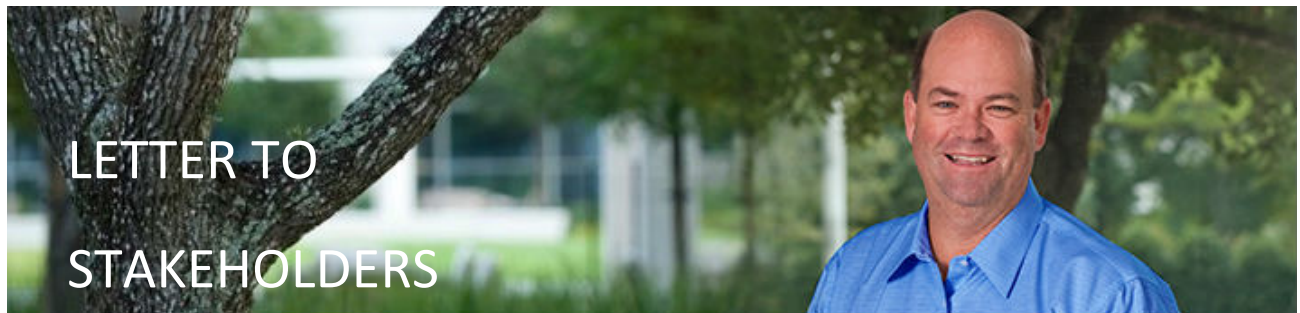


This document contains the “Our Approach” Section of the ConocoPhillips SD Report. The file is current as of October 31, 2013.



## **Sustainable Development**

# Our Approach



At ConocoPhillips, we consider sustainable development essential to our mission of supplying the energy that powers modern life. This 2012 Sustainable Development Report describes in detail our company's sustainability progress and challenges, as well as our comprehensive action plans.

This is our first report on sustainable development since the mid-2012 transformation of ConocoPhillips through the spin-off of our downstream assets. The repositioning made us the world's largest independent oil and natural gas exploration and production company, based on production and proved reserves. With renewed focus on our core skills and business, we will focus just as intently on our responsibilities.

## **Measurable Progress**

For ConocoPhillips, sustainable development is about conducting our business to promote economic growth, a healthy environment and vibrant communities, now and into the future. The past year featured several key achievements in our sustainability efforts. For example, we:

- Formulated, published and began reporting on the ConocoPhillips Global Onshore Well Operating Principles. These practices direct our environmental and social actions throughout resource development, from initial site selection through final restoration. They include steps we take to ensure safe and environmentally sound drilling and completion operations, including

hydraulic fracturing;

- Reduced or prevented greenhouse gas emissions from select operations by approximately one million metric tons through numerous energy and process efficiency projects;
- Integrated sustainable development more clearly into our Health, Safety and Environment Management System to drive ongoing progress in performance as well as consistency in our approach;
- Conducted biodiversity risk assessments at all of our major operated assets around the globe;
- Held an interactive best-practices workshop for more than 100 ConocoPhillips sustainable development practitioners worldwide, covering successes and challenges on social and environmental issues; and
- Launched an innovative learning module to promote employee awareness, understanding and discussion of sustainability issues, as well as incorporation of sustainable development considerations into daily decision making.

## **2012 Performance**

ConocoPhillips was honored in 2012 for our sustainable development success. 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 sixth consecutive year, and achieved improvement in our environmental disclosure and performance score from the Carbon Disclosure Project.

## **New Reporting Format**

We have reconfigured this Sustainable Development Report to provide more information and to make it more easily accessible for readers. Our report is organized in six sections: Common Questions, Our Approach, Environment, Safety & Health, People & Society, and Reporting.

Common Questions addresses topics people ask us about most such as climate change, community engagement and hydraulic fracturing, among others. Please revisit this section periodically for updates on important energy issues.

Our Approach describes how we integrate sustainable development into all parts of the company, with attention to overall governance and accountability. In turn, the Environment, and People & Society sections are more tightly focused on commitments, performance indicators and results. They describe

our actions on key topics including climate change, water, biodiversity, human rights and stakeholder engagement.

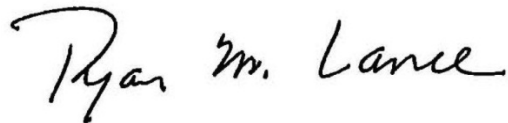
For those seeking more specific information and metrics, we added an index feature to the Reporting section that links to topics outlined by the Global Reporting Initiative. This section now tracks only Exploration and Production performance data, reflecting the repositioning of our company; and we've restated data from prior years in the same way. Our 2012 metrics have been finalized and posted since mid-2013.

### **More to Come**

The new ConocoPhillips combines our legacy strengths with the focus and culture of an independent company. Our SPIRIT Values (Safety, People, Integrity, Responsibility, Innovation and Teamwork) guide our actions globally and provide the foundation for our commitment to sustainable development.

ConocoPhillips is committed to ongoing engagement. We strive to communicate transparently with stakeholders about our sustainable development approach and focus areas, as well as our successes and challenges. We trust that this report delivers on that aspiration, and we look forward to your comments.

Sincerely,

A handwritten signature in black ink that reads "Ryan M. Lance". The signature is written in a cursive, flowing style.

Ryan M. Lance  
Chairman and Chief Executive Officer

## Living By Our Principles

ConocoPhillips' approach to sustainable development stems from our fundamental intent to prosper as a business and to meet the energy needs of present and future generations. In doing so, we also will create value and improve living standards for our stakeholders.

### 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. That's what leads to measurable results for social, economic and environmental performance. Our mission is to power civilization. Energy plays



a foundational role in enabling global economic development and human progress. Many sources will be needed to meet global energy demand, and this fact underscores the importance of a balanced energy policy approach. In support of ongoing dialogue with a broad spectrum of stakeholders, ConocoPhillips developed 10 energy principles to guide development of positions on specific public policy issues including environmental issues such as climate change. We invite you to read and share your thoughts on these principles. We also recognize that there are environmental and social implications, and that emphasizing responsible development is important. That's why we created the ConocoPhillips Global Onshore Well Management Principles to guide how we protect and respect people and the environment. We take these principles seriously, and we welcome your comments on them.

## Our Sustainable Development 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

Our vision is to be the E&P company of choice for all stakeholders by pioneering a new standard of excellence. Our SPIRIT Values consist of Safety, People, Integrity, Responsibility, Innovation and Teamwork.

Our vision and values are essential building blocks in the continued success of ConocoPhillips. We further define and uphold our values through the following policies and positions.

## Policies

Key ConocoPhillips operating policies include:

- Code of Business Ethics and Conduct
- Health, Safety and Environmental Policy
- Political Support Policy and Procedures
- Political Contributions
- Substance Abuse Policy

## **Code of Business Ethics and Conduct**

The history of ConocoPhillips includes a long-standing commitment to conduct all business activities with the highest ethical standards. Our SPIRIT values lay out what we expect from ourselves and each other, as well as our commitment to integrity. In today's business environment, living our values is critical for our continued success in the global marketplace. Our Code forms the foundation of our compliance and ethics program and guides us in our day-to-day work. It explains ConocoPhillips' standards as well as our legal and ethical responsibilities, and it provides concrete guidance for the behaviors expected of us. You can read the complete Code of Business Ethics and Conduct at [ConocoPhillips.com](http://ConocoPhillips.com) → Investor → Corporate Governance.

## **Health, Safety and Environmental Policy**

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

### **Our Plan**

To meet our commitment, ConocoPhillips will:

- Demonstrate visible and active leadership that engages employees and service providers and manage health, safety and environmental (HSE) performance as a line responsibility with clear authorities and accountabilities.
- Ensure that all employees and contractors understand that working safely is a condition of employment, and that they are each responsible for their own safety and the safety of those around them.
- Maintain "stop work policies" that establish the responsibility and authority for all employees and contractors to stop work they believe to be unsafe.
- Manage all projects, products and processes through their life-cycles in a way that protects safety and health and minimizes impacts on the environment.
- Provide employees with the capabilities, knowledge and resources necessary to instill personal ownership and motivation to achieve HSE excellence.
- Provide relevant safety and health information to contractors and require them to provide proper training for the safe, environmentally sound performance of their work.

- Measure, audit and publicly report HSE performance and maintain open dialogue with stakeholder groups and with communities where we operate.
- Comply with applicable regulations and laws.
- Work with both governments and stakeholders where we operate to develop regulations and standards that improve the safety and health of people and the environment.
- Maintain a secure work environment to protect ourselves, our contractors and the Company's assets from risks of injury, property loss or damage resulting from hostile acts.
- Communicate our commitment to this policy to our subsidiaries, affiliates, contractors and governments worldwide and seek their support.

### **Our Expectations**

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

### **Political Support Policy and Procedures**

Customers, community groups, political organizations and others regularly approach ConocoPhillips 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 – June 30, 2013, ConocoPhillips has adhered to its 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 officials. 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 in influencing officials to take favorable action on legislation important to the company. When appropriate, ConocoPhillips 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 its 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**

ConocoPhillips actively engages with trade associations at the national, state and local levels. We 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 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.

Through participation in trade associations involved in lobbying, ConocoPhillips seeks to champion legislative solutions that are practical, economical, environmentally responsible, non-partisan and in the best interests of the company. We feel it is important to be actively engaged with these organizations so our positions on key issues to the company can be expressed. We recognize that among trade association members there can be viable viewpoints that differ from ours. When this occurs, we seek to work with the association membership to promote reasonable compromise on major initiatives affecting the company and its stakeholders. See U.S. trade associations to which ConocoPhillips paid more than \$50,000 in annual dues for the year 2012. The report will be updated at the end of 2013 to reflect the current year's trade association memberships."

## **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. ConocoPhillips' policy is to not make independent expenditures itself. 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 – December 31, 2012, no contributions to independent expenditures were made by ConocoPhillips.

Certain trade associations in which the company maintains membership elect to incur independent expenditures. We have engaged in discussions with certain stakeholders who have expressed concern about this trade association practice. As with prior reporting periods, ConocoPhillips again stipulated 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 – December 31, 2012.

## **Issue Advocacy**

For ConocoPhillips 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. ConocoPhillips will be active in such issues, provided there is a compelling ConocoPhillips 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 May 1, 2012 – June 30, 2013. Going forward, this information will be 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. See list of corporate political contributions made from May 1, 2012 - June 30, 2013. Going forward, this information will be 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.

ConocoPhillips does, from time to time, 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. See list of contributions made from May 1, 2002 - June 30, 2013. Going forward, this information will be 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.

## **Substance Abuse Policy**

At ConocoPhillips, our objective is to create and maintain an operating environment free of substance abuse. We believe that substance abuse increases the potential for accidents, absenteeism, substandard performance, and poor employee morale and health, as well as damage to the company's reputation. The company has zero tolerance for violations of this Policy and the employment of even first time offenders will be terminated in accordance with relevant law.

To enforce this Policy, ConocoPhillips will:

- Implement a substance abuse testing program that subjects employees to random drug and alcohol screening.
- Require pre-employment drug testing of job applicants, and drug and alcohol testing of employees for reasonable suspicion/cause, post-accident situations, rehabilitation follow-up, and to verify return-to-duty eligibility post-rehabilitation.
- Ensure that all employees are aware that this Policy covers improper use of prescription medications, as well as abuse of alcohol, illegal drugs and other substances that may alter an individual's mood, perception, coordination, response, performance or judgment.
- Provide relevant training to raise employee awareness of substance abuse issues and the consequences for violation of this Policy.
- Provide employees who voluntarily disclose their substance abuse problems with opportunities for rehabilitation, where adequate facilities are available and it is feasible to do so.
- Offer internal or external resources, where available, to answer employees' questions regarding the potential work-related impact of over-the-counter or prescription medications.
- Communicate our commitment to this Policy to our employees, contractors, and visitors and engage their support for creating and maintaining an environment that is free of substance abuse.

In those circumstances where government regulations, laws, or local practices impact the implementation of this Policy, business unit leadership will develop and implement a country-specific Substance Abuse Policy that conforms to local requirements, after which the local policy will be included as an addendum to this Policy. Applicants and employees will adhere to the Substance Abuse Policy addendum relevant to their country.

We believe that the successful implementation of this Global Substance Abuse Policy will help ensure a continued safe, healthy and productive work environment.



## **Our Positions**

### **Sustainable Development Position**

For ConocoPhillips, 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 these 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**

ConocoPhillips 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 recently 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 has been launched to foster employee collaboration within ConocoPhillips in the areas of biodiversity and ecosystems.

We 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. The intranet site also provides such resources as global conferences and contacts to benefit its members.

Our biodiversity strategy 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 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. For more information, visit the Biodiversity section on ConocoPhillips.com

### **Climate Change Position**

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

### **Our Focus**

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

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

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

## **Climate Change Public Policy**

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

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

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

ConocoPhillips is committed to doing our part.

## **Diversity & Inclusion Position**

At ConocoPhillips, 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 success for ConocoPhillips globally.

## **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**

At ConocoPhillips, 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.

## **Economic Transparency and Reporting Position**

ConocoPhillips participates 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 two: 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. (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.

## **HIV/AIDS Position**

ConocoPhillips recognizes 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, ConocoPhillips 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.

## **Human Rights Position**

Governments have the primary responsibility for protecting human rights. ConocoPhillips believes 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**

ConocoPhillips 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.

## **Renewable Energy Position**

In alignment with our mission to power civilization, and consistent with our positions on sustainable development and climate change, ConocoPhillips is evaluating and developing 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, go to [ConocoPhillips.com](http://ConocoPhillips.com) → What we do → Creating Innovative Solutions → 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**

ConocoPhillips produces and utilizes water in its operations. 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 in implementing the strategy can be broken down into four 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

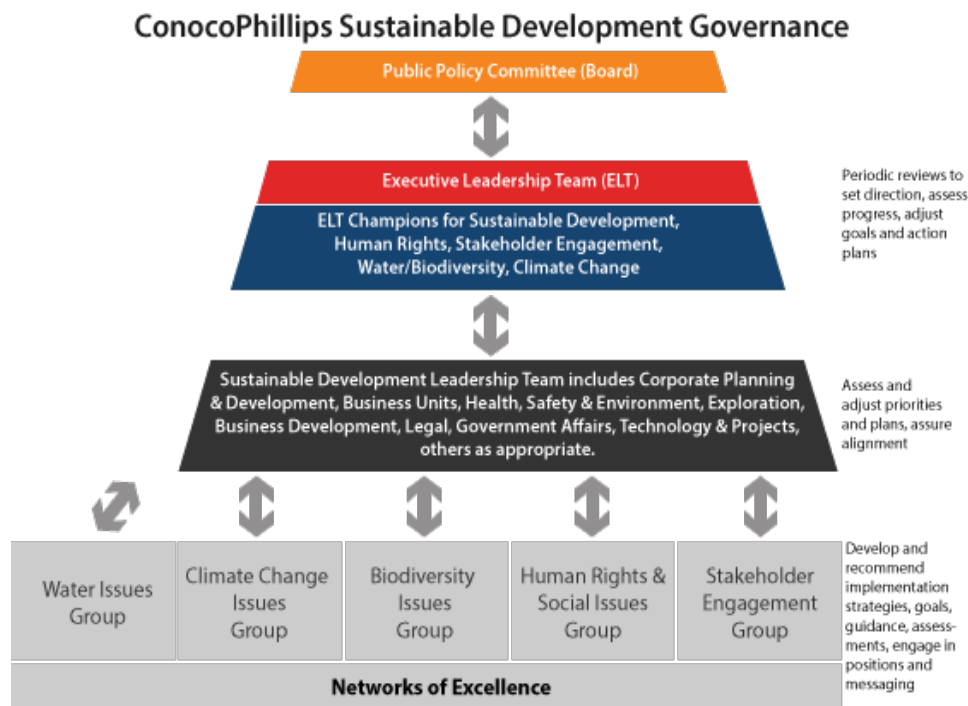
For more information, see the Integrated Water Management section in this report, or go to [ConocoPhillips.com](http://ConocoPhillips.com) → Sustainable Development → Environment → Water.

# Accountability for Sustainability Issues

Each of the company’s 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, reporting company performance, and 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). As shown in the diagram, there is an executive champion for each of the key focus areas of sustainability – human rights, stakeholder engagement, water, biodiversity and climate change. To assure alignment between functions and businesses, and to provide for practical operational insight into key actions, we have established a Sustainable Development Leadership Team. This team works with topic Issue Working Groups and Networks of Excellence to build consistency and quality into our approach to sustainable development implementation.



The public policy committee 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 actions 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 4 independent directors, convenes at least quarterly and is regularly updated on sustainable development issues.

For more information see Public Policy Committee Charter.

**Sustainable Development Group** – Within corporate planning, which includes long range planning and strategy, the company's Sustainable Development group provides 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
- Human Rights and Social Issues
- Stakeholder Engagement
- Life Cycle Assessment

**Issue Working Groups** – Issue Working Groups are internal, international, cross-functional, groups of leaders and practitioners who meet periodically to share learning, understand and address issues.

**Issue Discussion Forums** – We also have established Discussion Forums, which are open to all employees. The objective is to educate and inform attendees on both external and internal sustainable development issues of general interest.

**NoEs** – The Networks of Excellence support cross-business and cross-function communication relating to the sustainable development implementation. These networks include over one hundred practitioners and leaders who are working on social and environmental issues.

## **Performance & 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 ConocoPhillips 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.

**Support of Strategic Corporate Initiatives** - This measure assesses progress in implementing key elements of the company's strategic initiatives including, but not limited to, cash returned to stockholders, financial management relationships, climate change, reputation, people/diversity, culture and other sustainable development action plans.

**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:

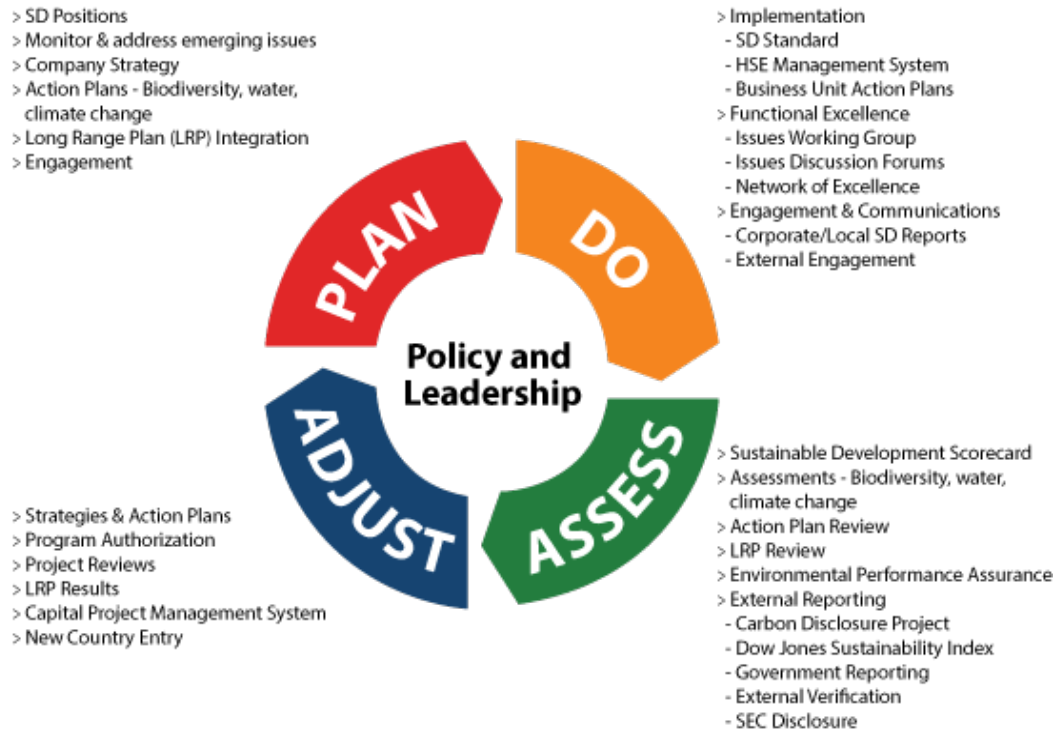
- Sustainable development in the Amazon rainforest
- Urban regeneration
- Recycling Health and water issues
- Renewable energy

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 Process**

Sustainable development requirements are integrated into the key business planning processes for the company: New Country Entry, Sustainable Development Action Plans, the Long Range Plan, Project Development Authorization and Management System and the Health Safety and Environment Management System. This creates a complete system of continuous improvement (Plan, Do, Assess, Adjust) for new ventures, exploration, projects and assets at all stages of lifecycle.

## Sustainable Development (SD) Planning Cycle



### 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 would manage these concerns.

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 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.

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 other 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 more at: <http://www.conocophillips.com/sustainable-development/our-approach/integration-of-sustainability-into-business-process/Pages/new-country-entry.aspx#sthash.Q09obOgs.dpuf>

## **Sustainable Development Strategies and Action Plans**

As issues mature, the company develops strategies and specific action plans to address them. Corporate strategies and action plans have been developed for key issues and are updated periodically. The objective of our strategies is to prepare the company to succeed in a world challenged by complex environmental, social and economic issues and increasing stakeholder expectations. Strategies include updates on external expectations and context, current status of the company's activities addressing the issue, future objectives and our plans to achieve those objectives. Strategies may begin with improving our understanding of the issue, developing measurements of key data, or assessing risks and opportunities related to an issue, for example.

Following development of corporate strategies comprehensive Issue Action Plans are developed which create focus on key aspects of addressing the issue, clearly assign accountability, and drive goal setting and engagement. In some cases, Business Unit Action Plans then define goals, targets, objectives and/or key actions in more detail, focused on the needs and priorities of the business and assets in that region.

An example plan, shown below could include 3-4 key focus areas and show linkage to Technology and other functions.



## Project Development

Project Authorization Guidelines -- Project and program approvals follow a consistent framework to manage for project economics, deliverables, reviews, authorization and funding. These guidelines communicate standard techniques to analyze and develop viable projects and effectively communicate the project's value and risks so that management can make a fully informed decision. The intent of these guidelines is to work in concert with specific functional and management processes to deliver projects that consistently outperform industry average and level the playing field so management decisions are based on information that is consistent, comparable and of appropriate quality.

**The Capital Project Management System** is a project management system codified in a set of documents that define requirements and provide guidance. It applies to all Project Development and Procurement personnel throughout the phases of any project and is a foundational element of how ConocoPhillips executes projects. Through effective use of this system, the company aims to deliver projects that are safe, transparent, predictable and competitive.

**Sustainable Development Standard** -- Within the Capital Project Management System there is a Sustainable Development Standard. The standard defines the minimum requirements for ConocoPhillips Project Management Teams for applying Sustainable Development principles in the management of capital projects.

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. 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.

**Sustainable Development Scorecard** -- The scorecard provides a consistent process to ensure proper evaluation and documentation of sustainability issues at key stages. It also provides teams with a simple but thorough method of assessing whether potential risks and uncertainties have been fully addressed and resolved. All project teams are encouraged to use the scorecard to measure alignment with our sustainable development approach and requirements, 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.

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 nine 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.

During project development, the completed scorecard provides a concise visual summary of a project's continued alignment with our principles. It also encourages project teams to take a life-cycle perspective by considering at the start of a project those issues that will become relevant during the operational and eventual decommissioning phases.

The scorecard fosters discussion of sustainable development issues among project team members, and between the project team and decision makers. These issues are logged into our risk tracking system for management throughout the project development process. In addition to the issues raised in the scorecard discussions, this process also enables the project team to set objectives for sustainability issues in each phase of the project.

Associated with the scorecard are two additional important processes: a social and environmental impact assessment, and a formal stakeholder engagement plan. These provide a baseline understanding of the existing social dynamics and environmental considerations within a location prior to our involvement, help identify important issues and potential effects that should be considered, and allow for continued learning as the project progresses.

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

## Health, Safety, Environmental and Social Integration

We conduct assessments to identify how our business practices might impact the communities and ecosystems in areas where project development is planned. By identifying specific issues and the requirements of the host country, we can assess potential impact and how those issues can be avoided or mitigated. In determining what issues to investigate during the assessment, we begin with the host country's legal requirements, and supplement these as needed in order to address the issues covered by our own HSE standards and sustainable development positions.

**HSE/SD Tools for the Asset Life Cycle**

Exploration and Business Development	Project Development	Business Unit (BU) Operations	Decommissioning and Disposition
<b>Early Opportunities/ New Country Entry</b>  <b>Contracts Development</b>  <b>Preliminary HSE Assessment</b> > Due Diligence > Health, Safety & Environment (HSE) Risk Evaluation > Environmental, Social & Health Impact Assessment (ESHIA) Scoping  <b>Exploration</b> > ESHIA > Permitting > HSE Management System > Stakeholder Engagement > Social Investment	<b>Authorization Guidelines/ Management System</b> > Risk Register > ESHIA > Stakeholder Management > Social Performance Plans > SD Standard > SD Scorecard > Biodiversity Considerations > Climate Change Considerations > Water Considerations  <b>Joint Venture / Non Operated</b> > Action and Influence Plan	<b>HSE Sustainable Development (SD) Management Systems</b> > Climate Change Action Plan > Water Action Plan > Stakeholder Engagement Plan > Social Performance Plan > Biodiversity Action Plan > Human Rights Training > Security and Human Rights  <b>Joint Venture / Non Operated</b> > HSE Due Diligence Standard	<b>HSE Due Diligence Process</b> > HSE Management System > Project Management System
<div style="background-color: #cccccc; padding: 5px; display: inline-block;">Knowledge Transfer</div>			

## **HSE Management System**

The HSE management system supports implementation of HSE and SD policies by providing a consistent framework and approach to managing vital issues. A systems approach 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 our employees and communities to thrive, which helps keep our business healthy.

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 a common tool 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 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.

In 2012, we completed an update of the company's HSE management system and standard. Among other advancements, we incorporated sustainable development into new or revised management system elements and strengthened company guidance on integrating sustainable development into the life cycle of our assets.

### **Business units**

All ConocoPhillips business units are responsible for integrating sustainability issues into day-to-day operations, project development and decision-making. They are held accountable through an annual performance management process.

### **Operations**

Once a project is ready for operations, the HSE management system and other company sustainability programs help define company expectations and provide direction for managing environmental and social issues.

It is the asset manager's responsibility to direct asset sustainable development performance. Audits carried out by corporate and business unit staff are a key process through which we assure these expectations are being met. These tools are described in further depth under each topic heading throughout our website.

For more information, please see our section on Health, Safety and Environment Policy, Management System and Audits, Safety & Health , and Performance Data.



## **Life Cycle Assessment (LCA)**

LCA methodology provides business units with a quantitative estimate of potential environmental and social operating impacts over the life of a project.

By assessing project emissions, natural resource usage and social footprint, business units can understand their individual performance, their footprint relative to other oil and gas projects, and their impacts relative to competing energy sources. See Life Cycle Thinking to learn more.

For more information, see the Environment section of this report or visit [ConocoPhillips.com](http://ConocoPhillips.com) → Sustainable Development → Environment → Lifecycle Thinking.

## **Training & Awareness**

Our approach encompasses a broad range of activities and tools. 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. We've also focused our Networks of Excellence and practitioner work groups on further integration of sustainable development commitments into business planning and processes to broaden awareness and skill development.

ConocoPhillips is active in IPIECA best practice groups to develop training and guidance materials and improve our approach. Our internal training is distributed in a variety of ways, including a new animated video which addresses key concepts of sustainability – economic, social and environmental performance – and includes examples of successfully incorporating sustainability in business decision making.

Training and awareness are also 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. Broader training, like the new Sustainable Development Learning Module is available to all employees

## **Regional Sustainability Reports**

Developing energy responsibly includes processes, standards and people with the skills and passion to deliver on the expectations of our stakeholders. These business unit sustainable development reports provide more examples of how our businesses are translating SPIRIT values into action.

In addition to this Corporate SD Report, ConocoPhillips also develops regional SD Reports for a more detailed view of its operations.

Recent reports have been prepared for:

- Alaska
- Canada
- China
- Peru

Visit [ConocoPhillips.com](http://ConocoPhillips.com) → Sustainable Development → Our Approach → Regional Sustainability Reports to learn more.

## Reporting & Transparency

ConocoPhillips believes 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.



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 for progressing our work in sustainable development are listed in the menu to the left, with descriptions from their websites.

### **The American Petroleum Institute**

The American Petroleum Institute (API) is the only national trade association that represents all aspects of America's oil and natural gas industry. Our more than 500 corporate members, from the largest major oil company to the smallest of independents, come from all segments of the industry. They are producers, refiners, suppliers, pipeline operators and marine transporters, as well as service and supply companies that support all segments of the industry. API is recognized around the world for its broad range of programs. The members of API are dedicated to continuous efforts to improve the compatibility of their operations with the environment while economically developing energy resources.

### **Interfaith Center on Corporate Responsibility**

The Interfaith Center on Corporate Responsibility (ICCR) builds a more just and sustainable world by integrating social values into investor actions. Members work in coalition to promote corporate practices that ensure long term business growth while measurably improving environmental and social impacts. With more than 40 years of experience in shareholder advocacy and corporate engagement, ICCR members have been active partners in the co-creation of more just and sustainable business practices across a wide range of sectors. From mitigating the environmental and social impacts of the extractives industry to calling for greater access and affordability of health care services to advocating for supply chain accountability that eradicates the specter of human rights violations, ICCR has had an enduring record of influence and is a widely respected voice for social justice.

### **International Petroleum Industry Environmental Conservation Association**

The International Petroleum Industry Environmental Conservation Association (IPIECA) is the global oil and gas industry association for environmental and social issues. IPIECA was formed in 1974 following the launch of the United Nations Environment Programme (UNEP). IPIECA is the only global association involving both the upstream and downstream oil and gas industry on environmental and social issues. IPIECA's membership covers over half of the world's oil production. IPIECA is the industry's principal channel of communication with the United Nations.

IPIECA helps the oil and gas industry improve its environmental and social performance by:

- Developing, sharing and promoting good practices and solutions.
- Enhancing and communicating knowledge and understanding.
- Engaging members and others in the industry.
- Working in partnership with key stakeholders.

The work of IPIECA is supported by a number of specialist working groups. These working groups draw on the skills and experience of our international membership and operate with support from a

secretariat. IPIECA currently has working groups that address the following areas: biodiversity, climate change, health, oil spill preparedness, operations and fuels, reporting, social responsibility, and water

### **International Oil and Gas Producers Association**

The International Oil and Gas Producers Association (OGP) is a unique global forum in which members identify and share best practices to achieve improvements in every aspect of health, safety, the environment, security, social responsibility, engineering and operations.

OGP encompasses most of the world's leading publicly-traded, private and state-owned oil and gas companies, industry associations and major upstream service companies. OGP members produce more than half the world's oil and about one third of its gas. The Association was formed in 1974 to develop effective communications between the upstream industry and an increasingly complex network of international regulators.

In addition to responding to external pressures, OGP members are committed to improving performance through the development of better operating practices. The Environment Committee of OGP aims to co-ordinate and represent the Exploration and Production industry on environmental issues of international significance. In particular these include:

- Monitoring issues and providing input on relevant developments to international bodies/authorities/regulators.
- Developing and advocating industry positions.
- Identifying strategic and emerging issues.
- Addressing common concerns and sharing and developing knowledge of the environmental impact of the E&P industry and improving operational practices based on that knowledge.

In addition, an integral part of the Committee program is to respond to regulatory initiatives in the broad range of forums in which OGP is represented.

### **U.S. Business Council for Sustainable Development**

The US Business Council for Sustainable Development (US BCSD) launched in 2002, is a regional partner of the World Business Council for Sustainable Development (WBCSD) a global network of 200 international companies with member from 356 countries and 20 major industrial sectors. Its mission is to show first-hand the benefits sustainable development can provide to a company's triple bottom line – generating economic returns while improving the environment and society.

The US BCSD demonstrates the business value of sustainable development through:

- Providing the opportunity to participate in authentic sustainability projects with industry, government and other key stakeholders.

- Offering meaningful business relationships with leaders from diverse industries to develop new working relationships and share the best ideas in sustainability.
- Enhancing members' credibility through groundbreaking projects and partnership with the World Business Council for Sustainable Development.

## **Economic Transparency & Reporting**

ConocoPhillips endorses 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. See our Economic Transparency & Reporting Position.

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. Of the countries that have committed to EITI principles, and therefore are considered candidates for EITI membership, we have resource interests in two: 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.

Please note that in 2012 ConocoPhillips announced its intent to sell its 8.4 percent interest in the North Caspian Sea Production Sharing Agreement (Kashagan) located in Kazakhstan. The transaction, which is subject to approvals, is expected to close in 2013. Additionally, ConocoPhillips entered into an agreement to sell its Nigerian business in 2012. The proposed sale, which is subject to approvals, is expected to close in 2013.

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, ConocoPhillips took an active leadership role in helping Timor-Leste move toward and reach its goal of EITI validation. Timor-Leste achieved its goal of being an EITI-compliant country in July 2010 and is now one of 18 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, ConocoPhillips provides 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.

## **Nigeria**

The EITI Board designated Nigeria as EITI-compliant in March 2011. Nigeria was accepted as an EITI candidate country in September 2007 and submitted its final validation report to the EITI Board in June 2010.

In 2007, the Nigeria EITI (NEITI) was established by law to promote transparency principles. Per this law, NEITI is governed by the National Stakeholders Working Group (NSWG), which is comprised of government, civil society, and community and industry representatives. The law gives the NSWG the authority to develop policies and standards to be applied by NEITI and provides for audits to start the process. These continuing audits provide information to the NSWG in its role as the governing body for NEITI. The audits produce detailed data on payments of the Petroleum Profits Tax (PPT) and physical volumes of production/throughput. As a part of the process, auditors review company financial statements and PPT returns, along with additional information necessary for reconciliation. ConocoPhillips has participated fully in these audits and will continue to do so.

Please note that ConocoPhillips entered into an agreement to sell its Nigerian business in 2012. The proposed sale, which is subject to approvals, is expected to close in 2013.

## **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 first Norwegian EITI report was published in January 2010.

## **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. ConocoPhillips expects to take an active role in Indonesia's effort to achieve EITI-compliant status which must be completed in 2013. The first EITI Report covering 2009 is expected to be published in 2013. The national secretariat publishes regular EITI newsletters providing an overview of progress on their website.

## Awards

ConocoPhillips was honored in 2012 for our sustainable development performance and success.

### 2012 Performance

ConocoPhillips was honored in 2012 for our sustainable development success. 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 sixth consecutive year, and achieved improvement in our environmental disclosure and performance score from the Carbon Disclosure Project.

