

Sustainable Development

2014 Report





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Our Approach

Letter to Stakeholders

Our approach to sustainable development integrates principles, commitments, positions, action plans, performance indicators, engagement, results and reporting.



We recognize that long-term success in our industry demands strong health, safety, environmental and social performance. We take pride in our accomplishments, but never stop looking for ways to improve.

The energy landscape has changed dramatically in just a short period of time. It is difficult to know with any certainty what prices will be in the future. So we are focused on the things we can control while positioning our company for sustained success, even in a lower price world. We have built our company upon a foundation of accountability and performance. We set commitments and deliver on them.

Our efforts are anchored by action plans for:

- Biodiversity
- Water
- Climate change
- Stakeholder engagement
- Human rights

Our plans include objectives related to understanding our footprint, managing projects and operations, addressing risk and opportunity, and engaging externally. And our report

includes details about our objectives, commitments and performance against these plans. Externally, we are recognized for the completeness of our approach and progress on these priorities. For the eighth year in a row, the Dow Jones Sustainability Index North America recognized us for our sustainability efforts.

In the water-scarce region of the Red Hills in New Mexico our scientists and engineers designed a water management solution that used more than 300,000 barrels of non-fresh or recycled produced water to complete wells in 2014. In addition to saving fresh water, using 100% recycled produced water also minimized truck traffic in the region.

We continue to work to reduce greenhouse gas (GHG) emissions in our operations and to integrate climate change-related activities and goals into our business planning. Since 2009 we have reduced or avoided GHG emissions by 3 to 4% year-on-year while growing our business. In order to increase our focus on emission reductions, we have set an overall company GHG emission reduction target of 3 to 5% against our business-as-usual forecast for 2015.

We have refocused our charitable investments primarily on two signature programs—one focused on global water and biodiversity stewardship and another that is focused on mathematics education for middle and high school students.

Our commitment to sustainable development provides the foundation for our actions, which concentrate on conducting business to promote economic growth, a healthy environment and vibrant communities, now and into the future.

Sincerely,

Ryan M. Lance
Chairman and Chief Executive Officer

About Our Report

Scope

Our report describes how we do business, shares our sustainable development approach and action plans, and details our successes and challenges globally and by topic, with asset and community examples. Our reporting is informed by external reporting standards such as the Global Reporting Initiative and IPIECA standards, an internal systems-based approach, and insights from key stakeholders as to “materiality” and significance from their perspective. Tables that cross-reference our content to **GRI** and **IPIECA** are included.

Our business units also engage with stakeholders about sustainability performance and provide formal reports associated with local regulatory processes. Several business units, including Alaska, Australia, and Canada have published local sustainable development reports.

We have received external recognition of our performance and reporting on sustainability. We have been named to the Dow Jones Sustainability North America Index, which lists North America’s leading, sustainability-driven companies annually since 2007. We have also achieved strong ratings from CDP, as more fully described in the **Climate Change** section of our report.



For more information about our performance or reporting, contact SDteam@conocophillips.com

Reporting Statements

Safe Harbor Statement

CAUTIONARY STATEMENT FOR THE PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. You can identify our forward-looking statements by words such as “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,”

“estimates,” and similar expressions. Forward-looking statements relating to ConocoPhillips’ operations are based on management’s expectations, estimates and projections about ConocoPhillips and the petroleum industry in general on the date the presentations are given. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements.

Factors that could cause actual results or events to differ materially include, but are not limited to, potential failures or delays in achieving expected reserve or production levels from existing and future oil and gas developments due to operating hazards, drilling risks and the inherent uncertainties in predicting reserves and reservoir performance; unsuccessful exploratory drilling activities or the inability to obtain access to exploratory acreage; unexpected changes in costs or technical requirements for constructing, modifying or operating exploration and production facilities; lack of, or disruptions in, adequate and reliable transportation for our crude oil, natural gas, natural gas liquids, bitumen and LNG; inability to timely obtain or maintain permits, including those necessary for drilling and/or development, construction of LNG terminals or regasification facilities; comply with government regulations; or make capital expenditures required to maintain compliance; failure to complete definitive agreements and feasibility studies for, and to timely complete construction of, announced and future exploration and production and LNG development; potential disruption or interruption of our operations due to accidents, extraordinary weather events, civil unrest, political events, terrorism or cyber attacks; international monetary conditions and exchange controls; substantial investment or reduced demand for products as a result of existing or future environmental rules and regulations; liability for remedial actions, including removal and reclamation obligations, under environmental regulations; liability resulting from litigation; general domestic and international economic and political developments, including armed hostilities; expropriation of assets; changes in governmental policies relating to crude oil, bitumen, natural gas, LNG or natural gas liquids pricing, regulation or taxation; other political, economic or diplomatic developments; and international monetary fluctuations; changes in tax and other laws, regulations (including alternative energy mandates), or royalty rules applicable to our business; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; delays in, or our inability to implement, our asset disposition plan; inability to obtain economical financing for development, construction or modification of facilities and general corporate purposes; and the operation and financing of our joint ventures.

Other factors that could cause actual results to differ materially from those described in the forward-looking statements include other economic, business, competitive and/or regulatory factors affecting ConocoPhillips’ business generally as set forth in ConocoPhillips’ filings with the Securities and Exchange Commission (SEC). ConocoPhillips is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Transparency and Collaboration

We believe it is our responsibility to seek to understand and be understood by our stakeholders – a diverse group of individuals and organizations who can impact or be impacted by our business. We work to accomplish this by maintaining open communication through both formal and informal engagement processes, and providing accessibility to information concerning our business practices. Our **principles of stakeholder engagement** inform our approach.

As we develop plans and report results, we consider stakeholder feedback, questions, and insight in a variety of ways.

Stakeholders shown in this diagram all play a role in informing our approach, priorities, plans, actions and reporting. We listen and learn through individual and group engagement, receive questions from our website and other sources, and analyze our performance based on external ratings and best practices from our industry and other industries. We use this

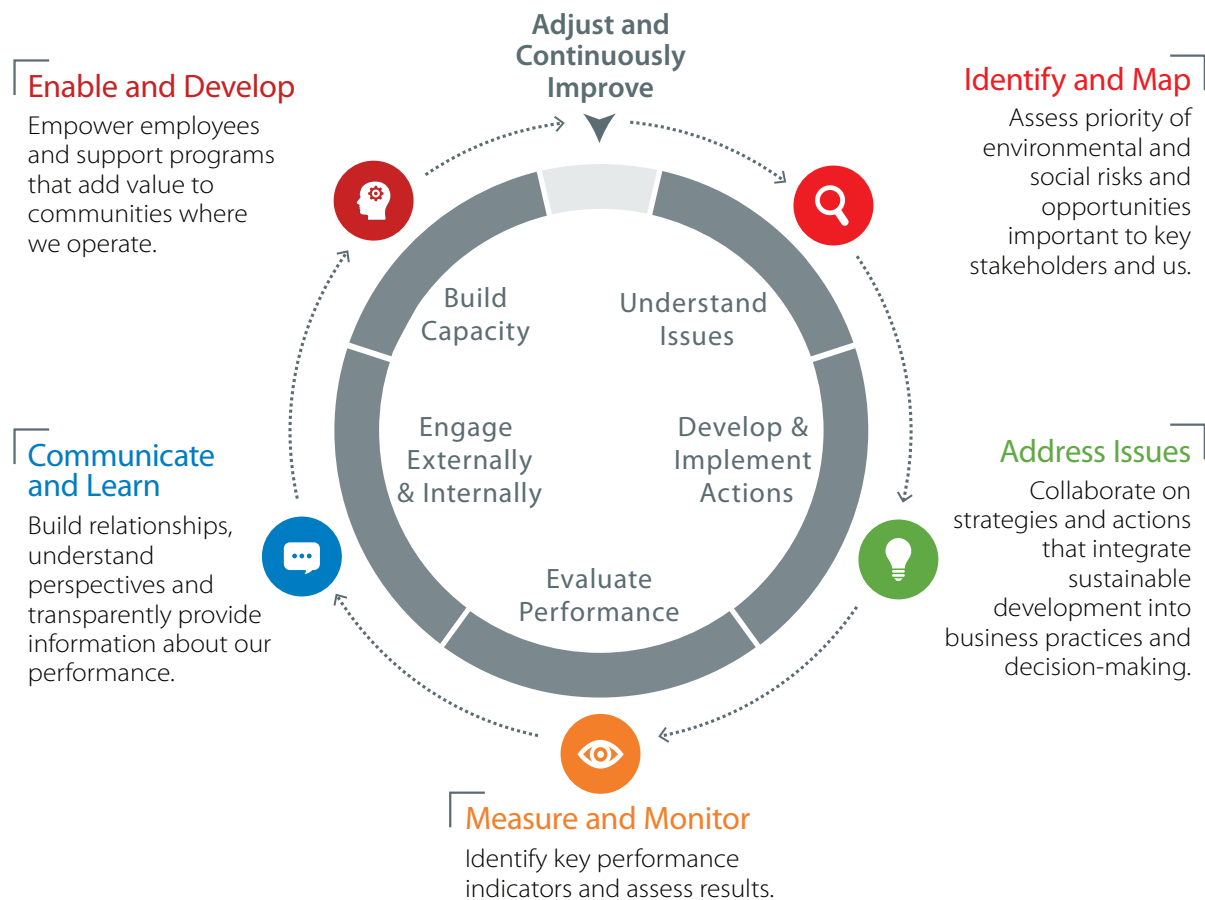
process to assess stakeholders' perspectives of the priority and "materiality" of issues and information to include in the report.

Internal training and awareness is built through active engagement with Networks of Excellence, Issue Working Groups, Discussion Forums and Leadership Teams, as described under Sustainable Development Governance. These governance and best practice structures reach more than 900 leaders and practitioners.

External organizations are important for best practice sharing and learning as well. Our approach leads to enhanced issue understanding through work with industry associations and stakeholder forums and dialogue with socially responsible investors. Some of the key organizations that we collaborate with to advance our sustainable development work are included in this diagram with links to the relevant part of their websites.



Our Sustainability Approach



Living by Our Principles

We are accountable for our actions and monitor performance so we can adjust as needed for continuous improvement.

Our Commitments

Our sustainable development approach integrates principles, commitments, positions, action plans, performance indicators, engagement results and reporting. We seek continuous improvement and skills development in each of these management system elements and report our results. In support of ongoing dialogue with a broad spectrum of stakeholders, we developed 10 energy principles to guide development of positions on specific public policy issues including environmental issues such as climate change. And our Global Onshore Well Management Principles guide how we protect and respect people and the environment. We take these principles seriously, and we welcome your comments on them.

Our Commitments

- | | | |
|---|------------------------------------|------------------------------|
| ● Increase Availability of Cleaner Energy | ● Be Transparent and Accountable | ● Operate Safely |
| ● Benefit Communities | ● Minimize Environmental Footprint | ● Invest in Employees |
| ● Improve Energy and Material Efficiency | ● Work Ethically | ● Ensure Long-term Viability |

Vision & Values

We commit to exemplify our SPIRIT Values - Safety, People, Integrity, Responsibility, Innovation and Teamwork.

Policies

Code of Business Ethics & Conduct (View Here)

Health, Safety and Environment Policy (View Here)

Political Support Policy and Procedures

Customers, community groups, political organizations and others regularly approach us to support civic and political activities. Management and the ConocoPhillips Board of Directors encourage involvement in activities that advance the company's goals and improve the communities where we work and live.

Overview

A number of local, state and federal laws exist that govern corporate involvement in activities of a political or public policy nature. These statutes contain numerous prohibitions and detailed reporting and record-keeping requirements. They also contain enforcement provisions that carry civil and criminal penalties for noncompliance. Employees may be asked to participate in activities that fall under the jurisdiction of one or more of these statutes.

The policies and guidelines below have been approved by the Public Policy Committee of the Board of Directors and are intended to help ensure corporate compliance with these laws and regulations. With respect to political contributions, all such contributions will promote only the interests of ConocoPhillips, and not the personal political preferences of its company officers and executives.

These policies and guidelines deal primarily with U.S. domestic political activity, and are not intended to cover the many global political, legal and business issues that apply to U.S. corporations and their international affiliates. Other countries' rules and U.S. rules, such as the Foreign Corrupt Practices Act, are covered under other policies. Additionally, the policies and guidelines below only apply to situations where employees are asked to act on behalf of ConocoPhillips and do not apply to personal activities employees choose to fund or pursue at their own cost and on their own time.

In addition to undergoing a voluntary, internal assurance audit of its corporate political expenditures each year, ConocoPhillips assesses its political policies on a regular basis and in light of changes in federal, state and local lobbying and campaign finance laws and regulations. For the

period May 1, 2012– December 31, 2014, we adhered to our own code for corporate political spending.

Gifts to Elected Officials, Regulators and Government Employees

Federal law prohibits registered federal lobbyists and those entities that employ federal lobbyists (such as ConocoPhillips) from providing gifts or anything of value to Members of Congress or Congressional staffers. This includes appreciation gifts, items for display in his or her office, as well as tickets to sporting or other events. Of particular note, it also includes meals and lodging. While the rules provide for selected exceptions, great care is required to ensure compliance. Separate and similarly strict gift rules apply to the Executive Branch of the federal government. Additionally, states and localities have various types of gift rules, with some states such as California having very strict gift prohibitions and reporting requirements.

Any gift to an elected official or government employee made on behalf of ConocoPhillips must comply with the applicable gift ban rules and receive prior approval from Government Affairs.

Lobbying & Grassroots Activities – Government Contacts

Federal, state and local statutes govern corporate lobbying activities. These statutes require activities and expenses associated with working legislative and regulatory issues be reported regularly and in prescribed ways. Contacts with officials and other efforts to influence government action, including permitting or licensing of company operations, may constitute lobbying activities under various state and local laws.

While the Federal Lobbying Disclosure Act exempts infrequent contacts with federal lawmakers, advance consultation with Government Affairs is essential to confirm the ground rules for these discussions and proper reporting. Consultation with Government Affairs is also required for contacts with state and local policymakers. This is especially important given the wide variation in rules from state to state and locality to locality.

Additionally, ConocoPhillips employees should refrain from the following activities at the state or federal level without prior internal consultation and approval.

- Testifying before a legislative or regulatory body.

- Agreeing to share in the costs of retaining a firm or individual to work a regulatory or a legislative issue.
- Agreeing to join an association or coalition whose purpose is to influence a regulatory or legislative issue.
- Lending ConocoPhillips' name to any effort to endorse or oppose a pending legislative or regulatory issue.

Grassroots Activities

Grassroots activities are designed to supplement lobbying efforts, influencing officials to take favorable action on legislation important to the company. When appropriate, we will initiate calls to action targeted to our employees, which typically include the development and distribution of information and mobilization to contact policymakers or elected officials. In the same way, ConocoPhillips may expand grassroots activity and/or calls to action to include the general public, as deemed necessary on a case-by-case basis. All grassroots activities are based on collaboration between appropriate Government Affairs and business unit personnel.

Lobbying-related Activities – Trade Association Membership

We actively engage with trade associations at the national, state and local levels and encourage our employees to represent the interests of the company and the communities in which we operate through participation in committees and/or leadership roles in these associations. While not the primary motivation for joining or maintaining membership in any trade association, many such organizations actively engage in lobbying. Employees who serve on trade association committees that are advocating legislation or regulation must work closely with Government Affairs, affected business units and Legal to develop appropriate positions and ensure compliance with any possible lobbying disclosure requirements.

With respect to trade association contributions, our primary purpose in joining groups such as the National Association of Manufacturers, the U.S. Chamber of Commerce, and the American Petroleum Institute is not for political purposes, nor does the Company agree with all positions taken by trade and industry associations on issues. In fact, we publicly acknowledge that we do take contrary positions from time to time. The greater benefits we receive from trade and industry association memberships are the general business, technical and industry standard-setting expertise that these

organizations provide. Through participation in trade associations involved in lobbying, we seek to champion legislative solutions that are practical, economical, environmentally responsible, non-partisan and in the best interests of the company. We also annually report on trade association memberships with dues in **excess of \$50,000**.

Independent Expenditures

For ConocoPhillips purposes, independent expenditures are defined as those funds given or expended to directly support or defeat a candidate, without collaboration of the candidate.

Our policy is not to make independent expenditures. However, if a compelling business purpose exists, an exception to this policy may be granted with the consent of Government Affairs, business unit personnel and Legal. Approval of the Public Policy Committee is also required. For the period May 1, 2012 – Dec. 31, 2014, no contributions to independent expenditures were made by ConocoPhillips.

Certain trade associations incur independent expenditures and we have engaged in discussions with certain stakeholders who have expressed concern about this trade association practice. As with prior reporting periods, ConocoPhillips continued to stipulate that none of our national trade association dues be applied to independent expenditures focused on the election or defeat of any federal candidates for the period May 1, 2012 – Dec. 31, 2014.

Issue Advocacy

For our business purposes, issue advocacy is the support of a pro-energy and/or pro-business position regarding a ballot initiative to be voted on by the people. Issue advocacy may also include support of an initiative that would defeat anti-energy and/or anti-business measures. Actions typically include development and distribution/broadcasting of information either jointly or solely, and may include signature gathering on initiative petitions which the company has expressly supported. We will be active in such issues, provided there is a compelling business rationale; an agreement to participate among the affected business units and Government Affairs personnel and management; and where there is distribution/broadcasting of information, significant ConocoPhillips and/or energy industry involvement, input and approval of the message development and the tactics taken in the initiative process.

Political Contributions

Federal Political Campaign Contributions

Federal laws strictly forbid the giving or use of corporate funds for candidates campaigning for federal office, such as Congress. These laws apply to actual candidate campaigns and to solicitations from third parties, such as external political action committees, whose purpose is to help elect federal candidates.

ConocoPhillips is authorized under law to establish an employee political action committee (PAC) and fund its cost of administration. Consistent with approval of the Public Policy Committee, Spirit PAC has been formed to facilitate contribution of employee funds to federal candidates as well as state and local candidates. See list of contributions made by Spirit PAC from July 1, 2013 – Dec. 31, 2014. This information is provided as an 18-month rolling archive, inclusive of the current report.

The Spirit PAC Board of Directors has established in its operating guidelines the following nonexclusive criteria for selecting candidates to support:

- The integrity and character of the candidate;
- The candidate's holding of a leadership or policy position in his party or on a standing legislative committee, or the likelihood of the candidate's attaining such position in the future;
- The candidate's position and/or voting record on issues affecting the relationship of business and government and on economic and social questions of importance;
- The candidate's relationship with or representation of an operating facility or company operations;
- The nature and strength of the candidate's opposition in primary or general elections; or
- Other sources of financial assistance available to the candidate.

In addition, the Spirit PAC Board of Directors primarily concentrates on contributions that go direct to candidates for office, generally avoiding:

- Independent expenditures in support of or opposition to a candidate;
- Out-of-election-cycle contributions;
- Contributions to presidential campaigns;
- Contributions to leadership PACs;

- Contributions to political parties; and
- Large contributions to trade association PACs.

State & Local Political Campaign Contributions

Individual state and local laws govern contributions to candidates running for election to state and local offices. The Public Policy Committee has authorized a strict process for the justification, approval and reporting of any corporate political contributions made in states that permit corporate contributions. The Public Policy Committee also sets a bi-annual budget for such corporate contributions in the U.S. and Canada.

The guidelines for determining whether a corporate political contribution should be made to a candidate are the same as the political action committee guidelines above, including those contributions to be avoided.

The responsibility to approve and administer contribution requests has been delegated to the corporate officer responsible for government affairs or his or her designee.

Accordingly, the Vice President, Federal & State Government Affairs, and Legal must approve all requests for U.S. state and local contributions. The Vice President of ConocoPhillips Canada responsible for Government Affairs and Legal must approve all Canadian requests. Information on corporate political contributions is provided as an 18-month rolling archive, inclusive of the current report.

The Spirit PAC Board of Directors may elect to make state and local contributions in states where corporate contributions are not allowed subject to applicable laws and PAC operating guidelines.

Contributions to Other Political Action Committees

Many industry and special interest groups have created their own political action committees to elect candidates to office. State and national petroleum marketing associations, for example, have created PACs and are soliciting members and suppliers. Corporate contributions to these external PACs are strictly prohibited under ConocoPhillips policy if the contributions are intended to be used to fund candidates or their election campaigns. This includes the expensing of any costs for events such as golf and fishing tournaments, hunts, dinners, silent auctions and other types of activities used by these PACs to raise funds. Corporate

contributions to fund administrative costs of certain external PACs may be permitted if allowed under applicable law, if doing so advances company goals, and if approved by Government Affairs and Legal.

Candidate Fundraising Events and Other Related Requests

Candidates and their supporters hold social activities as political fundraisers. Recognizing federal and many state laws impose restrictions, corporate funds for these activities require prior review and approval of Government Affairs and Legal. We occasionally contribute to ballot initiatives, get out the vote activities and partisan organizations such as the Democratic and Republican governors associations. These, too, require review and approval of Government Affairs and Legal. This information is provided as an 18-month rolling archive, inclusive of the current report.

Contributions to Political Parties

Contributions to national parties by a corporation are illegal. Any such requests should be forwarded to Government Affairs given the potential for changes in the law and the need to monitor such requests. Contributions to state parties remain legal, but subject to varying limitations and reporting requirements depending on the state. All requests require Government Affairs and Legal review and approval.

Party Conventions

ConocoPhillips may elect to participate in state or federal political party conventions. Although corporate contributions to political parties at the national level are prohibited by law, corporations may make contributions to the presidential conventions held by the parties through the host committees. Any such contribution requires the review and approval of Government Affairs and Legal.

Global Substance Abuse Policy ([View Here](#))

Positions

Sustainable Development Position

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

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

Our Focus

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

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

Our Expectations

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

Biodiversity Position

We will implement mitigation planning processes aimed at reducing the effects of our activities on the environment and conserving biodiversity. We will address biodiversity conservation as part of investment appraisal, and during the planning and development of major capital projects, by conducting environmental impact analyses, collecting key environmental data and implementing mitigation and monitoring programs to reduce impacts and assure results.

Our Focus

We are continuously building our knowledge about the ecosystems in which we work and have completed an internal study to benchmark our performance compared to other extractive-industry companies. To increase internal awareness about biodiversity, a knowledge-sharing intranet

site is actively used to foster employee collaboration within ConocoPhillips in the areas of biodiversity and ecosystems.

We have conducted industry benchmarking to explore better ways to collect and manage our biodiversity data. We are using a range of technologies, from improved animal tagging to streamlined databases. Employees are encouraged to ask questions about challenges they encounter in this area, and to share project ideas for technology development in the area of ecosystems and land use.

Our biodiversity focus will include the following elements:

- Integration of biodiversity conservation principles in our business management systems, considering all stages of the asset life cycle.
- Development of Biodiversity Action Plans for projects located in areas of high conservation value.
- Use of widely available and effective planning tools such as those developed by the International Petroleum Industry Environmental Conservation Association (IPIECA), Energy and Biodiversity Initiative, and the International Association of Oil and Gas Producers (OGP) to facilitate biodiversity conservation.
- Adoption of a landscape-scale perspective which promotes habitat integrity and connectivity over a broader area than just our facility sites as important issues in land use decision-making.
- Consideration of targeted opportunities for habitat improvement, including projects for rehabilitation. The use of biodiversity offsets will be considered when appropriate.
- Collaboration with key stakeholders to increase capacity for biodiversity protection, internally and in related institutions and communities.
- Linkage of biodiversity protection with GHG emissions reductions, where both goals can be met through integrated planning and action.

Our Expectations

We follow widely accepted guidelines from the IPIECA and the International Association of Oil and Gas Producers (OGP) in our approach to biodiversity conservation. As a member of the IPIECA biodiversity working group, we work to develop tools and materials to help companies across our industry enhance their biodiversity conservation activities. As a founding member of the OGP's Sound and Marine Life program, we support continued research to increase scientific knowledge on the possible impact that sound

produced by offshore exploration and production has on marine mammals, fish, turtles, seabirds, invertebrates and other marine life. In the fulfillment of our business strategy, we will serve as a positive example of how natural resource development can occur in harmony with society's need to conserve **biodiversity**.

Climate Change Position

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

Our Focus

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

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

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

Climate Change Public Policy

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

- Recognize that climate change is a global issue which requires global solutions – economy-wide governmental GHG management frameworks should be linked to binding international agreements comprising the major GHG contributors
- Result in the stabilization of global GHG atmospheric concentrations at safe levels
- Coordinate with energy policy to ensure a diverse and secure supply of affordable energy

- Utilize market-based mechanisms rather than technology mandates
- Create a level, competitive playing field among energy sources and between countries
- Avoid overlapping or duplicating existing energy and climate change programs
- Provide long-term certainty for investment decisions
- Promote government and private sector investment in energy research and development
- Match the pace at which new technology can be developed and deployed
- Encourage efficient use of energy
- Foster resiliency to the impacts of a changing climate
- Avoid undue harm to the economy.

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

We are committed to doing our part.

Human Rights Position

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

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

Our Focus & Expectations

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

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

Economic Transparency & Reporting Position

We participate in the Extractive Industries Transparency Initiative (EITI), which seeks to ensure that natural resource wealth is an engine for sustainable economic growth that contributes to sustainable development and poverty reduction.

Our Focus & Expectations

We remain actively involved in the EITI process and implementation in participating countries where we operate. Currently, three participating countries where we operate have achieved full EITI compliance – Timor-Leste, Nigeria and Norway. Of the countries that have committed to EITI principles, and therefore are considered candidates for EITI membership, we have resource interests in 2: Indonesia and Kazakhstan. Of the EITI compliant or committed countries, only our investments in Indonesia, Nigeria and Norway involve production. We currently cooperate with these governments in their EITI validation efforts.

When we have assets in new countries, we will work to promote transparency and accountability with those governments.

EITI requires the public reporting of payments to governments. Such reporting requirements take into account host-country laws and the terms of contracts under which such revenues are accrued.

HIV/AIDS Position

We recognize that HIV/AIDS is a global pandemic resulting in the death of over 3 million people every year, with potential to grow unless concerted action is taken to check the spread of the disease. There remains a significant stigma associated with this disease, which limits willingness of infected individuals to seek effective diagnosis, which frequently results in social and workplace discrimination. There are now treatments available which make HIV/AIDS a manageable chronic illness for those infected with this disease to live normal and productive lives. Yet economic and technical limitations in much of the developing world have created disparities between developed and developing countries, in their ability to effectively manage spread of the disease and treatment of infected individuals.

Our Focus & Expectations

To the extent that HIV/AIDS affects the health of our employees and their dependents and represents a significant public health risk where our employees live and work we will work to identify, use and otherwise support community-based resources and programs that recognize and seek to mitigate the social stigma and adverse impact of HIV/AIDS, emphasize preventive education and provide early intervention and long-term treatment.

Diversity & Inclusion Policy

We strive to represent and reflect the global communities in which we live and work. To deliver superior performance, we create an environment of inclusion that respects the contributions and differences of every individual (employees, contract workers, suppliers and business partners). Wherever possible, we use these differences to drive competitive business advantage, personal growth and, ultimately, create business success.

Our Focus

As we pursue opportunities in a dynamic marketplace, we value motivated people who set the standard of excellence by:

- Living our **SPiRiT Values**.
- Demonstrating a proactive attitude and being culturally capable of doing business globally.
- Using creativity and a variety of approaches to capture opportunities.
- Inspiring and supporting others to reach new heights.

Our Expectations

Our pledge to diversity is a global commitment that reaches across the entire company. Our leadership team, managers and supervisors are accountable for developing and progressing our global inclusion initiatives. Additionally, employees and contractors are responsible for playing a key role in ensuring that their personal behaviors create an inclusive work environment. As a company, we continue to measure our progress toward becoming representative and reflective of the communities in which we live and work.

Renewable Energy Position

In alignment with our mission to power civilization, and consistent with our positions on sustainable development and climate change, we are evaluating and supporting development of technologies for renewable energy. We are leveraging our expertise, intellectual property and physical assets in pursuit of economically viable, renewable energy business opportunities.

Our Focus

We continue to develop technology options with the potential to enable or complement renewable energy use.

Investments in technology development will be disciplined and commensurate with the likely returns, market size, timing of development and technology risk inherent in renewable energy projects. Our criteria for business investment include:

- **Business Leveraged.** Renewable energy opportunities that complement our existing processes will be prioritized.
- **Competency and Asset Leveraged.** We plan to focus our efforts on renewable technologies that directly leverage our experience in energy development and markets.
- **Ongoing Awareness.** We plan to continue to evaluate renewable energy technologies to proactively identify new opportunities and to understand the economic drivers, strengths and weaknesses of the alternative technologies available.
- **Sustainable Solutions.** We remain open to developing and using renewable energy as a component of our

portfolio of energy offerings, as and when these technologies can be deployed in a sustainable manner for our stakeholders.

Our Expectations

Our work will assist in the development of viable, sustainable and environmentally responsible energy for existing and future customers. For more information, see [Technology Ventures](#).

Water Sustainability Position

As a responsible global energy company committed to sustainable development, we recognize that fresh water is an essential natural resource for communities, businesses, and ecosystems. Global population growth will increase demand for fresh water and all users – domestic, agriculture, and industry – will need to effectively manage supplies to meet demands.

Our Focus & Expectations

We produce and utilize water in our operations. And we are committed to the development of [water management](#) practices that conserve and protect fresh water resources and enhance the efficiency of water utilization at our facilities. We will assess, measure and monitor our fresh water usage, and based on these assessments we will manage our consumption and strive to reduce the potential impact to the environment from wastewater disposal.

Our initial focus for implementation can be broken down into 4 broad categories:

- Focusing on priority assets and developing evaluation and mitigation tools.
- Sharing best-practice water management systems at a local level.
- Developing and implementing technologies to reduce the environmental impact of our water footprint.
- Delivering on sustainable development public commitment.

Accountability and Governance

Each of our various businesses are responsible for integrating sustainability issues into day-to-day operations, project development and decision-making, and are held accountable through an annual performance management process.

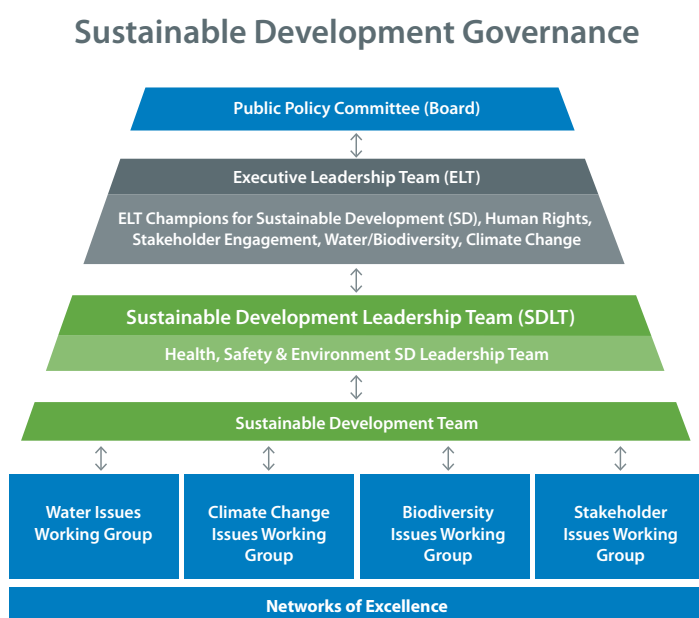
Members of senior management have final responsibility for:

- Developing corporate strategy
- Developing and reporting company performance
- Assisting the businesses with implementation of sustainability

Sustainable Development Governance

Sustainable Development Governance includes direction and oversight from the **Public Policy Committee** of the **Board of Directors** and the Executive Leadership Team (ELT).

The Public Policy Committee of the Board of Directors oversees our positions on public policy issues, including climate change and on matters that may impact the company's reputation as a responsible corporate citizen, including sustainable development performance and reporting.



The committee makes recommendations to the board, and monitors compliance with the company's programs and practices regarding health, safety and environmental protection, including climate change, water and biodiversity management; business operations in sensitive countries; government relations and political contributions; human rights and social issues; corporate philanthropy; and corporate advertising. It also approves the budget for political and charitable contributions, and monitors compliance with these plans.

The committee, currently comprised of three independent directors, convenes at least quarterly and is regularly updated on sustainable development issues.

ELT Champions – Five executive leadership team members serve as champions for key aspects of our approach to sustainability. They provide direction advice, oversight and leadership for our progress.

HSE and SD Leadership Teams – These teams involve key global leaders and provide consultation on the sustainable development focus areas and action plans.

Sustainable Development Team – Within corporate planning, which includes long-range planning and strategy, the company's Sustainable Development group mission is to provide regular reports to the businesses and executive leadership as to the company's risks, opportunities, commitments and performance in sustainable development. Within this corporate team, directors are responsible for key topics in sustainability including:

- Water
- Climate Change
- Biodiversity
- Stakeholder Issues
- Modeling and Life Cycle Analysis

Our governance and implementation success rely on active engagement by Issue Working Groups

- Issue Discussion Forums
- NoEs

Performance and Compensation

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

Employee Compensation – Incentivized performance indicators vary among different corporate, business and functional units, and include, but are not limited to:

Health, Safety and Environmental Performance – We set very high operations excellence standards for protecting and respecting people and the environment. Therefore, we incorporate metrics of health, safety and environmental performance in our annual incentive compensation program.

Employee Non-Monetary Rewards – The ConocoPhillips SPIRIT award is given to employees who have delivered outstanding work to advance our SPIRIT Values (Safety, People, Integrity, Responsibility, Innovation, Teamwork).

Non-Employee Monetary Rewards – The St Andrews Prize for the Environment is an initiative by the University of St Andrews in Scotland and ConocoPhillips. The prize recognizes significant contributions to environmental conservation, and since its launch in 1998, has attracted entries from more than 50 countries each year on **diverse topics** including:

- Sustainable development in Madagascar
- Urban regeneration
- Recycling, health and water issues
- Renewable energy

Submissions for the annual prize are assessed by a panel of eminent trustees representing science, industry and government with the award going to the project the trustees consider displays the best combination of good science, economic realism and political acceptability.

Integration of Sustainability into Business Processes

Sustainable development requirements are integrated into the key business planning processes for the company:

- New Country Entry
- Long Range Plan
- Project Development Authorization
- Management System and the Health Safety and Environment Management System

Additionally, corporate, business unit and functional SD action plans provide specific focus on climate change, water, biodiversity and stakeholder issues. This creates a complete system of continuous improvement (Plan, Do, Assess, Adjust) for new ventures, exploration, projects and assets at all life cycle stages.

Sustainable Development (SD) Planning Cycle



We incorporate sustainability into our supply chain and **engage with our suppliers** on sustainable development and social responsibility. We also set **expectations for suppliers**.

New Country Entry

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

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

The majority of ConocoPhillips’ oil and natural gas reserves and production are within Organization of Economic Cooperation and Development (OECD) nations.

Some of the world’s most resource-rich areas, however, are in countries that pose risks associated with political instability, inadequate rule of law or corruption. Consequently, ConocoPhillips has adopted comprehensive enterprise risk management tools to evaluate and manage these types of risks. Before entering a new country – or for other new developments, when warranted by the geopolitical environment – the company assesses the political risk of a potential investment.

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

We also perform due diligence on acquisitions or divestments of businesses or properties, new business ventures, incorporated and unincorporated joint-venture agreements,

and initiations and terminations of property leases or subleases. This process is designed to ensure that past, present and potential HSE liabilities and any social issues are clearly identified, understood and documented, with our sustainable development positions addressed prior to major business transactions. This due-diligence standard applies to ConocoPhillips and its global subsidiaries, and we strive to influence all affiliated companies and joint ventures to conduct due diligence prior to undertaking binding business transactions.

Following completion of the due-diligence assessment, a corporate HSE non-objection request that also addresses social issues is required for all major business transactions. The non-objection letter provides documentation that past, present and potential HSE liabilities have been adequately identified and assessed for the particular transaction, and that the liability risks are or can be satisfactorily mitigated. See **Integrating Sustainability** for more information.

Sustainable Development Strategies and Action Plans

Our world is challenged by complex environmental, social and economic issues and increasing stakeholder expectations. We implemented a comprehensive company-wide action planning process designed to prompt appropriate action for adapting to a range of possible future scenarios as we work to:

- Understand our footprint
- Manage projects and operations
- Evaluate risks and opportunities
- Engage externally
- Build capacity



Our action plans address key aspects of issues, assign clear accountability, and drive goal setting and engagement.

Our business units also create action plans to define specific goals and targets to address priorities of the business, stakeholders and assets in that region. Each action plan includes specific detailed actions with clear accountabilities and timetables.

We consider a range of insights on the external context when evaluating appropriate actions to take on key sustainability issues in our businesses and functions. As issues mature, the company develops strategies and specific action plans to address them. The planning process is designed to prompt appropriate action for adapting to a range of possible future scenarios.

Work on an issue may begin with improving our understanding of the issue, developing measurements of key data, or assessing risks and opportunities, for example. Our action plans address key aspects of issues, assign clear accountability, and drive goal setting and engagement.

Our forward-looking goals and commitments on key issues are contained in the action plans. Our action plan framework takes a complete management system approach to driving performance.

Goals, Objectives, and Results for Each Action Plan

Climate Change	Water	Biodiversity	Stakeholder Issues
Action Plan	Action Plan	Action Plan	Action Plan
Understanding Footprint	Understanding Footprint	Understanding Footprint	Understanding Footprint
Managing Operations and Projects	Managing Operations and Projects	Managing Operations and Projects	Managing Operations and Projects
Managing Risks and Opportunities	Managing Risks and Opportunities	Managing Risks and Opportunities	Managing Risks and Opportunities
Engaging Externally	Engaging Externally	Engaging Externally	Engaging Externally

Project Development

Project guidelines and program approvals provide standard techniques to analyze and develop viable projects and communicate value and risks effectively. They are intended to work in concert with specific functional and management processes to deliver projects that consistently outperform industry average.

The Capital Project Management System applies to all Project Development and Procurement personnel throughout the phases of any project and is a foundational element of how we execute projects that are safe, transparent, predictable and competitive.

Within the Capital Project Management System there is a Sustainable Development Standard. The standard refers to the criteria for using the Sustainable Development Scorecard and risk assessments for climate change, water, and biodiversity, as well as the social performance plan requirement.

Our teams use a simple but thorough method of assessing whether potential risks and uncertainties have been fully addressed and resolved via the Sustainable Development Scorecard. All project teams are encouraged to use the scorecard, and its use is mandatory for capital projects that require approval by our board of directors. Such projects are not funded until this evaluation has been completed.

A complete scorecard provides a visual summary and encourages project teams to take a life cycle perspective by considering issues that will become relevant during the operational and eventual decommissioning phases at project onset.

Issues are discussed and logged into our risk tracking system for management throughout the project development process. The process also enables the project team to set objectives for sustainability in each phase of the project.

Two additional important processes are associated with the scorecard: a social and environmental impact assessment, and a formal stakeholder engagement plan. These provide:

- Baseline understanding of the existing social dynamics and environmental considerations within a location prior to our involvement

ConocoPhillips Sustainability Scorecard		Risk/Uncertainty Category		
		High	Medium	Low
1. Transparent and accountable				
Stakeholder Engagement Performance Metrics Reporting Mechanisms				
2. Operate to highest safety standard				
Safety Issue Identification Safety Issue Mitigation				
3. Reduce environmental footprint				
Impact Identification Management Planning Biodiversity Assessment Water Assessment Climate Change Assessment				
4. Benefit communities				
Social Impacts Community Benefits Human Rights Indigenous Communities				
5. Invest in Workforce				
Labor Issue Identification/Mitigation Workforce Development, Training and Well-being				
6. Energy and material efficiency				
Energy Efficiency Material Efficiency and Waste Minimization				
7. Work ethically				
External Ethical Environment Ethical Performance				
8. Ensure long-term financial viability				
Energy Strategic Alignment Potential Long-Term Risk Life Cycle Management				

- Help identifying important issues and potential effects that should be considered
- Opportunity for continued learning as the project progresses.

Health, Safety, Environmental and Social Integration

We assess how our activities might impact communities and ecosystems, evaluating potential impact and how issues can be avoided or mitigated. We begin our investigation with the host country's legal requirements and supplement these as needed with our own HSE standards and sustainable development requirements.

Please see the HSE/SD Tools for the Asset Life Cycle table on the top of page 21.

HSE Management System

The HSE management system helps ensure that business activities are conducted in a safe, healthy, and environmentally and socially responsible manner, aimed at preventing incidents, injuries, occupational illnesses, pollution and damage to assets. It enables people and communities to thrive, which helps keep our business healthy.

We believe all incidents are preventable and that HSE considerations must be embedded into every task and business decision. HSE Management Systems are assessed annually using a common tool to guide continuous improvement and ultimately achieve the highest standards of excellence. Our environmental strategy framework (ESF) provides an implementation structure to help us continue to drive the company toward a culture of environmental excellence. It focuses on key environmental issues and governance mechanisms that are critical to maintaining high levels of environmental performance.

Business units

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

Operations

Once a project is ready for operations, it is the asset manager's responsibility to direct asset sustainable development performance in accordance with the HSE management system and other company sustainability programs. Audits carried out by corporate and business unit staff assures these expectations are met.

Audit topics include:

- [Health, Safety and Environment Policy](#)
- [Management System and Audits](#)
- [Safety & Health](#)
- [Performance Data](#)

HSE/SD Tools for the Asset Life Cycle

Exploration and Business Development	Project Development	Business Unit (BU) Operations	Decommissioning and Disposition
Early Opportunities/ New Country Entry Processes Contracts Development Preliminary HSE Assessment <ul style="list-style-type: none"> • Due Diligence • (HSE) Risk Evaluation • Environmental, Social & Health Impact Assessment (ESHIA) Scope Exploration <ul style="list-style-type: none"> • ESHIA • Permitting • HSE Management System • Stakeholder Engagement • Social Investment 	Authorization Guidelines/ Management System <ul style="list-style-type: none"> • Risk Register • ESHIA • Stakeholder Management • Social Performance Plans • SD Standard • SD Scorecard • Biodiversity Considerations • Climate Change Considerations • Water Considerations Joint Venture/ Nonoperated <ul style="list-style-type: none"> • Action and Influence Plan 	Operating Integrity, Management Systems and Excellence Processes HSE/SD Management System <ul style="list-style-type: none"> • SD Risk Assessments • Climate Change Action Plan • Water Action Plan • Stakeholder Engagement Plan • Social Performance Plan • Biodiversity Action Plan • Human Rights Training • Security and Human Rights Joint Venture/ Nonoperated <ul style="list-style-type: none"> • HSE Due Diligence Standard 	HSE Due Diligence Process <ul style="list-style-type: none"> • HSE Management Systems • Project and Program Management Systems
Knowledge Sharing During Lifecycle Transitions			
Ongoing Actions, Processes and Tools			

Life Cycle Assessment (LCA)

By assessing project emissions, natural resource usage, and social footprint, we can understand project, asset and product performance, their footprint relative to other oil and gas projects, and their impacts relative to competing energy sources through a Life Cycle Assessment.

integrating sustainable development commitments into business planning and processes to broaden awareness and skill development. We've adapted and applied training materials developed by IPIECA and other best practice groups, and rolled out training to new hires, key functions and leaders. Additionally, we are active in IPIECA best practice groups to develop training and guidance material.

Training and Awareness

Our approach encompasses a broad range of activities and tools and we are committed to successfully incorporating sustainability in business decision making. We focus on

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Safety & Health

Our Safety Commitment

It is our collective goal to eliminate all injuries, occupational illnesses, unsafe practices and incidents of environmental harm from our activities. We believe that our work is never so urgent or important that we cannot take the time to do it safely and in an environmentally responsible manner.

Our **SPIRIT Values** – Safety, People, Integrity, Responsibility, Innovation and Teamwork – inspire our actions and confirm that safety is core to how we operate. Our **Life Saving Rules** guide the behavior of employees and contractors working on our global operations.

Operating Safely

Together, we work toward the goal of zero injuries, illnesses and incidents. Developing a strong culture of safety and delivering superior safety performance is achieved by having dedicated and engaged leadership working with a committed and skilled workforce. Working safely is a condition of employment, and each employee and contract worker has the right to stop any job they believe to be unsafe.

Our improvement in safety performance has resulted in significantly fewer people being injured, but we cannot rest on that success.

In 2014, the company continued to implement the 8 Life Saving Rules, which are designed to reduce risks during critical activities. In one year the rules have helped reduce the company's serious incident rate by 35%. Work is ongoing to continue improving processes and training in an effort to drive incidents out of the business. The rules provide an added measure of protection and strengthen our existing HSE Management System, and they also serve to guide the behavior of employees and contractors working across our global operations. Used with our Safe Work Cycle, the 8 Life Saving Rules are independently assured and verified on the job for all critical work tasks.

We are accountable for our actions and are always looking to continually improve. We recognize that a near miss could have resulted in personal injury, property damage, fire, process upset, spill, release or other failures. If a potential hazard is identified through a near miss or other hazard analysis, we believe reporting the problem is not enough; we implement corrective actions to address the root cause in order to eliminate recurrence. We also have a strong focus on sharing incident learnings broadly across our operations in an effort to eliminate repeat incidents.

Safety leadership is a key responsibility of line management. Employee participation is a key component to our safety efforts and can be evidenced through work in various safety committees, behavioral based safety observation programs and industry forums. Company-sponsored safety summits bring together management from around the world to discuss our safety programs and commitment. We also use internal and industry case studies to share knowledge.

Through the implementation of HSE Management Systems, our businesses identify and eliminate work hazards and risks. The process builds on the principle that all incidents are preventable and that HSE considerations must be embedded into every task and business decision.

HSE Management Systems are assessed annually using the company Operations Excellence process, an integrated systematic and collaborative approach, to guide continuous improvement and ultimately achieve the highest standards of excellence. Each year, all business units review their management systems against corporate HSE standards using the HSE section of the Operations Excellence assessment tool. They analyze current status, identify areas for potential improvement, and then implement key activities to reduce risk and further enhance HSE performance.

Contractor Selection and Oversight

Our Contractor Health, Safety and Environment (HSE) Standard provides corporate HSE requirements for the company's contracting process. This process allows HSE risks to be identified and quantified using the ConocoPhillips Risk Matrix, and any contractor assignments that could include "high and significant risks" require full implementation of the Contractor HSE Standard.

A Pre-Qualification Assessment is conducted to prescreen potential contractors, which includes a review of contractor-supplied information. Documentation provided by the contractor is assessed against our standards and industry standards. The HSE portion of the overall contractor evaluation process is based on a combination of trailing indicators such as injury rates and the completeness and functionality of the contractor's HSE management system.

Oversight of contractor performance is accomplished through the various assessment steps of the ConocoPhillips HSE Management System. The ConocoPhillips business owner of the contracted work will have in place a two-level HSE audit system (local assessments and business unit audits) as well as a variety of key performance indicators and monitoring activities that allow the ConocoPhillips staff to review the contractor's performance levels against requirements and expectations.

OSHA VPP

We support the [Occupational Safety and Health Administration's \(OSHA\) Voluntary Protection Program \(VPP\)](#), which distinguishes work sites that achieve exemplary occupational safety and health standards. Many of our operations have achieved VPP Star recognition in recent years including:

Alaska

- Beluga Gas Field
- Kuparuk Oil Field
- Tyonek Gas Production Platform
- Alpine Oil Field
- Anchorage Office Tower

Oklahoma

- Bartlesville Offices
- Technical Center

Texas

- Houston Headquarters
- Lower 48 Offices
- Bossier Asset
- San Juan Gas Plant
- South Texas Asset

Governance and Management Systems

The [ConocoPhillips Health Safety and Environment \(HSE\) Policy](#) is our foundational HSE document. A component of this policy, the HSE Management System Standard, provides corporate expectations for each individual business unit's HSE Management System and is the primary tool that our business units use to execute the contents and commitments contained within the company's HSE policy. The HSE Management System adheres to a continuous improvement life cycle and includes key elements such as risk assessment, incident and near miss reporting and investigation, on-site job safety analysis, HSE training, audits, and annual review and goal setting.

Through the execution of the HSE Management System Standard, a variety of deliverables are generated by each business. Some of these include investigation reports of "high and significant risk" incidents, audit findings and HSE Compliance Verification Reports. A monthly report highlighting HSE performance is electronically communicated via the company intranet, which is accessible to all employees. Both the ConocoPhillips ELT and Public Policy Committee of the company's Board of Directors receive regular updates of key HSE issues, events and performance from the vice president of HSE.

We maintain a multi-tiered risk based HSE audit program encompassing regulatory and management system compliance audits at both the corporate and business unit levels. Our program also includes external insurance risk assessments. We also commission independent, limited assurance audits of our corporate level processes for collating and reporting aggregated HSE data presented in ConocoPhillips' Sustainable Development report.

Integrated into our HSE Management System Standard is the requirement to assess all risks and mitigate them appropriately. We use an array of techniques and tools to perform appropriate risk assessments, including using the ConocoPhillips Risk Matrix Model to perform qualitative or semi-quantitative assessments, and using quantitative risk assessments where necessary for increased levels of complexity.

Operations Excellence

Operations Excellence (OE) is a systematic and collaborative approach to enabling safe, reliable and efficient operations. It provides the tools to identify and turn opportunities into realized improvements. The approach recognizes the operational and business challenges inherent in our global business. OE's methodology is aimed at striking the optimal balance between the discipline gained from structured global processes and the quick decision making and personal ownership derived from an experienced-based organization.

Operations Excellence provides the platform for the retention and sharing of corporate knowledge that is critical to our future success. It establishes a common language and approach that drives consistency in performance across the company.

Vision

- Be an industry leader in Health, Safety and Environment and Asset and Operating Integrity.
- Deliver on long-range plan commitments.
- Achieve an aspirational target of 95% or greater direct operating efficiency.

Mission

To improve operational performance and deliver a sustainable competitive advantage.

Objectives

OE is an essential component of the company's continuous improvement efforts to:

- **Reduce risk:** A comprehensive risk management process can prevent the occurrence and mitigate the consequences of major incidents. Leadership and Management; Planning and Scheduling; Human Performance; Asset and Operating Integrity (including Process Safety); Health, Safety and Environment (HSE); and Maintenance and Reliability programs contribute to the prevention of serious incidents. The OE systems are designed to minimize the potential for HSE impacts and maximize operating reliability.
- **Improve base production:** On any given day, we produce more than a million barrels of oil equivalent production per day from existing sources, so even small improvement in production can significantly impact the company's bottom line.
- **Ensure operability:** It is essential that projects come on stream and perform as premised in the basis of design. For this reason, it is critical that learning from operations is fed back into project design and construction. In order to achieve these objectives, ConocoPhillips has developed a systematic approach to delivering sustainable improvements.

Process Safety

We invest significant resources and provide focused attention to continually improve our process safety culture and performance across the entire company. Process safety

refers to the control of process hazards in a facility with the potential to impact people, property or the environment. This includes the prevention, control and mitigation of unintentional releases of hazardous material or energy from primary containment.

The foundation of our successful process safety management program is promoting employee participation. Our employees:

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

- Participate in safety, technical and procedural reviews, incident investigations, audits and emergency response teams.

Process safety performance is continuously tracked to monitor strengths and assess opportunities for improvement across key business areas. This monitoring includes a strong emphasis on process safety auditing to validate and support metric data. We have adopted additional process safety metrics across key business sectors beginning in 2011 based on the American Petroleum Institute (API) Recommended Practice (RP) 754 "Process Safety Performance Indicators for Refining and Petrochemical Industries," and on the International Association of Oil & Gas Producers (OGP) "Asset Integrity – Key Performance Indicators."

These metrics are intended to provide management with additional tools to evaluate the effectiveness of our risk control barriers in preventing or mitigating unplanned losses of containment. Analysis of metric results helps direct specific improvement measures, which may include changes in engineering design, operating and maintenance procedures, and training opportunities.

Emergency Preparedness

Preventing spills or incidents through good project planning, design, implementation and leadership is our primary objective. However, if a spill or other unplanned event occurs, we have plans and processes in place to ensure we can respond effectively. We also conduct thorough investigations of all significant incidents to understand the root cause, share lessons learned and prevent future incidents.

Our company utilizes best practices for spill response on an international basis. We design our programs to meet robust compliance requirements and where feasible apply these standards internationally and in alignment with host-country requirements. In some areas our internal preparedness requirements and programs exceed local compliance requirements.

We work with organizations such as the [International](#)

[Petroleum Industry Environmental Conservation Association \(PIECA\)](#) and [International Oil and Gas Producers \(OGP\)](#) to encourage regulators to support international cooperation, including bringing outside resources into specific locations to improve local spill response capabilities.

Because we place great value on having trained and capable emergency responders, our company conducts [oil spill exercises and drills](#) each year for our U.S. operations in compliance with the requirements of the [Oil Pollution Act](#) and adopts many of those concepts for our international operations. We also adopt best practices identified from operations outside the U.S.

As part of our emergency preparedness program, ConocoPhillips conducted 3 major response exercises on 3 continents in 2014. About 1,000 people participated in

these large-scale exercises, including the ConocoPhillips Global Incident Management Assist Team (GMAT). These drills often included participation by third-party experts, oil spill response organizations and government emergency response agencies.

To complement the 3 major exercises, the GMAT also participated in specialized training during the year. In addition to general response topics, this training dedicated several days to oil spill response strategies and tactics. The 125 GMAT participants had the opportunity to work side by side with an international oil spill response company and local regulators, sharing industry best practices and honing skills.

In 2015 the GMAT will continue preparedness efforts with a dedicated training program plus three major exercises performed in the company's three major operating regions around the globe.

We also utilize the [National Oil Spill Response Research and Renewable Energy Test Facility \(Ohmsett\)](#) in New Jersey for spill response training. This facility is operated by the

[Bureau of Ocean Energy Management \(BOEM\)](#), and provides full-scale oil spill response equipment testing, research and training.

Our investment in spill response technologies includes membership in Oil Spill Removal Organizations (OSROs) across the globe, which affords us access to substantial inventories of, and the latest advances in, proven response equipment.

OSRO LOCATIONS

U.S. Based

- Clean Seas (ACS)
- Cook Inlet Spill Prevention & Response, Inc. (CISPRI)
- Ship Escort/Response Vessel System (SERVS)
- Clean Gulf Associates (CGA)
- Marine Spill Response Corporation (MSRC)
- National Response Corporation (NRC)

International

- Oil Spill Response Limited (OSRL)
- Norwegian Clean Seas Association for Operating Companies (NOFO)



Offshore Incident Prevention and Response

Our focus and investments in offshore safety and environmental protection are best summarized in 3 primary areas:

- **Prevention** – to reduce the risk of an incident from occurring.
- **Containment** – to reduce the footprint and impact of an incident and maximize the response capability.
- **Response** – to mitigate incident damage rapidly and effectively.

Incident Prevention

Safety and accident prevention are core focus areas in our exploration, production and drilling businesses and are integral parts of all types of our operations. We invest

significant resources on prevention – training of personnel, selecting the right contractors and executing our operations in a manner that maintains safety and environmental stewardship.

In drilling operations, prevention begins with proper well design and carries forward into the daily drilling work execution. We use a well design methodology which meets or exceeds the requirements in all countries where we operate. We have well control, casing design, drilling fluid and cementing, and directional drilling and wellbore surveying standards, which are the building blocks we use to ensure a safe well design. Additionally, we have several processes embedded into our operating management system to help prevent a drilling accident from occurring. These processes

include inspection, testing and maintenance of all safety critical elements of an asset (including wells), placement of precautionary safety critical elements to respond to certain scenarios, well integrity assurance and intervention to help ensure reliability of the well envelope, and detailed planned maintenance programs to ensure asset integrity.

The majority of our research and development funding in offshore drilling focuses on increasing efficiency without compromising safety. Some of this funding is leveraged in joint industry projects in association with multiple operators and contractors. While our company does not directly design and build rigs, we devote considerable financial resources to drive improvements in the drilling industry through our contracting and construction oversight strategies.

We actively seek to identify and partner with those companies that have the safest equipment and best safety records through our **Contractor HSE Standard**. In our U.S. onshore rig fleet, we are contracting with innovative, safety-focused drilling companies for newly built, high-tech rigs equipped with fully automated pipe handling equipment. This equipment reduces the human-machine interaction which results in many of the injuries associated with drilling operations. We also provide oversight during construction activities.

We were also one of the first companies to develop a Design Safety Case applied in the Gulf of Mexico. The company used this compilation of design information and studies to ensure our Magnolia facility was designed safely. Although a regulatory requirement in U.K. North Sea operations since 1991, safety cases have not been required in the Gulf of Mexico.

The safety case for Magnolia identified the accident hazards that could occur in an offshore facility, including process safety or well control incidents. Since then, we have developed and implemented a global Safety Case Standard that requires the development of a safety case for all ConocoPhillips offshore facilities.

Spill Containment

We recognize that industry oil spill response capabilities should be continuously improved, particularly in the case of subsea wells. We are participating with the industry in developing new spill response strategies and/or equipment

improvements that will materially increase our ability to capture leaking oil at its source at the sea floor, stage equipment in locations where it might be needed, and engage in advanced and ongoing research and development.

We are one of the four founding companies of **Marine Well Containment Company (MWCC)**, an independent, not-for-profit company formed to provide better response and containment capability in the Gulf of Mexico. MWCC's interim well capping and containment system improved the industry's ability to respond to a deepwater well control incident in the U.S. Gulf of Mexico.

Now supported by 10 members, MWCC has advanced this capability by constructing a more robust **expanded containment system**. This system further increases capacity to capture, contain and process oil and gas from a well control incident if the well cannot be capped. The expanded system is now available to MWCC's members and expands on the existing system's overall capabilities to respond to a loss of subsea well control. As MWCC's members look for new and deeper sources of oil, the company is committed to progressing technology that keeps pace with its members' needs.

Deepwater conditions vary around the globe, resulting in specific regional needs for oil spill containment and response solutions. That's why we also helped found the **Subsea Well Response Project (SWRP)**. This joint initiative sponsored by nine major oil and gas companies has delivered 4 capping stacks, 2 well intervention and subsea dispersant injection toolkits, and aligned with **Oil Spill Response Limited (OSRL)** to warehouse and maintain this equipment in four shore bases strategically located around the globe. Similar to MWCC, OSRL is a UK-based nonprofit organization. With global shore bases for the new capping systems completed in 2013, SWRP is developing a **subsea well containment system** that is being delivered to OSRL and industry in 2015. These systems enhance the industry's capacity to respond to subsea well-control incidents globally.

Industry Response

In response to the Gulf of Mexico incident, the oil and gas industry, with the assistance of the **American Petroleum Institute (API)**, assembled 3 joint industry task forces (JITF) to focus on critical areas of Gulf of Mexico offshore activity.

These groups provided more than 50 recommendations including quicker and more effective methods for capping an uncontrolled well, improvements to subsea dispersant application and monitoring, in-situ burning, shoreline protection and cleanup and other response operations, and a new well construction interfacing document that offshore operators and drilling contractors can employ to integrate all aspects of safety management systems. We actively participate on each of these **JITFs**.

In addition to participating in the JITF, we actively participated in the Global Industry Response Group (GIRG), which formulated recommendations similar to the API effort on a global level. GIRG's 3 key focus areas addressed incident prevention by forming a wells expert committee, on-water oil spill response through joint industry programs, and subsea well response which established the SWRP. We also participate in other industry groups such as:

- API Emergency Preparedness and Response Sub-Committee, and API Oil-Rail Emergency Response Work Group.
- IPIECA's Industry Technical Advisory Committee (ITAC), Oil Spill Working Group (OSWG) and Global Initiatives.
- IOGP's Oil Spill Response and Arctic Response Joint Industry Projects (JIPs).
- Oil and Gas U.K. Oil Spill Prevention and Response Advisory Group (OSPRAG) and European Issues Subgroup.
- Society of Petroleum Engineers (SPE) Committee, which provided industry guidelines on how to calculate

worse-case discharge volumes in response to a Bureau of Ocean Energy Management directive.

- Natural Resource Damage Assessment (NRDA), which provides a collaborative forum for stakeholders to share views concerning the environmental impact of oil spills.
- Joint Assessment Teams (West Coast, Alaska, Gulf of Mexico), which provide forums for industry and natural resource trustees to share information on environmental impacts of oil spills and strategize on cooperatively conducting NRDA's.

Through our continued participation in the **various national and international industry groups**, we benefit from opportunities to evaluate new technologies and equipment that maximize recovery and minimize waste during spill response. We also remain committed to collaborating with government regulators, operators and industry to advance the state of the art in both equipment and procedural aspects of spill response and deepwater drilling operations. As additional guidance and regulations are put in place, we will incorporate them into our procedures, policies, and oil spill response plans. We will continue to review our internal policies and procedures with all global locations to ensure the safety of our operations. Through these efforts, we will contribute to improving safety not only for our operations, but for the entire industry.

Occupational Health and Industrial Hygiene

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

exposures, and implements controls to prevent worker or community exposures. Health assessments are conducted to ensure that control measures are protecting the health of potentially exposed workers. Workers receive training in both personal and process safety as Safety and People are key components of our **SPIRIT Values**.

Security

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

As an operator of critical infrastructure in many challenging locations worldwide, we work closely with governmental agencies, nongovernmental organizations, our peers and local communities on initiatives to identify, prevent and mitigate potential terrorist attacks and other threats to company personnel and facilities. Our facilities are compliant with the:

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

We maintain a Tier Three status in the **Customs-Trade Partnership Against Terrorism** program by demonstrating effective security that exceeds the minimum program criteria. Our program examines categories of company procedures

intended to maintain the integrity and security of the international supply chain. This effort is conducted through on-site visits and procedural reviews by U.S. Customs and Border Protection officials who assess the overall effectiveness of our security processes.

We remain an active, participating member of the Overseas Security Advisory Council (OSAC), with the ConocoPhillips Chief Security Officer presently fulfilling the private sector co-chair position. We are also a founding member and leadership board member of the Domestic Security Alliance Council (DSAC).

Additional security programs and initiatives include:

- Security vulnerability assessments
- Journey management
- Contraband searches
- Due diligence investigations
- Threat analysis
- Workplace violence prevention
- Emergency evacuations
- External investigations
- Information protection
- Facility security plan development
- Security training
- Site access control and monitoring
- Technical counter surveillance
- Personnel protection
- Special events security

Safety Data Sheets

Safety data sheets provide procedures for handling or working with substances in a safe manner. They provide valuable information about the chemical makeup of toxic substances, as well as how to store and properly dispose of toxic substances. The most recent versions are available on [our website](#).

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Environment

Life Cycle Thinking

Energy enables global economic development and human progress.

Yet, it is not always clear how best to protect the environment, conserve resources and operate compatibly with neighbors while delivering the energy needed to realize these benefits. Energy companies, including ConocoPhillips, deal with these issues on a daily basis. How can companies make the best choices for the environment and communities?

ConocoPhillips believes in using a systematic approach to understand these often complex issues. One tool in this approach is Life Cycle Assessment (LCA) methodology – a tool to quantify environmental impacts and natural resource usage from project conception to completion. Having full understanding of project life cycle impacts allows planners to make more informed decisions regarding the environment and natural resource use. It also allows comparisons between alternative approaches and competing technologies. To conduct an LCA, a company must:

- Define the LCA goal, scope and boundaries.
- Develop an inventory of all products, resources and emissions entering or leaving the boundaries.
- Assess the benefits and impacts of products, resources and emissions leaving the boundaries.
- Interpret the results.

For instance, LCAs consistently find that electric power production from natural gas produces half the greenhouse gas emissions of coal when comparing total emissions across

the entire life cycle, including fuel production, transportation and transformation into electric power.¹ But how does liquefied natural gas (LNG) compare with coal? Applying systematic LCA methodology, the U. S. Department of Energy Technology Lab finds that LNG can provide a similar greenhouse gas reduction benefit relative to coal (up to a 45% reduction).²

LCA methodology provides important information to company planners so that potential impacts to the environment, natural resources and communities are considered as part of ongoing operating decisions. By taking this systematic life cycle approach, ConocoPhillips can better understand and manage our environmental footprint.

Life Cycle Analysis

Life Cycle Analysis (LCA) is a systematic approach for quantifying the potential environmental impacts of industrial processes and consumer products, providing us with a common method to assess process emissions and natural resource usage.

By assessing natural resource usage and process emissions, business units can understand their individual environmental performance, their footprint relative to other oil and gas projects, and their impacts relative to competing energy sources.

¹U. S. DOE, NETL (2011), Deutsche Bank/Worldwatch Institute (2011), IHS CERA (2011), University of Maryland (2011)

² U. S. DOE NETL, (2010)

Biodiversity

Biodiversity, or biological diversity, is a term used to capture the concept of the world's biological richness and variety.

Biodiversity Action Plan

Context for Action

Protecting terrestrial and marine plant and animal species and ecosystems – also known as biological diversity or biodiversity – is essential for our operations and a key component of our sustainable development commitment, position, and actions.

Biodiversity includes all populations and species of plants, animals and microbes that occur in nature, and the interactions within and between these populations that contribute to ecosystem function. Ecosystem functions provide essential services that support human needs such as food, shelter, clothing, medicines and fuel. Biodiversity can also have recreational, cultural, spiritual and aesthetic values.

We recognize the importance of biodiversity in maintaining ecosystem health and as a vital factor in human well-being.

Action Plan

Our Biodiversity Action Plan includes actions on implementing mitigation planning processes that conserve biodiversity for existing and future operations. The plan spans 2014-2018, following successful results from our first company-wide action plan from 2009-2013. We continue to improve our

understanding of our performance in biodiversity via peer comparisons and by cataloging current challenges and activities.

For each of the Action Plan categories, we have committed to specific actions. The current plan, which is updated annually, describes 41 specific actions and accountabilities.

The Biodiversity Action Plan content is managed for alignment and consistency by our Biodiversity Issues Working Group and led by a member of the Sustainable Development Team. The group's members are onshore and offshore biodiversity subject matter experts, advisors, team leads and managers representative of our global exploration and production portfolio. Business units and corporate functions share best practices and innovation on our Biodiversity & Ecosystems Network of Excellence. Our Action Plan commitments and progress are overseen through our sustainable development governance process, which includes our Sustainable Development Leadership Team and a champion from the Executive Leadership Team.

Performance

We are continuously building our knowledge about the ecosystems in which we work and include studies to benchmark our performance compared to other extractive-industry companies. The information from early peer analysis was used to establish our baseline. We continue to explore better ways to collect and manage our biodiversity data, including improved animal tagging and streamlined databases for key regions. Employees are encouraged to ask questions about challenges they encounter and to share project ideas for technology development in the area of ecosystems and land use. To increase internal awareness and collaboration about biodiversity, an internal knowledge-sharing website is actively used by over 100 specialists.

Understanding Footprint	Managing Operations and Projects	Managing Risks and Opportunities	Engaging Externally
Understanding Biodiversity Impacts Metrics and Data	Assess Asset Resiliency Enhance Risk Assessments	Evaluate Baseline Data Reduce Biodiversity Risks Pilot Offsets	Investors Communities Policy Makers
Building Capacity: Resourcing, Knowledge Sharing, Skill Development			

Understanding Footprint	
Understand current biodiversity impacts	
Complete biodiversity risk assessments for key assets	●
Develop and implement fit-for-purpose mitigation action plans where risks are identified	●
Collect and track biodiversity information needed to evaluate mitigation action success	●
Collaborate with industry organizations and identify best practices	●
Managing Operations and Projects	
Identify and assess potential biodiversity risks and opportunities in operations	
Plot asset locations in the Conservation International biodiversity hot spots mapping layer	●
Develop risk framework to evaluate our assets and provide a consistent methodology and common tool for evaluating risks	●
Identify opportunities for pro-active biodiversity actions for priority assets	●
Managing Risks and Opportunities	
Identify and assess potential biodiversity risks and opportunities in operations	
Integrate resiliency planning for key assets with anticipated biodiversity risks	●
Collaborate with IPIECA Biodiversity and Ecosystems Services Working Group to develop tools and materials to help companies across our industry enhance their biodiversity conservation activities	●
Collaborate with stakeholder engagement team to identify and address questions and concerns of local stakeholders regarding biodiversity risks for priority assets	●
Identify and deploy technology innovation to reduce the equipment, roadways and pipelines needed to complete a project	●
Engaging Externally	
Manage risks and opportunities relating to external biodiversity stakeholders	
Support community engagement for assets with biodiversity risks	●
Participate in policy/regulatory development process and public dialogue in regions with priority assets	●
Monitor legislation and regulations on biodiversity management for key assets with anticipated future changes in water availability	●
Building Capacity	
All priority assets completed biodiversity risk assessments	
Sustainable Development scorecards are completed for capital projects, including an analysis of climate change risks, and are updated through project phases. New Country Entry and other due diligence processes evaluate climate change issues and risks.	
Update on major regional organizations to enable understanding of priority issues in various regions	
Business units and functions share best practices through the Biodiversity Issues Working Group and Network of Excellence	
Biodiversity risks are tracked at the enterprise, business unit, asset or project level and communicated internally	

- Process facilities
- Pipelines

To better understand our biodiversity footprint, our **Biodiversity Action Plan** includes projects to understand current biodiversity impacts and to establish common corporate biodiversity metrics and data requirements.

ERM Certification & Verification Services (ERM CVS) was engaged by ConocoPhillips to provide **assurance** in relation to selected 2013 environmental data in the online 2013 Sustainable Development Report (the Report).

Taking Steps to Reduce Footprint

Our Action Plan describes our comprehensive commitments to reduce footprint. This section includes examples to illustrate the completeness and breadth of the work. For example, in Indonesia we conducted a terrestrial ecological project in the vicinity of Sumatra Onshore pipeline routes. The project evaluated Environmental Sensitivity Indices (ESI) that are comprised of a Vulnerability Index, a Ecological Index and a Social Value Index. This composite ESI will be used as reference to inform decisions in emergency situations within the areas of pipeline routes. In addition, our Indonesia operations also completed an update of an environmental sensitivity index mapping exercise for the Matak coastal area.

The Algar Restoration Pilot Project, a Canada's Oil Sands Innovation Alliance (**COSIA**) Joint Industry Project, won the Alberta Emerald Foundation's "Shared Footprint Award." As part of COSIA, ConocoPhillips Canada played a major role in the success of this project. The award recognizes COSIA's efforts to improve the woodland caribou's habitat and support herd survival.

The project team selected the project area based on high caribou habitat value and low probability of further industry development. This required collaboration with a range of local stakeholders and government to secure access and permission for the project. Over the last 4 years, the Algar Caribou Habitat Restoration initiative has applied restoration techniques to more than 200 kilometers of seismic lines.

Another example for reducing the impact of our land footprint in the oil sands region is **Faster Forests**, a COSIA collaborative industry initiative to accelerate the reclamation process of areas that have been disturbed by oil

Biodiversity Position (View Link)

Understanding Footprint

Understanding our footprint means evaluating if and how the infrastructure we need to place on the land surface or the sea bottom for our onshore and offshore exploration and production projects impact local ecosystems and biodiversity. Typical exploration and production infrastructure may include:

- Access roads
- Seismic lines
- Well pads or platforms

sands exploration. To date, the Faster Forests program has resulted in almost 3 million trees and shrubs being planted on approximately 2,500 acres of land in Northern Alberta. In 2014 alone, the Faster Forests program participants planted more than 650,000 plants on approximately 740 acres of land in Northern Alberta. The project has committed to plant more than 1 million trees over the next 3 years. Data process for understanding footprint are also considered in internal and external assurance.

Managing Operations and Projects

We manage the impacts of our operations' footprint on biodiversity and ecosystems through identifying local biodiversity risks and developing fit-for-purpose management plans.

Taking Steps to Reduce Footprint

In 2012 and early 2013, key operated assets completed biodiversity risk assessments. As an initial input into the assessment, our asset locations were plotted in the Conservation International biodiversity hot spots mapping layer of the International Petroleum Industry Environmental Conservation Association's (IPIECA) [Global Water Tool for Oil and Gas](#) and [PROTEUS UNEP World Conservation Monitoring Centre](#) (UNEP-WCMC).

Using the Global Reporting Initiative, IPIECA practices, and internal expertise, we developed an internal risk framework to evaluate our assets and provide a consistent methodology and common tool for evaluating risks. The process considers international, national and local risk elements and creates a categorization of risks for the asset. Our biodiversity risk assessment process is based on science and the recognition that the acceptability of strategies for mitigating risks related to biodiversity and ecosystems is also guided by stakeholder consultation. Mitigation action plans are aimed at helping each asset appropriately manage the risks within the local context and may include:

- Optimizing new land footprint
- Monitoring
- Plans for engagement
- Specific technology

Managing Local Biodiversity Risks

Managing local biodiversity risks in our operations and projects is a key focus areas in our Action Plan. This section provides examples from our operations. Our Australia Pacific

LNG (APLNG) operation supports the [Quoin Island Turtle Rehabilitation Centre](#). The facility, which was established in 2012, is licensed by the Queensland Government and is supported by specialists at both the Australia Zoo and SeaWorld.

"Quoin Island Turtle Rehabilitation Centre was started as an overwhelming passion for the preservation of wildlife, and as a necessity to provide a resource to our region which was previously not available," said founder Bob McCosker. The facility has 4 stand-alone tanks, an in-ground heated rehabilitation pool, an air conditioned treatment room and dry dock room, water filtration systems and a necropsy facility.

Australia Pacific LNG has provided funding assistance for food, medical and veterinary expenses, rescue boat and volunteer transport from the mainland to Quoin Island since 2013.

"The Quoin Island Turtle Rehabilitation Centre is one that we feel is important to support, to provide care for the turtle population and marine animals of the harbor. It is also important to recognize the work that Bob McCosker and all of the volunteers have done in setting up this facility and managing it with very successful results," said ConocoPhillips Downstream Project Manager, APLNG, Kent Anderson.

Since 2006, we have consulted with the U.S. Fish and Wildlife Service (USFWS) for our annual polar bear den detection surveys on Alaska's North Slope. Pregnant sows construct dens in drifted snow during the winter months to birth and nurse their cubs. The surveys utilize aircraft equipped with a gimbaled infrared (IR) camera that can detect a bear's body heat emitting from a den. We conduct the surveys in areas of our planned winter operations to avoid disturbing denning bears. The survey flights usually occur during the first half of December. Upon discovery of a den, all travel and activity are typically prohibited within 1 mile of its location while it is occupied.

In 1992, we initiated a broad avian studies program in the Colville River Delta, on Alaska's North Slope. The purpose of the ongoing studies is to ensure our existing and future operations have minimal impact on migratory bird populations. Yellow-billed loons are one species of special interest due to a relatively small population and limited breeding and nesting range. Avian biologists employ field techniques such as aerial surveys, ground-based nest searches, and time-lapse cameras at nest sites. The results of the studies

have contributed a significant amount of knowledge about some of the factors that control the population dynamics of this particular species.

Technology

Some of our biodiversity risks can be effectively managed through technology. Our Action Plan has several examples on how technology can be employed to reduce not only our footprint but also biodiversity risks for our operations. For example, the use of horizontal and directional well drilling technology allows us to access resources deep underground with less disturbance to land. These innovations also reduce the equipment, roadways and pipelines needed to complete a project. Drilling multiple wells from one pad also minimizes the amount of time we are actively developing an area because we don't have to move the drilling rig.

In the Eagle Ford area of Texas, we routinely place 4 wells on a single well pad that often occupies less than 7 acres of land, reducing acreage/well by 70% or more versus single well pads.

In the Canadian Oil Sands, well pads designed to minimize the size of our drilling operations continue to reduce our land footprint. Modular designs (those that include interchangeable parts) also provide the flexibility necessary to make the most efficient use of the available land.

Managing Risks and Opportunities

We aim to minimize long-term risks and provide a focus on our opportunities through collaboration, innovation and technology deployment. Our global businesses follow specific, well-defined processes that help manage sustainability issues, from the initial phases of identifying a potential opportunity through project development and operations. We are committed to the development of biodiversity management practices that conserve and protect resources and enhance the efficiency of land utilization at our facilities.

We follow widely accepted guidelines from IPIECA and the [International Association of Oil and Gas Producers](#) (OGP) in our approach to biodiversity conservation. As a member of the IPIECA Biodiversity and Ecosystems Services Working Group, we develop tools and materials to help companies across our industry enhance their biodiversity conservation activities.

We are also members of the OGP and are on the management committee for this organization. OGP companies, share information and develop guidance on safety, the environment, governance, fiscal transparency and corporate social responsibility. Additionally, we serve on the OGP Environment Committee.

Operating in Marine Environments

As a founding member of the International Association of [Oil & Gas Producers' \(OGP\) Sound and Marine Life Joint Industry Programme](#), we support continued research to increase understanding of the effects of sound from oil and gas exploration and production activities on marine life. The research allows governments to make regulatory decisions based on science and helps the industry develop effective mitigation strategies.

We also carefully manage our tanker operations, which typically move Alaskan crude to U.S. west coast refineries. We are certified under the Washington Department of Ecology's Exceptional Compliance Program (ECOPRO).

Offshore Baseline Assessments

As part of the Greater Poseidon Development Project in the Browse Basin offshore North Western Australia, we completed an extensive environmental baseline studies program. The program consisted of:

- 16 months of metocean and underwater noise data collection
- Water quality and sediment sampling
- Benthic habitat surveys
- Remote sensing studies

Additionally, we worked with experts from a range of disciplines including marine mammals, marine reptiles and avifauna. Ongoing collaboration with the Australian Institute of Marine Science (AIMS) provided better understanding of the coral and fish biodiversity of Seringapatam Reef and coral spawning activity. By combining this information with hydrodynamic modelling, we were able to demonstrate for the first time that there was connectivity between the coral populations of Seringapatam Reef and nearby Scott Reef.

A comprehensive baseline program provides data to inform future environmental approvals documents and also enhances the overall scientific fabric of the region. Ongoing collaboration with experts also provides regulators and

other stakeholders with increased confidence in projects since there has been independent assessment of both the science and the resulting environmental impact assessment.

Managing and Conserving Habitats

We are committed to the development of biodiversity management practices that conserve and protect habitats that may be impacted by our operations.

APLNG Curtis Island Conservation

In collaboration with peer Australian natural gas companies our Australia Pacific LNG operations have agreed on a land-mark conservation initiative that will see nearly two thirds of Curtis Island, near Gladstone, set aside for environmental conservation, ensuring the protection of the island's unique ecology and heritage for future generations. This combined effort by natural gas companies includes:

- Purchase of the Monte Christo property on Curtis Island in order to transfer the titles to the State Government
- Protection of land either as newly declared conservation park or national park, or existing protected areas upgraded to national park under the Nature Conservation Act
- Removal of cattle grazing from acquired areas in the Curtis Island Conservation Park and Curtis Island State Forest

Combined with the existing National Park on the island, more than 59 percent of Curtis Island will be actively managed under a conservation management plan, compared to the 2% used by the LNG projects on the southern tip of Curtis Island.

Sage-Grouse Habitat Conservation

Sage-grouse, which are found in 11 western states and 2 Canadian provinces, are in decline because of habitat fragmentation. They need intact native rangelands to flourish, feeding heavily on sagebrush and relying on the shrub for nearly every aspect of their life. We are providing \$1 million to support implementation of the Sage-Grouse Initiative, an effort by various stakeholders to conserve sage-grouse habitat. The [Intermountain West Joint Venture](#) is a partnership of stakeholders working across all or parts of 11 western states to conserve habitats capable of sustaining bird populations at desired levels.

Alaska Potter Marsh Habitat Reclamation

We work collaboratively with regulatory agencies and environmental non-profit organizations to protect and reclaim

habitats. Potter Marsh, located within the Anchorage Wildlife Coastal Refuge, is one of our signature SPIRIT of Conservation programs in Alaska. We have invested over \$2 million at Potter Marsh, and more than \$4 million in other projects since 2005 that include habitat enhancement for migratory birds and fish, educational outreach, and increased public access to trails and outdoor resources.

Engaging Externally

We recognize the special relationship communities and people have with the land and their natural environment. And we respect their unique knowledge in managing their local environment and conserving biodiversity. While assessing the potential impact of our operations, we actively seek to learn from them as we develop mitigation strategies for any potential environmental or socioeconomic impacts.

Sustainability for all Stakeholders

Our Indonesian team collaborated with the [Zoological Society of London](#) (ZSL) to create a Wildlife Conflict Mitigation training program in 2014. The program improved understanding of tiger ecology for 71 ConocoPhillips staff and 101 members of the local community, educating participants on how to avoid human-tiger encounters, and how to manage any contact situations.

Bonaparte Fish Group

In the Timor Sea, we collaborated with a range of stakeholders on fisheries management strategies and impact assessments of fish distributions and stock structures. By facilitating a working group between oil and gas operators, the fishing industry, regulators and research organizations, we are undertaking research that will provide information that will enable multiple industries to operate in a more sustainable manner.

Louisiana Coastal Wetlands

Through our subsidiary, the Louisiana Land Exploration Company LLC (LL&E), we own approximately 636,000 acres in southeast Louisiana, known as the [ConocoPhillips Coastal Wetlands](#). We are the largest private wetlands owner in the United States, which includes surface and mineral rights. Our property extends west to east from the Atchafalaya Basin to the Mississippi River and north to south from the New Orleans area to the Gulf of Mexico.

Our work in the wetlands focuses on enhancing the

environment through activities such as hurricane protection, coastal restoration, wetlands mitigation and biomass carbon sequestration. Through partnerships with public, private and non-profit organizations, we have been involved in about 63 projects that have enhanced approximately 177,000 acres of wetlands. The Coastal Wetlands also provide an economic resource for the company through royalties, future oil and gas production, and land leases such as hunting, trapping, fishing and camping.

A joint project pilot project with **Tierra Resources** focuses on mangrove plantings and preventing wetland loss. The pilot is being implemented on a small section of salt marsh where various mangrove planting techniques are being tested. This 3 year pilot project aims to:

- Study the viability of planting mangroves for restoration purposes
- Apply the best practices of the recently certified wetland methodology to quantify carbon sequestration
- Research the carbon impacts of prevented wetland loss

Science in the Chukchi Sea

We received the **Arctic Technology Conference Distinguished Achievement Award for Companies, Organizations or Institutions for the Chukchi Sea Environmental Studies Program** (CSESP) along with Olgoonik-Fairweather, Shell and Statoil in March 2015. This award recognizes the co-design and safe operation of one of the largest, most robust multi-disciplinary science programs in the world. Completing the seventh and final year in 2014, the CSESP aimed to characterize pre-exploration baseline information on the ecology

of the region. Studies encompassed acoustics, physical and chemical oceanography, benthic ecology, fish, marine mammals, seabirds, and plankton. To date, more than 200 presentations, documents and papers have been presented using data collected from the CSESP. The program features an unprecedented data sharing agreement with the National Oceanic and Atmospheric Administration (NOAA) that enables CSESP data to be shared freely with the public through the NOAA and Alaska Ocean Observing System websites.

Global Signature Program – Water & Biodiversity Stewardship

We pride ourselves on being a great neighbor and a responsible corporate citizen. The most effective charitable investments are achieved by entering into strategic relationships with organizations that serve the needs of the community and help the company meet its business objectives. Our Signature Program is a coordinated, integrated charitable investment campaign that provides focus and leverages brand and company resources to have a substantial impact on a social or environmental issue. Investments include:

- **Conservation International** – Western Indonesia Marine Habitat Conservation
- **Smithsonian Migratory Birds Connectivity Project**
- **Smithsonian – Mason School of Conservation**
- **Yellowstone Park**
- **Timor-Leste Reforestation Program**
- **St Andrews Prize for the Environment**
- **National Zoo of Malaysia**

Water

Water is integral in our operations. We recognize that responsible water management for our onshore and off-shore operations is a high priority for communities, stakeholders, consumers and ecosystems.

Water Action Plan

Context for Action

Successful water management starts with understanding and measuring our water footprint and identifying and assessing water-related risks for onshore and offshore operations.

Our commitment to developing management practices and technology to conserve and protect freshwater resources applies to all stages of the project life cycle including:

- Water sourcing
- Storage
- Transport
- Use
- Recycle and reuse
- Discharge and/or disposal

In addition to managing freshwater, we carefully manage water discharge and water disposal for onshore and off-shore operations, and are exploring ways to use non-fresh sources, ranging from brackish water to recycled produced water and reuse of municipal wastewater. Treatment, reuse or recycling of low quality or non-freshwater sources can pose challenges and require a careful assessment of environmental trade-offs, but represent an important opportunity for innovation and for local water resource management. Building awareness, skills, technology innovation and sustainable and economical practices at a local level is crucial to our commitment to successful water management.

Water impacts society, businesses and ecosystems on the local and global scale. Almost half the world’s population is projected to be living under severe water stress by 2030. Projected population growth will increase water demand for:

- Domestic use
- Sanitation
- Manufacturing
- Energy production
- Food production

Although water is an important global issue, water use and water quality are typically locally addressed. We work to assess, measure and monitor water use at our operated assets, while cost-effectively addressing the short-term and long-term water related risks to our businesses. These risks include possible impacts from climate change that may impact water resources locally through:

- Rising sea levels
- Declining surface water storage in the form of snow, glaciers and ice caps
- Declining groundwater availability

Water Action Plan			
Effective, Efficient, Sustainable, Environmentally and Socially Responsible Water Management			
Understanding Footprint	Managing Operations and Projects	Managing Risks and Opportunities	Engaging Externally
Understanding Water Use	Asset Resiliency Assessments	Data Collection	External Water Stakeholders
Reduce Cost	Identify Risks and Opportunities	Minimize Water Risks	Community Engagement
Assess Peer Performance	Reducing Freshwater Use	Collaborate Across Company	Policy/Regulatory Development
Building Capacity: Resourcing, Knowledge Sharing, Skill Development			

- Increasing frequency and severity of droughts and floods

Action Plan

Our Water Action Plan targets:

- Understanding water use, costs and performance benchmarking
- Identifying risks and opportunities for reducing our water footprint
- Improving data management and minimizing water risks through collaboration
- Engaging with stakeholders, communities and regulators
- Building capacity through knowledge-sharing and skill development

The plan includes actions such as conserving and protecting freshwater resources and optimizing water treatment for recycle and reuse, discharge or disposal through innovation and technology. This plan spans 2014-2018, following successful results from our first company-wide water action plan between 2009-2013.

For each of the Action Plan categories, our businesses and functions have committed to specific actions. We also integrate water into our long-range planning process to allow us to assess possible risk scenarios. The current plan, which is updated annually, describes 47 specific actions, plus accountability and performance.

The Water Action Plan commitments and progress are managed through an integrated governance process. Our

Water Issues Working Group includes onshore and offshore water subject matter experts, advisors, team leads and managers representative of our global exploration and production portfolio. Business units and corporate functions share best practices, innovation and technology development on our Water Network of Excellence.

Performance

Water Action Plan: Performance

Understanding Footprint	
Improve water use data measurement and tracking across the company	
Review water metrics data trends for key operations	
Collaborate with industry organizations and identify best practices	
Managing Operations and Projects	
Complete assessments of global and local water risks for all operations	
Identify priority risks and mitigation actions and track progress in corporate Action Plan	
Identify opportunities for reducing freshwater use for priority assets in water scarce regions	
Identify opportunities for reducing water discharges for priority assets	
Managing Risks and Opportunities	
Integrate resiliency planning for key assets with anticipated future changes in water availability	
Review and update business unit water risk assessments	
Collaborate with stakeholder engagement team to identify and address questions and concerns of local stakeholders regarding water risks for assets in water scarce regions	
Increase collaboration between business units, technology and sustainable development to improve water management through technology innovation	
Engaging Externally	
Support community engagement for assets in water scarce regions	
Participate in policy/regulatory development process and public dialogue in regions with priority assets	
Monitor legislation and regulations on access to water resources for key assets with anticipated future changes in water availability	
Building Capacity	
100% of business units have completed a water risk assessment	
Sustainable Development Scorecards are completed for capital projects, including an analysis of water sourcing and water discharge risks, and are updated through project phases. New Country Entry and other due diligence processes evaluate water related risks	
Business units and functions share best practices through the Water Issues Working Group and Network of Excellence	
Water risks are tracked at the enterprise, business unit, asset or project level and communicated internally	

Water Sustainability Position

As a responsible global energy company committed to sustainable development, we recognize that fresh water is an essential natural resource for communities, businesses, and ecosystems. Global population growth will increase demand for fresh water and all users – domestic, agriculture, and industry – will need to effectively manage supplies to meet demands.

Our Focus & Expectations

We produce and utilize water in our operations. And we are committed to the development of **water management** practices that conserve and protect fresh water resources and enhance the efficiency of water utilization at our facilities. We will assess, measure, and monitor our fresh water usage and based on these assessments we will manage our consumption and strive to reduce the potential impact to the environment from wastewater disposal.

Our initial focus for implementation can be broken down into 4 broad categories:

- Focusing on priority assets and developing evaluation and mitigation tools.
- Sharing best-practice water management systems at a local level.
- Developing and implementing technologies to reduce the environmental impact of our water footprint.
- Delivering on sustainable development public commitment.

Understanding Footprint

Understanding our water footprint means:

- Understanding how much water we need for exploration and production
- What quality of water we need
- Where we need water
- Where we will obtain water
- Who else wants or needs to use water from the same source
- What water will be disposed or discharged and where

The water management priorities of the oil and gas industry are evolving globally in response to physical risks, from local water scarcity and changing priorities to expectations of people and society.

Understanding our water footprint includes measuring water use from surface water, fresh and non-fresh ground-water and ocean water sources. We also measure water we transport, store, discharge and/or dispose.

To better understand our water footprint, our Water Action Plan includes projects to continuously improve our data management processes; **performance** comparisons with our

peers; evaluation of cost and sourcing options through the supply chain process; and the development of tools. One example of these tools is a [Water Valuation Tool](#) developed by our Canadian Oil Sands business unit in collaboration with the [COSIA](#) industry organization that captures the project lifetime costs, including capital expense, operating and water management costs, as well as monetization of water-related risks and opportunities.

We have expanded the set of metrics we collect to measure our water performance and initiated the process of assessing the additional information and potential trends of the new data. We have also included projections for our anticipated future water demands in our long-range planning process.

Managing Operations and Projects

Reducing Our Water Footprint

Managing water resources often means implementing actions designed to reduce our water footprint in operations.

When evaluating water risks, we start at a high level with an enterprise-wide search for issues around the world using the [IPIECA Global Water Tool for Oil and Gas](#) and other internal expertise to screen for risks. We then take a deeper look at potential water risks or opportunities in specific areas using tools such as the [GEMI Local Water Tool for Oil and Gas](#). Our water specialists were among the members and leaders of the consortiums that developed these tools. We were the first company to pilot the [GEMI LWT at our Canada Oil Sands operations](#). Our Indonesian group also used the tool to evaluate risks. Both of these pilot projects and the actions taken to explore alternative sources have been shared with regulators and other stakeholders.

Each operated asset completes a water risk assessment so we can develop a fit-for-purpose management or mitigation response that is included as an action item in the Action Plan. These actions are designed to address the local risks identified and may include seeking alternatives to freshwater use and increasing the efficiency of use, monitoring, plans for engagement, or technology deployment. They are aimed at helping each asset appropriately manage water risks and opportunities within the local context.

Actions to Address Local Water Risks

We take steps to improve our water management performance for business units across our global operations.

In 2014, in conjunction with our corporate Sustainable Development group, the Lower 48 Water Leadership Team was formed to foster collaboration and coordination among all Lower 48 asset teams managing water. This Leadership Team focuses on evaluating and recommending opportunities to reduce Lower 48 onshore freshwater use. These and other actions taken in the Lower 48, and more broadly in ConocoPhillips, reflect our commitment to monitor and reduce our freshwater usage:

- In the Eagle Ford, more than a quarter of all water used for well stimulations was from non-freshwater sources in 2014. We made a conscious effort to target deeper water sources that are not used by local landowners. Additionally, we have recycled municipal wastewater effluent by using it for well stimulations in Karnes County.
- In the Delaware Basin, a majority of the water used for drilling and completions in 2014 was from non-freshwater sources.
- ConocoPhillips founded the Eagle Ford Water Consortium in 2011 to share information about water use planning and to interact with local and state regulators regarding water use in the Eagle Ford Shale. Now operating under the South Texas Energy and Economic Roundtable (STEER) Water Sustainability Committee, the group has continued its work with stakeholders to promote sustainable water use.

As part of the Greater Poseidon Development Project in the Browse Basin offshore North Western Australia, we completed an extensive environmental baseline studies program. The program consisted of 16 months of metocean and underwater noise data collection, water quality and sediment sampling, benthic habitat surveys and remote sensing studies. Additionally, we collaborated with experts from a range of disciplines including marine mammals, marine reptiles and avifauna. There was also ongoing collaboration with the [Australian Institute of Marine Science](#) to better understand the coral and fish biodiversity of Seringapatam Reef and to investigate coral spawning activity. By combining this information with hydrodynamic modelling, we were able to demonstrate for the first time that there was connectivity between the coral populations of Seringapatam Reef and nearby Scott Reef.

Innovation and continuous improvement by our Indonesian business unit has not only improved our water management processes and enhanced our relationship with stakeholders and regulators, but also earned the ConocoPhillips SPIRIT Award. The multidisciplinary team successfully demonstrated that produced water from Corridor Block of Sumatera Onshore Operation, previously sent to disposal wells at shallow reservoirs, can be re-injected into producing reservoirs instead. Results of a model simulation and a pilot test confirmed that this new approach provides improved containment of the produced water, reduces the risk of migration to surface water bodies or shallow groundwater aquifers and does not adversely affect nearby gas production wells. One result was the reduction of produced water spills from 17,761 to 8 bbls in 2014.

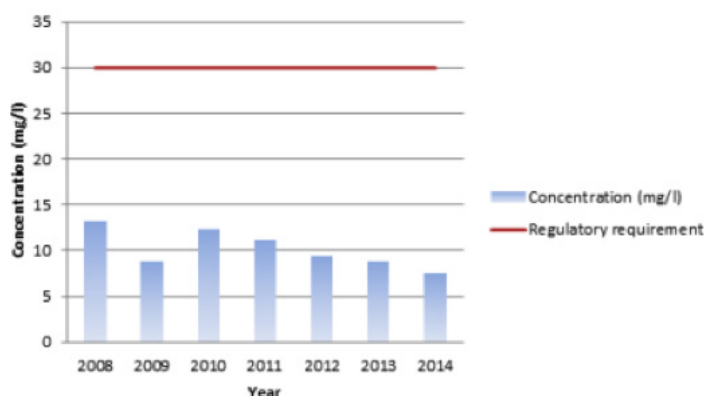
In our Canada Oil Sands operations we have reduced our fresh groundwater use and improved our water recycling rate by transferring wastewater from our pilot to our Surmont 1 facility. We maintain the pilot facility as a place where we can test new technologies and practices for **Steam Assisted Gravity Drainage (SAGD)** production. Previously, the pilot facility had no water recycling capacity, which meant that all produced water was sent directly to disposal. In 2011, we commissioned and installed a pipeline between the pilot and Surmont 1, so now all wastewater is reused for steam generation at Surmont 1. Recycling this produced water reduced the amount of local groundwater we used in 2014 by 45 million gallons.

We are a founding member of the industry organization **Canada's Oil Sands Innovation Alliance (COSIA)**, which has developed a public water performance target to “**reduce fresh water use intensity by 50% by 2022**” for oil sands in-situ producers. Progress on achieving this target is measured and publicly reported annually as the average fresh water use intensity of in-situ COSIA member companies.

At Norway's Ekofisk field in the North Sea there is a discharge of produced water associated with the production of oil. Over the past few years since the CTour plant was installed in 2008 there has been a continuous reduction of the concentration of oil in produced water discharges at Ekofisk. The improvements are a result of proactive maintenance and optimized operation of the water treatment facilities at the Ekofisk J and Ekofisk M installations. The produced water treatment facilities consist of hydrocyclone

units, a CTour unit on Ekofisk J to help further extract dispersed and dissolved oil droplets from the water and produced water flash tanks.

Yearly weighted average oil in water concentrations at the Ekofisk field



Managing Risks and Opportunities

We aim to minimize long-term risks and provide a focus on our opportunities through collaboration, innovation and technology deployment. Our global businesses follow specific, well-defined processes that help manage sustainability risks and opportunities as we begin a new venture, from the initial phases of identifying a potential opportunity through project development and operations. Our actions include:

- Integrating the data collection process into our HSE audits
- Developing and implementing strategies at the BU and corporate level
- Collaboration between business units and corporate Technology, HSE and Sustainable Development functions

Internal Collaboration

We have a dedicated Water Solutions team of engineers, research experts and other water specialists, including many with Ph.D. degrees. Their sole focus is advancing technology and innovation to reduce water consumption from freshwater sources through recycling and reuse and to reduce the volume of water we discharge or dispose. The team collaborates with water experts from our operations, Sustainable Development and HSE groups to find the best solutions for each project.

The Global Water Sustainability Center

The Global Water Sustainability Center (GWSC) is a dedicated applied research facility located in Doha, Qatar. The GWSC technical programs focus on various desalination processes, in addition to the removal of inorganics and hydrocarbons from produced water. Increased emphasis is directed toward advanced technologies, including membrane processes.

In addition to research at the center, a key goal of the GWSC is to increase awareness of the importance of water conservation within Qatar. The GWSC visitor center includes interactive, hands-on exhibits to educate local school children and other visitors about water conservation. The facility also hosts workshops on key issues for water-scarce regions, such as water conservation and municipal water recycling.

The center opened in early 2010 in the Qatar Science & Technology Park in Doha, Qatar. The close proximity of Hamad Bin Khalifa University at Qatar Foundation provides opportunities for collaboration with top scientists who have access to world-class facilities and to employ local graduates from that university.

Recycling and Reusing Water in our Operations

The Permian Basin, an arid region in West Texas and South-eastern New Mexico, is the site of one success story from our 2014 Water Action Plan. Scarcity of fresh water, abundance of produced water and limited disposal options make the region a perfect fit for produced water treatment and reuse. Our scientists and engineers designed a water management solution that minimizes the impact on the limited local water resources while cutting costs. The team developed a fit-for-purpose treatment process that customized the quality of recycled water to meet requirements for the hydraulic fracturing process. The successful project reduced fresh water usage for one of our conventional completions programs by over 65,000 barrels in 2014, not counting additional fresh water use reductions for our unconventional production.

Another example of successful collaboration between technology and sustainable development occurred at our Canadian Oil Sands operations. Water is an integral part of the SAGD process, and more than 85% of the water used to generate steam for production is recycled. We are continuing to research improved recovery processes that may reduce overall water demand. We have approved

an enhanced Steam-Assisted Gravity Drainage (e-SAGD) pilot project to learn whether water demand and energy consumption can be further reduced by injecting a combination of light hydrocarbons and steam into a bitumen formation. If successful, e-SAGD can effectively reduce water use and emissions. We are also researching improvements to the produced water processing facilities and steam generation systems with our dedicated technology development professionals and participation in an alliance of oil sands producers, **COSIA**, focused on environmental performance improvement through technology and innovation.

Our technology group is currently testing potential advances in boiler design and operation. These prototype systems target a combination of water treatment and steam generation, which may be able to significantly reduce the footprint for SAGD surface facilities while also reducing water consumption.

Knowledge Sharing and Collaboration

Our Water Issues Working Group has been a key collaboration and knowledge sharing forum for water subject-matter experts, team leads and managers. The group leverages collective expertise and experience to further embed and integrate performance improvement into our water management process and focuses on all aspects of water management, including:

- Water sourcing
- Transport and storage
- Use for exploration and production
- Water recycle and reuse
- Produced water management and treatment
- Discharge and/or disposal

The internal Water Network of Excellence is the primary knowledge sharing tool for Water Issues Working Group members to transfer knowledge, share innovation and best practices and foster collaboration.

Engaging Externally

We continue to help address larger global and societal water risks such as the lack of access to clean water and sanitation. These difficult global challenges require holistic water stewardship; we are not able to solve them alone, but are committed to doing our part.

At the community level we support water conservation efforts such as the [USBCSD Water Synergy Project](#) and China BCSD Water Synergy Project. In addition, research and educational initiatives undertaken at the [Colorado School of Mines WE2ST Center](#) will benefit not only unconventional energy producers and water-reliant industrial stakeholders, but also the general public.

Our Australia East Business Unit sponsors and supports the Gladstone Healthy Harbor Partnership. The partnership brings together members of the community, academia, government and industry to collaborate on the development of a holistic approach to improve and protect the health of Gladstone Harbor through scientific research. Since its inception in 2013, the partnership has been assessing the health of the Gladstone Harbor. The data and information collected for the project will be summarized in a report at

the end of 2015 and used by all stakeholders to guide future strategies for the harbor.

In the Lower 48, we developed a poster titled 'Technology that Protects Nature' to share our knowledge of the local water resources with our stakeholders and regulators.

We work to improve access to water and improved sanitation in a community relations initiative with UNICEF in Angola. For more than 3 years the project has supplied safe drinking water to a total of 60,000 people. Additionally, 60 community health workers (10 in each municipality) were trained to provide hygiene education. UNICEF will support the Angola government in future, similar efforts, since droughts and flooding are cyclic in the southern part of the country.

Using Material Resources Wisely

We manage material resources based on a simple set of priorities:

- Operate in the most efficient manner possible.
- If materials are left over from our operations, find ways to reuse it.
- If no uses can be found, dispose of the remaining materials safely.

Operating Efficiently

Operating efficiently is good for the environment and for business. We are pioneering new ways to safely drill faster and with fewer materials – leading to lower emissions and operating costs. Our focus on reducing methane losses from our operations provides more usable products to consumers. By managing our supply chain logistics, we minimize freight transportation miles, resulting in fewer air emissions.

Good environmental stewardship includes setting standards for waste management, decommissioning and minimization. We seek to identify new and better ways to diminish our environmental footprint and social impacts by

becoming more efficient in the workplace and in the communities in which we operate.

Material Reuse

We recognize the importance of global fresh water resources and are actively engaged in finding new ways to reuse non-potable water from our operations as an alternative to fresh water use. We launched the Global Water Sustainability Center to study technology related to produced water and desalination in 2010. We found ways to successfully use produced water instead of fresh water for drilling activities in the Permian Basin in Texas and are driving towards higher levels of water reuse in Canada to reduce fresh water requirements in our oil sands operations.

Disposing of Unusable Materials Safely

We have a global waste management standard that requires all operations to evaluate the waste they generate and the suitability of the waste facilities they use. The standard applies to all operations worldwide. In ventures where we are not the operator or hold a minority interest, we strive to influence our co-venturers to implement similar programs.

In the United States and Canada, for example, we developed a commercial waste management program to track waste disposal activity and compiled a list of company-approved commercial waste management facilities. We inspect potential new waste sites and periodically audit the sites that we choose to utilize. Preference is given to contractors who provide cost-effective responsible alternatives to landfill disposal. But if this is not an option, we select sites that comply with strict environmental standards.

We manage drilling platform decommissioning projects in a way that safeguards public safety and health and minimizes environmental impact. We removed 7 decommissioned platforms between 2009 and 2012 in the Ekofisk area of the North Sea. Two additional platforms were removed in 2013 and disposed of in 2014. For all platform installations removed through this project since 2009, the recovery rate (i.e., the combined reuse and recycling rate) of disposed

structure materials exceeds 97%, excluding hazardous waste.

Around the world, we manage the disposal of surplus or obsolete electronic equipment in a process known as e-cycling. As part of this process, we negotiate contracts with vendors for the remarketing and recycling of electronic equipment, such as computers, televisions, microwave ovens, copiers, fax machines and telephones that no longer have value to ConocoPhillips, but may have value for others. In many locations, we have partnered with our recycling contractor to provide similar services for the public, using company locations as collection points.

Additionally, our employees help their local communities collect household waste and recyclable material that cannot be disposed of in regular household garbage.

Climate Change

We recognize that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gases (GHG) in the atmosphere that can lead to adverse changes in global climate. While uncertainties remain, we continue to manage GHG emissions in our operations and to integrate climate change-related activities and goals into our business planning.

Climate Change Action Plan

As we work to safely find and deliver energy to the world, addressing climate change-related issues is a high priority. We believe that we are defined not just by what we do, but by how we do it.

Context for Action

Our climate change strategy is designed to prepare the company to succeed in a world challenged to reduce greenhouse gas (GHG) emissions.

We implemented a corporate climate change action planning process to manage GHG emissions as our business

grows. The planning process also prompts adaptation to physical changes in climate.

We consider a range of external insights as we evaluate and plan actions to address climate change issues in our businesses and functions. Examples include:

- Government actions on reporting and regulating greenhouse gas emissions. Globally governments are taking action on reporting and regulating greenhouse gas emissions, such as the European Union, the United States through the Clean Air Act, and some Canadian provinces. However, it is uncertain which other governments will act, and the timing, type and range of actions.
- Listening to stakeholders. Some stakeholders are concerned about the impact of fossil fuel production and use on GHG emissions.
- Understanding investor concerns. Some investors have questions about the impact of increasing regulation and legislation on the company's returns, valuation and business outlook.

Action Plan

Our plan is constructed of 4 main focus areas:

- Understanding Footprint** – mapping and measuring our emissions and improving the accuracy and consistency of recording and reporting.
- Managing Operations and Projects** – Assessing and implementing emissions reductions where it makes sense to do so, focusing our efforts on priority areas.
- Managing Risks and Opportunities** – Scanning for emerging issues and preparing the company to address climate change risks and opportunities.
- Engaging Externally** – Communicating our position on climate change issues, both corporately and within external organizations; and addressing the potential impact to our business.

Climate Change Action Plan			
Proactive Management of Climate Change Risks, Impacts and Opportunities			
Understanding Footprint	Managing Operations and Projects	Managing Risks and Opportunities	Engaging Externally
Improve GHG Data	Integrate GHG Technology Strategy	Integrate Resiliency Planning	Develop Methane and Shale Development Communications
Improve Recording of Emission Reduction Projects	Evaluate Target and Incentive Options	Review Non-operated Plans	Monitor Global Legislation and Regulation Development
Provide Consistent Life-cycle Analysis	Prioritize Emission Reductions	Revise Business Unit GHG plans	
	Revisit and Monitor Carbon Offsets	Address Stakeholder Questions and Concerns	
		Develop Carbon Strategy Options	
Building Capacity: Resourcing, Knowledge Sharing, Skill Development			

Our 2014–2018 Climate Change Action Plan comprises 73 specific detailed actions within the 14 major groupings shown on the next page. These actions are being implemented across the company.

The comprehensive Corporate Climate Change Action Plan is refreshed annually as part of our long-range planning process. During the planning process, we assess risks and opportunities against several criteria, including commodity

price forecasts, GHG price forecasts, and the company's climate change and sustainable development position statements.

Performance

Climate Change Action Plan: Performance	
Understanding Footprint	
Improve greenhouse gas data	<div></div>
Improve recording of greenhouse gas emission reduction projects	<div></div>
Provide consistent life-cycle analysis of greenhouse gas emissions across the company	<div></div>
Managing Operations and Projects	
Integrate greenhouse gas technology strategy	<div></div>
Evaluate greenhouse gas targets and incentive options	<div></div>
Prioritize greenhouse gas emission reductions	<div></div>
Revisit and monitor greenhouse gas emission offsets	<div></div>
Managing Risks and Opportunities	
Integrate resiliency planning throughout the company	<div></div>
Review non-operated asset climate change plans	<div></div>
Revise and update business unit climate change management plans	<div></div>
Address stakeholder questions and concerns regarding climate change risks	<div></div>
Develop corporate carbon scenarios to inform strategy options	<div></div>
Engaging Externally	
Develop methane and shale development communications	<div></div>
Monitor global legislation and regulation development	<div></div>
Building Capacity	
Impact Assessment and Results	
All business units have a Climate Change Management Plan	<div></div>
Sustainable Development scorecards are completed for capital projects, including an analysis of climate change risks, and are updated through project phases. New Country Entry and other due diligence processes evaluate climate change issues and risks.	
Climate change risks are identified as part of project authorization guidelines for new ventures.	
Integration	
A Climate Change Assessment is completed for each major project.	
Climate change risks are incorporated into the Capital Projects and HSE Management Systems.	
Business units and functions share best practices in climate change risk management through the Climate Change Issues Working Group, Discussion Forum and Network of Excellence.	
Tracking (Issues, Actions)	
Climate change risks are tracked at the enterprise, business unit, asset or project level and communicated internally.	
Potential climate change risks or issues are identified and evaluated periodically through corporate, business unit, asset or project level risk assessments as part of the climate change planning cycle.	

Global Climate Change Position

We recognize that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gases (GHG) in the atmosphere that can lead to adverse changes in global climate. While uncertainties remain, we continue to manage greenhouse gas emissions

in our operations and to integrate climate change related activities and goals into our business planning.

Our corporate action plan focuses on the following areas:

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

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

Climate Change Public Policy

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

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

- Foster resiliency to the impacts of a changing climate.
- Avoid undue harm to the economy.

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

We are committed to doing our part.

Understanding Footprint

Greenhouse Gas Metrics

Details of our greenhouse gas emissions, natural gas flaring performance and energy efficiency may be found under [Performance Data](#).

External Reporting and Verification

Each of our business units is responsible for quantifying emissions and reporting the information to our HSE group for compilation and internal verification. Reporting to authorities and regulators is the responsibility of our individual business units.

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

External Reporting/Verification of GHG Emissions

The majority of our large stationary sources of GHG emissions around the world report annual GHG emissions to state/provincial or national governments. For those not listed below, verification/assurance is addressed through a framework of internal HSE audits with [periodic external review](#) of processes and/or data.

United States

We began [reporting GHG emissions](#) to the U.S. Environmental Protection Agency (EPA) Jan. 1, 2010. The EPA assesses data quality through the use of selective audits.

Australia

Our Australia Business Unit participates in the federally mandated National Greenhouse Gas and Energy Reporting System (NGERS), which began in 2009. The federal legislation has a process for conducting or mandating external auditing but this is only triggered for cause, such as if a corporation is suspected of not meeting reporting obligations. ConocoPhillips activities have not triggered this auditing procedure. Publicly available data is published in a single list for all reporters of [Australian GHGs](#).

Canada

[Environment Canada](#) publicly posts GHG emissions information for Canadian facilities greater than 50,000 metric tons of CO₂e. The agency does not require third-party verification of emissions reported to the federal government. However, the information reported by the facility should be verifiable.

The government of Alberta requires third-party verification of GHG emissions from regulated facilities. The verification report from the ConocoPhillips-operated Elmsworth Gas Plant is available from Alberta Environment upon request.

Norway

The verified emission report is provided in Norwegian for ConocoPhillips Norway assets. [Some information is available in English](#).

- [Ekofisk](#)
- [Eldfisk](#)
- [Tor](#)
- [Embla](#)

Europe

Data for all installations in the EU ETS is publicly available at [The European Commission's Environment site](#). The page opens at our Seal Sands facility in the UK code 102. Our other facilities in the UK can be found by entering the following codes: 10; 24; 25; 28; 29; 30 & 361.

Estimating Future Process Emissions

As is the case with financial metrics, ConocoPhillips does not publish its long-term forecast of GHG emissions, but we do include emissions in our forward planning activities within the company. GHG emissions from our operations are likely to increase as we grow our long-term oil and gas production, so the Action Plans include a focus on reductions and technologies that could reduce GHG absolute emissions and/or intensity.

CDP

The annual CDP survey collects a wide range of information concerning corporate efforts to manage climate change issues. ConocoPhillips has participated in the survey since 2004. Our most recent CDP submission can be found in the [2014 CDP document](#).

Managing Operations and Projects

Taking Steps to Reduce GHG Emissions

In 2014, ConocoPhillips businesses worldwide completed numerous projects to improve energy efficiency, recover product and reduce GHG emissions. Examples include:

- Reduced methane venting during well completions
- Plunger lift optimization
- Optimized compression
- Replacement of high bleed controllers
- Electrification of central facilities

These projects are estimated to have reduced or avoided 0.9 million tonnes of CO₂e emissions in 2014, bringing our cumulative emissions reductions since the implementation of our first Climate Change Action Plan in 2009 to 6.2 million tonnes of CO₂ equivalent – an annual average reduction of 3.8% against the forecast for each year.

It is important to note that emission reductions resulting from some projects, for example reduced methane venting during well completions, occur only at the time that the activity takes place, whereas others will continue to deliver energy efficiency and GHG reduction benefits for a number of years into the future. The list above does not represent a complete inventory of ConocoPhillips GHG reduction activities and the resulting emission reductions have not all been third-party verified.

2015 Greenhouse Gas Reduction Target

We delivered GHG emission reductions in the range of 2.5 to 5% against our forecast for each of the last 5 years. In order to **increase our focus on emission reductions**, we have set an overall company GHG emission reduction target of 3 to 5% against our business-as-usual forecast for 2015.

Oil Sands GHG Intensity

We recognize that there are questions about GHG emissions from oil sands production.

Industry has successfully reduced the GHG intensity per barrel of oil sands crude produced by 28% since 1990. To capture both economic and environmental benefits, we continue to work to reduce per-barrel GHG intensity. We are investigating technologies focused on running our facilities more efficiently, using less energy, and reducing greenhouse gas and other air emissions. We are also designing plans for improved heat integration and testing an enhanced oil production technology, both aimed at maximizing fuel efficiency while reducing air emissions associated with steam generation.

We are **evaluating technologies** that address environmental performance including:

- **Flow Control Device (FCD).** This technology improves how efficiently the steam injected in a well flows to the bitumen resource. This reduces the steam required to produce each barrel of bitumen (known as the steam-to-oil ratio, or SOR) and the associated GHG emissions intensity. While still in early testing, flow control devices may help us reduce our GHG emissions and water use intensity by approximately 10—20%.
- **Enhanced steam-assisted gravity drainage (e-SAGD).** Injecting lighter hydrocarbons along with steam reduces the viscosity of the bitumen in our wells using less steam and, therefore, less fuel gas. This technology may reduce our steam-to-oil ratio compared to a typical SAGD process, which could reduce our GHG emissions and water use by 15—35% on an intensity basis.
- **Fishbone well configuration.** A fishbone well configuration involves drilling a channel and extending 30-centimetre-wide “ribs” between a producing well and adjacent steam chambers. The process distributes heat more evenly, reducing our fuel consumption and related GHG emissions per barrel of bitumen produced. This technology is currently being piloted at our Surmont site, and could reduce our GHG emissions intensity by 10—20% if successful.

- **Gas turbine once-through steam generator (GT-OTSG).**

In conventional steam generation, natural gas is burned to heat water and turn it into steam. A GT-OTSG reuses waste heat that comes from a gas-powered turbine, reducing the amount of natural gas that must be burned in a steam generator. The turbine also produces electricity, reducing our demands on grid-purchased electricity. GT-OTSG increases the efficiency of steam generation from approximately 80 percent to between 90 and 95 percent. We anticipate that this technology could reduce our GHG emissions intensity by 10—15% and oxides of nitrogen (NOx) emissions intensity by 40—50%, compared to a baseline of using a once-through steam generator and a natural gas combined-cycle turbine for generating electricity.

Flare Reduction

Flaring is the safety practice of burning off excess gases that might otherwise pose a hazard and that cannot be:

- Recovered for export to consumers.
- Used as fuel within the field.
- Cost-effectively re-injected into the producing formation.

Goals addressing flaring and venting have been adopted by our business units in their Climate Change Management Plans.

- In 2012, a new pipeline in Asia Pacific helped to reduce current flaring volumes and intensity to below 2008 levels.
- From 2008 to 2010, we experienced an increase in flaring mainly from operating in areas of the world with insufficient infrastructure to transport natural gas to a market.
- From 2003 to 2008, we made significant progress reducing the volume of gas flared at our facilities.

Voluntary GHG Reduction Targets

Approximately 100% of our facilities are covered by GHG-related reporting and/or permitting requirements, and 24% of ConocoPhillips facilities operate in countries with specific GHG emission reduction targets, including emission control legislation or regulation in Canada, Europe and the United States. For example, the Specified Gas Emitters Regulation (SGER) in Alberta, Canada requires large facilities to reduce facility emissions intensity by 12% after eight years of commercial operation. We are on track to meet the emission reduction targets before the compliance deadline.

We continue to demonstrate our commitment to addressing climate change by taking action to reduce GHG emissions by:

- Implementing reduction plans at the operational level.
- Complying with existing regulatory GHG targets.
- Investing in lower-carbon energy and through active participation in efforts to develop sound government policy for GHG regulation.

In support of our commitment, the company implements a corporate-wide **Climate Change Action Plan** that requires business units and major assets to develop and maintain climate change management plans. Each plan includes:

- GHG emission measurements and forecast.
- Identification of key risks and opportunities.
- Business appropriate goals and metrics.

We will continue to report progress on our plans, emissions data, emission reduction results, investments, and policy engagement as part of our regular updates to the Sustainable Development Report. The report is updated annually with consideration of feedback from stakeholders.

We also report progress through organizations such as CDP (formerly Carbon Disclosure Project), which assesses companies on both their actions and disclosure related to GHG emissions and climate change related activities. ConocoPhillips was placed in performance band 'B' with a disclosure score of 89 out of 100 for its 2014 CDP response, reflecting positive performance and disclosure.

Technology to Manage Our Emissions

We undertake research and development on technologies that reduce the environmental footprint of oil and gas activities through a mix of:

- Internal technology development.
- Investment in start-up companies.
- Partnerships with academic institutions and key suppliers.

For example, we invested in **Skyonic**, a company developing technology to capture CO₂ from industrial waste gases and mineralize it into carbonates and bicarbonates, chemical by-products with commercial value. Skyonic's technology is intended to be retrofitted to existing industrial plants, and does not need the underground sequestration of carbon dioxide.

We also have a significant number of technologies that have already reduced our oil sands footprint, or have the potential to do so in the future.

Our Canadian Surmont 1 2008 to 2013 project operating efficiency initiative has reduced our steam to oil ratio by more than 17%, which has directly reduced our fuel usage and greenhouse gas intensity by a proportional amount.

In addition, we are a member of the Canadian Oil Sands Innovation Alliance (COSIA). Two of our technologies were chosen as leading technologies to reduce greenhouse gases: the **Gas Turbine-Once Through Steam Generator (GT-OTSG)** and **Vacuum Insulated Tubing technologies**. We have over 20 patents and patents pending related to greenhouse gas reductions in oil sands production applications.

Our Gulf Coast Business Unit continues to evaluate clean-burning natural gas alternatives for some of the drilling and completions activities in order to reduce diesel fuel usage to provide power for drilling rigs and hydraulic fracturing completion operations. Activities like this can allow us to potentially expand the use of abundant natural gas within the United States and other countries with sufficient natural gas related infrastructure.

Carbon capture and underground storage may represent a key set of technologies and practices that could play an important role in meeting long-term greenhouse gas reduction goals. We are working to advance capture technologies and beneficial reuse options.

The company is leveraging its more than 30 years of operational experience in miscible gas injection at its North Slope assets in Alaska and 25 years of CO₂ enhanced oil recovery (EOR) experience in West Texas to evaluate new EOR opportunities to facilitate production growth.

ConocoPhillips has contracted to sell CO₂ captured from the ConocoPhillips' Lost Cabin Gas Plant in Wyoming for use in EOR. The company began shipments in March 2013 reducing CO₂ emissions by approximately 700,000 tonnes per year.

Energy Efficiency

Since the combustion of fossil fuels is a contributor to GHG emissions, we continuously strive to make our operations more energy efficient. This provides an environmental

benefit through reduced emissions, as well as an economic benefit through lower production costs. The company has conducted a number of projects to improve overall energy efficiency in its producing fields. Among them, the Ekofisk II redevelopment project in the North Sea utilized high-efficiency turbines to reduce power usage and recover waste heat produced during power generation.

The C-GAS project, undertaken by ConocoPhillips China, replaced diesel fuel with excess associated gas to fuel the turbine generator during the early operational years. This project achieved greater efficiency, reduced flare volumes and reduced diesel fuel consumption.

An optimization process has been implemented at Belida LGP/DPPA and Hangtuah platforms. These 2 assets that are operated in Block B Natuna Sea of our Indonesian business unit have been able to reduce the needs to treat the raw gas at each facility by concentrating the gas processing at Hangtuah platform. The raw gas from Belida LGP/DPPA platform has been flowing freely to Hangtuah platform and will be later exported to the buyer via this facility. This initiative led to deactivation of GEC (Gas Export Compressor) of Belida LGP/DPPA, which has been able to save 5.5 MMScf of gas fuel for running the GEC per day.

Flaring reduction initiatives in Offshore Operations have been progressing well. The offshore asset has been identifying and implementing process optimization, modifying and upgrading process controls and improving shutdown management by aligning maintenance with the gas customer to minimize shutdown time. The shutdown management has proven can reduce flaring volume from non-routine events, which was declining from 405 MMScf in 2013 to 228 MMScf in 2014 (43%). This number contributed to overall Offshore flaring volume, which has been declining 20% from 2013 to 2014.

ConocoPhillips China completed the “Associated Gas Export” project, exporting most of the extra associated gas to the partner gas terminal through partner’s subsea pipeline network for further treatment and final distribution. This effort reduced the flare volumes.

In **Canada**, significant GHG reductions have been accomplished through the implementation of a large variety of technologies that aim to reduce/eliminate vented natural gas, improving engine fuel efficiency, and recover/utilize

waste heat. The Operations Energy Efficiency Team is a very unique part of the Canadian operation, as they bring a dedicated and innovative focus on the evaluation, scoping and execution of GHG reduction projects within the Canadian business unit. From the implementation of projects since 2011, a GHG reduction of approximately 200,000 metric tons of CO₂ annually has been achieved (equivalent to taking approximately 40,000 cars off the road).

The U.S. Lower 48 business unit has carried out energy efficiency improvements through greater utilization of photovoltaic solar panels on field equipment and optimizing compression in the San Juan Basin. We are now using solar-powered chemical injection units in place of gas-powered pumps on many wells, thus reducing emissions and fuel use.

Carbon Trading

Our commercial organization trades GHG emission allowances to optimize emissions management in countries implementing emission-trading programs.

Where our operations are subject to GHG regulation our goal is to meet our compliance obligation in the most cost-effective manner possible. We begin by understanding the cost and impact of our internal GHG reduction opportunities, for example, through projects that improve energy efficiency in our operations.

When reducing our own emissions will be costly and where the regulatory system allows trading, we consider purchasing allowances and high-quality offset credits to meet our compliance obligations.

Carbon Trading Around the World

Europe

Our facilities across Europe have participated in the European Union’s emissions-trading program (ETS) since 2005. The company’s commercial organization trades allowances on the secondary market exchanges.

Canada

ConocoPhillips Canada participates in the regional emissions reduction scheme in the province of Alberta and has experience with all the compliance mechanisms of that program:

- Making internal improvements to operations to reduce emissions.

- Purchasing or using Emission Performance Credits (EPC).
- Purchasing Alberta-based offset credits and Contributing to the Climate Change and Emissions Management Fund (CCEMF).

Integrating the Cost of Greenhouse Gas Emissions into Project Economics

For operations in countries with existing or imminent GHG regulation, the cost of regulatory compliance is evaluated based on specific regulation and local greenhouse gas pricing information. This information is incorporated into the base-case economic analysis for ongoing and new capital expenditures.

For operations in countries without existing or imminent GHG regulation, all capital projects with a total installed cost of \$150 million or greater or that result in a change to annual emissions in excess of 25,000 metric tons of CO₂ equivalent are required to perform a sensitivity analysis that includes carbon cost as part of the project's economic analysis. The company uses an estimated market cost of greenhouse gas emissions in the range of \$6 to \$51 per tonne (in 2014 uninflated terms) depending on the timing and country or region to evaluate future project opportunities.

Managing Risks and Opportunities

The effect of many current and potential greenhouse gas (GHG) regulations will be to establish a price or value for a unit of avoided GHG emission. Such laws and regulations bring both risks and opportunities. The introduction of a cost of greenhouse gas emissions could also increase demand for less carbon-intensive energy sources and technologies such as natural gas and renewable energy. There are both risks and opportunities that we see developing in a lower carbon business environment.

Carbon Asset Risk

The objective of our climate change strategy is to prepare the company to succeed in a world challenged to reduce GHG emissions. This includes managing risk, optimizing opportunities and equipping the company to evolve our strategic approach to respond to changes in key uncertainties including government policies around the world, technologies for emission reduction and alternative energy technologies.

We are aware that some stakeholders are concerned that at some point, the use of fossil fuels could be restricted in order to limit GHG concentrations in the atmosphere in an effort to limit changes in global temperatures. This concept is being called “carbon asset risk” or “unburnable carbon”. The issue appears to be that some stakeholders are concerned that reserve and resource projections might be overstated or that there may be a “carbon bubble.”

Unburnable Carbon

In June 2014, the IPIECA — the oil and gas industry association for environmental and social issues of which ConocoPhillips is a member — published a fact sheet on the topic of carbon asset risk titled, “Exploring the concept of ‘unburnable carbon’” The fact sheet makes several key points:

- The industry agrees with the need to address the challenges of climate change.
 - “... rising GHG emissions and global temperature pose risks to society and ecosystems that are serious enough to warrant cost-effective policy responses that balance mitigation and adaptation, as well as other societal priorities.”
- Oil and gas are needed to meet increasing energy demand.
 - In all of the International Energy Agency's scenarios, including their 2-degree scenario, “there is a need for new oil and gas production capacity to accommodate the projected increase in demand and compensate for the decline in production at existing fields.”
- There is no clear evidence of a speculative “carbon bubble.”
 - “Markets are pricing oil and gas companies rationally. This is based on their expectations of future earnings, taking into account the size and type of mineral reserves, the risks arising from future climate policies and many other factors.”
- Managing risks is at the core of the oil and gas industry.
 - “Oil and gas companies manage climate risk alongside other business risks. A number of strategic tools are currently used to manage these risks, including CO₂ costs in project economics.”

IPIECA concludes that oil and gas companies, including ConocoPhillips, are taking the necessary steps to build carbon-constrained scenarios into their long-range plans and strategic portfolio decisions.

How we manage Carbon Asset Risk

Regulations are in place for publicly traded companies to provide a consistent set of rules that allow investors to evaluate and compare investment choices. All U.S. publicly traded companies must comply with these types of rules and regulations, including those regulated by the Securities and Exchange Commission (SEC). ConocoPhillips fully complies with rules and regulations for reporting reserves. We have also increased our disclosure over the years to be able to give investors and stakeholders additional insights into the processes and procedures that we use to manage climate change related risks, including carbon asset risk.

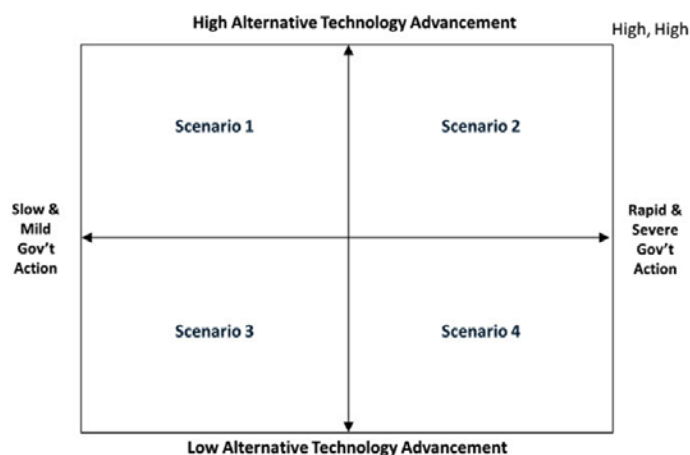
Key elements of our carbon asset risk evaluation process include:

- Considering a range of possible future carbon-constraint scenarios
- Developing broad strategic alternatives to maximize shareholder value in a future with uncertain carbon constraints
- Testing strategies in various scenarios
- Developing actionable insights

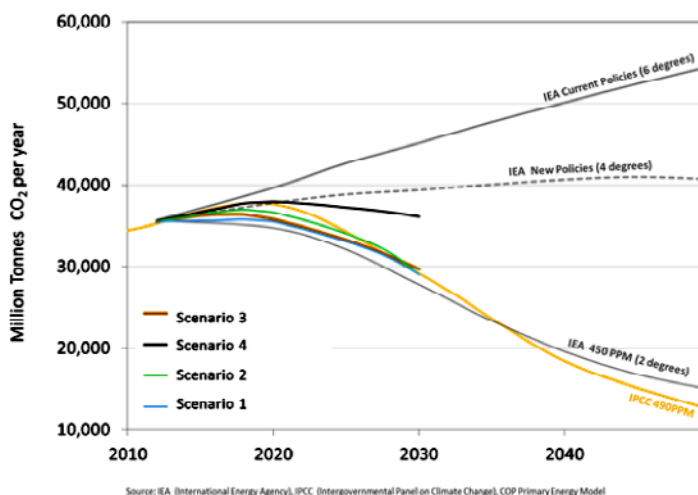
We have integrated carbon-restricted scenarios into the strategic portfolio planning process to test our portfolio, and have developed annual **GHG price forecasts** for company-wide use in long-range planning and project evaluation.

Carbon Scenarios

To evaluate the implications of different scenarios that combine alternative energy technology advancement and government actions, we have developed four carbon constraint scenarios:



All of the above scenarios, with the exception of Scenario 3 have been developed in such a way to achieve the International Energy Agency's (IEA's) scenario of achieving a near 50% chance of limiting the increase in global average temperature by 2°C.



Carbon Tracker Fact Sheet

In August 2014, the Carbon Tracker Initiative issued **fact sheets** analyzing several oil and gas companies' portfolios to determine the price per barrel required for each company's projects to be profitable.

Through constructive dialogue with Carbon Tracker we have been able to discuss and correct most of the misunderstandings in the use of industry data, resulting in revisions to the fact sheets. While we do not agree with all of the Carbon Tracker assumptions, we would point out that, nevertheless, Carbon Tracker found:

"Amongst the majors, ConocoPhillips' portfolio appears to have a focus on quality over quantity; potential production is the lowest amongst the majors and the same is true for potential capex, yet amongst the majors it also has one of the lowest proportions of projects that require a market price of \$95/bbl or more for sanction."

Opportunities in a Lower Carbon Business Environment

Potential business opportunities related to anticipated climate change regulatory requirements fall into 3 broad categories:

- Opportunities associated with increased demand for and value of lower carbon energy sources and technologies

associated with our existing business, for example natural gas exploration and production.

- New business opportunities in lower carbon energy and technologies with the potential to provide future growth prospects for ConocoPhillips, e.g., Energy Technology Ventures
- Opportunities to extend the life or increase the value of our existing assets and business, for example through the potential application of CO₂ capture and storage.

There are potential opportunities in all these categories to increase revenues, decrease expenses, expedite business development, enhance our license to operate, and to grow our business.

Energy Technology Ventures

Along with partners GE and NRG Energy Inc., we participate in **Energy Technology Ventures (ETV)** to accelerate emerging energy technology. The companies have committed \$300 million in capital to the new joint venture to fund approximately 30 venture- and growth-stage companies over a four-year period.

ETV invests in and offer commercial collaboration opportunities to venture- and growth-stage energy technology companies in the renewable power generation, smart grid, energy efficiency, oil, natural gas, coal and nuclear energy, emission controls, water and bio-fuels sectors, primarily in North America, Europe and Israel. With their wide range of deep technical and financial expertise, relationships, services and products, the 3 companies behind Energy Technology Ventures intend to help start-ups develop next-generation energy technology.

The current investments are in companies developing potentially game-changing technologies in solar photovoltaic (Alta Devices, 1366 Technologies), cleaner coal (Ciris Energy), non-food biofuels (CoolPlanetBioFuels), energy storage technologies (Ioxus) and energy management software (Hara).

Greenhouse Gas Regulatory Risk

There have been a broad range of proposed or promulgated state, national and international laws focusing on GHG reduction. These proposed or promulgated laws apply or could apply in countries where we have interests or may have interests in the future. Laws in this field continue to evolve, and while it is not possible to accurately estimate

either a timetable for implementation or our future compliance costs relating to implementation, such laws, if enacted, could have a material impact on our results of operations and financial condition. Examples of legislation or precursors for possible regulation that do or could affect our operations include:

- Federal mandatory GHG reporting (United States, Canada, EU, Australia).
- The U.S. Supreme Court decision in *Massachusetts v. EPA*, 549 U.S. 497, 127 S.Ct. 1438 (2007), confirming that the EPA has the authority to regulate carbon dioxide as an “air pollutant” under the Federal Clean Air Act.
- The US EPA’s announcement on March 29, 2010 (published as “Interpretation of Regulations that Determine Pollutants Covered by Clean Air Act Permitting Programs,” 75 Fed. Reg. 17004 (April 2, 2010)), and the EPA’s and U.S. Department of Transportation’s joint promulgation of a Final Rule on April 1, 2010, that triggers regulation of GHGs under the Clean Air Act, may trigger more climate-based claims for damages, and may result in longer agency review time for development projects.
- The U.S. EPA’s announcement on Jan. 14, 2015, outlining a series of steps it plans to take to address methane and smog-forming volatile organic compound emissions from the oil and gas industry. The current U.S. Administration has established a goal of reducing the 2012 levels in methane emissions from the oil and gas industry by 40 to 45% by 2025.
- European Emissions Trading Scheme (ETS), the program through which many of the European Union (EU) member states are implementing the Kyoto Protocol. Our cost of compliance with the EU ETS in 2014 was approximately USD \$3 million (pre-tax equity share).
- A regulation issued by the Alberta government in 2007 under the Climate Change and Emissions Act. The regulation requires any existing facility with emissions equal to or greater than 100,000 metric tons of carbon dioxide or equivalent per year to reduce the net emissions intensity beginning July 1, 2007 by 12%. New facilities must reduce 2% per year until they reach the maximum target of 12%. We also incur a carbon tax for emissions from fossil fuel combustion in our British Columbia operations. The total cost of compliance with these Canadian regulations in 2014 was approximately USD \$6 million (pre-tax equity share).
- Norwegian Carbon Tax - Our cost of compliance with Norwegian carbon tax legislation in 2014 was approximately

USD \$41 million (equity share pre-tax).

- Australian Clean Energy Legislation which took effect from July 2012. Our cost of compliance with the Australian Clean Energy Legislation carbon tax (repealed July 2014) in 2014 was approximately \$3 million (net share pre-tax).
- Compliance with changes in laws and regulations that create a GHG emission trading scheme or GHG reduction policies could significantly increase our costs, reduce demand for fossil energy derived products, impact the cost and availability of capital and increase our exposure to litigation. Such laws and regulations could also increase demand for less carbon intensive energy sources, including natural gas. The ultimate impact on our financial performance, either positive or negative, will depend on a number of factors, including but not limited to:
 - Whether and to what extent legislation is enacted.
 - The nature of the legislation (such as a cap and trade system or a tax on emissions).
 - Whether both process and product emissions are covered.
 - The GHG reductions required.
 - The price placed on GHG emissions (either by the market or through a tax).
 - The price and availability of offsets.
 - The amount and allocation of allowances.
 - Technological and scientific developments leading to new products or services.
 - Any potential significant physical effects of climate change (such as increased severe weather events, changes in sea levels and changes in temperature).
 - Whether, and the extent to which, increased compliance costs are ultimately reflected in the prices of our products and services.

The ultimate financial impact arising from environmental laws and regulations is neither clearly known nor easily determinable as new standards, such as air emission standards, water quality standards and stricter fuel regulations continue to evolve. However, environmental laws and regulations, including those that may arise to address concerns about global climate change, are expected to continue to have an increasing impact on our operations in the United States and in other countries in which we operate. Notable areas of potential impacts include air emission compliance and remediation obligations in the United States.

Operating in a Physically Challenging World

We are an independent exploration and production company operating in 27 countries around the world with physical assets in many of these countries. As such, the company can be exposed to impacts related to a changing physical environment caused by various factors in a number of locations. A few years ago, we co-led the development and publication of the [World Business Council for Sustainable Development \(WBCSD\) report Adaptation — An Issue Brief for Business](#). The report concluded that changes in the Earth's climate system could have repercussions on how business operates. The magnitude and frequency of impacts are uncertain, but consequences with negative effects on business could include:

- Higher temperatures, which could affect the location, design, efficiency, operation and marketing of business infrastructure, products and services.
- Water scarcity, which could stymie business operations, particularly those of water-dependent industries.
- Rising sea levels, which could affect the location of business operations, submerge or complicate access to raw materials or natural and human resources.
- Increased frequency of extreme weather events, which could damage business infrastructure, disrupt logistics, and affect business continuity and costs.
- Changes in the distribution of vector-borne disease (e.g., malaria) and greater population migration, with their attendant socioeconomic impacts on workforces and markets.

Our business operations are designed and operated to accommodate expected climatic conditions. To the extent there are significant changes in the Earth's climate, such as more severe or frequent weather conditions in the markets we serve or the areas where our assets reside, we could incur increased expenses, our operations could be materially impacted, and demand for our products could fall.

Given the uncertainty regarding future physical impacts associated with changing local, regional or global climate, it is not possible to determine at this time whether future physical impacts of climate change represent significant opportunities for our company.

Building Resiliency to Climate Change

Business resiliency planning is a process that helps the company prepare to mitigate potential impacts of a

changing climate in a cost-effective manner. The key elements of this process include:

- Identifying the risks and business opportunities associated with the physical impacts of changing climate.
- Identifying physical impacts of greatest concern.
- Identifying potential technologies and solutions to mitigate risks and take advantage of opportunities.

Adaptation will not reduce the frequency or magnitude of events related to a changing climate, but will increase the resiliency of our business to events such as drought, hurricanes and flooding.

We conducted pilot workshops with business units in regions that cover a broad representation of resiliency risks to establish, on an informed basis, future programs and actions based on projected physical changes to the operating environment. The business units chosen were in Texas and the Gulf Coast, Arctic Canada, Canada Oil Sands, Australia North and West (including offshore) and North Slope Alaska.

The results were discussed within each business to determine the appropriate follow up actions and to integrate those changes into each business unit's Climate Change Action Plan.

Engaging Externally

Public Policy Engagement Overview

We believe that over the months and years ahead, governments – federal, state/provincial and local – will continue to act upon the issue of global climate change. In order to succeed in a low carbon economy, we must play a constructive role in public policy dialogue to devise practical, equitable and cost-effective approaches to reduce GHG emissions and address the impacts of climate change.

Effective Climate Change Policy

Our climate change position outlines our principles of effective climate change policy.

These principles continue to guide our engagement on climate change policy in the **United States**, Canada, Europe, Australia and other countries in which we operate. We **work with trade associations, industry peers and other**

key stakeholders to develop and use best practices and in efforts to align the policymaking process with our positions and principles.

External Perspective

We are members or sponsors of a number of external groups, which are involved in our efforts to manage the impact of climate change.

American Petroleum Institute (API) – Climate Change Steering Committee

The API's Climate Change Steering Committee addresses climate change issues affecting the U.S. oil and natural gas industry. The group oversees API's Climate Challenge program, including participation in government voluntary GHG reduction programs, as well as development of the API Compendium methodology for estimating oil and gas industry greenhouse gas emissions.

IPIECA – Climate Change Working Group

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

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

The Climate Change Working Group is currently working on:

- GHG emissions management.
- Revision of the petroleum industry guidelines for reporting GHG emissions.
- Technical input into the IPCC fifth assessment report.
- Pilot version of the study addressing uncertainty in oil and natural gas industry greenhouse gas inventories.

MIT - Joint Program on the Science and Policy of Global Change

We sponsor efforts to:

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

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

IHS/CERA – Climate Change and Clean Energy Forum

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

In addition we worked with the following groups discussed in the Reporting & Transparency section:

- International Oil and Gas Producers Association (OGP)
- U.S. Business Council for Sustainable Development (USBCSD)
- Social Responsible Investors and Non-Governmental Organizations

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People & Society

Stakeholder Engagement Action Plan

We are committed to respecting human rights and engaging with those who impact our business or who may impact our business.

Our Stakeholder Engagement Action Plan encompasses stakeholder and community engagement, social issues and human rights. While we have focused on these areas for many years, the plan fosters continuous improvement, consistency, and alignment as we live by our Human Rights Position and Stakeholder Engagement Principles.

Context for Action

Stakeholder Engagement Principles

Due to the size and scale of our company, as well as the nature of our business, our stakeholders have unique and evolving expectations. We proactively engage with them to learn their expectations of us, and then incorporate what we learn into our business plans and actions. Through work with industry associations, participation in multi-sector forums, and dialogue with socially responsible investors, we're gaining diverse and valuable perspectives as we continuously improve our sustainable development programs and initiatives.

Our stakeholder engagement activities are an integral part of our sustainable development commitments. Our business units have strategies which vary with each local community. In dispersed communities, we identify key stakeholders and engage with them face-to-face to ensure that our activities are understood and that we consider their feedback. Where there are opportunities to bring stakeholders together, we work with multi-stakeholder groups.

Our approach is embedded in our **SPiRiT value of Integrity**, which states that we are ethical and trustworthy in our relationships with stakeholders.

Our Principles for Stakeholder Engagement:

- Proactively identify and seek out key stakeholders early in

the business endeavor.

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

Stakeholder engagement is how we go about implementing or "operationalizing" our commitment to human rights. From business unit engagement strategies, and peer-to-peer best practice sharing, to participation in investor and industry forums, our approach to engaging stakeholders reinforces and advances our human rights work.

Human Rights Position

Governments have the primary responsibility for protecting human rights. We believe business has a constructive role to play to advance **respect for human rights** throughout the world as do non-government organizations (NGOs) and other representative groups in civil society.

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

Our Focus & Expectations

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

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

Action Plan

Stakeholder Engagement Action Plan			
Proactive Stakeholder Engagement and Management of Risks, Impacts and Opportunities			
Understanding Footprint	Managing Operations and Projects	Managing Risks and Opportunities	Engaging Externally
Map Stakeholders Track and Report Engagement and Impacts Track and Report Human Rights Due Diligence	Invest in Communities and Local Content Execute High Quality Engagement Plans Execute Human Rights Due Diligence	Assess Human Rights Risks and Impacts Collaborate Internally and Externally Assess and Plan for Social Issues in New Country Entry	Investors Communities and Civil Society Industry Policy and Regulatory Dialogue
Building Capacity: Resourcing, Knowledge Sharing, Skill Development			

In each of these focus areas, business units and functions have committed to specific actions. The full plan includes over 75 actions across the company with clear accountability to drive performance goals.

Our 2014-2016 Action Plan includes continuous improvement goals and new initiatives:

- Implement new company guidance in conducting issue and stakeholder mapping and planning for new ventures.
- Implement stakeholder relationship management software to enhance and refine stakeholder and issue mapping.

- Develop social issues performance indicators, expanding on existing implementation indicators (based on **implementation management systems**).
- Continue regular dialog with socially responsible investors and civil society on key sustainability issues and identify emerging topics for further dialogue.
- Launch updated computer based human rights training for stakeholder engagement, social issues and sustainability practitioners across the company.
- Launch updated sustainable sourcing tools and training to key procurement professionals across the company.
- Build on current Lower 48 stakeholder engagement plans, develop several asset specific integrated stakeholder engagement plans for Lower 48.
- Continue stakeholder engagement plan for Alaska citizens with a focus on the North Slope and continue to maintain relationships with Chukchi villages.
- Advance stakeholder engagement efforts for Alaska LNG project.
- Complete and implement Community Engagement Framework designed to deepen engagement and collaboration with local communities in Canada, including aboriginal communities.
- Develop enhanced and expanded aboriginal awareness training for Canada.
- Roll out Sustainable Development awareness training for offshore assets in the United Kingdom.
- Complete and implement indigenous content and engagement strategy in Eastern Australia in consultation with Port Curtis Coral Coast Traditional Owners regarding participation, capacity and capability development.
- Develop and implement a Stakeholder Management Plan for Australia Business Unit East including transition from project construction to operations.
- Expand stakeholder engagement with Timor-Leste by demonstrating our commitment to achieve an increase in local content.

Performance

Our work on Stakeholder Engagement and Human Rights produced meaningful results in 2014.

The chart content below includes specific references to business unit actions, which is new (and is/will be approved by each business unit). The general actions in the plan

were included in the Report last year so these listed actions demonstrate our progress on the general actions. As in the other sections, these listed actions represent a subset of our internal plans.

Stakeholder Engagement Action Plan: Performance

Understanding Footprint	
Indonesia enhanced its stakeholder mapping process supported by stakeholder relationship management system pilot.	●
Australia West enhanced its stakeholder mapping process supported by stakeholder relationship management system pilot.	●
Australia East updated its stakeholder mapping in consideration of upcoming construction, commissioning and startup milestones for APLNG.	●
Alaska progressed its stakeholder mapping and planning for AKLNG project rampup.	●
Canada participated with 26 other companies in the Oil Sands Community Alliance to identify, prioritize, and manage regional socio-economic issues.	●
Norway completed a social baseline study in support of possible future Greenland activities with other operators in the region.	●
Colombia completed Stakeholder Mapping and commenced stakeholder engagement in support of environmental license for a partner-operated block.	●
Angola completed a stakeholder mapping exercise in support of exploration activities.	●
Managing Operations and Projects	
Australia West increased local content in Timor-Leste consistent with its local content and engagement plan.	●
Australia East began development of its operational stakeholder engagement in anticipation of startup and operatorship of Asia Pacific LNG downstream. The business also updated its regional stakeholder engagement plan.	●
Malaysia progressed the build-out of its external affairs function and progressed an update to its stakeholder engagement plan.	●
China continued to update and implement its integrated stakeholder engagement plan, encompassing engagement activities across a range of stakeholder groups.	●
Alaska continued its engagement program with North Slope and Chukchi communities, including 11 community meetings and several community leaders.	●
Canada began implementing its Community Engagement Framework, an enhanced approach to engagement focused on increased collaboration with communities.	●
Lower 48 completed asset level stakeholder engagement plans for all of its assets.	●
U.K. progressed its stakeholder engagement plan in support of certain asset decommissioning activities.	●
Poland implemented a well-received community investment plan, which included establishing consultative committees comprised of local authorities and communities.	●
Angola began implementation of its stakeholder engagement plan.	●
Colombia commenced stakeholder engagement in support of environmental license for a partner-operated block.	●
Managing Risks and Opportunities	
Lower 48 updated its process for identifying and managing emerging stakeholder issues, impacts and opportunities.	●
Indonesia carried out risk and impact reviews for proposed exploration activities.	●
China implemented its stakeholder and communications plan in support of the transition from operator to nonoperator partner.	●
Australia East progressed its indigenous content and engagement plan, appointing NANA Australia as a consultant partner in engaging with traditional owners.	●
Alaska sponsored and participated in the Inuit Circumpolar Conference (ICC) General Assembly meeting held in Canada.	●
Canada, as part of its local content program, recruited seven Aboriginal operators to participate in Aboriginal operator training.	●
U.K. rolled out the company's Sustainable Development awareness-raising workshops for U.K. offshore assets (400 U.K. offshore and 370 onshore employees attended).	●
Lower 48 completed an SD gap analysis measuring the degree to which it had in place systems and processes to deliver the company's SD commitments.	●
Building Capacity	
Launched new human rights training via computer learning module available to all employees and targeted to staff and management in locations with significant human rights risks.	●
Completed and launched new company guidance for integrated stakeholder mapping and planning.	●
Launched several pilot programs to test new stakeholder relationship management software to increase effectiveness of stakeholder engagement plans.	●
Incorporated supply chain sustainability into key procurement processes such as supplier qualification.	●

While our Stakeholder Engagement Action Plan is new, our work on Stakeholder Engagement and Human Rights has produced meaningful results over the past several years. Some highlights include:

- Development and implementation of stakeholder engagement plans for all operating businesses, and key operated exploration programs.
- Development and external reporting of implementation management systems indicators for stakeholder and community engagement, indigenous communities and human rights.
- Regular annual reporting on implementation of our security and human rights program and activities.
- Strengthening of company guidance on social issues and stakeholder engagement in our Health, Safety & Environment Due Diligence process.
- Incorporation of Stakeholder Engagement module into HSE core curriculum required for all HSE professionals.
- Creation of new company guidance on stakeholder engagement preparation and planning for exploration and new ventures.
- Implementation of human rights training for key project and operational leaders and practitioners utilizing our customized training built from the 2008 IPIECA training tool kit.
- Integration of international frameworks on the rights of indigenous peoples into our Human Rights Position and related business unit assessments.
- Establishment of ongoing engagement program with socially responsible investors and members of civil society.
- Ongoing execution of functional excellence through the Stakeholder Engagement Network of Excellence and Stakeholder Engagement Working Group comprised of practitioners and leaders from across the company.

Implementation Management Systems

Our processes and tools are used to implement our Human Rights Position and Stakeholder Engagement Principles.

We are **committed** to benefiting communities, working ethically, and being transparent and accountable with our actions. And we **integrate sustainability into our business practices**.

- Human Rights
- Security & Human Rights
- Community & Social Investments
- Engaging with Communities
- Indigenous Communities
- Working with Suppliers

Human Rights Due Diligence

We intend to conduct business consistent with the human rights philosophy expressed in the Universal Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.

Embedding Human Rights Into Business Processes

Our [position statement on human rights](#) includes our intent to conduct business consistent with the human rights philosophy expressed in the Universal Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. We participate in the Voluntary Principles on Security and Human Rights and incorporate key elements of the United Nations Guiding Principles on Business and Human Rights.

Management Systems

The business practices, processes and tools we use to implement our human rights position.

Human Rights Due Diligence

Impact Assessment	<ul style="list-style-type: none"> • We performed a high-level human rights risk assessment (by country) of our global operations using externally provided human rights risk assessment tools to identify countries of focus for deeper level evaluation of potential human rights issues. Key areas include: security and human rights; land use/relocation; indigenous issues and rights; company and supplier labor standards; access to water; and vulnerable groups. • Environmental and Social Impact Assessments (ESIAs) assess human rights issues where appropriate. • Sustainable Development Scorecards are completed for capital projects including an analysis of human rights issues, and are updated through project phases. • The New Country Entry process evaluates human rights issues and risks. • Human rights risks are identified as part of corporate authorization guidelines for new ventures. • Business unit Stakeholder Engagement and Social Performance plans incorporate assessment of human rights issues, as appropriate.
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Integration	<ul style="list-style-type: none"> • Human rights issues are incorporated into Capital Projects and HSE management systems (using a “Plan, Do, Assess, Adjust” approach). • Human rights issues are incorporated into the HSE Due Diligence Standard guidance. • Business units and functions collaborate on human rights due diligence processes and share best practices through working groups and Networks of Excellence. • Business unit, asset or project Stakeholder Engagement plans incorporate an assessment of human rights issues as appropriate, and project Social Performance plans also address such issues as appropriate. Where business units maintain separate social performance plans, human rights issues are also addressed.
Tracking (Issues, Actions)	<ul style="list-style-type: none"> • Human rights issues are tracked at business unit, asset or project level and communicated internally as appropriate based on human rights risks identified at a country level. • Potential human rights risks or issues are identified and evaluated periodically through business unit, asset or project level risk assessments. • Community concerns or grievances related to company activities or human rights are tracked at business unit, asset or project level as appropriate, including responses and resolutions. Mechanisms include community or stakeholder relations contact points at the business unit level, and ConocoPhillips Ethics hotline and email address.
Communication & Training	<ul style="list-style-type: none"> • Our Human Rights position and its implementation are communicated internally and externally. • Training and guidance on human rights concepts, company approach to due diligence and implementation resources are provided to identified leaders and practitioners and made available to all employees through formal training and “Networks of Excellence.”
Grievance Mechanisms	<ul style="list-style-type: none"> • Where appropriate, business units, assets or projects have communicated with and engaged communities and their representatives on how to contact the company, and how to address any concerns or grievances. In addition, all interested stakeholders may access the ConocoPhillips

	<p>Ethics Helpline to report a potential violation of our Code of Business Ethics and Conduct, which is publicly available on our website.</p> <ul style="list-style-type: none"> • Stakeholder relations staff is in close contact with communities and engage in regular two-way dialogue. • Stakeholder relations staff has a process in place to respond to concerns or grievances in a timely manner. • Mitigation measures are informed by issues or concerns identified through engagement with communities or other stakeholders. • Incident management and tracking systems incorporate elements to capture incidents or "near misses" related to the safety and security of company personnel and directly impacted communities.
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Stakeholder Engagement

Stakeholder engagement is integral to how we put our commitment to human rights into action. From business unit engagement strategies, and peer-to-peer best practice sharing, to participation in investor and industry forums, our approach to **engaging stakeholders** reinforces and advances our human rights work.

Indigenous Communities

We recognize and respect the choice of indigenous communities to live as distinct peoples, with their own cultures and relationships with the land. Wherever our operations neighbor with indigenous communities, we seek to partner and engage with them to diminish the negative aspects of our operations and maximize the social and economic benefits we can bring.

Training and Awareness

Our approach encompasses a broad range of activities and tools. We've adapted and applied a human rights tool kit developed by the **International Petroleum Industry Environmental Conservation Association (IPIECA)**. Additionally, we developed and rolled out training internally. We've also focused our Stakeholder Engagement Network of practitioners on further integration of sustainable development commitments into business planning and processes.

Human Rights Training and Awareness

We continue to support the IPIECA social responsibility working group and human rights project. We will continue

to participate in IPIECA's broader work on human rights due diligence and grievance mechanisms and incorporate IPIECA guidance into our own training and practices.

Labor Issues

As outlined in our **human rights position**, we commit to conducting business consistent with the human rights philosophy expressed in the International Labour Organization Declaration on Fundamental Principles and Rights at Work, which includes the core labor standards related to non-discrimination, freedom of association, and avoiding the use of forced or child labor.

Voluntary Principles on Security and Human Rights

We have been a member of the Voluntary Principles on Security and Human Rights initiative since its inception in 2000. This commitment is aligned with our company's human rights position and our related implementation activities. **Our annual report to the Voluntary Principles on Security and Human Rights** details our current practices as well as provides updates for previous years.

Security and Human Rights Management Systems

How we implement our commitment to security and human rights.

Security & Human Rights	
Focus Area	Management Systems
Risk Assessments	<ul style="list-style-type: none"> • We performed a high-level security and human rights risk assessment of our global operations using externally provided human rights risk assessment tools to identify countries of focus for our security and human rights efforts. • The New Country Entry process evaluates security and human rights issues and risks. • Security and human rights risks are identified as part of authorization guidelines for new ventures.
Contracts with Security Providers	<ul style="list-style-type: none"> • The company has conducted research related to security providers with proven good track records on human rights. • Contracts with security providers contain language pertaining to the contractors' responsibilities regarding security and human rights.

Focus Area	Management Systems
Training for Security Providers	<ul style="list-style-type: none"> Contractors are provided with training on security & human rights and related responsibilities and expectations.
Stakeholder Outreach	<ul style="list-style-type: none"> The company participates in outreach with key stakeholders on security and human rights, which may include governmental organizations, non-governmental organizations (NGOs) or local civil society, communities, governments, and/or other companies in the region.

The processes and tools are described in [Our Approach](#).

California Transparency in Supply Chains

We recognize that slavery and human trafficking are crimes under state, federal and international laws. We also recognize slavery and human trafficking likely exist in every country, including the United States, and the State of California. We are committed to the California Transparency in Supply Chains Act of 2010.

Economic Transparency & Reporting

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

We remain actively involved in the EITI process and implementation in participating countries in which we operate. Currently, three participating countries where we operate have achieved full EITI compliance – Timor-Leste, Nigeria and Norway. We also have operations in Indonesia, which has committed to EITI principles, and is considered a candidate for EITI membership. We currently cooperate with the Indonesian government in its EITI validation efforts. We are also engaged in exploration activities in Azerbaijan and Senegal, EITI compliant and candidate countries, respectively. When we have assets in new countries, we will work to promote transparency and accountability with those governments.

Through July 2014, ConocoPhillips was an investor in the Brass LNG project but not the operator. Our sale of the asset was completed on July 30, 2014.

EITI requires the public reporting of payments to governments. (See related information on the [Dodd-Frank Act](#).) Such reporting requirements take into account host-country laws and the terms of contracts under which such revenues are accrued. Further information on EITI-compliant countries or the EITI-committed countries where we have production can be found below.

Timor-Leste

As the largest extractive-industry investor in Timor-Leste and operator of the major Bayu-Undan natural gas production project, we took an active leadership role in helping Timor-Leste reach EITI validation. Timor-Leste achieved its goal of being an EITI-compliant country in July 2010 and is now one of 32 EITI-compliant countries. This achievement is the result of years of cooperation within the EITI multi-stakeholder working group, comprising representatives from government, civil society and industry.

From the early stages of Timor-Leste's extractive industries, associated revenues have been made publicly available via quarterly and annual Petroleum Fund reports, prepared in accordance with EITI criteria and published by the Timor-Leste Banking and Payments Authority and the Ministry of Finance. In addition to complying with statutory obligations regarding payment and reporting of taxes and royalties, we provide details of Timor-Leste tax payments to the independent auditors of the Petroleum Fund to assist in the verification of payments made to the fund and public reporting of this information. The country's most recent EITI Report was published in February 2015.

Norway

Norway was accepted by the EITI Board as EITI-compliant in March 2011. Norway will request to be revalidated in 2016. Norway was accepted as an EITI candidate country in February 2009 and became the 25th implementing country.

In July 2009, Norway formalized its multi-stakeholder group, passed EITI regulation into law, and began its first report. All extractive companies, including ConocoPhillips, and relevant governmental agencies operating in Norway were required to report all of their tax, license and royalty payments and receipts by August 2009. The most recent Norwegian EITI report was filed in 2013.

Indonesia

Indonesia announced its desire to become an EITI candidate country in 2009 and was designated as such by the EITI board in October 2010. We played an active role in Indonesia's effort to achieve EITI-compliant status.

The first EITI Report was published in May 2013. Indonesia completed validation in July 2013, and in October 2013, the EITI Board concluded that Indonesia has made meaningful progress in implementing the EITI. The Indonesia EITI Multi Stakeholder Group (MSG) is currently working on the 2010 and 2011 EITI Reports.

Benefiting People

Community and Social Investment

We take pride in being a great neighbor and a responsible corporate citizen, contributing to the well-being of communities through charitable giving, employee volunteerism, sponsorships and civic leadership. Our charitable cash contributions totaled approximately \$50 million in 2014, excluding university giving. Additionally, we developed and launched 2 signature programs – one focused on global water and biodiversity stewardship, and another in our headquarters city that is focused on math education for middle and high school students. Nine United Way campaigns around the world raised a company campaign record of more than \$8.8 million in employee, retiree and company contributions.

Management Systems

The indicators below provide a concise view of the business practices that support our commitment to community and social investment.

Community and Social Investment

Alignment with Company Focus	Our company has a strategic focus for charitable giving and community investment including key focus areas
Project Sustainability	Our approach to selecting projects or programs and managing giving and social investment promotes project/program sustainability and "self-sustaining models."
Needs Assessments	Business units, assets or projects seek to understand needs and assets of local communities to inform social investment plans.

Community Benefit	We strive to understand or measure results of charitable giving and social investment.
Company Volunteerism	We have a comprehensive employee volunteer program in place.
Company Cash and In-Kind Giving	We have programs for in-kind and cash contributions.

Our global charitable investments are built around 3 giving pillars:

- **Signature Programs:** We have 2 signature programs – one global and one in our headquarters location, Houston, Texas – that we focus on to help make a substantive impact in the community. The Global Signature Program is focused on water and biodiversity stewardship. The Houston Signature Program is focused on math education.
- **Local contributions:** Our charitable investment initiatives reinforce our community engagement efforts where we operate. We seek to understand community needs and to support projects or initiatives that meet those needs.
- **Employee Giving Programs:** We strive to improve the well-being of the communities where our employees live and work, providing programs that encourage and support employee involvement in local nonprofit organizations. Matching gifts and volunteer grants provide employees and retirees more opportunities to give back to their communities.

Positive Economic Impacts

Our global operations contribute substantially to social and economic development in the communities in which we

operate. Our direct economic contributions during 2014 included:

- Jobs – We employed approximately 19,100 people in 2014
- Taxes – Our operations generated \$5.7 billion in income and other taxes from federal, state and local governments.
- Shareholder dividends – ConocoPhillips common stock yielded \$3.5 billion in cash dividends.
- Capital investments – We reinvested \$17.1 billion in capital expenditures and investments to find new energy supplies.
- Payments to various vendors and suppliers for products and services:

- \$11.0 billion for production, operating and exploration expenses
- \$0.7 billion for selling, general and administrative expenses

Note: Taxes, capital investments and payments represent amounts for continuing operations only.

Philanthropic Contributions

Philanthropic Contributions are outlined in the [In Communities](#) section.

Engaging Stakeholders

Stakeholder Engagement Principles

Our stakeholders have unique and evolving expectations. We proactively engage with them to learn their expectations of us, and then incorporate what we learn into our business plans and actions. We work with industry associations, participate in multi-sector forums, and meet with socially responsible investors to gain diverse and valuable perspectives as we continuously improve our sustainable development programs and initiatives.

Stakeholder engagement activities are an integral part of our sustainable development commitments. Our major businesses have engagement strategies that vary according to the nature of the local community. In dispersed communities, we identify key stakeholders and engage with them face-to-face to ensure that our activities are understood and that we consider their feedback. In regions where there are opportunities to bring local stakeholders together, we work with multi-stakeholder groups in a similar way.

This approach is embedded in our [SPIRIT Value](#) of Integrity, which states that we are ethical and trustworthy in our relationships with stakeholders. Expanding on the value of Integrity, our Principles for Stakeholder Engagement:

- Proactively identify and seek out key stakeholders early in the business endeavor.

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

Key Stakeholders

Employees – We conduct surveys, town hall meetings and one-on-one employee development discussions on a variety of topics including:

- Safety
- Environmental preservation
- Employee compensation and retention

Shareholders – We communicate financial and operating performance with our shareholders through ongoing dialogue, meetings, conferences and forums. Information is disseminated in the [Investor Relations](#) section of our website.

- Company reports
- [Securities and Exchange Commission filings](#)

- Annual shareholders meetings
- Quarterly earnings releases and conference calls
- Presentations to securities analysts

Governments – We collaborate with governments in the key areas such as:

- Taxation
- Environmental issues
- Economic issues

We endorse the Extractive Industries Transparency Initiative and support economic transparency.

Communities – We engage with local communities in a variety of ways including consultations on specific projects, public forums and community investments. Although specific areas of interest for communities vary, recurring themes include:

- Availability of employment and other economic opportunities
- Local environmental issues such as air and water impacts
- Emergency response procedures
- Our contribution to local social investment

Customers, suppliers and contractors – Our [website](#) allows these stakeholders to contact us via e-mail and offers access to:

- Financial information
- Interactive processes
- Fuel-purchasing procedures

We hold regular meetings with suppliers to conduct safety training and offer educational programs covering topics such as:

- Our long-term needs
- On-site performance expectations
- Our position and requirements concerning diversity, ethics and other sustainability issues

Other organizations – We connect with various stakeholders and industry peers through active involvement in sustainability-related partnerships.

Engaging with Communities

Management Systems

We adapt to communities. In dispersed communities, we typically identify key stakeholders and work with them one-on-one. When our assets are near concentrated populations,

we join or create collaborative forums to connect with multiple stakeholders. We also [work with stakeholders](#) at the local and state or provincial levels.

How we implement our commitment to community engagement:

Community Engagement

Focus Area	Management Systems
Engagement Planning	<ul style="list-style-type: none"> • Community engagement and consultation is incorporated into business unit, asset or project stakeholder engagement plans. Plans include an assessment of key issues and community needs or assets where appropriate.
Social Mapping	<ul style="list-style-type: none"> • Business units, assets or projects may perform social or stakeholder mapping as part of Environmental and Social Impact Assessments (ESIAs) or as stand-alone assessments as appropriate. This is evaluated on a case-by-case basis.
Impact Assessments	<ul style="list-style-type: none"> • ESIAs assess community impacts, and include mitigation measures for community impacts. • As part of ESIAs, communities are engaged regarding potential issues and concerns, as well as preferred mitigation measures.
Addressing Community Concerns	<ul style="list-style-type: none"> • Business units, assets or projects communicate with and engage communities and their representatives on how to contact the company and best ways for them to raise any concerns. • Community relations staff are in close contact with communities and engage in regular two-way dialogue. • Community relations staff has process in place to surface, track and respond to concerns or grievances in a timely manner and to develop appropriate mitigation measures.

Alaska

As Alaska's largest oil producer we strive to improve the quality of life in the communities where we live and work. Employees in Alaska contribute, on average, 6,000 hours each year serving nonprofit organizations and represent the industry on many multi-stakeholder boards. We have given more than \$100 million to hundreds of Alaska-based non-profits across the state since 2000, funding programs that support education, social services, the arts, civic and youth groups, and the environment.

We respect the rich culture of Alaska Native peoples and work diligently to build inclusive, honest and respectful relationships with our stakeholders, particularly with our neighbors who live near our operations. We support community projects and provide economic opportunities while minimizing impacts from operations on local residents and the environment. We meet frequently with North Slope community leaders and residents to get feedback on our operations and gather knowledge to help protect their subsistence resources and to share information about current and planned operations. In the village of Nuiqsut we consult with the subsistence hunters, meeting at least twice a year with the Kuukpikmuit Subsistence Oversight Panel and employing Subsistence Representatives to monitor our operations. We also consult with the National Petroleum Reserve-Alaska Bureau of Land Management Subsistence Advisory Board and marine mammal co-management groups such as the [Alaska Eskimo Whaling Commission](#). Input from these consultations is incorporated in project operations.

We have robust environmental study programs at existing operations that include:

- Air monitoring stations.
- Caribou, bird and fish surveys.
- Hydrology studies.
- Lake water quality and recharge monitoring.
- Subsistence hunting studies.
- Tundra rehabilitation.

Extensive environmental baseline studies are conducted in all potential areas of new operations. New projects are subject to rigorous permitting and public review processes

U.S. Lower 48

Eagle Ford stakeholder engagement is managed both through group meetings and individual attention to stakeholders. We believe that a more personal approach creates an environment of transparency and courtesy when working with the community.

Our newsletter, the Eagle Ford Landing, educates neighbors on the work we are doing in the Eagle Ford. We host regular Citizens Advisory Committee meetings and recently conducted a poll to determine what topics are of importance to the community. Additionally, we facilitated tours in

the Eagle Ford and supported the development of a Water Advocacy Tool.

Canada

We are actively involved with multi-stakeholder groups across Western Canada to share information about oil and gas development with community members, regulators, aboriginal groups, other industry representatives and education initiatives. We collaborated with landowners and other industry members to develop tools to inform the industry about potential impacts of oil and natural gas activities on key agricultural sectors, and have sponsored initiatives to support safety in the agricultural industry. We also work as part of multi-stakeholder groups aimed at improving indigenous people's employment and business opportunities.

Indonesia

In Indonesia, we supported economic development opportunities for individuals in South Sumatra, Jambi and Riau Islands provinces. These include rubber plantation programs for local farmers and development programs in the fisheries industry. The development of small businesses and cooperatives has had a long-term positive impact on the local community, particularly to youth and women. In the Riau Island province, to support the marine tourism, we initiated the diving and snorkeling skills instruction for tourist guides. We created mobile libraries that make rounds to public places such as schools, markets, and health centers, that have become for many, "the local library." We also have participated in community programs that provide basic necessities for citizens such as solar base electricity for street lights, and access to clean water.

Regular stakeholder engagement with local communities has contributed to improved relationships and community support in the areas in which we operate. We developed partnerships with regional universities and local business associations where, together with the community, we developed environmental strategies incorporating local practices.

Stakeholder Engagement Network

We established an internal Stakeholder Engagement Network in 2004 to enable employees, who have a wealth of different experiences, to learn from each other and share their insights into working with our stakeholders and implementing our sustainable development commitments. The network offers an online discussion forum where

participants can seek advice from their peers and access a library of member-posted examples of stakeholder engagement in action. The library also offers tools, from internal management systems and external resources.

Our Stakeholder Engagement Network charter and specific goals were updated in 2014. The network provides an opportunity for the company and stakeholder engagement and social issues practitioners to:

- Continuously improve integration of stakeholder engagement principles, sustainable development commitments, and our human rights position into business planning and processes.
- Collaborate on the development of strategies and approaches to stakeholder engagement, social issues and human rights.
- Share best practices and tools to enhance quality and consistency of stakeholder engagement and raise awareness of links between local and global issues and stakeholders.
- Evaluate and update stakeholder engagement, social issues and human rights tools and procedures.
- Enhance the professional development of practitioners.
- Enable non-stakeholder engagement professionals in their engagements with communities and other external stakeholders.

Indigenous Communities

We recognize and respect the choice of indigenous communities to live as distinct peoples, with their own cultures and relationships to the land. Wherever our operations neighbor with indigenous communities, we seek to partner and engage with them to diminish the negative aspects of our operations and maximize the social and economic benefits we can bring. Areas where we explore or operate near these communities include the United States, Canada, Australia, Indonesia and Russia.

Our approach to such relationships is governed by national laws of the countries in which we are working, our own positions on sustainable development and human rights, and our core SPIRIT Values. In addition, there are several internationally recognized codes of conduct that outline the measures that should be taken to ensure respect for the rights of indigenous peoples. We strive to ensure that our actions meet the spirit of those codes, which cover company activity, engagement and consultation with

indigenous groups, minimizing impact from resource development, identifying socioeconomic development opportunities, and respecting the local environment and culture.

For example, the Canadian Constitution recognizes and affirms the existing Aboriginal and treaty rights of Aboriginal peoples in Canada. The Canadian government, also known as the Crown, is obligated to consult with Aboriginal peoples in good faith on matters that may infringe upon these rights. Before an oil and gas project can proceed the government must determine, through consultation, whether the project has the potential to impact existing Aboriginal and treaty rights. The government must also determine how to balance the broader societal benefits of the project, with the potential impacts to Aboriginal and treaty rights.

In practice, the government often delegates the procedural aspect of the duty to consult to industry. The understanding and balancing of Aboriginal and treaty rights, and the government’s fiduciary obligations, continue to be tested and defined through court decisions. As these issues are debated and challenged in court, the role of industry continues to evolve and be redefined. Ongoing devolution in Canada’s north, which includes the transfer of authority from the federal to Aboriginal governance organizations, and unsettled Aboriginal land claims in other parts of Canada add further complexity.

Management Systems

Focus Area	Management Systems
Consultation & Agreement	<ul style="list-style-type: none"> • Business units, assets or projects identify indigenous groups for consultation on company activities that may impact them. Participatory methods of engagement are sought wherever possible including capacity building of indigenous communities to engage in a participatory manner. • Business units, assets or projects have plans in place to meet governmental requirements regarding consultation or formal agreement with indigenous communities, including recognized community leaders. • Business units, assets or projects conduct pre-engagement analyses to understand indigenous communities in areas of our activities, including their culture, decision-

Focus Area	Management Systems
	<ul style="list-style-type: none"> making structures, and methods of communication. Business units, assets or projects develop plans that support culturally respectful consultation and engagement. Indigenous communities are involved in the design of engagement and consultation. Where governmental frameworks or requirements do not exist or are not clear as to requirements of companies to engage, consult or enter into formal agreements with indigenous communities, the company has put in place mechanisms for understanding indigenous group dynamics, traditional land use and preferences for engagement and consultation.
Land Use Issues	<ul style="list-style-type: none"> Business units, assets or projects have identified indigenous groups that may have a traditional claim to land where the company operates. Engagement and consultation plans address land claims or issues where appropriate. Business units, assets or projects are prepared to address indigenous community concerns where appropriate, including making adjustments to plans in order to avoid interference with local livelihoods and traditional land use. Where appropriate, consultation with indigenous communities is conducted to determine what mitigation efforts will be most effective.
Relocation	<ul style="list-style-type: none"> If there is relocation related to company activities, roles and responsibilities of the government and the company are understood. Should the company decide to move forward with a project or activity for which the government requires relocation, business units, assets or projects would meet related legal and regulatory requirements including consultation, agreement and/or compensation. Where applicable, these plans would consider non-financial impacts (e.g., cultural heritage of indigenous communities).
Economic Development	<ul style="list-style-type: none"> Business units, assets or projects identify opportunities to support economic development opportunities consistent with indigenous communities' culture and community development plans.
Environmental Conservation	<ul style="list-style-type: none"> Business units, assets or projects carry out staff awareness raising efforts related to the value of natural resources to indigenous communities.

Focus Area	Management Systems
	<ul style="list-style-type: none"> Business unit, asset or project plans include assessment of environmental impacts, and mitigation plans to offset or address environmental impacts affecting indigenous communities. The company provides support for conservation initiatives.
Cultural Heritage	<ul style="list-style-type: none"> Business units, assets or projects understand the impacts of activities on cultural heritage. Mitigation measures are identified and implemented as appropriate. Company personnel involved in indigenous relations receive cultural heritage awareness training. Business units, assets or projects provide support for cultural heritage programs or projects as appropriate consistent with social investment plans.

Engagement and Consultation

When engaging with indigenous peoples, we seek first to understand their social hierarchy, culture and traditions, as well as their priorities, expectations and preferences for dialogue. We engage with indigenous communities at the regional, local and individual levels by meeting regularly with regional governments, community associations, and local leaders. These meetings provide an opportunity to share information on our plans, seek local input and learn the views of our neighbors before we undertake activities that could impact their community.

In support of our long-term interest in assets in the western Canadian Arctic, we continue working to build and maintain mutually beneficial relationships with the communities near our assets in the Mackenzie Delta/Beaufort Sea region of Canada's Northwest Territories. Our approach has been strongly influenced by aspects of the local culture, which is consensus-based and values established relationships among people.

Examples of how we adapt our actions to better meet local expectations include:

- Joint meetings held with local officials and the general public that allowed for open and inclusive dialogue.
- Participation of Calgary-based employees in Beaufort Delta's community events.
- Community investment that is based on community priorities.

- Using multidisciplinary consultation teams to answer various technical questions from concerned citizens during meetings.

We believe that we share a responsibility to support a skilled local work force, and will benefit from it. This responsibility includes providing business opportunities to local individuals and companies and taking actions to preserve local culture. These actions reflect our corporate commitment to positively impact communities, and will contribute to a sustainable approach in developing Arctic resources.

Engaging Suppliers

We integrate sustainable development into our key business activities. Our suppliers play a significant role in our business activities from performing construction to providing well services to supplying equipment; how they manage their impacts on the environment and community is important to us and can impact our performance.

In 2014, we hosted our third annual Supplier Sustainability Forum. Each year, supplier participation in the forum has grown and this year we welcomed more than 50 representatives from more than 30 suppliers. We gathered the supplier representatives and senior ConocoPhillips participants with the objectives to:

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

We shared our action plans around climate change, water and biodiversity, and human rights and other stakeholder issues with the suppliers and highlighted how we have integrated sustainable development components in our supply chain processes to support those plans. Collaborating with the suppliers in working groups, we were able to identify activities in their operations and extended supply chains that have environmental and social impacts and discussed how they are managing those impacts.

Minimizing Impact of Resource Development

We work to identify any potential impacts our project may have on an indigenous community by:

- Conducting health, safety, environmental and social assessments.
- Talking to indigenous groups.

As part of our impact assessment and dialogue process, we partner with representatives chosen by the communities in order to identify strategies that we should avoid or actions we can take to mitigate negative impacts.

We seek to document the agreements we reach with indigenous communities regarding the impact of our activities and mitigation strategies. This documentation takes the form that best fits the local process and the indigenous community's desire for engagement. The documentation may be part of a permit proceeding or a separate Memorandum of Understanding with representatives chosen by the indigenous community. It also may summarize discussions held during our consultations with the indigenous community. The documentation can then be shared with the community's chosen representatives to ensure mutual understanding.

Australia, Bonaparte Fish Group

In the remote waters off Australia's Northern Territory, we are helping build a collaborative effort to strengthen the community's understanding of the marine environment.

Several operators, including ConocoPhillips, are active in the waters of the Joseph Bonaparte Gulf, which also contains productive commercial fishing grounds.

In 2014 we supported a stakeholder engagement and research initiative involving commercial fishers, government regulators, research organizations and other operators as part of our Caldita-Barossa field development. The goal of the Bonaparte Fish Group (BFG) is to bring all parties with an interest in the area together and identify potential methods of pooling resources and effort to deliver mutually beneficial outcomes.

In addition to building strong stakeholder relationships, the group aims to contribute to the broader scientific understanding of fish distributions and stock structures which will assist long-term sustainable fisheries management as well as help our ongoing efforts to understand and mitigate the risks of our activities.

Socioeconomic Development Opportunities

In all indigenous communities, we seek opportunities for our presence to inspire socioeconomic development by:

- Partnering with representatives chosen by the community to help identify programs that best fit local needs.
- Seeking opportunities for members of the community to develop skills and become part of the project work force or supply chain.
- Striving to help address social needs that can facilitate the community's own development.

With these goals in mind, we team with our business partners to evaluate the challenges of implementing socioeconomic development programs and how we can improve the likelihood of their success before beginning a project. In these discussions, we seek to respect the community's interest as to the balance they wish to achieve between maintaining their traditions and culture and participating in a cash-based economy.

During our interactions, we learn lessons that help us improve our methodologies and communications.

We supported economic development opportunities on rubber plantations and in fisheries in the South Sumatra, Jambi and Riau Islands provinces of Indonesia. The development of small businesses and cooperatives has had a long-term positive impact on the local community. In the Riau province, we initiated the existence of mobile libraries that make rounds to public places such as schools, markets, and health centers, and have become for many, "the local library." We also participated in community programs that provide basic necessities for citizens such as electricity, clean water and sanitation.

In Alaska, the 14-mile Nuiqsut Natural Gas Pipeline provides Nuiqsut residents with clean-burning natural gas to heat their homes. Along with our co-venturer in the Alpine field, we supply the pipeline with up to one million cubic feet of natural gas per day from the Alpine field as part of a land-use agreement with Kuukpik, the Nuiqsut Native Village Corporation. ConocoPhillips provides the gas to the community at no charge. The move to natural gas from heating oil dramatically lowers heating costs for the approximately 125 home owners in Nuiqsut while reducing the community's ongoing GHG emissions and improving the overall health conditions related to air quality. The North Slope Borough financed the \$10 million pipeline project.

Indigenous Communities and Environment

We recognize the special relationship indigenous people have with the land and natural environment and respect their unique knowledge in managing their local environment and conserving biodiversity. While assessing the impact of our operations, we actively seek to learn from the traditional knowledge of indigenous communities as we work with them to develop mitigation strategies to any potential environmental impacts.

Along with other industry partners, we sponsored a 7-year Chukchi Sea Environmental Study Program (CSESP) that concluded in 2014. In support of the CSESP, local subsistence hunters worked side by side with scientists as protected species observers and contributed traditional knowledge on the behaviors of marine mammals as well as ice and weather conditions. They also served as Inupiat communicators — working closely with the crews to avoid conflicts with subsistence activities.

The CSESP received a Distinguished Achievement Award at the 2015 Arctic Technology Conference for the co-design and safe operation of one of the largest, most robust, multidisciplinary science programs in the world. Over 200 presentations, posters and papers have been presented so far using data collected from the program. The unprecedented data sharing agreement with NOAA has enabled all CSESP environmental data to be shared in the public realm.

Additionally, we collaborate with the University of St. Andrews on the annual [St. Andrews Prize for the Environment](#), which recognizes significant contributions to environmental conservation. It has attracted entries from more than 50 countries each year on diverse topics, including sustainable development in the Amazon rain forest, urban regeneration, recycling, health and water issues, and renewable energy since inception in 1998.

Indigenous Communities and Culture

The unique and long-standing culture of each indigenous group is a vital part of their community. We seek to honor those cultures by taking steps to learn about indigenous societies so that we know how to properly demonstrate respect in our relationships. Some of our larger businesses have cultural awareness training that is required at all levels of the organization. In many cases, our stakeholder engagement leaders and business leaders will educate themselves through mentors in the indigenous community or through

the help of local experts. One example is ConocoPhillips’ participation in the Aseniwuche Winewak Nation (AWN) Cultural Camp in Canada. This camp is hosted by AWN leaders, elders and community members and is designed to increase understanding between industry and aboriginal

peoples in whose traditional territories we work. Typically the camp is held for three days, during which participants listen to community leaders and elders speak about their relationship with the land and the cultural values by which they are guided.

Working With Suppliers

Supply Chain Sustainability

Sustainability is integral to our procurement processes and supplier engagement. We have identified Environmental, Social, and Governance (ESG) questions to be used in bids and performance indicators, and will continue to enhance processes to identify and manage risks, foster supplier inclusion, and increase productivity and efficiency within the supply chain. We developed a Code of Business Ethics and Conduct: Expectations of Suppliers and a Commitment to Supplier Inclusion, and communicated these positions with internal stakeholders and with suppliers. Proactively providing business opportunities and building capacity of local and diverse suppliers is an expectation for our suppliers as well as our own company.

Sustainable Procurement

Strategic Sourcing and Category Management	Supplier Expectations	Supplier Qualifications	Contract Delivery
Environmental, Social, and Governance (ESG) in Bids and Information Requests ESG in Category Risk Assessments	Ethics and Code of Conduct Labor and Human Rights Environmental Sustainability Supplier Inclusion	Pre-qualification Questionnaire Includes Supplier Expectations for Integrity, Labor, Environmental Sustainability and Inclusion	ESG Key Performance Indicators ESG in Supplier Audits

The supply chain function contributes to the company’s sustainable development commitments by integrating Environmental, Social, and Governance (ESG) issues into our processes and procedures. This incorporates sustainability

thinking into strategic sourcing, category management, our requisition-to-pay process, contracts, systems, and material management programs.

Supplier Expectations

Our commitment to our **SPIRIT Values** of Safety, People, Integrity, Responsibility, Innovation and Teamwork extends beyond our own activities. It is essential that our suppliers also remain fully aligned with those values to ensure the highest standards of operating excellence. Our contracts require that suppliers be guided in their performance for ConocoPhillips by the principles and standards set forth in the ConocoPhillips Code of Business Ethics and Conduct and their own ethics and conduct policies. We have developed our Supplier Expectations to provide additional clarity to our suppliers regarding our expectations: integrity; labor and human rights; health, safety, and environment; and supplier inclusion.

Commitment to Supplier Inclusion

We don’t just expect our suppliers to promote local and diverse sourcing and supplier capacity-building, we have our own **Commitment to Supplier Inclusion**.

Supplier Sustainability

Focus Area	Management Systems
Environmental Sustainability	Suppliers must comply with applicable environmental laws and regulations and conduct business with respect and care for both the local and global environment, including utilizing energy and natural resources efficiently and managing waste, emissions and discharges responsibly.

Focus Area	Management Systems
Labor and Human Rights	We conduct our business consistent with the human rights philosophy expressed in the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and expect suppliers and contractors working on our behalf to be guided by these principles.
Integrity	Contracts require that suppliers be guided in their performance for ConocoPhillips by the principles and standards set forth in the ConocoPhillips Code of Business Ethics and Conduct and their own ethics and conduct policies.
Supplier Engagement	We engage with suppliers and contractors on sustainable development issues through the Quarterly Business Reviews, Supplier Collaboration Program, Annual Supplier Sustainability Forum and supplier audits.

We expect to do business with qualified suppliers that share our values, whether minority-owned, women-owned, or small business enterprises, or global, local or indigenous suppliers around the world.

Supplier Inclusion

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

Local Content and Employment

We place a high priority on purchasing goods and services locally and are committed to giving local contractors and suppliers the opportunity to participate in projects and operating requirements, generally through a competitive bidding process. Throughout the United States, we track the amounts we spend with diverse suppliers. We also look for opportunities to develop local suppliers and promote local hiring as appropriate to meet business needs.

U.S. Supplier Diversity

In the U.S., we do business with diverse companies and continue to give them access to business opportunities through our Supplier Diversity Program. This approach attracts the best suppliers, stimulates local economic development, and creates long-lasting social and economic benefits to our stakeholder communities. Through our Supplier Diversity program we actively participate in certifying and developing diverse and small local businesses in the United States. We are active corporate members, with board representation, of the National Minority Supplier Development Council and the Women’s Business Enterprise National Council and their affiliates in the regions where we operate.

If your company is categorized as a minority-owned, woman-owned or small business and you are interested in doing business with ConocoPhillips in the United States, please submit a supplier profile form.

[Click here to return to Table of Contents](#)



Our Performance

Data Assumptions

Understanding our environmental and social performance from year to year is vital to understanding and managing the issues; it helps shape [our commitments](#), goals and [action plans](#). We track and evaluate key performance data regularly and update this information annually. Performance data are represented as 100% ownership interest regardless of actual share owned by ConocoPhillips.

Key performance metrics are updated every year. All reported HSE data are based on operated assets only. Environmental data are represented as 100% ownership interest regardless of actual share owned by ConocoPhillips. Metrics are tabulated per [HSE Data Assumptions](#).

Report Scope

Our report includes:

- Operated assets. Health, safety and environmental (HSE) data are based on ConocoPhillips assets we operate and assets where we have operational control. The reporting period covers operations from 2010 through 2014. The figures for this period were restated to represent the current scope of the company's operations. Former operations that were included in the 2012 spin-off of downstream are excluded. Environmental data are represented as 100% ownership interest regardless of actual share owned by ConocoPhillips. Data is reported in metric tons, and volumes are reported in million cubic meters or barrels.
- Specific business categories. Mass, energy and volumetric data are presented for the company's Exploration and Production (E&P), Gas Processing and Marine/Other operations. Other includes an oil terminal, aviation operations and several office/laboratory facilities. Emissions and energy data are also presented for E&P operations and for the whole company on a per-energy-unit-produced basis.
- Normalized values. E&P data are normalized using barrels of oil equivalent (BOE) from production operations. For gas production, 6,000 standard cubic feet of gas is assumed to

be equal to one BOE. Company data are normalized using BOE from production operations plus gas processing plant activity. For gas processing plants, the BOE includes liquid production of ethane, propane, butane and condensate. To provide the most current and accurate data available, we have updated previously reported data for prior years as needed.

Environmental Data Quality and Assurance

The accuracy of the information reflected in our report is very important to us. We have several practices in place to provide the best available data at the time of publication including:

- Guidelines, calculation tools and training. ConocoPhillips maintains reporting procedures for our business units around the world to calculate and report environmental incidents, releases and emissions. The businesses are accountable for data completeness and accuracy, and for consistency with our accepted reporting practices.
- Internal reviews. A business-level data submission, review and approval process is practiced annually to promote accountability for the results and to ensure the best possible data quality.
- Assurance. In 2014, ConocoPhillips conducted required and voluntary independent emissions verification work in three areas:
 - Reasonable and limited assurance in countries having a regulatory requirement to verify reported emissions, including the UK, Australia, Canada and Norway,
 - Voluntary limited assurance review of select corporate-level metrics, including reported overall Scope 1, Scope 2 and Scope 3 greenhouse gas volumes, and
 - Voluntary third-party review of asset-level methods used to report HSE data to the company's corporate HSE metrics database.
- Our 2013 limited assurance statement is posted in the [ConocoPhillips SD report](#).

- Internal corporate audits. The corporate HSE function reviews HSE data for completeness and accuracy. Corporate HSE auditors have reviewed 2010 – 2014 metrics and data collection processes.

Greenhouse Gas Data Scope

Of the 6 Kyoto greenhouse gases, carbon dioxide, methane and nitrous oxide are represented as CO₂ equivalent emission volumes in this report.

Emissions Calculations

The approaches used by the company's businesses in reporting emissions data for greenhouse gases and other compounds are selected from combinations of the following principles that are listed in order of accuracy.

1. Conduct continuous emission monitoring, and with measured exhaust gas flow, compute instantaneous mass emission rate and integrate over the reporting period.
2. Conduct periodic monitoring of exhaust gas flow and composition and estimate mass emission over the reporting period using plant operating records.
3. Estimate emissions using a mass balance and process flow knowledge.
4. Estimate emissions using emission factors provided by the manufacturer's specification, local regulatory authority, AP-42 (Fifth Edition and updates indicated by the EPA website), API Compendium or other industry standard.

Businesses are expected to adopt the most accurate reporting methodologies, which may result in changes to data from prior years.

Results

Performance data shown below covers a 5 year period. Data integrity and accuracy are important – as a result, some numbers for past years have been updated to provide the best currently available information. To learn more about how we compiled this data, see [Data Assumptions](#).

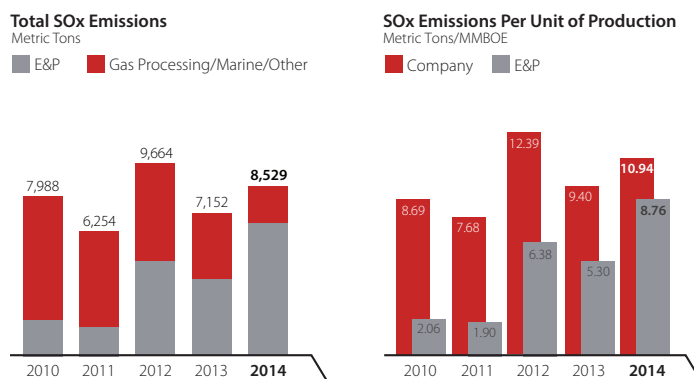
- [Air Emissions](#)
- [Safety Performance](#)
- [Climate Change and Energy Efficiency](#)
- [Political Contributions](#)
- [Waste Management](#)
- [Community and Social Investment](#)
- [Water](#)
- [Employees](#)
- [Spills](#)
- [Social and Operating Metrics](#)

Air Emissions

Sulfur Oxides (SOx)

Overall, the SOx emissions in 2014 were about 8,529 metric tons, an increase of 19% or about 1,377 metric tons from

2013. The increase was primarily due to the need for increased flaring of sour gas from several gas processing facilities, partly offset by a reduction in Oil Sands operations from decreased hydrogen sulfide content in the gas produced from the reservoir. [Flaring](#) is the safety practice of burning off excess gases that might otherwise pose a hazard and that cannot be recovered for export to consumers, used as fuel within the field, or cost-effectively re-injected into the producing formation.

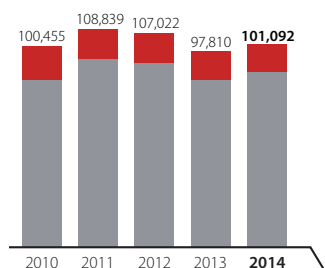


Nitrogen Oxides (NOx)

NOx emissions in 2014 were about 101,092 metric tons, an increase of 3% or about 3,282 metric tons from 2013 primarily due to the addition of combustion equipment in U.S. Lower 48 and Indonesia, improved specificity of our equipment inventory, and use of more representative emission factors. These increases were partly offset by reductions in other assets from use of low NOx engines on generators, removal of idled equipment from our equipment inventory, and asset disposition. It should be noted that operations use engineering calculations to arrive at NOx emissions and some use very conservative factors that calculate on the potential to emit rather than factors based upon actual operating parameters of specific equipment.

Total NOx Emissions
Metric Tons

■ E&P ■ Gas Processing/Marine/Other



NOx Emissions Per Unit of Production
Metric Tons/MMBOE

■ Company ■ E&P

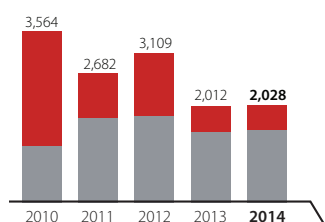


Particulate Matter (PM)

PM emissions in 2014 were about 2,028 metric tons, an increase of 1% or about 16 metric tons from 2013 primarily due to increased flaring from development activities and deep water drilling campaigns; partly offset by reductions

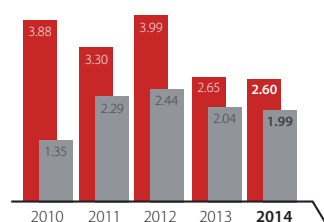
Total PM Emissions
Metric Tons

■ E&P ■ Gas Processing/Marine/Other



PM Emissions Per Unit of Production
Metric Tons/MMBOE

■ Company ■ E&P



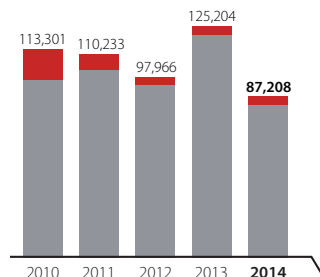
from a maintenance shutdown, dispositions and improved equipment inventory and emission factors.

Volatile Organic Compounds (VOC)

VOC emissions in 2014 were approximately 87,208 metric tons, a decrease of 30% or about 38,000 metric tons from 2013. The decrease is primarily attributable to improved inventory of emissions sources in service and use of actual field gas analysis in the calculation of VOC emissions and the use of field specific factors instead of default factors used in the calculation in 2013. In effect, 2013 was overestimated as reporting under the EPA Greenhouse Gas Reporting Rule required reporting from additional sources for which precise inventory of that equipment and field specific gas analysis had not yet been conducted.

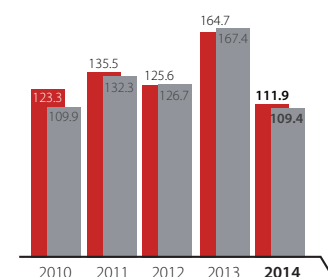
Total VOC Emissions
Metric Tons

■ E&P ■ Gas Processing/Marine/Other



VOC Emissions Per Unit of Production
Metric Tons/MMBOE

■ Company ■ E&P

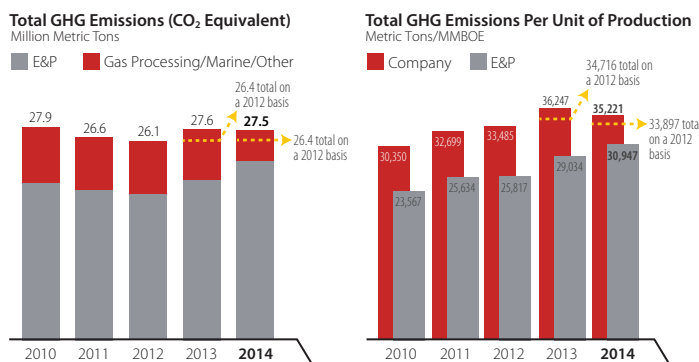


Climate Change and Energy Efficiency

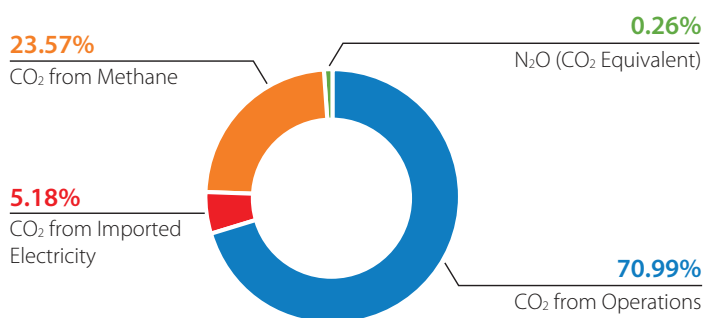
Greenhouse Gas (GHG)

In 2014, total CO₂ equivalent GHG emissions (CO₂e) were approximately 27.5 million metric tons, representing a decrease of 0.34% or 0.1 million metric tons from 2013. In 2013 the company adopted the 100-yr global warming potentials from the IPCC 4th Assessment Report in the calculation of carbon dioxide equivalents in all voluntary external reporting. Both 2013 and 2014 reflect the accounting change. Prior years do not. Values reflecting the old basis for 2013 and 2014 are shown as a dash line on the charts. Total GHG Emissions depicted in the chart represent Scope 1 emissions of CO₂ from operations plus the CO₂ equivalent (CO₂e) emissions of Methane and Nitrous Oxide

plus Scope 2 emissions of CO₂ emitted from the generation of purchased energy from 3rd party suppliers. In 2014, CO₂ from operations increased 0.94 million metric tons from 2013. Methane emissions decreased 0.82 million metric tons CO₂e. Nitrous Oxide emissions decreased 0.01 million metric tons CO₂e. CO₂ emissions from purchased energy declined 0.20 million metric tons. Analysis of each GHG follows. Primary drivers for the CO₂ from operations increase was increased gas production and flaring, and increased drilling. Primary drivers for the methane reduction were plunger lift optimization, improved equipment inventory and calculation methodology.

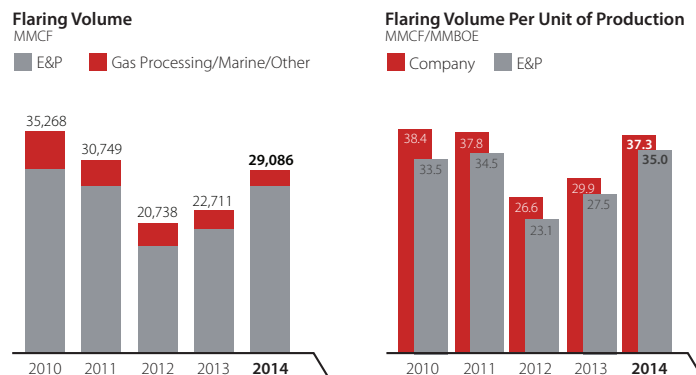


2014 GHG Emissions



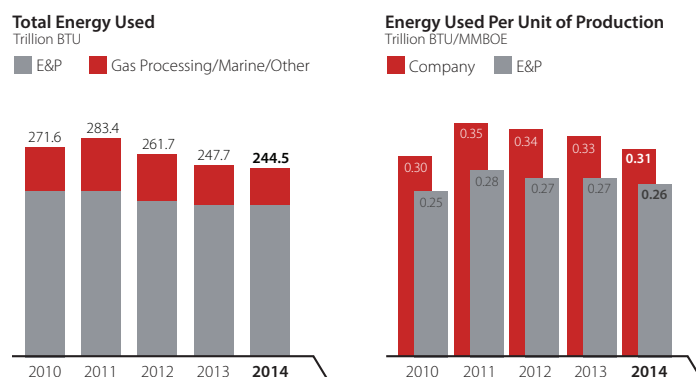
Flaring

In 2014, the total flaring volume was 29.1 BCF, an increase of 28% from 2013. The increase is primarily related to development activity in the U.S. Lower 48 and a planned maintenance shutdown in Asia Pacific, partly offset by Asia Pacific reduction due to asset disposition. The company rate of flaring per unit of production increased 25% in 2014.



Energy Consumption

Total energy consumption in 2014 was approximately 244.5 trillion British Thermal Units (BTUs), a reduction of about 3.2 trillion BTUs. Of the 2014 consumption, about 97.6% was from combustion of fuel for our own energy use and about 2.4% was from purchased electricity. Change in ownership of an asset, dispositions, updated equipment inventory and maintenance shutdowns were primarily responsible for the reduction. The decrease in energy consumption in 2014 along with increased production volumes resulted in a 4% reduction of energy use per unit.



Material Efficiency

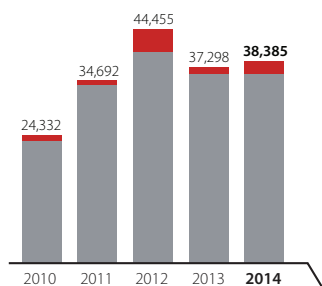
Waste Management

In 2014, the amount of hazardous waste generated increased by about 1,087 metric tons, or 3% over 2013. The increase was mostly due to maintenance activities at multiple facilities which removed and disposed of accumulated waste, and correction of classification of material in one business.

Total Hazardous Wastes Generated

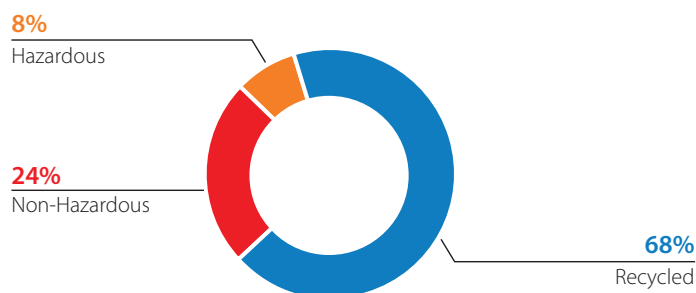
Metric Tons

■ E&P ■ Gas Processing/Marine/Other



2014 Waste Profile

Metric Tons

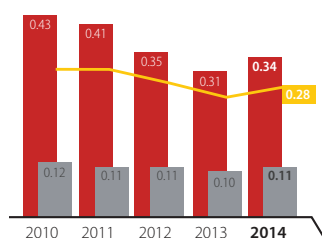


Safety

Since 2010 the employees and contractors that make up the company's global work force improved our safety performance about 13% – decreasing injuries per 100 workers (Total Recordable Rate or TRR) from 0.32 in 2010 to 0.28 in 2014. In 2014, about 1 in 7.6 injuries were serious enough that the worker had to lose time from work (Lost Workday Case or LWC). The workforce did not experience any fatal incidents in 2014. This was influenced through the company's strong SPIRIT Values, safety culture, and implementation of its 8 Life Saving Rules following 2 fatal incidents each in 2013 and 2012.

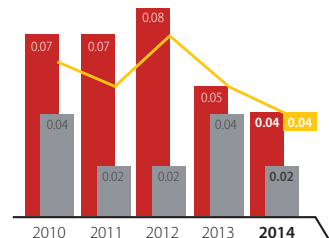
Workforce TRR

■ Contractors ■ Employees ■ Combined



Workforce LWC Rates

■ Contractors ■ Employees ■ Combined

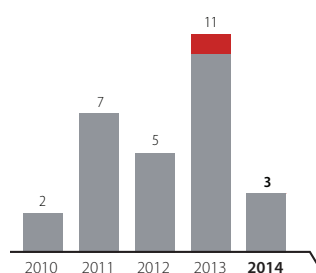


Hydrocarbon Spills

We respond to spills as soon as they are discovered. While all spills are considered serious, those greater than 100 barrels are defined as significant incidents and trigger immediate reporting to management, as well as extensive investigation and corrective action. In 2014, there were 3 such significant spills versus 11 in 2013, with a corresponding reduction in spill volumes of 66%. Asset integrity programs and spill prevention teams formed in 2013 are credited for the improved performance in 2014.

Number of Spills Greater Than 100 Barrels

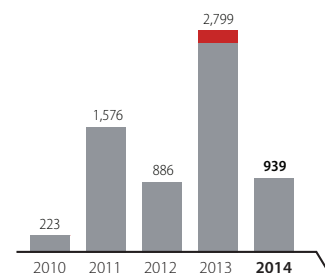
■ E&P ■ Gas Processing/Marine/Other



Volume of Spills Greater Than 100 Barrels

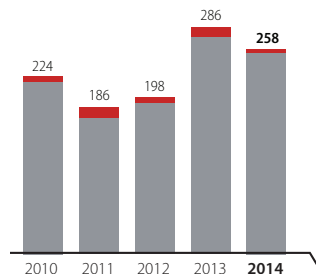
Barrels

■ E&P ■ Gas Processing/Marine/Other



Number of Spills Greater Than 1 Barrel

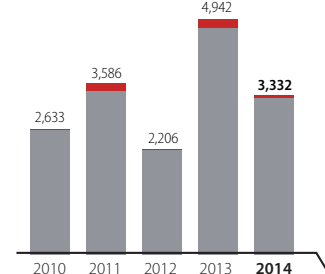
■ E&P ■ Gas Processing/Marine/Other



Volume of Spills Greater Than 1 Barrel

Barrels

■ E&P ■ Gas Processing/Marine/Other



Water

In 2014, ConocoPhillips-operated assets withdrew 12.1 million cubic meters of fresh water, an increase of approximately 0.138 million cubic meters, or 1%. The increase was primarily due to increased drilling activities and longer run time of an LNG facility.

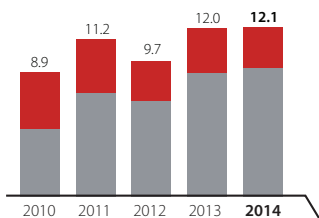
Water discharged figures represent the sum of fresh water and overboard produced water discharges. In 2014 discharges were 32.4 million cubic meters, an increase of 1.2

million cubic meters from 2013 discharges of 31.2 million cubic meters, or 4%. The increase was due primarily to a major asset operating the full 12 months of 2014; there was a maintenance turnaround outage in 2013.

In compliance with regulations and local permits, approximately 361 metric tons of hydrocarbons in produced water was discharged in 2014, an increase of 25 metric tons or 7% from 2013. This was primarily due to increased volumes of produced water discharged in one unit where the oil content of the water also increased, and temporary outage of a settling tank at an oil terminal.

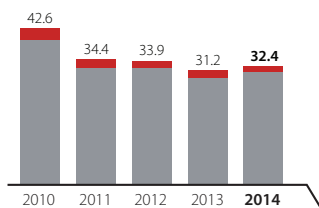
Fresh Water Withdrawn
Million Cubic Meters

■ E&P ■ Gas Processing/Marine/Other



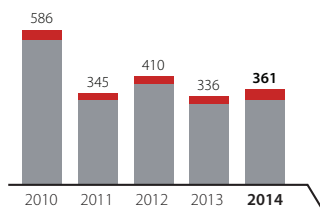
Water Discharged
Million Cubic Meters

■ E&P ■ Gas Processing/Marine/Other



Hydrocarbons Discharged With Water
Metric Tons

■ E&P ■ Gas Processing/Marine/Other



Political Contributions

All political contributions are reported twice a year to the compliance and ethics committee. Further details including lists of these contributions can be found in [Political Contributions and Political Support Policy & Procedures](#).

Community and Social Investments

Positive Economic Impacts

Our global operations contribute substantially to social and economic development in the communities in which we operate. For example, our direct economic contributions during 2014 included:

- Jobs – ConocoPhillips employs approximately 19,100 employees around the world.
- Taxes – Our operations generated \$5.7 billion in income and other taxes from federal, state and local governments.
- Shareholder dividends – ConocoPhillips common stock yielded \$3.5 billion in cash dividends.
- Capital investments – ConocoPhillips reinvested \$17.1 billion in capital expenditures and investments to find new energy supplies.

Payments to various vendors and suppliers for products and services:

- \$11.0 billion for production, operating and exploration expenses.
- \$0.7 billion for selling, general and administrative expenses.

Note: Taxes, capital investments and payments represent amounts for continuing operations only.

Philanthropic Contributions

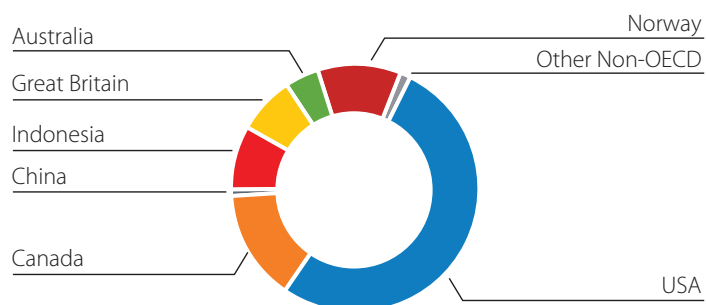
ConocoPhillips believes that the company's success depends not only on business successes, but also on our commitment to corporate citizenship. In 2014, our charitable cash contributions totaled approximately \$50 million.

For more information about our philanthropic programs, see [In Communities](#).

Employees

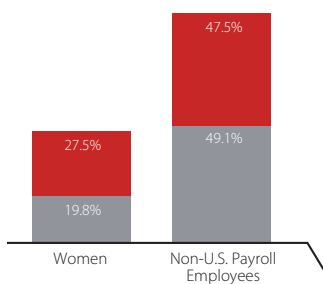
As an independent oil and gas exploration and production company, at the end of 2014, we employed approximately 19,100 people worldwide, compared to 18,400 employees in 2013.

Payroll Country Distribution



2014 Global Diversity

■ Leadership ■ All Employees



Social and Operating Metrics

Indicator	Year		
	2012	2013	2014
Employees at year end	16,900	18,400	19,100
Estimated philanthropic investment (millions of dollars)	50	54	50
E&P worldwide production (MBOED)	1,578	1,545	1,561
Production from natural gas	45%	44%	43%
E&P total proved reserves at year end (billion BOE)	8.6	8.9	8.9

HSE Data Table

Metric	United States	Canada	Geographic EU/Norway	Australia	All Others	Operated Total	Operated Total	Operated Total (Restated)	Operated Total	Operated Total
Greenhouse Gases										
CO2 from operations	7,614,280	2,085,784	2,568,231	2,204,007	5,022,260	19,494,562	18,553,845	19,025,564	19,530,663	20,731,699
CO2 from imported electricity	814,929	556,345	49,802	335	0	1,421,411	1,625,189	1,638,274	1,541,554	1,274,848
Methane (CO2 equivalent)	4,679,570	1,569,235	122,932	27,600	72,773	6,472,110	7,296,377	5,294,528	5,371,757	5,767,053
Nitrous Oxide (CO2 equivalent)	34,291	9,542	23,272	2,172	3,305	72,582	78,253	158,463	166,932	119,893
Total Greenhouse Gases	13,143,070	4,220,906	2,764,237	2,234,114	5,098,338	27,460,665	27,553,664	26,116,829	26,610,906	27,893,493
Percentage of Total Company	48%	15%	10%	8%	19%					100%
Energy Use										
Combustion Energy	103.0	35.1	38.2	26.2	36.1	238.6	241.4	243.0	264.4	265.4
Imported Electricity	3.5	2.1	0.3	0.0	0.0	5.9	6.4	6.8	6.0	6.3
Total Energy	106.5	37.2	38.5	26.2	36.1	244.5	247.8	249.8	270.4	271.6
Percentage of Total Company	43%	15%	16%	11%	15%					100%
Waste Gases										
Flaring Volume (routine and non-routine)	19,145	1,098	2,944	3,174	2,725	29,086	22,711	20,738	30,749	35,268
Total Flaring	19,145	1,098	2,944	3,174	2,725	29,086	22,711	20,738	30,749	35,268
Percentage of Total Company	66%	4%	10%	11%	9%					100%
Criteria Air Pollutants										
Volatile Organic Compounds (VOC)	73,708	6,435	3,368	1,487	2,210	87,208	125,204	97,966	110,233	113,301
Nitrogen Oxides (NOx)	59,158	15,512	6,464	3,269	16,689	101,092	97,810	107,022	108,839	100,455
Sulfur Oxides (SOx)	7,065	860	188	15	401	8,529	7,152	9,664	6,254	7,988
Particulate Matter (PM)	1,398	181	199	56	194	2,028	2,012	3,109	2,682	3,564
Total Criteria Air Pollutants	141,329	22,988	10,219	4,827	19,494	198,857	232,178	217,761	228,009	225,308
Percentage of Total Company	71%	12%	5%	2%	10%					100%
Wastes										
Hazardous Wastes	82	16,594	3,757	1,695	16,257	38,385	37,298	35,056	31,009	24,332
Non-Hazardous Wastes	76,308	30,716	1,686	2,148	2,721	113,579	248,152	283,261	408,115	380,730
Recycled Wastes	298,630	303	16,103	4,340	7,890	327,266	262,620	276,635	280,058	136,238
Total Wastes	375,020	47,613	21,546	8,183	26,868	479,230	548,070	594,952	719,182	541,300
Percentage of Total Company	78%	10%	4%	2%	6%					100%
Water										
Fresh Water Used	7,932	1,539	1,829	490	324	12,114	11,976	9,748	11,173	8,864
Water Discharged	1,177	302	18,723	202	11,994	32,399	31,227	33,942	34,373	42,565
Oil & Grease Discharged (Tonnes)	1	0	209	0	151	361	336	410	345	586
Fresh Water Percentage of Total Co.	65%	13%	15%	4%	3%					100%
Liquid Hydrocarbon Spills										
Spills > 100 Barrels	2	0	1	0	0	3	11	5	8	2
Volume Spilled from Spills > 100 Barrels	335	0	604	0	0	939	2,799	886	1,876	223
Spills > 1 Barrel	219	29	5	1	4	258	286	198	189	241
Volume Spilled from Spills > 1 Barrel	2,452	168	637	2	73	3,332	4,942	2,206	3,914	2,734
Volume Recovered from Spills > 1 Barrel	1,161	165	361	0	73	1,760	3,308	1,164	1,751	1,915
Percentage Recovered	47%	98%	57%	0%	100%					
Safety Performance										
Number / Rate per 200,000 hours worked										
Workforce Fatalities	0	0	0	0	0	0	2	2	0	1
Workforce Total Recordable Rate	0.30	0.30	0.24	0.48	0.05	0.28	0.26	0.29	0.32	0.32
Workforce Lost Workday Rate	0.06	0.03	0.04	0.03	0.00	0.04	0.05	0.07	0.05	0.06
Employee Total Recordable Rate	0.13	0.11	0.09	0.11	0.04	0.11	0.09	0.11	0.11	0.12
Employee Lost Workday Rate	0.05	0.00	0.00	0.00	0.00	0.02	0.04	0.02	0.02	0.04
Contractor Total Recordable Rate	0.38	0.34	0.29	0.52	0.05	0.34	0.31	0.35	0.41	0.43
Contractor Lost Workday Rate	0.06	0.04	0.05	0.03	0.00	0.04	0.05	0.08	0.07	0.07

N/A - Not Applicable

Note: Rounding adjustments applied to largest value in group, where necessary.

Recognition

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

In 2014, we were named one of the 100 Best Corporate Citizens by Corporate Responsibility Magazine, included in the Dow Jones Sustainability North America Index for the eighth consecutive year, and achieved improvement in our environmental disclosure and performance score from the Carbon Disclosure Project.



We also have a long history of sustainable development leadership:

- Founding member of the [United States Business Council for Sustainable Development](#).
- Founding member of the [Marine Well Containment Company](#).
- Founding member of the [Subsea Well Response Project](#).
- Co-led the development of the [GEMI® Local Water Tool™](#).
- Co-led the development of the [IPIECA Human Rights Training Toolkit](#).

Reporting Indexes and Library

[GRI Index \(View Here\)](#)

[IPIECA Index \(View Here\)](#)

[Regional Sustainability Reports](#)

We also develop regional SD Reports where it's appropriate to provide more detail about regional activities. These business unit sustainable development reports provide more examples of [SPIRIT Values](#) in action, corporate social responsibility, commitments and results that are important

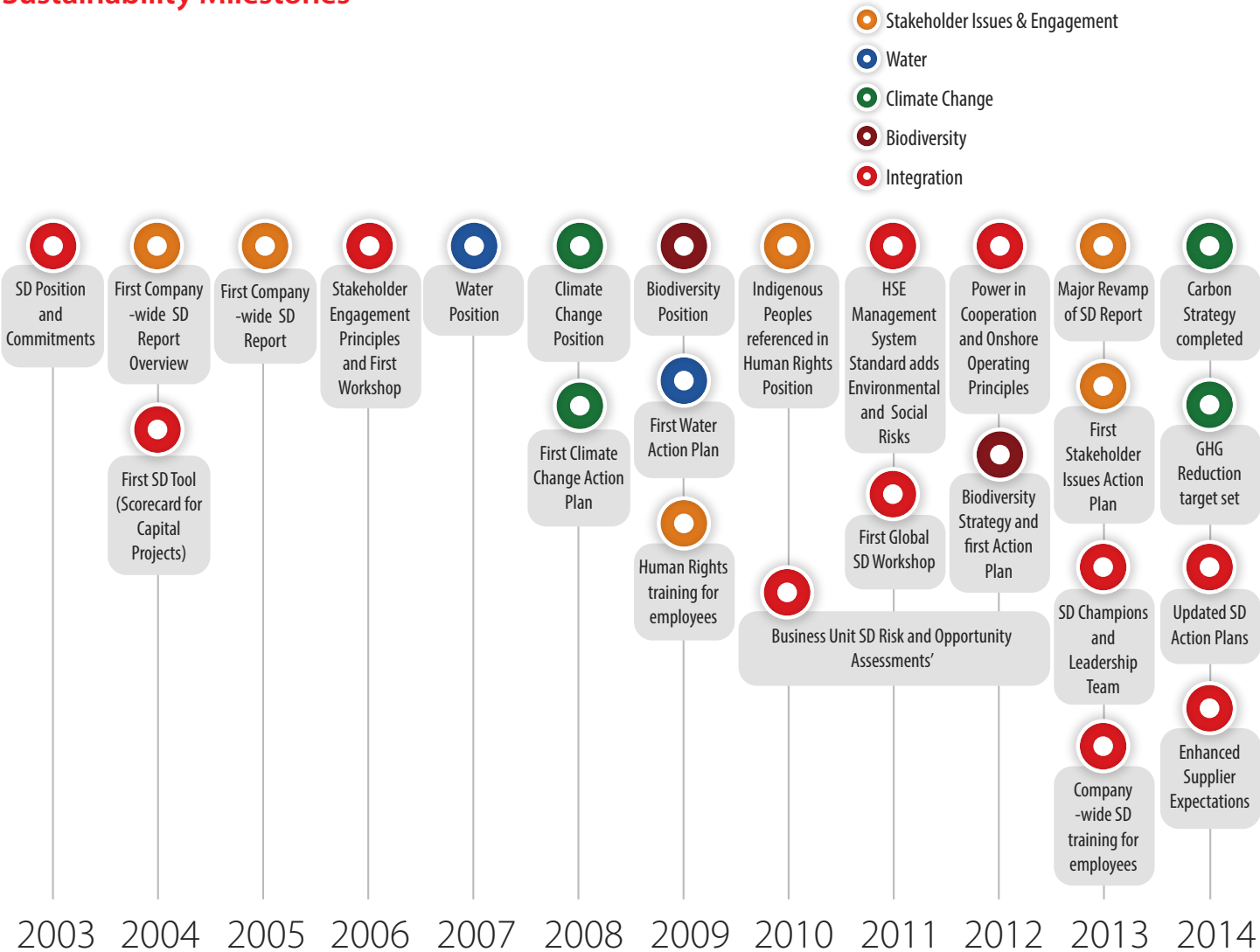
to regional stakeholders.

Recent reports have been prepared for:

- [Alaska](#)
- [Australia](#)
- [Canada](#)

Past reports can be accessed on our [website](#).

Sustainability Milestones



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Glossary

Abandoned Well – A well that has had one or more permanent plugs installed to ensure that there is no flow between porous geologic formations or to/from surface. An abandoned well can no longer produce oil or natural gas and has been left in a permanently safe and secure condition.

Air Emissions – The release or discharge of a pollutant into the air.

Air Pollutants – Air pollution describes a collection of air-borne pollutants that contribute to our air quality. The term “pollutants” recognizes that these substances are undesirable because of their impact on human health, the environment and the economy. These air pollutants are all very different. They differ in their chemical composition, reaction properties, emission sources, how long they last in the environment before breaking down, their ability to move long or short distances and their eventual impacts.

Air-to-Fuel Ratio – Most engines in the upstream oil and gas industry use natural gas as fuel. The air-to-fuel-ratio defines the amount of air which needs to be mixed with this fuel-gas to allow the engine to operate properly.

Ambient Air Monitoring – Any type of system used to measure the concentration of select pollutants in the ambient air. This may include active or passive monitoring systems.

Aquifer – An underground layer of water-bearing permeable rock or unconsolidated materials (gravel, sand, silt, or clay) from which groundwater can be extracted using a water well.

Barrel of Oil Equivalent (bbls OE) – A unit of measure that converts petroleum products, like natural gas, bitumen and condensate, to an oil equivalence based on heating value.

Baseline Emissions – Part of the Kyoto Protocol – this system has no specific emissions cap but instead uses an emissions performance profile (the baseline) that facilities must equal, or perform better than, in order to comply with the scheme. Those that perform better (produce fewer

emissions) than their baseline generate emission credits (the difference between actual and baseline emissions). These credits can then be sold to other entities that are unable to meet their emission compliance commitments.

Benzene – Benzene is part of the group of substances called volatile organic compounds (VOCs) and is a known human carcinogen (cancer-causing substance). Benzene can be harmful to the environment. Motor vehicle emissions are often the main source of benzene, followed by industrial emissions and other combustion sources. Benzene also enters the air through evaporation from handling and storing fuels, the use of solvents, and cigarette smoke. Natural sources include volcanoes and forest fires.

Biodiversity – Biodiversity is the variation of life at the species, genetic and geographic levels.

Bitumen – Bitumen is a thick, sticky and dense type of crude oil resembling cold molasses (at room temperature). It requires upgrading before it can be refined and is so viscous that it must be heated or diluted with lighter hydrocarbons to be transported by pipeline.

Capacity Building – Activities undertaken to ensure members of local communities can participate in and benefit from the industrial activity going on around them. This includes education and training initiatives and working closely with local contractors to create opportunities, put in place health and safety policies and procedures, and clearly communicate the contract bidding process.

Capital Project Management System – A project management system codified in a set of documents that define requirements and provide guidance.

Carbon Footprint – A carbon footprint is a measure of the impact our activities have on the environment, and in particular climate change. It relates to the amount of greenhouse gas produced in our day-to-day lives through burning fossil fuels for electricity, heating and transportation, etc.

CDP – An independent not-for-profit organization that acts as an intermediary between shareholders and corporations

on all climate change related issues, providing primary climate change data from the world's largest corporations to the global market place.

Climate Change – A long-term shift in climate measured by changes in temperature, precipitation, winds, and other indicators. Climate change can involve both changes in average conditions and changes in variability, including, for example, changes in extreme conditions. Climate change can be caused by both natural processes and human activities, in particular those that alter the chemical composition of the atmosphere. The build-up of greenhouse gases in the atmosphere is the primary cause for concern about climate change now and into the immediate future. Particularly important is the increase in atmospheric carbon dioxide, which is released through the combustion of fossil fuels.

Community Investment – Financial contributions, volunteer hours and services in kind, all of which promote the well-being of communities and our employees.

Completion (of wells) – Once a well is considered commercially viable, it must be completed to allow for the flow of oil or natural gas to the surface. Completion can include additional stimulation of the reservoir, such as fracturing and requires the installation of downhole pipe and equipment required to enable safe and efficient production from the well. Following completion, wells are “tied in” to production systems through installation of pipelines, surface batteries or other facilities.

COSIA – Canadian Oil Sands Innovation Alliance. A group of 13 oil companies comprising 90 percent of all oil sands production. Participants share knowledge and experience to address GHG emissions.

Cumulative Effects – The effect on the environment or community which results from effects of a project when combined with those of other past, current and future projects and activities. These may occur over a certain period of time and distance.

Desalination – Desalination refers to any of several processes that remove excess salt or other minerals from water.

Disposal Well – A well, often a depleted oil or gas well, into which waste fluids can be injected for safe disposal.

Domestic Security Alliance Council (DSAC) – A group that creates a strategic partnership between the Federal Bureau of Investigation (FBI) and the U.S. private commercial sector to enhance communications and promote the timely and effective exchange of information.

Ecosystem Function – Essential services that support human needs such as food, shelter, clothing, medicines and fuel.

Endangered Species – A wildlife species that is facing imminent extirpation or extinction.

Exploratory Well – A well drilled either in search of a new, as yet undiscovered accumulation of oil and gas, or in an attempt to significantly extend the limits of a known reservoir.

Extractive Industries Transparency Initiative (EITI) – A global Standard to promote openness and accountable management of natural resources. It seeks to strengthen government and company systems, inform public debate, and enhance trust. In each implementing country it is supported by a coalition of governments, companies and civil society working together.

Flaring – The burning of unwanted or uneconomic quantities of gas through a pipe (also called a flare). Flaring is a means of disposal used when there is no way to capture and transport the gas to market and the gas cannot be used for any other purpose. The practice of flaring is being steadily reduced because of the high value of gas and environmental concerns.

Fossil Fuels – A general term for buried combustible geologic deposits of organic materials, formed from decayed plants and animals that have been converted to crude oil, coal, natural gas, or heavy oils by exposure to heat and pressure in the Earth's crust over a period of hundreds of millions of years.

Fracturing (Fracking) – The practice of pumping special fluids down the well under high pressure; fracturing causes the formation to crack open, creating passages for the reservoir fluids to more easily flow into the wellbore.

Freshwater – Non-saline groundwater, which is groundwater that has total dissolved solids less than or equal to 4000 milligrams per liter.

Fugitive Emissions – Natural gas leaks released to the atmosphere from processing equipment other than those from stacks or vents. These emissions may be intentional (venting) or unintentional (equipment wear and tear, faulty components).

Global Reporting Initiative – A leading organization in the sustainability field that promotes reporting as a way for organizations to become more sustainable and contribute to sustainable development.

Greenhouse Gas Emissions – Gases in the Earth’s atmosphere that trap heat. The main greenhouse gases are water vapor, carbon dioxide, methane, nitrous oxide and a group of chlorine and fluorine-containing gaseous compounds such as hydro fluorocarbons, per fluorocarbons and Sulphur hexafluoride.

Groundwater – Water found below the surface in the spaces between particles of rock and soil, or in crevices and cracks in rock. The water filling these openings is usually within 325 feet (100 meters) of the surface and much of the earth’s freshwater is found in these spaces. Groundwater flows slowly through water-bearing formations (aquifers) at different rates. In some places, where groundwater has dissolved limestone to form caverns and large openings, its rate of flow can be relatively fast but this is exceptional.

Habitat – A habitat is a geographical unit that effectively supports the survival and reproduction of a given species or individuals of a given species.

Horizontal Well – Horizontal drilling is the process of drilling a well that begins as a vertical (or inclined) wellbore which extends from the surface to a subsurface location just above the target oil or gas reservoir, called the “kickoff point.” The wellbore then veers off on an arc, using special downhole tools, to intersect the reservoir and continues at a near-horizontal attitude through the reservoir until the desired bottom hole location is reached.

HSE Management System – A system that supports implementation of HSE and SD policies by providing a consistent framework and approach to managing vital issues.

Hydrocarbons – A large class of liquid, solid or gaseous organic compounds containing only carbon and hydrogen atoms, the basis of almost all petroleum products.

Indicators – Measures or statistics that provide information about condition or direction.

In-situ – A well-based extraction technology used for extracting deep deposits of bitumen from oil sands without removing the soil and materials above it.

Issue Discussion Forums – Forums, which are open to all employees, designed to educate and inform attendees on both external and internal sustainable development issues of general interest.

Issue Working Groups – Internal, international, cross-functional groups of leaders and practitioners who meet periodically to share learning, understand and address issues. There are IWG’s for topics above and cross-cutting issues such as Hydraulic Fracturing.

Job Safety Analysis – A safety tool for analyzing potential safety hazards for work tasks. Workers must conduct a job safety analysis for activities that have potential significant risk to personnel, the environment, equipment, or production stability. Before performing the task, hazards are identified, and either eliminated or controlled. The analysis reinforces workers’ accountability for their own safety, as the person doing the work is involved with planning how a task will be performed.

Land Footprint – Consists of the area occupied on the land by an oil and gas activity or structure as well as any additional impacts to land, water or wildlife, resulting from the structure or activity.

Land Management – This strategy is focused on reducing the footprint of human activities. Land management promotes responsible use of public lands by influencing land-user behavior, improving stewardship and encouraging acceptance and adoption of integrated land management principles that reduce industrial footprint on the land as a way of doing business.

Life Cycle Assessment (LCA) – A tool that provides business units with a quantitative estimate of potential environmental and social impacts over the life of a project.

Linear Footprint – Relating to, or resulting from the influence of human beings on nature as well, has some degree of influence on pre-disturbance ecological function(s);

examples include roads, pipelines, seismic lines, delineation test-hole lines, survey lines and power lines.

Methane – The lightest and most abundant of the hydrocarbon gases and the principal component of natural gas. Methane is a colorless, odorless, non-poisonous and flammable gas that is stable under a wide range of pressure and temperature conditions in the absence of other compounds. Methane is created by anaerobic decomposition of organic compounds. Methane is a greenhouse gas and has a global warming potential of 21.

Natural Gas – A mixture of light hydrocarbons found naturally in the earth's crust, often in association with oil and coal. Methane is the main component.

NoEs – Networks of Excellence. Groups that support cross-business and cross-function communication relating to sustainable development implementation. These networks include over 900 practitioners and leaders who are working on social and environmental issues. Task workgroups within the NoE's collaborate to co-create guidance documents and tools, and share best practices.

Non-potable Water – Water that is unsafe or unpalatable to drink because it contains objectionable pollution, contamination, minerals, or infective agents.

Oil Reservoir – An oil reservoir is an underground pool of liquid consisting of hydrocarbons, Sulphur, oxygen, and nitrogen trapped within a geological formation and protected from evaporation by the overlying mineral strata.

Oil Sands – Naturally occurring mixtures of sand or clay, water and an extremely dense and viscous form of petroleum (bitumen). In Alberta the composition is 10-12 % bitumen, 80-85 % sand and clay and 4-6 % water.

Overseas Security Advisory Council (OSAC) – A federal advisory committee of public-sector entities and U.S. government. It is chartered by congress to promote security cooperation between American business and private-sector interests worldwide.

Pads/Wellpads – A flat site constructed for a drilling rig or operational facilities. Wellpads can be constructed of soil, rig mats, gravel, logs or other materials.

Particulate Matter – Particulate matter consists of airborne particles in solid or liquid form. It may be classified as primary or secondary, depending on the compounds and processes involved during its formation. Primary particulate matter is emitted at the emissions source in particle form; for example, the smokestack of an electrical power plant or a recently tilled field subject to wind erosion. Secondary particulate matter formation results from a series of chemical and physical reactions involving different precursor gases, such as Sulphur and nitrogen oxides, and ammonia reacting to form sulphate, nitrate and ammonium particulate matter. The size of particulate matter particles largely determines the extent of environmental and health damage caused.

Produced Water – Water generated from the production of oil and natural gas and generally considered to be saline.

Reclamation – The restoration of disturbed land to equivalent land-use capability. Reclamation involves restoring the soil profile, topography and vegetation on a disturbed site (e.g., an oil and gas wellsite) to a condition equivalent to that of the surrounding, undisturbed land.

Remediation – The reduction, removal or containment of contaminants in soil or water for the purpose of preventing deleterious effects on the environment.

Shale Gas – Natural gas stored in organic rich rocks. Shale gas is considered an unconventional source, as the gas may be attached to or absorbed onto organic matter.

Stakeholders – Those individuals or groups who could be impacted by our business or who have the ability to impact our business.

Steam-assisted gravity drainage (SAGD) – A process used to recover bitumen that is too deep to mine. A pair of horizontal wells is drilled from a central wellpad. In a plant nearby, steam generators powered by natural gas heat water and transform it into steam. The steam then travels through above-ground pipelines to the wells. It enters the ground via the steam injection (top) well. The steam heats the bitumen to a temperature at which it can flow by gravity into the producing (bottom) well. The steam injection and oil production happen continuously and simultaneously. The resulting bitumen and condensed steam

emulsion is then piped from the producing well to the plant, where it is separated and treated. The water is then recycled for generating new steam.

Supplier Inclusion – A proactive approach to providing suppliers access to business opportunities, fostering capacity building activities, and delivering innovation and value through long-term relationships that benefit ConocoPhillips, our suppliers, and the communities in which we operate.

Surface Water – Water collecting on the ground or in a stream, river, lake, wetland or ocean is called surface water.

Sustainable Development Scorecard – A consistent process to ensure proper evaluation and documentation of sustainability issues at key stages, measuring alignment with our sustainable development approach and requirements. The scorecard is initiated in the early stage of the project, when a single location has been identified, as the team begins planning design details. The scorecard uses a qualitative risk-based scoring system to assess whether our 9 sustainable development commitments have been properly addressed during planning. It enables decision-makers to assess a project's readiness to proceed to the next stage from a sustainable development perspective.

Sustainable Development Standard – The minimum requirements for ConocoPhillips Project Management Teams for applying Sustainable Development principles in the management of capital projects. The standard also refers to the ConocoPhillips HSE Due Diligence standard for further guidance on how to account for Sustainable Development issues in new business ventures, joint ventures, or real property transactions.

Tundra – A treeless zone between the ice cap and the tree line of North America and Eurasia, characterized by a short growing season and permanently frozen subsoil. Tundra refers both to the region and to the vegetation growing within it.

Unconventional Oil and Gas – Reserves that cannot be produced using conventional production methods. These include coal bed methane, oil sands, shale oil and shale gas.

Venting – The intentional controlled release of un-combusted gas.

Volatile Organic Compounds – Volatile organic compounds (VOCs) are carbon-containing gases and vapors such as gasoline fumes and solvents (excluding carbon dioxide, carbon monoxide, methane, and chlorofluorocarbons). Many individual VOCs are known or suspected of having direct toxic effects on humans, ranging from carcinogenesis to neurotoxicity. The more reactive VOCs combine with nitrogen oxides (NOx) in photochemical reactions in the atmosphere to form ground-level ozone, a major component of smog. VOCs are also a precursor pollutant to the secondary formation of fine particulate matter (PM2.5).

Washington Department of Ecology's Exceptional Compliance Program (ECOPRO) – A voluntary program for tankers and tank barges, recognizes operator commitment to environmental stewardship through compliance with standards exceeding regulatory requirements.

Wastewater – Leftover water containing oil, sand and other debris.

Well – A hole drilled into the earth to find or produce crude oil or natural gas.

Wellhead – The assembly of fittings and valve equipment used for producing a well and maintaining surface control of a well.

Letter of Assurance

Letter of Assurance

ERM CVS Independent Assurance Statement to ConocoPhillips

ERM Certification & Verification Services (ERM CVS) was engaged by ConocoPhillips to provide assurance in relation to selected 2013 environmental data in the online 2013 Sustainable Development Report (the Report).

Engagement Summary

Scope	<p>The objective of our engagement was to obtain limited assurance on whether the 2013 corporate totals for the following environmental indicators are fairly presented, in all material respects:</p> <ul style="list-style-type: none"> • Total Greenhouse Gas (GHG) emissions (Scope 1 & Scope 2: Million tonnes in CO₂ equivalent) • Flaring volume (MMCF) • Energy used (Trillion BTUs) <p>We also reviewed the methodology used to report the total 2013 Scope 3 GHG emissions estimate in the 2014 submission to CDP.</p>
Reporting Criteria	<p>We based our work on ConocoPhillips' criteria for the collection, review and consolidation for the selected data, which include the WRI/WBCSD GHG Protocol for the GHG emissions, as described in the section 'HSE Data Assumptions' of the Report.</p>
Assurance Standard:	<p>We performed our work in accordance with ERM CVS' assurance methodology, which is based on the International Standard for Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000).</p> <p>For the Scope 1 and Scope 2 GHG emissions we performed our work in accordance with ISO 14064-3:2006.</p>
Assurance level:	Limited

Respective responsibilities:

ConocoPhillips is responsible for preparing the Report and for the collection and presentation of the information within it.

ERM CVS's responsibility is to express our assurance conclusions on the agreed scope.

Our Conclusions

Based on the assurance activities undertaken, nothing has come to our attention to suggest that the 2013 corporate totals in the Report for the environmental indicators listed under 'Scope' above are not fairly stated, in all material respects, in accordance with the reporting criteria.

Our Assurance Approach

A multi-disciplinary team of sustainability, GHG and assurance specialists performed the following activities:

- A review of the corporate guidelines for reporting the quarterly and annual Environmental data from the reporting units, including definitions, conversion factors and review/control procedures.
- A review of the 2013 data reported by each reporting unit to the corporate HSE department to check the completeness of reporting by all reporting units.
- A detailed variance analysis of the 2013 data for the selected indicators compared to the 2012 data for those indicators, which we used at reporting unit and corporate levels to assess the effectiveness of the internal review processes and the completeness of the relevant explanatory notes in the Report.
- A review of consolidated 2013 data for the selected indicators at ConocoPhillips' corporate office in Houston, Texas, and interviews with staff responsible for managing, aggregating and reviewing Environmental data at corporate level.
- Telephone interviews with staff responsible for collecting and reviewing the Environmental data for the indicators within the scope of our review at reporting unit level for Lower 48, Alaska, Canada and Australia.
- Assessing the conclusions of accredited third-party verification bodies relating to the verification of Scope 1 and Scope 2 GHG emissions for 2013 from ConocoPhillips'

operations that fall within the scope of local regulatory schemes in the EU and Canada, and checking consistency of the verified emissions with the Scope 1 and Scope 2 emissions for these operations included in the consolidated GHG inventory.

- A review of the presentation of the data in the Report to ensure consistency with our findings.

Our Review

Our engagement was limited to the procedures listed above. We did not visit reporting units to review the underlying source data. The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our Observations and Recommendations

We have provided ConocoPhillips with a separate detailed management report. Without affecting the conclusions presented above, we have the following key observation and recommendation:

- ConocoPhillips predominantly uses annual data collection to track and report environmental performance. We recommend increasing the frequency of internal reporting on key corporate environmental performance indicators, as well as introducing targets, in order to enhance the monitoring and management of the corporate sustainability strategy and to promote performance improvement.



Jennifer Lansen-Rogers
Head of Report Assurance Services

June 26, 2014