations, hiring regional construction, transportation and service vendors. In 2017, ARC worked with more than 4,000 vendors and suppliers. Looking ahead, our capital investment plans in the Montney area will bring additional opportunity for employment and contracted services over the coming years.

As part of ARC's efforts to develop our local workforce and increase long-term employability, ARC partnered with the Northern Lights College in Dawson Creek, BC to help employees attain their power engineering qualifications while still working on ARC's field operations. Since 2014, we have supported 23 ARC employees in obtaining their Power Engineering and Gas Processing Certification.



Why is economic contribution material to ARC's business?

Our company can only prosper if the economies and communities where we operate are thriving. We depend on skilled employees, suppliers and contractors to execute our strategy.

Why is economic contribution important to ARC's stakeholders?

Wealth generated through corporate activity helps to support public services and the wellbeing of all stakeholders.



ARC's operations generate economic value, which is distributed to several stakeholders, including suppliers, investors and lenders, governments, employees and communities. For detailed definitions see page 48.

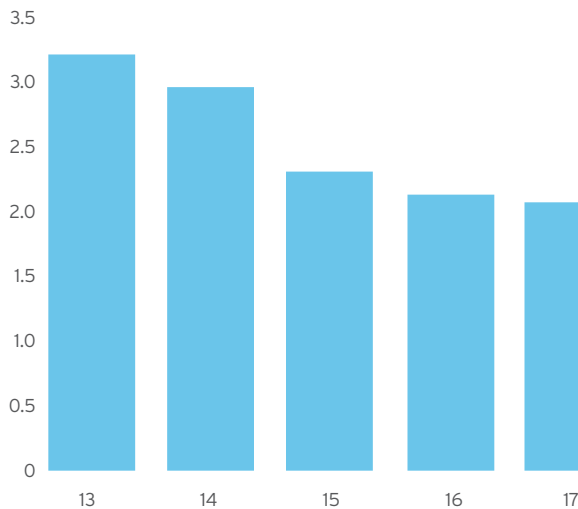
COMMUNITY INVESTMENT

Giving back through financial support and volunteerism is a key way ARC contributes to the wellbeing of the local communities where it operates. As a responsible member of the community, giving is important to ARC. Our company invests in local community events and commits to multi-year partnerships with organizations such as *Brown Bagging for Calgary's Kids*, *Sheldon Kennedy Child Advocacy Centre*, *STARS Foundation* and *United Way*.

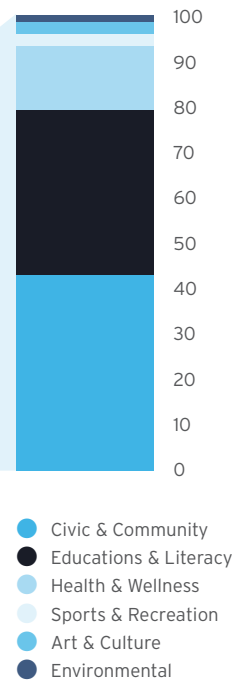


Over the last five years, ARC has invested
\$9 million
 in communities and non-profit organizations.

Community Investment
 Millions of Dollars



2017 Community Investment
 By Category (%)



SHAREHOLDERS

“ Doing the right thing for ARC's shareholders means

managing risks associated with our business, delivering superior financial returns, ensuring business practices are conducted in an ethical manner, and maintaining strong governance practices. ”



RISK MANAGEMENT

ARC's corporate strategy of risk-managed value creation underpins all aspects of our business. A deliberate, proactive approach to risk management is taken across all facets of the business, including assets, operations, culture, and the business and regulatory environment. ARC managers, supported by a wider team, handle the daily management and mitigation of risks; however, ultimate accountability lies with senior executives and the Board.

The Risk Committee maintains a business risk matrix that identifies those risks that could have a material impact on ARC's operations and profitability, and ranks them in terms of severity and likelihood. Some of those risks are non-financial and related to ESG factors; the key ones are listed below.



Why is managing risk material to ARC's business?

ARC must monitor and manage factors that could impact its people, operations and financial position so that we achieve corporate profitability.

Why is managing risk important to ARC's stakeholders?

Shareholders expect ARC to manage risks that could impact long-term profitability.

ESG Risk	Why It Matters	How It Is Managed
Impacts of Legislation	ARC operates in jurisdictions that have GHG regulations and/or an associated carbon levy. There is uncertainty about further changes and how federal legislation will harmonize with provincial regulations. These regulation changes could have a material impact on our operations and cash flow.	<ul style="list-style-type: none"> • ARC routinely reviews existing and proposed government policy and analyzes their potential impact to the business. Read more about how ARC has lowered its GHG intensity to minimize these impacts on page 26. • ARC engages with industry, regulatory bodies, governments and other stakeholders to understand and provide input regarding policy changes. These changes and mitigation strategies are tracked throughout the organization.
Public Perception	Global and local stakeholders are becoming increasingly concerned with the environmental impacts of our business. This could have consequences on our public reputation as well as affect investor sentiment and access to capital markets.	<ul style="list-style-type: none"> • ARC is committed to transparent disclosure and publishes a comprehensive biennial sustainability report, and updates stakeholders on key performance metrics in alternate years on its corporate website.
Non-compliance with Health, Safety and Environmental ("HSE") Regulations	Material non-compliance with HSE-related regulation could have financial or reputational consequences, and potentially cause operational delays.	<ul style="list-style-type: none"> • ARC has systems and experts in place to track and report on compliance obligations.
Major HSE Incidents	ARC's operations sometimes involve operational and natural hazards (e.g., oil/gas/water spills, well blowouts, weather) that could cause harm to people or the environment and might result in production loss, financial penalties and damage to ARC's reputation.	<ul style="list-style-type: none"> • ARC has a company-wide HSE Management System, and employs HSE experts across all of our operating areas. • ARC regularly reviews its emergency response programs and performs training exercises. • ARC performs regular and proactive maintenance on all of its assets, and properly abandons or suspends wells.
Transportation and Market Access	Constraints on transportation (rail, pipeline, truck) may reduce ARC's ability to bring product to market.	<ul style="list-style-type: none"> • ARC integrates its physical marketing strategy into long-term development plans. Single-hub commodity price exposure is mitigated through diversification of sales points with production currently being transported directly to downstream markets including US Midwest, US Pacific Northwest, Eastern Canada, and Henry Hub markets.
Attracting and Retaining Top Talent	High-performing talent is essential for ARC to meet its long-term objectives.	<ul style="list-style-type: none"> • ARC forecasts critical talent requirements looking ahead five years, which guides recruitment strategies as well as training and development initiatives.

This sustainability report summarizes key metrics used to measure ARC's ESG performance, benchmarks ARC's performance against peers and the broader industry and illustrates how ARC manages ESG risks.

ETHICAL BUSINESS PRACTICES

ARC believes that delivering strong long-term financial and operational results can only be accomplished if a high standard of ethical behaviour is upheld by all employees. Integrity is expected at every level of the organization and policies are in place that clearly outline ARC's core values and acceptable norms and behaviours.



BUSINESS CONDUCT AND ETHICS

The Code of *Business Conduct and Ethics* outlines basic acceptable business practices and ethical conduct as well as ARC's commitment to a safe and diverse workplace that is inclusive, fair and honest.



DISCLOSURE POLICY

The *Disclosure Policy* aims to ensure that ARC's communications to the public are timely, factual and accurate, and in accordance with all applicable legal and regulatory requirements.



WHISTLEBLOWER POLICY

The *Whistleblower Policy* describes how employees, consultants and external stakeholders can confidentially raise concerns regarding fraud and ethics violations of the Business Conduct and Ethics Code, and includes information about ARC's Whistleblower Hotline. Employees are reminded of the Whistleblower Hotline through the annual Code of Business Conduct and Ethics Policy sign-off. ARC will continue to increase awareness and encourage individuals to bring forward ethics questions or concerns to Management or through the hotline.



Why are ethics material to ARC's business?

Not only is integrity an important core value to ARC, but ethical breaches can drastically affect the company's reputation as a responsible producer.

Why are ethics important to ARC's stakeholders?

Ethical behaviour sets the foundation for trusting relationships with employees, the investment community, and the communities in which ARC operates.

Good corporate governance involves clear systems and controls to ensure that the objectives and incentives of shareholders, directors and executives are aligned. ARC's governance practices are routinely reviewed and modified to ensure current expectations and best practices are met.

BOARD OF DIRECTORS

ARC's Board of Directors is the primary group influencing corporate governance, and as such, we highly value our group of experienced Board members who have the training, background and skills necessary to steward ARC's decisions.

The Board provides oversight on a variety of issues, including financial, operational, social, safety, environmental and risk management. To fulfill its oversight role, the Board holds meetings at minimum on a quarterly basis. In 2017, ARC's Board met seven times and each committee met at least four times, with a combined director attendance of 98.7 per cent. As of December 31, 2017, the Board had six individual committees, four of which have oversight of ESG issues. In 2018, we combined the Health, Safety and Environment Committee with the Reserves Committee, which is now the Safety, Reserves and Operational Excellence Committee.

ARC's annual *Information Circular* contains detailed information on governance issues. Page numbers to specific key sections are provided below:

- + *Board chair and member independence (Pg 29)*
- + *Board member tenure (Pg 37)*
- + *Board diversity (Pg 38)*
- + *Board committees (Pg 26)*
- + *Evaluation of Board performance (Pg 48)*
- + *Avoiding conflicts of interest (Pg 44)*
- + *Director selection (Pg 36)*

EXECUTIVE COMPENSATION

ARC's executive compensation program is designed with a clear focus on pay-for-performance and to ensure that Management's actions are aligned with our values, corporate objectives and the long-term interests of ARC and its shareholders. Senior executive performance objectives are tied to:

- Executing ARC's strategy of risk-managed value creation;
- Performing against core financial and operational metrics, which include but are not limited to cost management, safety, environment and people metrics;
- Total shareholder return by defining a peer group which is essential in understanding relative performance. Our peer group includes companies with similar production levels, geographies and enterprise value; and
- Absolute share price performance over various time frames (one, three, five and 10 years).

Approximately 70 to 80 per cent of executive compensation is considered to be "at risk" to reinforce ARC's pay-for-performance philosophy. A detailed discussion of ARC's executive compensation program is provided in our *Information Circular*.

ARC's shareholders are given the opportunity to vote for or against ARC's approach to executive compensation with a non-binding advisory vote ("Say on Pay") at the annual general meeting ("AGM"). At the 2017 AGM, ARC's approach to executive compensation was approved with 96.51 per cent of votes in favour.



Why is governance material to ARC's business?

Good governance ensures effective decision making supports operational excellence and builds trust with stakeholder and capital markets.

Why is governance important to ARC's stakeholders?

Good governance assures stakeholders that the highest levels of the organization have appropriate oversight and incentives.



At the 2017 AGM, ARC's approach to executive compensation was approved with

96.51 
per cent of votes.

PERFORMANCE

	UNITS	2013	2014	2015	2016	2017
Production	boe/d	96,087	112,387	114,167	118,671	122,937
ENVIRONMENT						
Direct Energy Consumption	GJ	9,082,501	10,963,442	10,504,502	10,277,582	11,041,628
Production Energy Intensity	GJ/m ³ oe	1.66	1.79	1.67	1.53	1.59
Greenhouse Gas Emissions						
Direct	CO ₂ e tonnes	642,890	763,457	727,207	641,337	685,432
Indirect	CO ₂ e tonnes	402,479	390,485	351,649	339,757	326,013
Intensity (Scope 1 and Scope 2) ⁽¹⁾	tonnes CO ₂ e/boe	0.030	0.028	0.026	0.023	0.023
Flared Gas	thousand m ³	43,987	36,596	32,327	22,263	24,711
Vented Gas	thousand m ³	1,746	2,071	2,813	2,266	1,733
Solution Gas Conservation Rate	percent	94.8	96.4	96.5	97.8	99.0
Sulfur Dioxide (SO ₂)	tonnes	2,979	3,313	3,082	2,482	778
Methane	tonnes	NPR	11,816	11,046	8,101	7,525
Nitrogen Oxides (NO _x)	tonnes	NPR	NPR	3,049	3,273	4,072
Water						
Fresh Water Withdrawal ⁽²⁾	m ³	817,214	1,184,808	1,393,099	1,153,756	1,788,480
Non-fresh Water Use ⁽³⁾	m ³	294,944	499,927	573,074	560,490	601,005
Reclamation						
Number of Producing Wells (Gross)	wells	10,520	8,875	5,651	3,383	3,326
Number of Non-producing Wells (Gross)	wells	1,606	1,502	1,703	1,371	1,442
Active Reclamation Ongoing	wells	235	173	206	386	262
Certificates Received	wells	8	21	28	45	24
Spills and Leaks						
Number of Reportable Spills	count	67	47	24	25	21
Reportable Non-pipeline Spills	count	24	33	12	15	12
Reportable Pipeline Spills	count	43	14	12	10	9
Total Volume of Reportable Spills	m ³	1,068	781	305	773	609
Volume of Non-pipeline Spills	m ³	682	675	156	511	134
Volume of Pipeline Spills	m ³	387	107	149	262	475
Pipeline Incident Rate	incidents per 1,000 kms	5.80	3.20	1.97	1.98	1.95
Number of Fines and Penalties	count	0	0	0	0	0
HEALTH & SAFETY						
Lost-time Frequency - Employee						
<i>cases per 200,000 work hours</i>		0.16	0.16	0.00	0.00	0.00
Lost-time Frequency - Contractor						
<i>cases per 200,000 work hours</i>		0.04	0.37	0.18	0.00	0.08
Recordable Frequency - Employee						
<i>cases per 200,000 work hours</i>		0.49	0.48	0.32	0.40	0.64
Recordable Frequency - Contractor						
<i>cases per 200,000 work hours</i>		1.20	1.84	1.47	0.78	0.83
Fatalities - Employee/Contractor	count	0	0	0	0	0

	UNITS	2013	2014	2015	2016	2017
SOCIAL						
Workforce Profile	count	620	660	620	518	519
Full-time	count	542	578	556	461	470
Part-time	count	24	25	4	3	1
Contractors and Temporary Employees	count	54	57	60	54	48
Employees By Location						
Field (Permanent)	count	230	257	243	203	217
Office (Permanent)	count	336	346	317	261	254
Field (Contractors and Temporary)	count	20	18	25	19	20
Office (Contractors and Temporary)	count	34	39	35	35	28
Gender Diversity (Permanent Only)						
Women in Workforce	percent	36	33	32	30	27
Supervisory/Professional Positions	percent	38	50	48	49	45
Management & Executive Team	percent	25	24	25	24	20
Board of Directors	percent	11	10	20	18	18
Employee Age Categories						
30 Years and Under	count	NPR	NPR	114	84	63
30 to 50	count	NPR	NPR	339	283	321
50 Plus	count	NPR	NPR	107	97	87
Voluntary Turnover	percent	4.7	3.8	2.8	1.2	2.4
Total Spending on Training	\$	1,200,000	1,765,280	1,653,822	876,844	738,125
Spending per Employee	\$	2,120	2,927	2,953	1,890	1,567

ECONOMIC ⁽⁴⁾

Value Generated ⁽⁵⁾	millions of \$	1,710	2,282	1,563	1,277	1,513
Value Distributed to:						
Suppliers ⁽⁶⁾	millions of \$	1,156	1,291	848	764	1,148
Providers of Capital ⁽⁷⁾	millions of \$	416	426	460	296	259
Governments ⁽⁸⁾	millions of \$	260	337	167	129	152
Employees ⁽⁹⁾	millions of \$	146	134	107	127	101
Landowners ⁽¹⁰⁾	millions of \$	60	51	29	22	15
Communities ⁽¹¹⁾	millions of \$	2.3	2.1	1.6	1.5	1.5
Value Retained ⁽¹²⁾	millions of \$	(330.9)	40.7	(49.4)	(62.8)	(162.3)

Notes:

1. Methodology used to collect activity data and calculate Scope 1 and Scope 2 emissions includes Canadian Association of Petroleum Producers, Calculating Greenhouse Gas Emissions, 2003; American Petroleum Institute Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2009; and Western Climate Initiative - Final Essential Requirements of Mandatory Reporting - 2011 Amendments for Harmonization of Reporting in Canadian Jurisdictions, December 21st, 2011.
2. Fresh water withdrawal includes water from (a) surface waters according to regulatory permits, (b) municipal sources and (c) water accessed from third parties.
3. Non-fresh water use includes produced water, water reused and flowback recycled. Definitions and calculations for non-fresh water have been revised and all numbers have been restated since the publication of our 2016 sustainability report.
4. The presentation of ARC's economic data in prior years has been restated to better align with the GRI Standards.
5. Economic value generated comprises sales of crude oil, natural gas, condensate, natural gas liquids and other income, before the reduction of any royalty obligations, gains and losses on risk management contracts and gains and losses on asset dispositions and business combinations. All figures are presented on an accrual basis.
6. Economic value distributed to suppliers comprises all operating, transportation and general and administrative expenses as well as capital expenditures that are paid to suppliers other than employees, landowners, governments and for purposes of charitable donations. All figures are presented on an accrual basis.
7. Economic value distributed to providers of capital includes interest expense paid in cash, cash dividends paid and common shares distributed through ARC's Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP").
8. Economic value distributed to governments includes Crown royalty obligations, corporate income taxes, property and business taxes, carbon taxes, provincial sales taxes as well as consideration paid to governments for surface rights of Crown-owned land and government licenses, fees and permits. Excludes contributions to government pension plans and government employment insurance premiums made on behalf of employees. All figures are presented on an accrual basis. Due to the use of different reporting frameworks, figures presented will not necessarily conform to those presented in ARC's annual reporting under the Extractive Sector Transparency Measures Act ("ESTMA"). For more information or to view ARC's annual ESTMA report, please refer to ARC's website at www.arcresources.com.
9. Economic value distributed to employees comprises salaries, employee benefits and compensation associated with ARC's share-based compensation plans. All figures are presented on an accrual basis.
10. Economic value distributed to landowners comprises land access payments and royalty obligations to individuals and corporations associated with non-Crown owned lands. Reduction in value distributed to landowners over a five-year time span attributed to reduction in total well count.
11. Economic value distributed to communities comprises contributions to charitable and not-for-profit organizations.
12. Economic value retained represents Economic value generated minus total Economic value distributed as presented herein. Economic value retained does not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and should not be confused with retained earnings, net income, comprehensive income or any other measure prescribed by IFRS. May not be comparable to similar measures presented by other entities.

We used the Global Reporting Initiative Sustainability Reporting Standards to help determine report content. The report contains Standard Disclosures from the Guidelines but has not fulfilled all the requirements to be 'in accordance'. For more information on the GRI, please visit www.globalreporting.org.

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NR0101-03	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	25	
	AIR QUALITY		
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NR0101-05	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	47	P
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	BIODIVERSITY IMPACTS		
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	SECURITY, HUMAN RIGHTS, AND RIGHTS OF INDIGENOUS PEOPLES		
NR0101-12	(1) Proved and (2) probable reserves in or near areas of conflict	N/A	
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FORWARD-LOOKING STATEMENTS

This Sustainability Report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “strategy” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this Sustainability Report contains forward-looking information and statements pertaining to the following: expectations as to the Company’s reduction in greenhouse gas intensity by the end of 2021 relative to ARC’s 2017 baseline through, among other things, the electrification of ARC’s BC facilities, the application of low-emission technologies and divestitures of higher-carbon producing non-core assets; the anticipated investment in water infrastructure at Dawson, Sunrise, Parkland/Tower and the resulting expectations in respect of water volumes to be recycled, effects on water costs and requirements for fresh water in the Company’s operations; the planned electrification of the Parkland and Sunrise facilities and the anticipated reduction of the facilities’ greenhouse gas emissions and reduction of ARC’s carbon tax obligation by \$10 million by 2021; the planned development of a more comprehensive competency and learning management system; the anticipated expansion of leadership and technical development opportunities; ARC’s plans to continue to create opportunities and training that support the professional development of women throughout its organization; reducing environmental and safety incidents, increasing operational efficiencies, improving regulatory and reporting management processes, increasing employee skills and competencies through ARC’s planned development of AIMS; the anticipated adoption of carbon and methane policies; plans to manage asset integrity of ARC’s legacy infrastructure; ARC’s plans to pursue technology to map greenhouse gas emissions; implementing the LDAR program in a number of ARC’s facilities during 2018; plans to manage community concerns related to increased truck traffic and noise during project work; implementing software to analyze and respond to recurring community concerns; and continuing future involvement with ARC’s stakeholders, including Indigenous groups.

The forward-looking information and statements contained in this Sustainability Report reflect several material factors, expectations and assumptions of ARC, including, without limitation: the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the Company’s capital budget and operational plans for 2018; the ability to complete the infrastructure projects on the proposed timelines and within the proposed budget; the ability to obtain all necessary regulatory approvals on the anticipated timelines; certain commodity price and other cost assumptions for 2018; the general continuance of current industry conditions; the retention of ARC’s key properties; access to equipment and qualified personnel; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this Sustainability Report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in ARC’s plans regarding water management, facilities replacement and construction, and operations based on key learnings and experience gained through the design and implementation of such plans; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; delays and cost overruns in respect of the proposed projects; the inability to obtain the necessary regulatory approvals within the anticipated timelines; changes in commodity prices; changes in the demand for or supply of ARC’s products; changes in development plans of ARC or by third-party operators of ARC’s properties; changes to the government; increased debt levels or debt service requirements; loss of key personnel; limited, unfavorable or a lack of access to capital markets; deterioration of relations with Indigenous groups; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in ARC’s public disclosure documents (including, without limitation, those risks identified in this Sustainability Report and in ARC’s Annual Information Form for the year ended December 31, 2017).

The internal projections, expectations or beliefs are based on the 2018 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this Sustainability Report speak only as of the date of this Sustainability Report, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.



August 14, 2018

Independent Limited Assurance Report in relation to ARC Resources Ltd.'s Greenhouse Gas Emissions information included in the 2018 CDP Submission and 2018 Sustainability Report

To the Board of Directors and Management of ARC Resources Ltd.

We have been engaged by ARC Resources Ltd. ("ARC") to perform an independent limited assurance engagement in respect of the Scope 1 emissions in Alberta and Scope 2 greenhouse gas ("GHG") emissions in Alberta and British Columbia as reported in ARC's 2018 Sustainability Report and questions C6.1 and C6.3 in their submission to the CDP (the "Reports") for the year ended December 31, 2017 (the "Subject Matter").

Scope, criteria and subject matter

Our scope is limited only and exclusively to the GHG emissions referred to below (subject matter) and is not extended to any other information, notes, sections and/or paragraphs in the 2018 Sustainability Report or CDP Submission.

ARC's emissions are calculated and reported based on the Canadian Association of Petroleum Producers, (CAPP) Calculations Greenhouse Gas Emissions, 2003 and American Petroleum Institute (API) Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2009, ("the criteria").

The subject matter consists of the Scope 1 GHG emissions determined using the operator approach for facilities in Alberta and Scope 2 GHG emissions determined using the operator approach for facilities in Alberta and British Columbia.

GHG emissions in tonnes CO₂e for the year ended December 31, 2017 by scope and area are as follows:

Scope and Area	As at December 31, 2017
Scope 1 (Alberta)	322,739
Scope 2 (Alberta and British Columbia)	326,013

ARC's management responsibilities

ARC's management is responsible for the preparation and presentation of the subject matter presented in the report in accordance with the reporting criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the subject matter that is free from material misstatement, whether due to fraud or error, associated with the information and disclosures presented by ARC.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



ARC is responsible for providing us with information about any frauds (including alleged and/or suspected instances of fraud) or illegal (or possibly illegal) acts communicated by employees, former employees or contractors and all related facts known by management that may relate to the Reports. ARC is responsible for the disclosures identified by management as relevant for demonstrating adherence to the criteria.

Inherent Uncertainty

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and accuracy of data are subject to individual assumptions and judgments.

Greenhouse Gas quantification is also subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independent and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the subject matter, in all material respects, in accordance with the criteria.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on the subject matter.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of ARC's use of the criteria, assessing the risks of material misstatement whether due to fraud or error and responding to assessed risks as necessary in the circumstances. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.



The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, our procedures included but were not limited to:

- Obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data;
- Limited testing of relevant documents and records on a sample basis;
- Limited testing and reviewing of quantitative information related to the subject matter on a sample basis; and
- Reviewing the consistency of the subject matter with related disclosures in the Reports.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether ARC's subject matter have been prepared, in all material respects, in accordance with the criteria.

Limited Assurance Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that would lead us to believe that the Subject Matter included in ARC's 2018 Sustainability Report and 2018 CDP submission for the year ended December 31, 2017 as defined above, were not in all material respects prepared and presented in accordance with the requirements of the criteria.

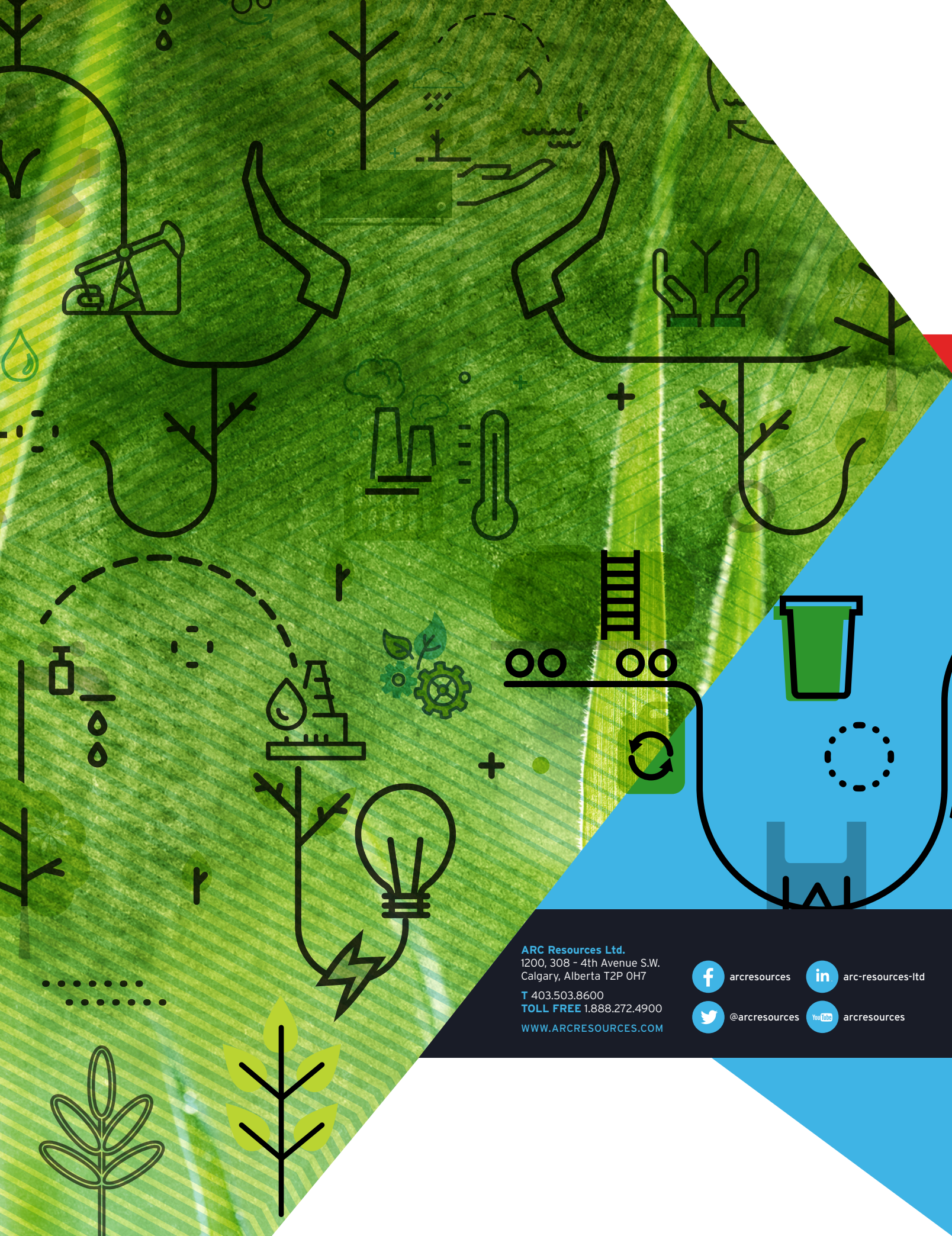
Restrictions on use

Our limited assurance report is addressed solely to the management and Board of Directors of ARC Resources Ltd. in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than ARC for our work or for the conclusions we have reached in this limited assurance report.

This report has been prepared for ARC for the purpose of inclusion in ARC's 2018 Sustainability Report and in ARC's 2018 CDP submission and for no other purpose.

PricewaterhouseCoopers LLP

Chartered Professional Accountants



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