Managing Climate-Related Risk

“Society faces perhaps the defining challenge of our times as it strives to address climate change while still supplying the energy that drives human and economic progress.” — Ryan Lance, Chairman and CEO

To manage climate-related risks, we:

• Have long recognized the need for action to address climate change and have been reporting on our performance to reduce our greenhouse gas (GHG) emissions since 2003.
• Reduced our gross operated global GHG emissions by approximately 26% as a result of discretionary projects since 2009.
• Set an ambition to become a net-zero company for operational (scope 1 and 2) emissions by 2050, consistent with the Paris Agreement’s aim to limit the rise of global temperature to well below 2 degrees Celsius.
• Increased our operational greenhouse gas emissions intensity reduction target to 35–45% by 2030.
• Endorsed the World Bank Zero Routine Flaring by 2030 initiative, with an ambition to meet that goal by 2025.
• Are advocating for a U.S. carbon price to address end-use (scope 3) emissions through our membership in the Climate Leadership Council.
• 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.

Paris-Aligned Climate Risk Framework to Meet a Net-Zero Operational Emissions Ambition by 2050

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 of Directors
- Public Policy Committee

Executive Leadership Team (ELT)
- ELT Champions for Human Rights, Stakeholder Engagement, Water, Biodiversity, Climate Change

Sustainable Development Leadership Team (SDLT)
- Business Unit Presidents, Function Heads, Sustainable Development Team

Operations
- Business Unit Leadership, Subject Matter Experts, HSE Leadership, Global SD Issues Working Groups

Note: Each layer represents a Governance level and the corresponding membership entity/support

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.

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.

Leadership Teams
The Sustainable Development (SD) Leadership Team, which includes business unit presidents and global functional heads, provides consultation and approval for SD focus areas, goals, priorities, action plans and results. It also reviews strategic climate-related risk planning, goal-setting, target implementation performance and reporting.

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.

Climate Change Action Plan

Our sustainable development (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 the pace and direction of the energy transition.

As part of the annual risk management process mandated by our SD Risk Management Standard, operated assets and major projects are examined against the physical, social and political settings of our operations. Climate-related risks are identified and described by subject matter experts in each business unit and assessed using a matrix that evaluates both its likelihood and consequence 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.

GHG Emissions Intensity Target

In 2020 we developed a climate risk strategy that sets an ambition to reduce our operational GHG emissions to net-zero by 2050. We set a new target to reduce GHG emissions intensity by 35 to 45% by 2030. In addition, we endorsed the World Bank Zero Routine Flaring by 2030 initiative with an aim to achieve it by 2025 and set a target to reduce methane emissions intensity by 10% by 2025. These targets inform internal climate goals at the business level and support innovation on efficiency and emissions reduction, GHG regulatory risk mitigation and climate-related risk management throughout the lifecycle of our assets.
Reducing Emissions

We continue to voluntarily reduce our emissions. 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 three 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.

- Continuous Monitoring - We are adding continuous monitoring devices for early detection of methane emissions to our operations, with a focus on our larger Lower 48 facilities, with the expectation that two-thirds of Lower 48 production will be monitored by early 2021.

In Canada, GHG reduction projects include:

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

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