

## VOLUNTARY PRINCIPLES ON SECURITY AND HUMAN RIGHTS 2018 ANNUAL REPORT

### COMMITMENT TO THE VOLUNTARY PRINCIPLES

As a participating company, ConocoPhillips is [committed to supporting and promoting the Voluntary Principles for Security and Human Rights \(VPSHR\)](#) in its operations. This commitment is aligned with the company's [Human Rights Position and principles for effective stakeholder engagement](#).

We also actively participate in the [IPIECA Social Responsibility Working Group](#) where companies share best practices and lessons learned on implementing human rights policies and positions.

### POLICIES, PROCEDURES AND RELATED ACTIVITIES

Implementation of the company's Human Rights Position, including our commitment to the VPSHR, is supported by the following summarized processes applied at the project and business unit levels. These processes reinforce the company's ongoing actions to meet our sustainable development commitments.

### RISK ASSESSMENTS

The company identifies and manages key safety, environmental, political, and social risks over the life cycle of our operations. Company practice requires business units to identify and track these risks, and technical and commercial constraints, in a risk register with links to related mitigation or action plans, including local site security plans and supportive engagement strategies.

ConocoPhillips risk assessment capabilities enable us to:

- Identify security and human rights risks arising from political, economic, and social factors.
- Identify and understand the origins of risks that could lead to the erosion of security conditions and/or human rights protections.
- Assess human rights records, standing policies and applicable reform efforts in areas of potential company operations.
- Evaluate the strength and willingness of foreign legal, judicial and nonjudicial institutions to address human rights concerns, adherence to contracts, and other legal expectations.

Additionally, each business unit or project team develops a stakeholder engagement plan that identifies individuals and groups who may impact or be impacted by our activities and their key concerns and interests, as well as how we can most effectively engage with them.

### New Country Entry

Before starting a venture in a new country, we take several steps to assess sustainability and business risks. Once an opportunity is identified and a request for approval is drafted, a new country entry risk report is prepared. Our process includes a comprehensive due diligence assessment that identifies significant political, economic, financial, security, health and safety, legal and social risks and defines how they will be managed. This assessment is informed by the company's security and political risk analyses, both of which evaluate the human rights conditions in the country of interest and feature prominently in our effort to develop risk mitigation for the new country entry. Both of these analyses also evaluate the security and political conditions following entry to provide early warning and advice regarding emerging threats to company operations and business objectives.

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 seek to manage these concerns.

Following completion of this due diligence phase, all new country entry requests are reviewed by the business and function 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.

In 2018, we continued to include comprehensive security and human rights analysis as part of new country entry assessments for countries considered to be “high risk” in these areas based on externally developed risk indices.

### **Health, Safety, Environmental (HSE) and Social Assessments for Projects and Operations**

We systematically 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 risk management process, which address security and human rights issues.

Our SD risk management process is a mandatory, auditable process that guides sustainability-related risk management and integrates the Risk Register into corporate planning and operating plans. Business units and major projects are required to conduct regular assessments to identify high and significant risks and document and track mitigations for inclusion in company-wide action plans. Our risk register and action plans are used to track performance and guide goal setting. Key risks are categorized and prioritized based on potential consequence and likelihood. Our SD risk assessment tool includes questions on security and human rights and fosters a related understanding within the business unit or project teams that supports alignment with the VPSHR.

Once a project is ready for operation, the HSE Management System and SD risk management process 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 to assure that these expectations are being met.

At the asset level, we continue to advance integration of human rights issues in relevant processes and protocols as we further strengthen consistency in implementation. Sustainable development, including human rights issues, is incorporated into the HSE Management System and HSE and Social Issues Due Diligence Standards in accordance with the SD risk management process. The HSE Management System is assessed annually using a common tool to guide targeted improvement, with a goal of ultimately achieving the highest standards of excellence.

### **Security Audit and Compliance Program**

The ConocoPhillips security audit and compliance program systematically evaluates company operations at key facilities to assure conformity with government-prescribed security mandates and company-required security policies, procedures and guidelines. This ongoing program identifies and internally reports on, and makes recommendations with respect to, security operation nonconformities including issues associated with security and human rights, if any occur. The company also conducts due diligence investigations of security providers in countries that have been identified as high-risk for human rights.

### **Other Transactions**

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 are clearly identified, understood and documented, with our sustainable development positions addressed prior to major business transactions. When relevant, we include security and human rights issues in this process. This due diligence standard applies to ConocoPhillips and its global subsidiaries, and we strive to influence all affiliated companies and joint ventures to conduct similar levels of due diligence before undertaking binding business transactions.

Following completion of the due diligence assessment, a corporate HSE nonobjection 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 transaction, and that the liability risks are or can be satisfactorily mitigated.

## IMPLEMENTATION

### Human Rights Training and Awareness

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

### Country-Level Implementation

Our commitment to security and human rights continues throughout projects where we operate or have working interest. In addition to specific policies on security and human rights, and the company processes and procedures described above, on-the-ground implementation actions include:

- Training for employees, security contractors and other stakeholders where appropriate.
- Integration of security and human rights commitments in security-provider contracts and related contract monitoring.
- Stakeholder outreach and engagement, including public security forces where relevant.

The following are specific examples of how the company manages security and human rights in its operations, or previous operations, in three countries: Colombia, Indonesia and Libya.

#### **Colombia**

The Colombia business unit is committed to implementing the VPSHR in-country. Our approach to human rights is included in presentations to communities and other stakeholders. In 2018, we continued our engagement with the Colombia military and security contractors through a series of training sessions, meetings and formalized agreements for an agreed adherence and commitment to the VPSHR.

- **Security Contracts and Agreements**

Security and human rights issues are incorporated into the contract requirements for private security service providers in Colombia. This includes agreement that security guard services shall comply with the VPSHR and those ConocoPhillips policies established for VPSHR implementation as communicated to the security contractor.

Additionally, ConocoPhillips completed agreements with the Colombian government security forces on adherence to human rights expectations.

- **Training**

In 2018, human rights training was completed by ConocoPhillips security contractors and third-party security consultants. This included a thorough review of the VPSHR framework and how to identify human rights risks.

As always, new employees and contractors received our corporate human rights and stakeholder engagement training. This training explains the policies and positions in place to handle these issues, as well as the risk factors to be aware of and mitigate accordingly.

## Indonesia

ConocoPhillips Indonesia (COPI) continues to strengthen the company's commitment to the VPSHR through risk assessments and audits, training and security contract implementation.

- **Security Risk Assessment (SRAs)**

To further assess the risks and threats that could potentially cause disruption to operations, all SRAs are reviewed by the local team annually. An additional local SRA was conducted for operational supporting facilities including barging operations, jetty area and the Corridor Storage Tanker.

The local security team also reviewed the Facility Security Plans (FSPs) for all facilities. All COPI FSP documents incorporated a requirement that all Facility Security Officers (FSOs) and Deputy FSOs undertake annual training in 2018 VPSHR training sessions.

- **Security Audit**

Field management and security function conducted security audits in Suban, Dayung, Sumpal, Grissik and Rawa fields. The audit results and recommendations for improvements were included in VPSHR discussion points with security personnel, including private contractors and public security.

- **Training**

VPSHR training is included as a mandatory training in the COP Indonesia training matrix and conducted annually. All security-related functions and other functions that hold security responsibilities/duties, and other stakeholders, such as National Police Task Force assigned in COPI BU facilities, undergo VPSHR training.

VPSHR training is included as a requirement in all security contracts. Security service contractors are required to conduct the training for all security personnel in all facilities and operational locations. Implementation and coordination of the VPSHR requirements is provided by the COPI security team. Contract wording includes:

*Contractor shall conduct a professional security operation which is based on the following:*

1. *Laws and regulations of the Republic of Indonesia.*
2. *International regulations and/or all relevant international codes of security services, human rights, health, safety and environment as well as ethics and law.*
3. *All Company policies standards and procedures as stipulated in this Contract.*

Incidents of noncompliance with ConocoPhillips' VPSHR requirements will result in a Key Performance Indicator penalty and may lead to the termination of the service contract.

The 2018 VPSHR training included a presentation by a former commissioner from the Indonesia Commission for Human Rights (KOMNAS HAM). KOMNAS HAM is the only authorized Indonesian institution recognized to support the protection and enforcement of human rights in Indonesia. KOMNAS HAM is recognized by the United Nations Office of the High Commissioner for Human Rights.

The 2018 VPSHR training was conducted in all field locations and the Jakarta office. The sessions were attended by 828 participants.

- Jakarta Office – 171 participants
  - 154 security personnel
  - 3 national police assigned to the Jakarta office
  - 14 COPI employees, including 10 who have security related duties but are not security personnel
- Field operation areas – 657 participants
  - 622 field security personnel
  - 19 national police task force assigned to all field areas
  - 4 field security advisors
  - 12 personnel from operations

2018 VPSHR training also included other stakeholders and managers who currently have ongoing projects at field locations and have frequent contacts with local communities in their respective project areas.

## **Libya**

- **Security Contracts**

The contract requirements for our security service provider in Libya include the management of security and human rights issues. This includes agreement that security guard services shall comply with the VPSHR and those ConocoPhillips policies established for the implementation of the VPSHR and communicated to the security contractor. Contractors are specifically required to conduct security operations consistent with the elements applicable to “Companies” as set forth in the VPSHR.

## **LESSONS AND ISSUES**

Since the illegal 2016 blockade of a ConocoPhillips well site by antifracking activists in Colombia, there have not been any further negative encounters. ConocoPhillips Colombia attributes this, in part, to the extensive stakeholder engagement conducted with community members. Working with agencies of the Colombian government at the national, regional and local levels, we engaged with stakeholders, including local communities, nearly 200 times since the beginning of the project, listening to their concerns and addressing their questions about our plans for the VMM-3 and VMM-2 blocks, located in Colombia’s Middle Magdalena River Valley. These efforts were successful in securing the support of local leaders and the vast majority of community members, many of whom had questions and concerns at the beginning of the project. The meetings focused on the legal, technical, social and environmental aspects of our plans, including discussions of our conventional environmental license to conduct the production test, the environmental impact assessment for exploration of unconventional resources that have been submitted to the National Authority of Environmental Licenses, and the community benefit plan.