

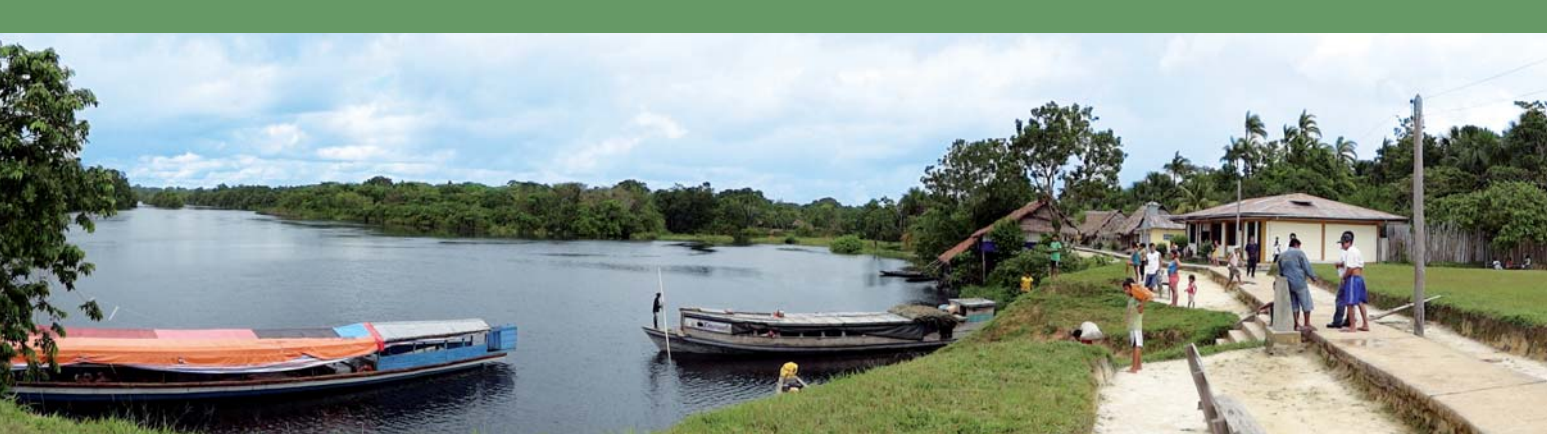
# ConocoPhillips

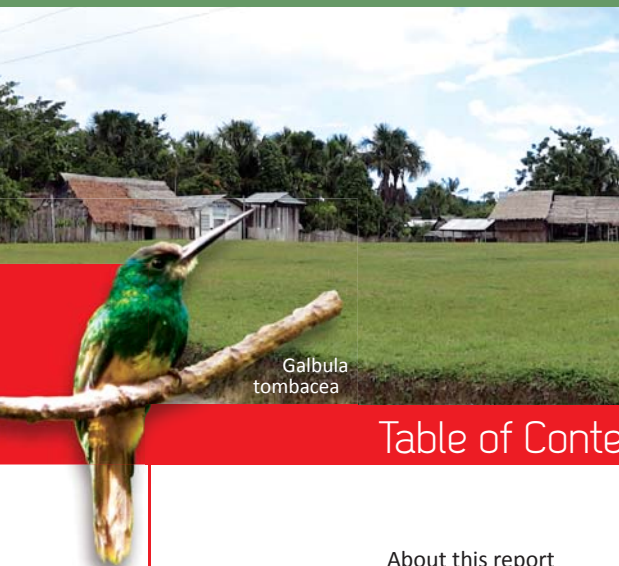
**BURLINGTON**  
RESOURCES



2012

PERU  
Sustainable  
Development Report





Galbula  
tombacea



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## About this report

Burlington Resources Peru Limited Sucursal Peruana together with Gran Tierra Peru SRL and Talisman Peru BU, Sucursal del Peru, who became parties of the Contractor Group in the Blocks 123 and 129 License Contracts in April 2011, are proud to present the Peru 2012 Sustainable Development Report. This Sustainable Development Report is a 2012 overview by Burlington Resources Peru of our safety, social and environmental performance. Our aim is to communicate to our stakeholders, including investors, employees, communities, government regulators and non-government organizations, the status of our exploration activities in Peru and our safety, social and environmental achievements.

This report covers the time period from 2010 through 2012.

Burlington Resources Peru Limited Sucursal Peruana is a wholly-owned subsidiary of ConocoPhillips, hereinafter "ConocoPhillips Peru", acquired April 1, 2006.





Alex Martinez  
Peru Country Manager

## Message from ConocoPhillips Peru Country Manager



Lacmellea  
lactescens

Welcome to our Sustainable Development Report for 2012. This report provides to all of our stakeholders a summary of our exploration activities in Peru, our community work, and our safety and environmental accomplishments during our seismic exploration.

2010, 2011 and 2012 were significant years for our company in Peru. With the completion of two rounds of seismic surveys, we have successfully completed seismic exploration for Blocks 123 and 129. ConocoPhillips Peru employees and contractors understand that our work is never so urgent or important that we cannot take the time to do it safely and in an environmentally sound manner. This key commitment to health, safety and environmental preservation was taken to heart by our employees and contractors during our seismic operations. We, together with Gran Tierra Energy Peru SRL and Talisman Peru BV, Sucursal del Peru, who became parties of the Contractor Group in Blocks 123 and 129 License contracts in April 2011, are proud of the fact that our business presence promoted economic growth for local communities, the Loreto Region and Peru overall. We are also extremely proud of our work with the communities, in which we developed strong relationships with local

residents, federations, municipalities and the government, and initiated a number of community projects.

2012 was also a significant year for the company globally. ConocoPhillips was repositioned into two leading energy companies on May 1, 2012. Here in Peru, on Oct. 5, 2012, ConocoPhillips Peru announced our decision not to pursue further exploration in Blocks 123 and 129. This decision to withdraw as operator and opt out of the next exploration period was part of the newly repositioned company's strategic plan to optimize our asset portfolio. Our interest in and operatorship of Blocks 123 and 129 will soon be transferred to Gran Tierra Energy Peru SRL, subject to government approvals.

The support we received from the communities near our blocks was vital to helping us conduct safe seismic exploration. I want to add my personal thanks to the communities and community leaders, the Peruvian government and our other stakeholders for your support.



## About ConocoPhillips

ConocoPhillips is one of the world's largest independent Exploration and Production (E&P) companies, based on proved reserves and production of liquids and natural gas. It is headquartered in Houston, Texas.

ConocoPhillips has operations in almost 30 countries and more than 16,000 employees worldwide as of May 1, 2012. Production averaged 1.62 million BOE per day in 2011, and proved reserves were 8.4 billion BOE as of Dec. 31, 2011.

On May 1, 2012, ConocoPhillips completed its repositioning into two independent companies through the spinoff of our downstream businesses to a new company, Phillips 66. ConocoPhillips explores for, produces, transports and markets crude oil, natural gas, natural gas liquids, liquefied natural gas and bitumen on a worldwide basis. Key focus areas include safely operating producing assets, executing existing major projects and exploring for new resources in promising areas. The portfolio includes legacy assets in North America, Europe, Asia and Australia; growing North American shale and oil sands businesses; a number of major international development projects; and a global exploration program. ConocoPhillips conducts exploration activities in 19 countries and produces hydrocarbons in 13 countries, with proved reserves located in 15 countries as of Dec. 31, 2011.

### CORPORATE VALUES

ConocoPhillips is committed to setting the standard of excellence in everything we do, and in how we interact with all of our internal and external stakeholders. The company's purpose is using our pioneering

spirit to responsibly deliver energy to the world. Our [SPIRIT Values](#) are the core principles of Safety, People, Integrity, Responsibility, Innovation and Teamwork.

### SPIRIT Values

**Safety:** We operate safely.

**People:** We respect one another, recognizing that our success depends upon the commitment, capabilities and the diversity of our employees.

**Integrity:** We are ethical and trustworthy in our relationships with stakeholders.

**Responsibility:** We are accountable for our actions. We are a good neighbor and citizen in the communities in which we operate.

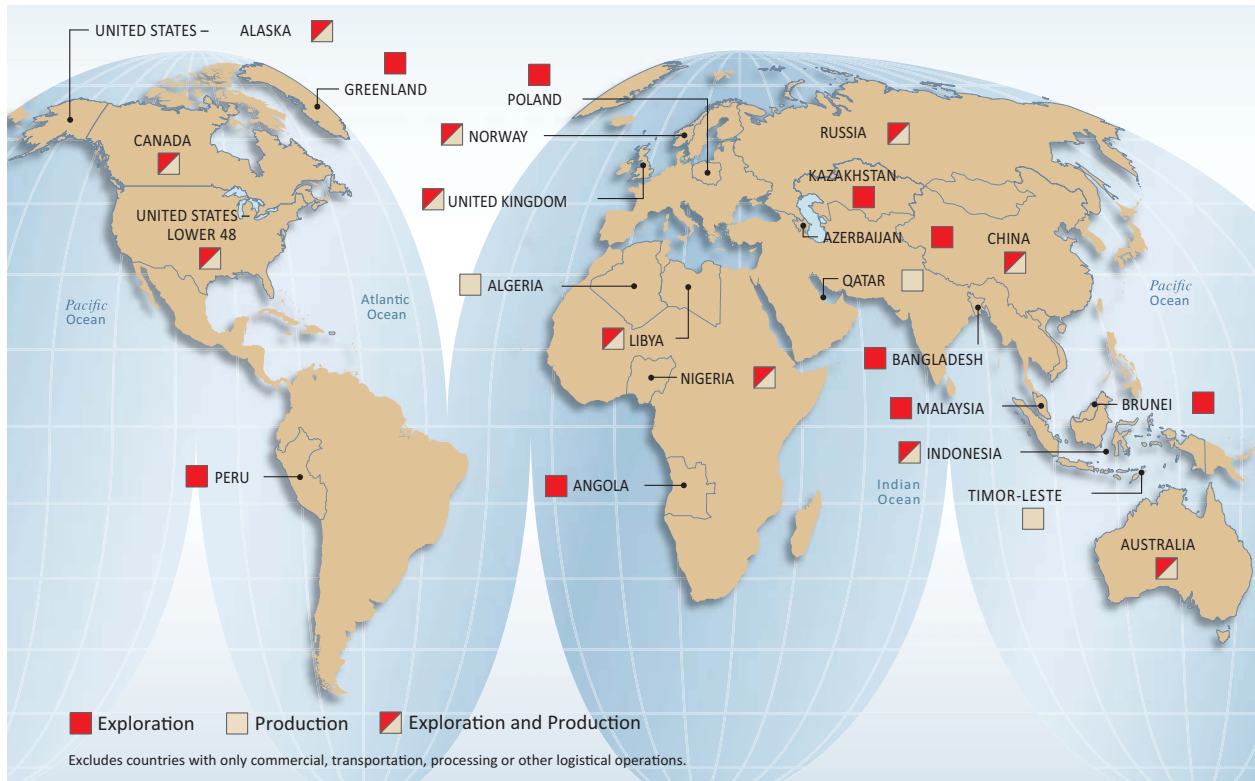
**Innovation:** We anticipate change and respond with creative solutions. We are agile and responsive to the changing needs of stakeholders and embrace learning opportunities from our experiences around the world.

**Teamwork:** Our can do spirit delivers top performance. We encourage collaboration, celebrate success, and build and nurture longstanding relationships.

ConocoPhillips' SPIRIT Values are essential building blocks in the continued success of the company and are an integral part of our search for greatness.



## WORLDWIDE EXPLORATION AND PRODUCTION OPERATIONS Spring 2012



*ConocoPhillips Fact Book, Spring 2012*

These SPIRIT Values are reflected in our Code of Business Ethics and Conduct. The Code includes ConocoPhillips' long-standing commitment to comply with the law wherever we operate, and to conduct all business activities with the highest ethical standards. The standards described in the Code are the company's policy and laws that all employees must follow, and serve as a guide for making ethical business decisions. Our contractors and other individuals who work on our behalf are expected to be guided by these standards.

Throughout our operations in Peru, we sought to foster and support exemplary ethical behavior in all aspects of our business, as we do in our operations elsewhere around the world. We provided ethics training locally, and in Spanish, to all employees and direct contractors. Our employees in Peru confirmed their understanding of and compliance with the ConocoPhillips Code of Business Ethics and Conduct. In fact, ConocoPhillips' employees worldwide

are required to confirm their understanding of, and compliance with, these policies annually.

At ConocoPhillips Peru we based our business management on the ConocoPhillips SPIRIT Values, as well as on compliance with regulatory requirements. We focused our actions on maximizing the positive impacts of our activities while seeking to prevent, mitigate or restore any negative impacts, always within the ethical, social and environmental framework developed with our stakeholders in mind.







## About ConocoPhillips Peru

ConocoPhillips Peru first became active in Peru in 2006. Between 2006 and 2011, ConocoPhillips Peru engaged in a variety of exploration activities in Peru's Marañón Basin, including:

- 2006 participated in the drilling and testing of the Raya discovery well in Block 39.
- 2007 acquisition and processing approximately 23,000 kilometers of high resolution airborne gravity and magnetic data over Blocks 123, 124, and 129. This data was used to interpret regional structural trends and perform a preliminary assessment of hydrocarbon potential.
- 2008 acquisition and processing of 417 kilometers of 2D seismic data in Block 104. This activity was preceded by stakeholder engagement and an extensive Environmental and Social Impact Assessment across the area.
- 2008-2011 participation as non-operating-partner in Block 39 in the appraisal drilling of the Raya structure and acquisition of 725 kilometers of 2D seismic data.

- 2009 relinquished Block 104.
- 2011 relinquishment of 16 percent of the original area of Block 39 in accordance with license contract requirements. Approximately 60 percent of this relinquished area in Block 39 is part of the Pucacuro National Reserve.

As an outcome of the exploration evaluation process, ConocoPhillips Peru and its partners entirely relinquished both license contracts for Blocks 104 and 124. Additionally, ConocoPhillips Peru has transferred its interest in Block 39.

Most recently we held interest in Blocks 123 and 129, located in the Tigre District (Loreto Region). Both blocks comprise approximately 1.6 million net acres. Our area of influence encompassed 40 communities associated with Blocks 123 and 129. Two conservation areas overlap with these blocks: the Pucacuro National Reserve and the Alto Nanay-Pintuyacu-Chambira Regional Conservation Area. Although both were created after we acquired our licenses, we worked to ensure environmental conservation in our activities.

During 2010-2012 our exploration activities in Peru included:

- 2010-2011 acquisition and processing of 606 kilometers of 2D seismic data in Block 123. Ground gravity data along a 100 kilometer seismic traverse was gathered concurrently with the 2D seismic data.

*Seismic Crew, Providencia Base Camp*





*Seismic Crew, Fly Camp*



*Providencia Base Camp*



*Euchroma gigantea*

- An infill 2D seismic Block 123 survey covering an additional 317 kilometers was initiated at year-end 2011. This activity was preceded by an extensive Environmental and Social Assessment across the area.
- In August 2011, in accordance with License Contract requirements, ConocoPhillips Peru and its partners relinquished 14 percent of the original area of Block 123.
- 2010-2011 acquisition and processing of 304 kilometers of 2D seismic data in Block 129. An infill 2D seismic survey covering

an additional 250 kilometers began in January 2012. This activity was preceded by an extensive Environmental and Social Assessment across the area.

- June 2012 completed seismic exploration for Blocks 129 and 123.
- October 2012 ConocoPhillips Peru announced a decision not to pursue further exploration activities in Peru Blocks 123 and 129.





## Sustainable Development

### OUR APPROACH

At ConocoPhillips Peru, sustainable development means conducting our business in a way that promotes economic growth, a healthy environment and vibrant communities, now and in the future. We are committed to our sustainability goals and will continue our efforts where we operate to become and maintain a position as the best energy company to work for as a neighbor or investor. An important part of accomplishing this is integrating sustainable development into our business.

ConocoPhillips has a time-honored tradition of placing safety, health and environmental stewardship at the top of our operating priorities. Our responsibilities include the manner in which we conduct our operations, our adherence to the highest legal and ethical standards, the practice of good corporate citizenship in the communities in which we operate, and the quality of our interactions with our stakeholders. We strive to partner with the communities in which we operate to ensure that our operations do not adversely impact community health and safety while enabling cultural and economic opportunities, aiding communities in meeting basic needs,

and stimulating economic and social development. ConocoPhillips Peru's operations, standards, engagement, and good corporate citizenship in Peru incorporated many of the best practices of ConocoPhillips, and our activities in Peru were reviewed within key functions in the company. For more information on ConocoPhillips' approach to sustainable development we invite you to review the ConocoPhillips Sustainable Development Report at [www.conocophillips.com](http://www.conocophillips.com).

### STAKEHOLDER ENGAGEMENT

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

ConocoPhillips Peru seeks first to understand local community social hierarchy, culture and traditions, as well as their priorities, expectations and preferences for dialogue. We engage with communities at the regional, local and individual levels by meeting regularly with local leaders, community associations and regional governments to hear their views so we can respond to their issues and



*Solar Energy Project  
in the Alto Nanay community*



*"Our experience of COP has been 100% positive. Their commitment to support a group of university students from the Tigre has enabled four students to experience a basic security during their studies while other companions have fallen out of their studies for lack of basic resources. The scholarship help brings not just academic benefit but personal security and higher self-confidence. Their help will bear lasting fruit in the communities".*

(Brother Paul McAuley, Red Ambiental Loretana).



concerns. In Peru we publicly pledged to obtain complete understanding of and agreement with our activities from all communities in our areas of operations prior to conducting exploration and production work.

#### HUMAN RIGHTS

ConocoPhillips Peru 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. As stated in our [Human Rights Position](#), ConocoPhillips Peru conducts our engagement with communities consistent with the philosophy expressed in the United Nations

Declaration on the Rights of Indigenous Peoples. In addition, our [Corporate Values](#), [Ethics Policy](#), [Health, Safety and Environment Policy](#) and [Stakeholder Engagement Principles](#) outline our expectations of our businesses in this area.



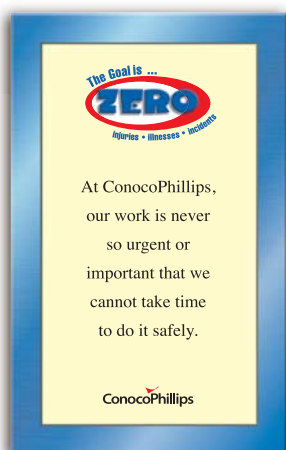
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#### Solar Energy Project in the Alto Nanay





## Safety



It is not about the  
"numbers" - It is about  
Everyone Going Home  
SAFE.

### OUR HEALTH, SAFETY AND ENVIRONMENTAL (HSE) COMMITMENT

ConocoPhillips Peru conducted our work with a commitment to protecting the health and safety of everybody who plays a part in our operations or lives in the communities in which we operate. 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.

### HSE Management System & Excellence Process

The primary objective of the ConocoPhillips Peru HSE Management System is to support implementation of the HSE policy and provide a consistent framework and approach for managing HSE issues. A systems approach helps ensure that business activities are conducted in a safe, healthy and environmentally friendly manner in a way that prevents incidents, injuries, occupational illnesses, pollution and damage to assets.

### The HSE Management System Seeks to:

- Demonstrate management commitment to HSE.
- Ensure that all reasonably practical steps are taken to identify the hazards and risks arising from the company's business activities.
- Systematically integrate HSE activities into new and existing business processes.

- Ensure regulatory compliance.
- Promote high standards and continuous improvement of HSE excellence.

Developing a strong safety culture based on our HSE Policy and Management System has enabled us to achieve high safety performance. Working together with our contractors, we implemented safety leadership training programs in which we emphasize that *"Working safely is a condition of employment,"*

and it was understood that everyone has the responsibility to stop any job they believe to be unsafe. Employee and contractor participation is a key component to our safety efforts and can be evidenced through work in various safety committees and behavioral based safety observation programs.

HSE Management System & Excellence Process builds on the principle that all incidents are preventable and that HSE considerations must be embedded into every task and business decision. It is not about the "numbers" - it is about Everyone Going Home SAFE.



### SEISMIC HSE RESULTS

During the 2010–2012 seismic acquisition project in Blocks 123 and 129, we worked a record number of hours. In 2010, we worked a record number of hours (2,705,531 work hours) and unfortunately experienced 2 recordable cases (1 fatality and 1 lost workday incident).





Seismic Crew Pre-Job Meeting

Seguridad "Una actitud para el éxito"	
ACCIÓN CORRECTIVA INMEDIATA	
ACCIÓN CORRECTIVA PENDIENTE	
ACCIONES PREVENTIVAS	
JEFE DE GRUPO	
JEFE DE QHSE	
SEGUIMIENTO A LA OBSERVACION	
COMENTARIOS	
Fecha de cierre de la observación de QHSE:	
Nombre de la persona de QHSE:	

*"The work that the Government requested COP to do has been carried out properly, including boat transportation, seismic activities and others. As resident and have worked in the seismic project I have seen everything in good shape, the way it should be. If things had not been done properly, I would also say it too. As I always say, I do not like to stand up for anyone, but one has to say what I have seen. The company was excellent, they treated us well, and they gave us good food. Some community residents were hoping to continue working with COP, and they would do it with pleasure. The work and workshops have been conducted in a serious manner".*

(Oscar Peña, Community Hire from Puca Urco, Alto Nanay).

In 2011 we completed the first phase of our seismic work in April and initiated our second seismic phase in December. In 2011, we achieved a significant milestone of zero employee and contractor injuries. In 2012, we completed our second phase of seismic exploration in June 2012. Although this work resulted in three recordable cases, the injuries experienced in 2012 were less severe compared to those in 2010.

During the 2011-2012 exploration seismic campaign, one of our focus areas was to improve hazard identification and facilitate worker interventions to stop unsafe behaviors. We emphasized our training and our behavior-based safety process. The key component in our behavior-based safety process was the "Green Card" reporting program, which captured both safe and unsafe behaviors, and facilitated personal safety talks whereby unsafe behaviors were eliminated and safe behaviors were promoted.

In 2010, the Green Card program reported 601 safe behaviors that represented 14.1 percent of the total reports. In 2012, the Green Card program reported 1,212 safe behaviors that represented 43.7 percent of the total reports.

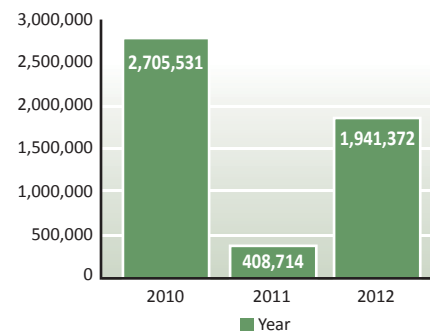
<sup>1</sup> We use total recordable injury frequency rate (total recordable rate – TRR) as a measure of our safety performance. This metric is the sum of our lost time, restricted work duty and medical treatment cases per 200,000 hours worked.

<sup>2</sup> 2012 full year estimate based on measured data to November 2012.

<sup>3</sup> The OGP 2011 rate for all recordable injuries (TRR) for contractors working in South America Exploration was 5.35 injuries per million hours worked, or 1.07 per 200,000 hours worked. The region that showed the largest increase in TRR in 2011 was South America (Oil & Gas Producers 2011 Safety Performance Indicators, 2012).

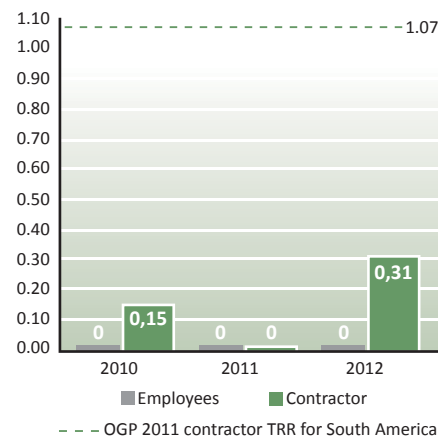
## CONOCOPHILLIPS PERU WORK HOURS

### ConocoPhillips Peru - Block 123 & 129 WORK HOURS 2010 - 2012



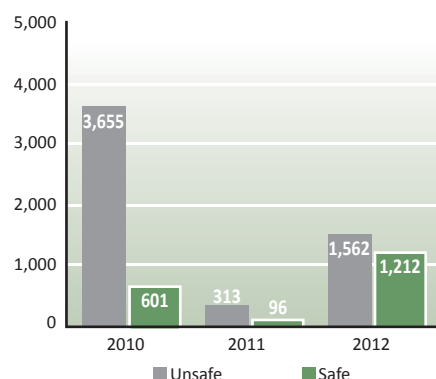
## CONOCOPHILLIPS PERU - TOTAL RECORDABLE RATE<sup>1</sup> (TRR) 2010 - 2012<sup>2</sup> (OGP South American Exploration Contractor TRR – 2011 data)<sup>3</sup>

### ConocoPhillips Peru - Block 123 & 129 TOTAL RECORDABLE RATE (TRR) 2010 - 2012



## CONOCOPHILLIPS PERU GREEN CARDS SUBMITTED

### ConocoPhillips Peru - Block 123 & 129 Number of Green Cards Submitted 2011 - 2012









### OUR APPROACH

Our philosophy operating in Peru was to bring supplies and equipment in by boat or helicopter, utilizing minimal footprint technologies. As a result, no roads were built. The oil and gas industry has learned much since oil production began in tropical regions. ConocoPhillips Peru also learned and worked with communities and developed and utilized environmentally sound practices and implemented advanced technologies. We addressed the observation comments from stakeholders received during the review process for all the Environmental and Social Impact Assessments (ESIAs) that we executed in Peru.

### SEISMIC ENVIRONMENTAL PROGRAMS

Our seismic exploration had no environmental incidents or spills. Following the company's strict environmental policies, planning,

operations and monitoring programs, our seismic exploration was conducted in accordance with the ESIAs approved by the Ministry of Energy and Mines and the SERNANP. Since we were in an early exploration phase, we have not conducted drilling or production activities and have no pipelines or permanent facilities in these blocks.

The following are key facts regarding the deforestation, reforestation, and environmental initiatives accomplished during our seismic exploration:

- ConocoPhillips Peru received deforestation authorization from the government for the Block 129 and 123 seismic campaign. During 2010-2012 the seismic campaign for Blocks 123 and 129, only 45.2% of the total area authorized by the government was deforested.
- Seismic lines are not deforested; however walking paths were cleared for the seismic lines. The regulations allow clearing a 2-meter-width path, but ConocoPhillips Peru elected to restrict its walking paths to 1.2 meters to further minimize impacts. Deforestation activity was restricted to camps and the helipads.
- Once the seismic work was completed, ConocoPhillips Peru returned to all areas where deforestation was conducted and reforested the area with native plants. We then monitored the area to ensure the reforestation was successful.
- All the seismic and reforestation activities were monitored and supervised by government agencies. Community vigilancia committees also monitored our activities.
- Overflight surveys conducted for the reforested areas have confirmed that these areas are recovering quickly.



Water monitoring



Guzmania lingulata

*"With respect to the environment, ConocoPhillips has respected our environment and, most importantly, has taught us how to care for and protect it through training and talks. An example of this is the Community Waste Management Project implemented with their support".*

(Betty Vergara, Mayor of El Tigre District).



Mabuya nigropunctata

- During the 2010-2012 seismic campaign, approximately 600,000 gallons of fuel was transported in double-hull vessels without any environmental incidents or spills.
- All fuel transport vessels were inspected by the government, monitored by GPS satellites, and accompanied by safety boats. To ensure preparedness for potential emergencies, each vessel was equipped with spill response equipment and trained spill responders. Specific drills for potential spills on the river were developed and both table-top and field drills were conducted.

Environmental protection and conservation was achieved through the implementation of various environmental protection programs, which were supervised by environmental specialists.

Environmental programs developed included:

- Management of waste up to its proper disposal.
- Control of deforested areas and inventory of trees cut for the various components of the Project.
- Water monitoring (surface water, drinking water and wastewater).
- Monitoring of noise, air and soil in the base camps (which enabled us to take action to prevent any conditions from exceeding thresholds and standards).



Field Nurseries

- Monitoring of wildlife and sensitive biological areas (ABS) during the opening of the seismic lines.

During the abandonment phase, erosion control measures and revegetated areas were monitored to ensure that all areas recovered in the shortest timeframe. Revegetation was performed using certified seeds of native species from the adjacent forest. In the base camps, nurseries were established for propagation of seedlings, which were used in the revegetation of the base camps.

Seismic exploration activities and the abandonment process were supervised by various governmental agencies such as Oficina de Evaluación y Fiscalización Ambiental (OEFA) and Organismo Supervisor de la Inversión en Energía y Minería (OSINERGMIN). These agencies monitored the environmental and safety aspects of operations, finding no major problems. Furthermore, Servicio Nacional de Areas Naturales Protegidas por el Estado (SERNANP) visited our operations located within the National Reserve Pucacuro and found them within its environmental compliance standards.







Revegetation



Waste Management

*"COP is a very good company because I have seen them do the cleaning. It is a company that takes great care of people, a company that cares of minimizing environmental pollution; I have seen their good practices. COP is a company that was interested in us as people. They wanted us to obtain benefits from what they do. I appreciate their enthusiasm for wanting to share with us and to improve the economic life situation in this part of the Region".*

(William Doñez,  
Atalaya Community in the  
Alto Nanay).

## ENVIRONMENTAL PROTECTION PROJECTS

- We worked with local organizations to support biodiversity conservation in the Pucacuro Reserve. In the Pucacuro Reserve proposal, the community requested support to protect local forests through the Consejo Comunal. We provided funding to support a collaborative effort with SERNANP and the local communities to help protect the National Reserve Pucacuro. A monitoring and control station at the mouth of the Pucacuro River was built, and forest guards were trained to help the government maintain oversight in the area.
- To support Peru's work toward biodiversity management, we requested that the original configuration of License Contract 123, as announced by PeruPetro, be changed to exclude parts of the Pucacuro Reserve. PeruPetro granted the ConocoPhillips Peru request and reconfigured the License Contract Area.
- Consistent with ConocoPhillips work since the 1970s to conserve the natural habitat of migratory birds, in 2011 we partnered with the American Bird Conservancy (ABC) and the non-profit organization, PRONATURALEZA, on a project to raise awareness of endangered bird species from the Allpahuayo Mishana National Reserve in Loreto.
- In October 2012 we signed two environmental project agreements with PRONATURALEZA and SERNANP. The first agreement promotes environmental awareness of the Allpahuayo Mishana National Reserve through expansion of the existing Monitoring Station, increased training of park rangers; and environmental education programs to improve public awareness of the reserve's biodiversity. The second agreement seeks to protect endangered species and biodiverse habitats at the Pucacuro National Reserve, through expansion of the existing monitoring station located in the Tangarana Sector of the reserve. The purpose of this project is to improve government oversight/

control of the area, as well as to carry out environmental education and sensitization. Execution of these projects began in late 2012.

## WATER SUSTAINABILITY

Our seismic exploration had no environmental impact on water quality in the Nanay watershed. Water use is only required for the seismic base camps. Following the company's strict environmental policies, planning, operations, and monitoring programs, the seismic project was conducted in accordance with the ESIA, which was approved and reviewed by the Ministry of Energy and Mines and SERNANP.

ConocoPhillips Peru recognizes that water management is an important worldwide issue. Water is critical to the sustainability of our business, and we recognize the need to manage freshwater usage responsibly, with consideration for communities, consumers and the environment. Although water is a globally important issue, the impacts on freshwater supply and water quality can be very local in nature. Building local awareness, skills and sustainable practices with local authorities and communities is crucial to our commitment to successful water management.

As demonstrated during our initial seismic operations in the Nanay watershed, ConocoPhillips Peru has made extensive efforts to prevent leaks and spills from our operations. These activities include prevention, detection and mitigation of any potential spills.



## Communities



*Petrea bracteata*

TEAM WORK:  
Together Everyone  
Achieves More.

### OUR APPROACH

Our experience working in the region indicated that, as with many other areas in the Amazon, communities face inherent challenges. The location of our area of influence was geographically remote. We found that communities near our exploration operations face difficulties in gaining access to employment, services, and often, basic necessities. The remoteness is compounded by a lack of basic local infrastructure such as medical services, educational services, utilities and transportation. In addition, many communities rely on local subsistence activities to sustain their livelihoods. As a result, the needs of communities are great.

We believe it is appropriate for companies operating in such sensitive and challenging contexts to act in a manner that respects the land and local ways of life, addresses concerns, and contributes to the well-being of communities. In Peru, we are committed to supporting:

- Open, prior and informed engagement and consultation with communities.
- Financial assistance for social investment and environmental conservation projects that can make a sustained and positive impact.
- As many direct and indirect local employment opportunities as are appropriate for our exploration work.

ConocoPhillips Peru dedicated resources for engagement and consultation. There were three full-time ConocoPhillips Peru community relations staff members based in Peru who spent a majority of their time visiting with local communities.

They built strong relationships with communities, community leaders and authorities. Our frequency of community consultation activities was commensurate with our level of exploration activities and exceeded regulatory requirements. Additionally, a locally hired community relations representative accompanied our seismic data acquisition contractor for hiring and orientation during operations, and provided an avenue for local employees to submit concerns or suggestions to ConocoPhillips Peru for managing contractor relations.

ConocoPhillips Peru sought to ensure that stakeholders had a chance to be heard and to be educated on our activities. We first asked permission of the communities to meet with them and then entered into a respectful dialogue with community members. We are aware of the importance of establishing the appropriate frequency and level of contact with each community and found the communities to be very receptive to our engagement. Between 2010 and 2012 we visited each of the more than 60 communities in the area of influence of our past and then-current projects in Blocks 123, 124 and 129. In total, over 780 community meetings were held with attendance by community representatives and virtually all community members. (Note: There are 40 communities associated with the areas of our activities in Blocks 123 and 129.)

We also hosted informative and interactive workshops on different subjects, including, for example:

*Community meeting*







*"I have worked with the company; a great job has been done with COP since COP was with us. I am part of the Management Committee of the RCA Alto Nanay-Pintuyacu and Chambira. They recognized me for my ideas because I said to them: 'Mr. Engineer, let's do it this way because plants will grow faster'. I am very grateful to COP and SAE the seismic contractor".*

(Pedro Marichin, Community Hire from Diamante Azul, Alto Nanay).

- Description of seismic and other potential future development activities and their impacts.
- Regulations concerning the hydrocarbon sector and International Labour Organization (ILO) 169.
- Roles and rights of the communities in environmental monitoring in accordance with our permits and regulatory commitments.

Along with communities, other stakeholders in the blocks in which we operated included federations, regional and municipal government and NGOs. All relevant stakeholders were informed of project activities and their concerns were considered in project planning. ConocoPhillips Peru, in compliance with Peruvian government expectations and regulations, entered into a written agreement called a "convenio" with communities in the project area of influence. The convenio documented the consent of the community and detailed agreed-upon compensation for disruptions in land-use or activities caused by seismic operations.



*Community Sustainable Development Project in the Alto Nanay*

When needed, we covered the cost of transportation to support the communities in their review of our work. For example, we facilitated visits to operational sites by the communities' Environmental Vigilance Committees, who then had the opportunity to provide recommendations on environmental, safety, labor and health matters. Recommendations were then incorporated into the operational activities and validated in follow-up visits by the committees.

*Community meeting in the Alto Nanay*



## INVESTING IN OUR COMMUNITIES

We were committed to providing employment and other economic opportunities to the people who live in our areas of operation. The 2D seismic campaign executed during 2010-2011 in Blocks 123 and 129 provided employment for more than 670 members of local communities. Additionally, during



*Arthosaura reticulata*

the labor recruiting and orientation process, we worked with communities to address health issues, such as malnutrition and hygiene. The 2011-2012 exploration seismic campaign in Blocks 123 and 129 provided employment for more than 420 local community members. In total, our field activities and seismic work during 2010-2012 has created more than 1,100 job opportunities for local communities.

Sustainable Development projects were another important way that we invested and added positive benefits to the communities, and our sustainable development plan was fully integrated into our business planning and ESIA processes in Peru. Though social investment projects are typically required in the operational phase in Peru, we viewed developing these projects early in the exploration phase as part of developing a mutually beneficial relationship over the long term. We are pleased with the outcomes of these projects and the long history of our company in community investment.

#### Sustainable Development Projects

ConocoPhillips Peru sustainable development projects focused on the following areas:

1. Education and skills development.
2. Community health.

3. Environmental protection.
4. Other activities that unite communities (e.g., social, artistic and cultural activities, etc.).

The projects are framed to ensure they meet specific ConocoPhillips Peru criteria including:

- Must meet the needs and priorities of communities in the operational area of influence.
- Must be implemented and executed through a multi-stakeholder approach, which includes the communities and/or the government, Federation or an NGO to promote sustainability.
- Communities benefiting from the project will be actively involved
- Build on existing capacity and does not attempt to replace the role of the government.
- Project executor must have proven experience in the area of community investment.
- Project term will be for a year.

The following are examples of projects completed in 2011 and 2012. All project funding terms and agreements are restricted to one year with terms ending at year-end. The exception is two scholarship programs which lack the sustainability component therefore an additional year of funding was added to ensure the students' ability to complete their education (A detailed list of community investment project is included in this report under the Summary of Sustainable Development Projects 2010-2012).

#### Community Health Project

- Working with PRISMA, a Peruvian NGO with 22 years of experience in maternal and child health projects, we completed a health baseline study in eight communities located

#### Community meeting in the Bajo Tigre







*"My personal thank you as Mayor of the District of Alto Nanay on the activities performed by your company in our District and our joint efforts which have benefited our communities and is appreciated by the population (...) There has been good understanding as partners in promoting projects that today gives testimony of the job you have done to improve the quality of life in the communities".*

(Felice Cosentino,  
Mayor of the Alto Nanay District).



Aechmea

in the Tigre Basin in the vicinity of Blocks 123 and 129 (Intuto, 28 de Julio, Alfonso Ugarte, Santa Clara, Providencia, Santa Elena, Nueva Jerusalen and Belén). Results of the study revealed significant healthcare needs in these communities.

- The second phase of the community health project, started in 2011, focused on improving the health and nutrition of the population under the age of five, and promoting healthy practices among families to address root causes of various health conditions. Program included anti-parasitic and anti-anemic treatments for children with positive diagnoses, and healthy practices were taught to families through house calls and educational demonstration sessions. As a result, 458 children under the age of three received treatment against anemia and parasites. In addition, the project provided training for 16 health workers and 50 community health promoters of the Lower and Upper Tigre communities. In 2012, the focus on strengthening the capacity of the health workers and community health promoters continued. Training in first-aid and recurring illnesses prevention and control was provided, with approximately 20 communities of the Lower Tigre benefiting from this project. The project also strengthened the mother-and-child service provided at the Intuto Health Network.



Community meeting

#### Environmental Protection Project

- In 2011 and 2012, we funded a Solar Panel Pilot Project in the Alto Nanay and Tigre River Basins. The project was carried out by the Canadian NGO Light Up the World (LUTW), with the cooperation of the District Municipalities of Alto Nanay, and Tigre in the Province of Maynas, Department of Loreto. The primary objectives of the project were to establish a reliable, renewable energy source in the most critical and utilized



*Early Childhood Development Center in the Intuto Health Center*



*Community Health Project in El Tigre District*

community buildings, and build the municipalities' organizational capacity to manage the project. The energy generated helped improve the quality of medical services and access to electricity in the health centers, schools and community centers, enhanced community gatherings and promoted cohesion in the communities of Alto Nanay. The communities that benefited from this project were: Santa Maria, San Antonio y Diamante Azul in the Alto Nanay District; and Intuto, Piura y Libertad in the Tigre District. Nine photovoltaic solar systems were installed in the communities of Alto Nanay (Santa Maria, San Antonio y Diamante Azul), and Tigre (Intuto, Piura and Libertad) as part of the project, with training provided to 14 technicians in maintenance and management of photovoltaic systems. It is estimated that more than 9,100 villagers benefited from this project.

- We partnered with the Municipality of El Tigre (Tigre District) and the NGO ODS (Sustainable Development Organization) to prepare a participatory waste management plan. This plan included a waste baseline study and an action plan. The plan was prepared and approved by the communities and the Municipality of El Tigre in early 2012. Phase II of this Project is under way, and its objective is to prepare and submit a plan to the Ministry of Economy and Finance (MEF) to obtain funding to ensure the program's sustainability. Phase II also includes the implementation of the short-term actions of the plan (e.g., training on waste segregation & disposal, purchasing and installation of waste containers in key community places, etc.).

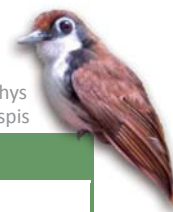
### Education & Skill Development Project

- In 2011, COP Peru, along with the NGO Red Ambiental Loretana, established a scholarship program

for six aboriginal students from COP area of influence to attend post-secondary education in Iquitos. ConocoPhillips Peru also recently signed an agreement with the NGO PRONATURALEZA to provide funding for the remaining four students for the next two years (2013 and 2014).

- ConocoPhillips Peru, the Municipality of El Tigre and the Technological Center of Nauta (Iquitos) worked together to strengthen the institutional capacity of the Technological Center in Intuto. This center was established as a branch of the Tech Center of Nauta, and was opened in April 2011, offering the agriculture and livestock program to students of the Lower and Upper Tigre. In December 2011, COP Peru signed an agreement with the Municipality of El Tigre and the Technological Center of Nauta to expand the curricula and offer an outboard motor mechanics program, as well as to provide scholarships for students of the Tigre communities. The project also included expanding the existing facility, and providing computers and equipment to the Tech Center. In total, 20 students received scholarships and were to complete the outboard motor mechanics program in December 2012. COP Peru recently signed an agreement with the aforementioned parties to provide financial support to continue with the agriculture and livestock program in 2013. Currently, there are 26 students of the Tigre communities enrolled in this program.





PROJECT NAME	PARTNERS	COMMUNITIES BENEFITTED	SUMMARY OF ACTIVITIES
2010			
Health Project - Follow up Visit to Communities	<ul style="list-style-type: none"> <li>• ACLAS of Intuto</li> <li>• NGO PRISMA</li> </ul>	<ul style="list-style-type: none"> <li>• Paiche Playa</li> <li>• Nuevo Canaan</li> <li>• Pampa Hermosa</li> </ul>	Conducted follow-up visit to communities to assess the effectiveness of 2008 health project.
Health Project - Phase I Community Health Baseline Study	<ul style="list-style-type: none"> <li>• ACLAS of Intuto</li> <li>• Regional Health Authority (DIRESA)</li> <li>• NGO PRISMA</li> </ul>	<ul style="list-style-type: none"> <li>• Intuto</li> <li>• 28 de Julio</li> <li>• Alfonso Ugarte</li> <li>• Santa Clara</li> <li>• Providencia</li> <li>• Santa Elena</li> <li>• Nueva Jerusalem</li> <li>• Belén</li> </ul>	Prepared a health baseline study for eight communities of El Tigre basin.
Environmental Project - Support Pucacuro National Reserve Monitoring Station	<ul style="list-style-type: none"> <li>• National Service for Protected Areas (SERNANP)</li> <li>• Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)</li> </ul>	<ul style="list-style-type: none"> <li>• Alto El Tigre communities</li> <li>• Pucacuro National Reserve</li> </ul>	<ul style="list-style-type: none"> <li>• Constructed monitoring station in the Pucacuro National Reserve.</li> <li>• Provided training to the park rangers.</li> </ul>
2011			
Health Project - Phase II Implement Healthy Communities Project	<ul style="list-style-type: none"> <li>• ACLAS of Intuto</li> <li>• Regional Health Authority (DIRESA)</li> <li>• NGO PRISMA</li> </ul>	Lower and Upper Tigre Communities	<ul style="list-style-type: none"> <li>• Improved health and nutrition of children and promoted healthy child practices with families.</li> <li>• Treated 458 children under the age of three against anemia and parasites.</li> <li>• Trained 16 health workers and 50 community health promoters.</li> </ul>
Environmental Project - Alternative Energy Pilot Solar Project	<ul style="list-style-type: none"> <li>• Municipality of Alto Nanay</li> <li>• NGO Light Up The World (LUTW)</li> </ul>	<ul style="list-style-type: none"> <li>• Santa Maria</li> <li>• Diamante Azul</li> <li>• San Antonio (Alto Nanay)</li> </ul>	<ul style="list-style-type: none"> <li>• Installed six solar panel systems in schools, medical centers and community centers.</li> <li>• Trained community members as technicians.</li> <li>• Reduced diesel use required for electrical generators.</li> <li>• Expanded the use of school/community buildings for other activities.</li> <li>• Improved medical services quality and capacity.</li> <li>• Project benefited approximately 2,400 people.</li> </ul>
Educational Project - Post-Secondary Education Scholarships	<ul style="list-style-type: none"> <li>• NGO Red Ambiental Loretana</li> <li>• NGO Empresarios por la Educación</li> </ul>	El Tigre Communities	Six post-secondary scholarships were awarded to aboriginal students.
Environmental Project - Promote Environmental Awareness	<ul style="list-style-type: none"> <li>• NGO American Bird Conservancy</li> <li>• NGO PRONATURALEZA</li> </ul>	Loreto and Iquitos Communities	Promoted awareness of endangered bird species in the Allpahuayo Mishana National Reserve in Loreto.

PROJECT NAME	PARTNERS	COMMUNITIES BENEFITTED	SUMMARY OF ACTIVITIES
Environmental Project - Community Waste Management Project- Phase I	<ul style="list-style-type: none"> <li>• Municipality of El Tigre</li> <li>• NGO Sustainable Development Organization</li> </ul>	<ul style="list-style-type: none"> <li>• Intuto</li> <li>• 28 de Julio</li> <li>• Providencia</li> <li>• Alfonso Ugarte (El Tigre)</li> </ul>	Completed a waste management assessment and prepared a waste management plan for four Alto Tigre communities.
Environmental Project - Alternative Energy Solar Energy Project	<ul style="list-style-type: none"> <li>• Municipality of El Tigre</li> <li>• NGO LUTW</li> </ul>	<ul style="list-style-type: none"> <li>• Intuto</li> <li>• Libertad</li> <li>• Piura (El Tigre)</li> </ul>	<ul style="list-style-type: none"> <li>• Installed three solar panels in medical centers.</li> <li>• Trained community members as technicians.</li> <li>• Reduced diesel use required for electrical generators.</li> <li>• Expanded the use of school/community buildings for other activities.</li> <li>• Improved medical services quality and capacity.</li> <li>• Project benefited approximately 6,700 people.</li> </ul>
Education Project - Technological Center in Intuto Phase I	<ul style="list-style-type: none"> <li>• Municipality of El Tigre</li> <li>• Technological Center of Nauta</li> </ul>	El Tigre Communities	<ul style="list-style-type: none"> <li>• Expanded curricula to offer the outboard motor mechanics program.</li> <li>• Awarded scholarships to 20 students.</li> <li>• Expanded existing facility.</li> <li>• Provided computers and equipment.</li> </ul>
2012			
Sustainable Development Projects funding	<ul style="list-style-type: none"> <li>• Fondo de las Americas (FONDAM)</li> </ul>	<ul style="list-style-type: none"> <li>• Alto Nanay Communities</li> <li>• Lower Tigre Communities</li> </ul>	Established a trust fund to finance sustainable development projects.
Education Project - Post-Secondary Education Scholarships	<ul style="list-style-type: none"> <li>• NGO Red Ambiental Loreana</li> <li>• NGO Empresarios por la Educación</li> </ul>	El Tigre Communities	Awarded four post-secondary scholarships to aboriginal students from COP Peru area of influence.
Community Health Project	<ul style="list-style-type: none"> <li>• ACLAS of Intuto</li> <li>• DIRESA</li> <li>• NGO PRISMA</li> </ul>	El Tigre Communities	<ul style="list-style-type: none"> <li>• Trained local medical staff and community health promoters (first aid &amp; recurring illness prevention and control).</li> <li>• Improved mother-child care being offered by health centers.</li> <li>• Benefitted approximately 20 communities.</li> </ul>
Environmental Project - Community Waste Management Project Phase II	<ul style="list-style-type: none"> <li>• Municipality of El Tigre</li> <li>• NGO Sustainable Development Organization</li> </ul>	<ul style="list-style-type: none"> <li>• Intuto</li> <li>• 28 de Julio</li> <li>• Providencia</li> <li>• Alfonso Ugarte (El Tigre Communities)</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented community waste management plan (i.e. training on waste segregation and disposal, purchasing, and installation of waste containers in key community places).</li> <li>• Prepared waste management plan for submittal to the Ministry of Economy and Finance for funding and sustainability.</li> </ul>

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PROJECT NAME	PARTNERS	COMMUNITIES BENEFITTED	SUMMARY OF ACTIVITIES
Health Project – Dental Campaign	<ul style="list-style-type: none"> <li>• Municipality of Alto Nanay</li> <li>• DIRESA</li> <li>• Red Cross</li> </ul>	Alto Nanay Communities	<ul style="list-style-type: none"> <li>• Conducted dental campaign including tooth prevention, healing and rehabilitation.</li> <li>• Helped approximately 3,600 people with the project.</li> </ul>
Education Project - Technological Center in Intuto Phase II	<ul style="list-style-type: none"> <li>• Municipality of El Tigre</li> <li>• Technological Center of Nauta</li> </ul>	El Tigre Communities	<ul style="list-style-type: none"> <li>• Continued financial support for the agriculture and livestock program for 2013.</li> <li>• Awarded 26 scholarships.</li> </ul>
Community Capacity Building - Strengthen the institutional capacity of Federations and community organizations	<ul style="list-style-type: none"> <li>• NGO PRONATURALEZA</li> </ul>	El Tigre Communities Alto Nanay Communities	Provided legal assistance, training and logistic support to Federations and community organizations.
Education Project - Technological Center in Intuto Phase III	<ul style="list-style-type: none"> <li>• Municipality of El Tigre</li> <li>• ONG PRONATURALEZA</li> </ul>	El Tigre Communities	Assisted the Municipality of El Tigre to obtain accreditation as an independent center, which will be supported by the Ministry of Education.
Education Project - Post-Secondary Education Scholarships	<ul style="list-style-type: none"> <li>• NGO PRONATURALEZA</li> </ul>	El Tigre Communities	Extended scholarships to ensure the four students can continue their post-secondary education.
Environmental Project - Support Allpahuayo Mishana National Reserve Monitoring Station	<ul style="list-style-type: none"> <li>• SERNANP</li> <li>• NGO PRONATURALEZA</li> </ul>	Alto Nanay Communities	<ul style="list-style-type: none"> <li>• Project to be executed in late 2012.</li> <li>• Expand existing monitoring station.</li> <li>• Train park rangers.</li> <li>• Establish programs to improve public awareness on reserve's biodiversity.</li> </ul>
Environmental Project - Support Pucacuro National Reserve Monitoring Station	<ul style="list-style-type: none"> <li>• SERNANP</li> <li>• NGO PRONATURALEZA</li> </ul>	El Tigre Communities	Project to be executed in late 2012 to expand monitoring station in the Pucacuro National Reserve.



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## Closing

On October 5, 2012 ConocoPhillips Peru announced a decision not to pursue further exploration activities in Peru Blocks 123 and 129. This decision to withdraw as operator and opt out of the next exploration period is part of the company's strategic plan to optimize its asset portfolio.

"It was a difficult decision to leave these blocks, in which we worked so closely with communities and demonstrated our ability to operate responsibly in an environmentally sensitive area," said Larry Archibald, senior vice president of exploration for ConocoPhillips. "After careful consideration, we reached this decision as part of the company's broader strategic effort to re-evaluate our investments and asset portfolio since becoming an independent E&P company."

ConocoPhillips' interest, along with operatorship of the blocks, will be transferred to Gran Tierra Energy Peru SRL, subject to government approvals. ConocoPhillips Peru will work with Perupetro, the Peruvian petroleum licensing agency, and Gran Tierra Energy Peru SRL to facilitate an efficient transition.



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