

Managing Climate-Related Risks Highlights



ConocoPhillips recognizes how important it is to deliver reliable and affordable energy to the world and that we must achieve this in a sustainable way that addresses important social and environmental issues, including climate change.

To manage climate-related risks, we:

- Have acknowledged the need for action to address climate change and have been reporting on our performance to reduce our greenhouse gas (GHG) emissions since 2003.
- Voluntarily carried out projects that have reduced our GHG emissions by almost 7 million tonnes of CO₂ equivalent per year compared to business as usual since 2009 — the equivalent of taking over 1.5 million cars off the road.
- Support the ambitions of the Paris Agreement and recognize the need for global action to deliver them.
- Led the development of IPIECA's *Low Emissions Pathways* which describes the challenges and responses needed to address the risks of climate change.
- Are a founding member of the Climate Leadership Council, an international policy institute founded in collaboration with business and environmental interests, to develop a carbon dividend plan in the U.S.
- Signed Vatican statements on the importance of carbon pricing to reduce GHG emissions and the necessity to provide clear disclosures on strategies and actions, governance process and performance regarding climate change.

GHG Intensity Target

5–15% reduction in GHG emissions intensity by 2030 from a 2017 baseline

Resiliency

We manage uncertainty by focusing on the fundamental characteristics that drive competitive advantage in a commodity business:

- Low sustaining price — the commodity price that generates enough cash flow to maintain flat production and grow the dividend.
- Low cost of supply — the commodity price necessary to generate a 10% after-tax return on a point-forward and fully burdened basis.
- Capital flexibility — the ability to redirect capital to the most competitive basins.
- Strong balance sheet.

There is not just one pathway to a 2-degree future; there are numerous ways in which government action and technology development could interact with consumer behavior to bring about a lower-carbon future.



Governance Framework

We have a comprehensive climate-related risk governance framework that extends from the board of directors, through executive and senior management to the working levels in each of our business units.



Board Oversight

The ConocoPhillips Board of Directors oversees our position on climate change and related strategic planning and risk management policies and procedures. The Public Policy Committee of the board is responsible for identifying, evaluating and monitoring climate-related trends and risks that could affect business activities and performance.

Leadership Teams

The Sustainable Development (SD) Leadership Team, which includes business unit presidents and global functional heads, provides consultation and approval for SD action plans and results. The Health, Safety and Environment Leadership Team drives implementation of company-wide initiatives, including implementation of the GHG emissions intensity reduction target.

Executive Management

Responsibility for managing day-to-day climate-related risks and opportunities rests with the chief operating officer and the senior vice president, Government Affairs, who report directly to the chief executive officer.

Business Units

Each business unit is responsible for integrating sustainability issues, as appropriate, into day-to-day operations, project development and decision-making. They are held accountable through an annual goal-setting process that includes the Climate Change Action Plan and GHG target implementation plan, and they report progress to executive management.



Strategy

Our objective is to manage climate-related risk, optimize opportunities and equip the company to respond to changes in key uncertainties, including government policies around the world, technologies for emissions reduction and alternative energy technologies.

Climate-Related Risk Scenarios

Climate-related risk management performance is driven by the strength of strategic planning, including the use of widely varying scenarios, as well as the financial strength and asset flexibility to manage across a range

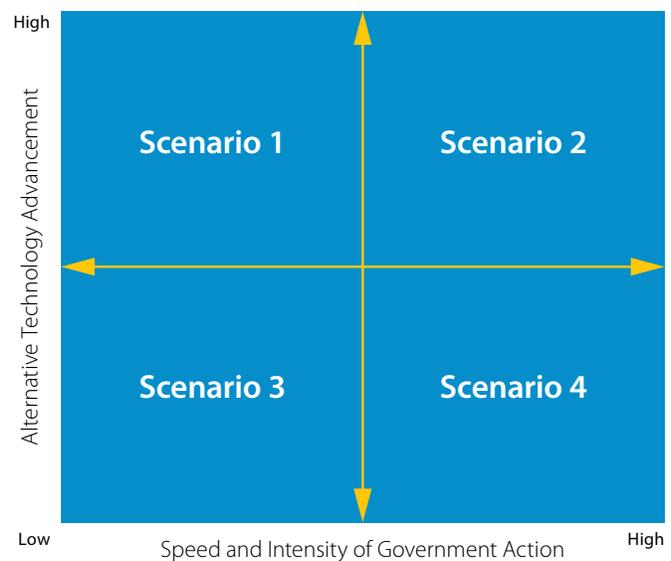
of possibilities. This analysis is presented to executive management and the board of directors to assist in strategic decision-making.

Scenarios represent plausible potential future states of the world and they are used in our strategic planning process to:

- Gain better understanding of external factors that impact our business.
- Test robustness of our strategy across different business environments.
- Communicate risks appropriately.
- Adjust prudently to changes in the business environment.

This analysis is presented to executive management and the board of directors to assist in strategic decision-making.

Climate-Related Risk Scenarios



Climate Change Action Plan

Our SD risk management process ensures that an action plan is developed to track mitigation activities for each risk included in the corporate SD Risk Register. These plans include details about our commitments, related responsibilities, resources and milestones. Climate-related risks broadly fall into four categories:

- GHG-related policy.
- Emissions and emissions management.

- Climate-related disclosure and reporting.
- Physical climate-related impacts.

As part of regular updates to the register, the action plans and their effectiveness are evaluated, and decisions are made to continue mitigation measures, add new measures or simply monitor the risk for further developments. Our SD Risk Register and action plans are used to track performance and guide goal setting.

Risk Management

We utilize an integrated management system approach to identify, assess, characterize and manage climate-related risks. This system links directly to the enterprise risk management process, which includes an annual risk review by executive leadership and the board of directors.

Assessing Climate-Related Risks

We continually review emerging climate-related risks through our scenario monitoring system. We use this “early warning” system to inform our strategies in a timely manner so that we can identify and implement effective mitigation measures. The Scenario Monitoring System helps us understand how far and how fast we are moving in any direction.

Through our SD risk management process, existing and planned exploration and production and major projects are examined against the physical, social and political settings of our operations. Climate-related risks are identified and described by a diverse group of subject-matter experts in each business unit and project and plotted on a matrix to determine the significant or high risks.



Managing Climate-Related Risks

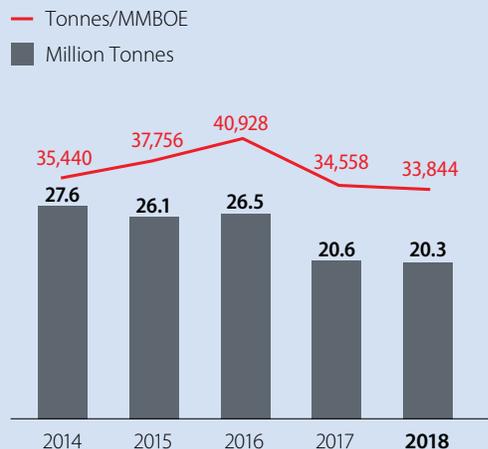
Climate-related risks from the corporate SD Risk Register are mapped to key categories in the enterprise risk management process. Our corporate strategy and the embedded Climate-Related Risk Strategy are informed by the output of our scenarios and the risk management

system. The Long-Range Plan provides the data that underlies our corporate strategy and enables us to test our portfolio of projects against our climate-related risk scenarios.

Performance Metrics and Targets

We use key metrics and targets to measure and monitor our performance and progress in managing climate-related risks and opportunities in line with our strategy and risk management process.

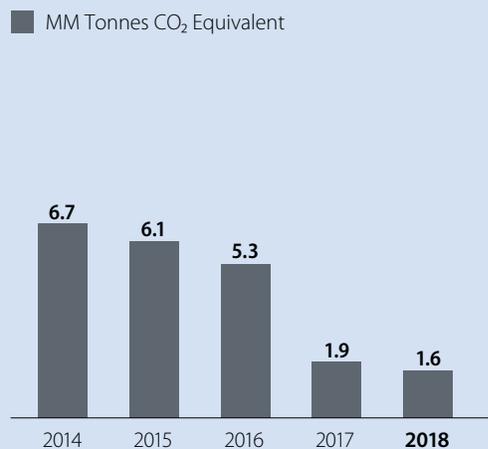
Total GHG Emissions and Intensity (CO₂ equivalent)



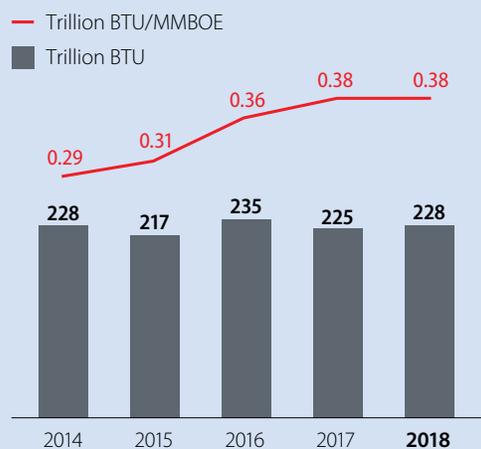
Total Flaring Volume and Intensity



Total Methane Emissions



Total Energy Use and Intensity



GHG Emissions Intensity Target

We have a long-term target to reduce our scope 1 and scope 2 GHG emissions intensity from 5–15% by 2030 from a Jan. 1, 2017 baseline. The target will support innovation on efficiency and emissions reduction, GHG regulatory risk mitigation and climate-related risk management throughout the lifecycles of our assets. Key

areas of focus are to reduce flaring and fugitive emissions of methane and improve energy efficiency.

In 2018, we reduced our emissions while increasing our production.

Reducing Emissions

In 2018, we continued our voluntary emissions reduction program. We participate in The Environmental Partnership in the U.S., a coalition of natural gas and oil companies working to improve methane emissions management. As part of our commitment, our U.S. Lower 48 operations have focused on two key areas:

- Leak Detection and Repair (LDAR) programs — We conducted more than 4,300 site surveys across our assets to detect leaks and quickly repair them. While this is a regulatory requirement in many areas, over 60% were done voluntarily. These surveys continue to provide a better understanding of where leaks occur and what we can do to minimize fugitive emissions.
- Pneumatic device evaluation and conversion — All high-bleed pneumatic controllers have been removed or replaced and we are focused on greenfield designs to reduce pneumatic emissions at new facilities. We have a complete inventory of pneumatic devices and continue to evaluate solutions to reduce emissions.

Other reduction projects in the U.S. include:

- Testing the effectiveness of drone technology for detecting methane leaks from our operations. A pilot project was initiated in the Eagle Ford in late 2018.
- Using gas chillers in the Bakken, to ensure that natural gas from production remains cool enough to be eligible to go into the midstream pipeline. This yields more saleable gas and reduces flaring.

In Canada, GHG reduction projects include:

- Use of non-condensable gas in the oil sands.
- Carbon XPRIZE.

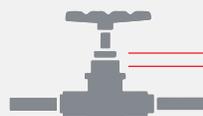
Piping Components

Implemented a leak detection and repair program across our Lower 48 operations.



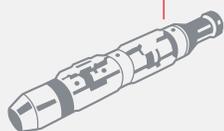
Innovative Technology Trials

Initiated trials to use innovative technologies such as drones and remote sensing devices to monitor and detect leaks more efficiently.



Liquids Unloading

Upgraded our plunger lift controllers to reduce emissions.



Separator/
Treater Skids

Oil and Water
Storage Tanks

Vapor Recovery
Units



Hatches

Identified and implemented a better seal gasket.

Pneumatic Controllers

Replaced, removed or retrofitted high-bleed pneumatic devices throughout our Lower 48 operations. We are also evaluating the use of compressed air instead of natural gas at select locations.



A simplified view of a typical wellsite.

More information about our climate-related risks is available at <http://www.conocophillips.com/sustainability/managing-climate-related-risks/>