



SUSTAINABILITY AT
CNOOC INTERNATIONAL

2018 CANADIAN REPORT

ABOUT CNOOC INTERNATIONAL



Canada is a nation with abundant natural resources and a strong record of reliable, responsible energy development. For more than 40 years, CNOOC International has been part of

that success story using technology, innovation and collaboration to grow Canadian oil and gas production and help supply the energy that fuels people's lives.

“WE ARE COMMITTED TO PRODUCING ENERGY SAFELY, RELIABLY AND WITH A SHARED COMMITMENT TO EXCELLENCE. FOR US, SUSTAINABLE ENERGY DEVELOPMENT IS ABOUT ENGAGING STAKEHOLDERS, MANAGING OUR ENVIRONMENTAL FOOTPRINT AND WORKING WITH THE COMMUNITIES WHERE WE OPERATE. NO MATTER WHAT, SAFETY FIRST IS ALWAYS OUR TOP PRIORITY.”

FANG ZHI – CHAIRMAN, CNOOC INTERNATIONAL

CNOOC INTERNATIONAL >>

In January 2019, Nexen Energy integrated with CNOOC International to build one aligned team and brand. CNOOC International is the international division of CNOOC Limited, the largest producer of offshore crude oil and natural gas in China and one of the largest independent oil and gas exploration and production companies in the world. As the international division, our portfolio is made up of assets in some of the world's most significant basins in Asia, Africa, the Americas, Europe and the Middle East.

Our business is focused on safely exploring and producing from conventional and unconventional assets that are found onshore and offshore. As part of the CNOOC Group of companies, which span the entire energy supply chain, our size and capability create a competitive advantage that ensures we deliver long-term value. Our growth strategy is to safely and sustainably develop our high quality portfolio to deliver energy for all.

CNOOC LIMITED >>

CNOOC Limited is China's largest producer of offshore crude oil and natural gas and one of the largest independent oil and gas exploration companies in the world, with operations in more than 20 countries. In 2018, CNOOC Limited produced an average of 1.3 million barrels of oil equivalent per day (boe/d).

SAFETY

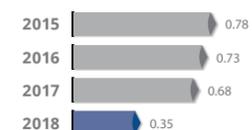
Safety is a core value at CNOOC International and the success of every activity we undertake is measured by our ability to execute our work safely every day. Our employees and contractors strive to ensure our operations occur without incident or harm to people, communities and the environment. We never compromise on safety, and it is integral to everything we do.

CANADA-WIDE SAFETY PERFORMANCE >> (COMBINED EMPLOYEE AND CONTRACTOR)

LOST TIME INJURY FREQUENCY (LTIF)¹



TOTAL RECORDABLE INJURY FREQUENCY (TRIF)²



¹ Lost Time Injury Frequency is a measure of safety performance calculated as the number of lost time injuries and fatalities recorded for every 200,000 hours worked.

² Total Recordable Injury Frequency represents the total number of modified work cases, medical treatment cases, lost time injuries and fatalities for every 200,000 hours worked.

NORTH AMERICA LEADERSHIP TEAM SPONSORS LIFE SAVING RULES >>

CNOOC International's Life Saving Rules (LSRs) are designed to save lives and are an industry best practice to help workers focus on key areas that could result in a serious injury or fatality. To support our **Safety First** culture, senior members of the North America Leadership Team each sponsored a LSR during 2018 to continue to bring awareness and ensure everyone consistently puts **Safety First**.

Our leaders are committed to supporting a safe workplace and make it their priority to ensure that our organization knows that there is always time to do it right – we do it safely, or not at all.

ALBERTA SAFETY COMMITTEES FOSTER OPEN DIALOGUE >>

In Alberta, we have two Safety Committees: one in Calgary and one at our Long Lake oil sands facility near Fort McMurray. Both committees include a cross-functional group of employees and leaders who act as safety ambassadors to help improve and strengthen our organization's safety culture. These committees are also responsible for bringing any issues forward regarding health and safety concerns to raise awareness and ensure solutions are implemented.

“SAFETY FIRST IS FOUNDATIONAL IN EVERYTHING WE DO. AT CNOOC INTERNATIONAL WE AUTHORIZE EVERY EMPLOYEE, CONTRACTOR AND VISITOR TO EVOKE OUR *STOP WORK AUTHORITY* AND *STOP ANY WORK* THAT DOES NOT COMPLY WITH OUR LIFE SAVING RULES, LAW OR APPLICABLE PROCEDURES. WE DO IT SAFELY, OR NOT AT ALL.”

QUINN WILSON – CEO, NORTH AMERICA & SVP

LIFE SAVING RULES



ENERGY ISOLATION



DRIVE SAFELY



WORKING AT HEIGHTS



CONFINED SPACE ENTRY



SAFE LIFTING OPERATIONS



HAZARD CONDUCT HAZARD ASSESSMENT



PERMIT TO WORK



ALCOHOL & DRUG FREE

CNOOC INTERNATIONAL'S CANADIAN BUSINESSES

OIL SANDS – A KEY PIECE OF OUR GLOBAL PORTFOLIO >>

CNOOC International has an interest in more than 300,000 acres in Northern Alberta's Athabasca region, with billions of barrels of contingent recoverable oil sands resources.

Our Long Lake oil sands facility is a steam-assisted gravity drainage (SAGD) only operation and began producing in 2008.

In September 2018, key internal and external stakeholders celebrated the start of Long Lake Southwest, an expansion project that will add 26,000 boe/d from three well pads that will be tied-in to the existing Long Lake facility. Additionally, we are working on a future stand-alone SAGD development in the Kinosis area of Long Lake.

CNOOC International also has strategic interests in several other oil sands projects, including:

- A 25 per cent working interest in Hangingstone, a SAGD joint-venture project operated by Japan Canada Oil Sands (JACOS).
- A 7.23 per cent working interest in Syncrude's oil sands mining and upgrading facility.
- A 12.39 per cent equity interest in MEG Energy.

We are strategically positioned for future in-situ oil sands development and are committed to the Alberta energy sector.

SHALE GAS >>

Starting in 2006, CNOOC International began acquiring high quality land in northeast British Columbia in some of the most prospective gas fields in North America – the Horn River, Cordova and Liard Basins – bringing our total land position to 300,000 acres alongside our partner INPEX.

As a responsible operator, we must make business decisions that ensure our long-term economic viability. Given market conditions, in January 2019, CNOOC International and our partner made the decision to proceed with abandonment of our northeast British Columbia shale gas assets.

As we progress these activities, the safety of our workforce, local communities and the environment are our top priority.

CONVENTIONAL OIL & GAS/ POWER GENERATION >>

CNOOC International operates the Balzac Power Station, a natural gas fired combined cycle power station that generates 120 megawatts of power to the Alberta electricity grid.

The neighbouring gas processing plant was decommissioned in 2011 and the Balzac Abandonment and Reclamation project continues with the remediation of the gas plant site as well as the field well and junction sites.

CNOOC International is also a 50 per cent non-operating partner in the 70.5-megawatt Soderglen Wind Farm in southern Alberta.

ESTABLISHING A LONG-TERM PRESENCE IN NEWFOUNDLAND & LABRADOR >>

Our move into Atlantic Canada is an important part of our global exploration growth strategy. We opened an office in St. John's, Newfoundland in 2017 after acquiring two blocks offshore and in 2018, we progressed on a number of significant project deliverables.

Beginning early 2019, we initiated the Environmental Assessment application, processed seismic data from 2016/17 and continued to develop strong relationships with the local stakeholders and supply community. We entered into 2019 with a strong foundation and continue our strategy of establishing a local presence and supporting it with our global bench strength.



ENVIRONMENT

As a responsible energy developer, CNOOC International seeks to reduce our impact on air, water, land and ecosystems.

ADDRESSING CLIMATE CHANGE >>

CNOOC International supports a range of actions to ensure ongoing improvements to the greenhouse gas (GHG) emissions performance of our Canadian assets. This includes accounting for potential GHG emissions at the design stage of new facilities and managing these emissions through the facilities' lifecycle. CNOOC International limits GHG emissions from our operations in the following ways:

- **Prudent Design** – Incorporating GHG considerations into project design and assessing expected compliance obligations as part of investment decisions.
- **Efficient Operations** – Prioritizing reliable and efficient operations for our assets, which limits wasted energy and unnecessary GHG emissions.

- **Research and Development (R&D)** – Supporting internal R&D and leveraging new technologies offer longer-term opportunities for GHG reductions.

- **Carbon Offsets** – Participating in carbon markets with assets that generate renewable energy credits (these are used to meet part of our annual GHG compliance obligations).

We also work with policymakers and stakeholders to help establish policy frameworks that encourage investment and innovation, enabling ongoing improvements in GHG performance. For example, through investments and targeted efforts to improve production at our Long Lake oil sands facility, CNOOC International has reduced the energy required to extract each barrel of bitumen by approximately 40 per cent since 2010. This improvement, along with structural changes at the facility, has led to a significant reduction in the GHG intensity of Long Lake's bitumen production. We expect that our ongoing investments in the facility will yield further improvements to environmental performance.

CANADA-WIDE GREENHOUSE GAS EMISSIONS >>

Carbon Dioxide (CO₂) Equivalent Emissions¹ (million tonnes)

2015	3.80
2016	1.70
2017	2.00
2018	2.10

Emissions per cubic metre (t CO₂/m³ OE)

2015	0.99
2016	0.74
2017	0.58
2018	0.58

¹ Emissions include direct emissions from operations plus indirect emissions from electric power consumption.

In 2018, CNOOC International saw a slight increase in total GHG emissions. This increase corresponds with higher production rates achieved at our Long Lake facility. However, emissions per cubic metre remained constant due to increased reliability and steady operations at Long Lake, as well as decreased steam-to-oil ratio.



Production from Long Lake Southwest will require less steam and natural gas on a per-barrel basis, equating to less energy used overall. These advancements will achieve a 20 per cent reduction in greenhouse gas emissions intensity from current levels by 2025.

ECONOMIC CONTRIBUTION

CNOOC International's Canadian-based economic contributions are as follows:

CAPITAL EXPENDITURE >> (CAD \$MILLIONS)



TOTAL ROYALTIES¹ AND INCOME TAXES FOR CANADIAN OPERATIONS >> (CAD \$MILLIONS)



1. Royalties are cash payments and, in some international operations, the government's share of Nexen's production
 2. Includes Oil Sands (Syncrude and Synthetic)
 3. Translated from USD; therefore, this number is an estimate and not an exact figure

CARING ABOUT CARIBOU >>

In 2018, the Algar Caribou Habitat Restoration Project was recognized by the Government of Alberta as an "Early Action" project, meaning the concept for this project will contribute to the province's conservation regulations. This is the project's third major recognition following an Alberta Emerald Foundation Award in June 2014 and an Award of Merit from the Consulting Engineers of Alberta in 2015. CNOOC International has been heavily involved in this project for several years. Alongside our partners, the project is focused on using innovative ideas to restore linear features – such as seismic lines and roads – which reduces predators in caribou habitats.



WATER MANAGEMENT

RESEARCH, COLLABORATION AND INNOVATION >>

The Water Technology Development Centre (WTDC) is a Canada's Oil Sands Innovation Alliance (COSIA) initiated project between CNOOC International, Suncor (operator), Canadian Natural Resources, Devon Canada, Husky Energy and Shell Canada. At the WTDC, participants will be able to test new water treatment technologies to improve the sustainability performance of thermal in-situ oil sands projects. The WTDC will be attached to Suncor's Firebag SAGD asset and will offer real-time testing conditions with process fluids that have the same chemical characteristics, elevated temperatures and pressures typical of a commercial SAGD operation. This project is also expected to accelerate the evaluation process for new technologies, which will enhance partners' skill sets and offer information that could benefit our industry as a whole.

An initial goal of the WTDC is to develop incremental technologies that reduce GHG emissions while cutting water consumption by five to 10 per cent. A benchmark goal for the WTDC is to reduce water makeup (fresh water that is added to an industrial water system to replace lost water by evaporation, humidification, etc.) by 30 to 40 per cent and to cut disposal water by at least half.

ENVIRONMENTAL REGULATORY OR PERMIT VIOLATIONS >>

Geographical Region	2015	2016	2017	2018
Canadian Operations Total	47	7	69	53
Shale Gas & Oil	0	2	5	1
Oil Sands	47	5	64	52

The indicator definition includes any event-related violation of legislation (act/regulation/directive) or permit issued related to air, land or water management or environmental protection.

WORKING TOWARDS ZERO SPILLS >>

Events	2015	2016	2017	2018
Canadian Operations Total	29	13	5	10
Shale Gas & Oil	0	0	0	0
Oil Sands	29	13	5	10

Volume Released (m ³)	2015	2016	2017	2018
Canadian Operations Total	5937	135	38	380
Shale Gas & Oil	0	0	0	0
Oil Sands	5937	135	38	380

Volumes include reportable liquid and solid releases.

OPERATING WITH INTEGRITY

Everywhere we operate, our commitment to integrity stays the same. Our culture of integrity is strong and we have robust processes in place to protect the interests of our people, our business and our shared future. Our Integrity Guide, which all employees are required to review each year, provides us with a common framework for managing ourselves and addressing integrity concerns. This is how we work.

STRENGTHENING OUR SAFETY AND COMPLIANCE CULTURE >>

In October 2018, the recreational use of cannabis was legalized in Canada. To ensure **Safety First** for our staff and the communities where we work, all employees were educated on the changes, which included completing a mandatory one-hour Alcohol and Drug online training program prior to the date of legalization. The training outlined that all employees and contractors must be fit for work and able to safely perform their job without limitations as a result of cannabis or alcohol use.

WELL, WELL, WELL!

In 2016, the Alberta Energy Regulator issued an industry-wide mandate that required all inactive wells in the province to be brought into compliance within five years or face subsequent enforcement. In 2018, CNOOC International brought all 245 inactive wells across Alberta into compliance two years ahead of schedule. Each well was individually analyzed and checked to ensure all regulatory requirements were met.



INVOLVED IN OUR COMMUNITIES

Communities are at their best when they enrich and inspire, educate and motivate, and provide care to individuals and families who need it most. In 2018, CNOOC International contributed \$4.4 million to support communities where we operate globally, with \$2.4 million spent in Canada. Here's a snapshot of some of the notable contributions that we made in Canada in 2018.

UNITED WAY >>

In 2018, employees and contractors came together for CNOOC International's annual United Way Calgary and Area Campaign. We raised \$159,000, comprised of direct donations from our workforce and matching funds from our ReachOut program.

An additional United Way campaign was run at our Long Lake oil sands facility and our community office in Anzac to show our continued support for rebuilding the community following the 2016 wildfires and supporting individuals and families. Together, with its employees, CNOOC International contributed \$69,000 to United Way of Fort McMurray.

CNOOC INTERNATIONAL SCHOLARSHIP – BILL WOODWARD SCHOOL >>

CNOOC International is proud of the \$1 million scholarship program to ensure students

graduating from the Bill Woodward School in Anzac can share in the success of our Long Lake operations. The scholarships provide financial support to high school graduates to pursue post-secondary education and skills training through university degrees, college diplomas, certificate programs at vocational schools and apprenticeships. Since 2013, CNOOC International has awarded scholarships to nine students, totaling \$67,500.

ANZAC VOLUNTEER FIRE DEPARTMENT – WATER CRAFT AND BOARD SAFETY EQUIPMENT >>



Fire Chief Travis Cramer, Anzac Volunteer Fire Department and Neil Rutley, Team Lead, Government, Community & Aboriginal Relations, Oil Sands, CNOOC International.

We donated \$40,000 to the local volunteer fire department in Anzac to fund the purchase

of a water craft and larger pieces of safety equipment.

The Anzac volunteer fire department is one of five rural departments within the Regional Municipality of Wood Buffalo and has been operating in the community for over 30 years. They are a critical service in the community and in addition to responding to fire calls, they are first on-scene to respond to accidents on the highway that our staff, contractors and community stakeholders drive on each day.

CALGARY FOOD BANK – MARQUEE SPONSOR OF FOOD LINK PROGRAM >>

Since 1996, we have provided over \$650,000 in funding to the Calgary Food Bank and in 2018, CNOOC International became the lead sponsor of the Food Link Program, investing \$65,000. This program provides food to thousands of Calgarians each week through over 150 charitable organizations that are working towards poverty prevention and harm reduction for children, adults and seniors. By providing basic necessities, the partner agencies ensure that clients are supported and encouraged to complete programs that help lead them out of poverty, or prevent them from falling deeper into poverty, homelessness, and general food insecurity.



CNOOC International staff volunteer at Calgary Food Bank.

GIVING >>

In 2018, CNOOC International contributed over \$1.9 million to charitable, non-profit and community organizations in Canada. CNOOC International supports organizations in the core areas of:

- Supporting Thriving & Safe Communities
- Advancing Education
- Building Capacity for Indigenous Communities

MATCHING >>

CNOOC International matched over \$423,000 in employee and contractor contributions to charitable and non-profit organizations in 2018 in Canada. We support employees and contractors by matching their contributions to registered charitable or non-profit organizations, up to a maximum of \$20,000 per individual in Canada per year.

HELPING >>

In 2018, our Helping Program provided grants of \$18,000 to support employees' volunteer contributions in the community, such as:

- Volunteer grants for charitable/non-profit organizations and amateur sport organizations for employees who volunteer their personal time.
- Team volunteer events for employees during working hours with charitable/non-profit organizations.
- Up to two paid volunteer days per year for employees to volunteer during working hours with a charitable/non-profit organization

CNOOC International has a summer student secondment program where we place summer students at charitable and non-profit organizations in the community. In 2018, this delivered approximately \$46,000 in value to our partner organizations to help them deliver upon the important work they do to serve our communities.

“OUR COMMUNITY INVESTMENT PROGRAM HELPS STRENGTHEN THE COMMUNITIES WHERE WE LIVE AND WORK. OURS IS DISTINCT BECAUSE WE PRIORITIZE FUNDING THAT HELPS INDIVIDUALS AND FAMILIES IN NEED AND SUPPORTS THE EDUCATIONAL ATTAINMENT OF YOUTH IN ORDER TO FURTHER STRENGTHEN OUR COMMUNITIES.”

BRIAN HUMPHREYS – VP, CORPORATE AFFAIRS, NORTH AMERICA

SUPPORTING ABORIGINAL COMMUNITIES

Long-term engagement with Canada's Aboriginal communities is an essential component of CNOOC International's commitment to responsible energy development. We believe that relationship-building begins by engaging early and frequently to identify and understand the interests and views of Aboriginal groups in Canada.

CNOOC International has a *Standard for Engaging with Indigenous Peoples* to guide the development of these relationships and to ensure consistent practices and high standards across our global operations. Our work with Aboriginal communities focuses on four key areas:

- engagement and consultation,
- business development and capacity building,
- Aboriginal/Indigenous employment, and
- community investment.

INSPIRING YOUTH >>

At CNOOC International we are

committed to engaging and inspiring the next generation. One way that we demonstrate this is by supporting programs like the University of Calgary's Native Ambassador Post-Secondary Initiative, which we've done since 2008. This community-based Aboriginal youth outreach program is designed to motivate and empower Aboriginal youth aged 13-24 to become future leaders.

HELPING OUT >>

To further support the growth and development of the students at the Bill Woodward School, CNOOC International is working together with Syncrude, ConocoPhillips and Inner Diesel Ltd. to pilot a locally developed land-based learning course. This course is being developed by the school and includes support from Elders and Actua (a charity that engages youth in key areas of science, technology, engineering and mathematics). The course focuses on teaching students skills in trapping, surviving on the land, fishing and preserving bodies of water.

GROWING AND SUSTAINING LOCAL ECONOMIC VITALITY

AN OIL SANDS LOCAL & ABORIGINAL BUSINESS DEVELOPMENT UPDATE >>

At CNOOC International relationships matter. We believe that local residents and Aboriginal communities should have an opportunity to share in the economic benefits created by our activities. As such, we make every effort to develop, grow and sustain business relationships with local and Aboriginal communities situated in proximity to our development area.

Together, we aim to work closely with local communities and Aboriginal-owned businesses to identify mutually beneficial economic opportunities. We believe this is important for long-term mutual rewards with positive financial and social outcomes, and also ensures that CNOOC International's legacy continues to support the growth of sustainable and healthy communities where we operate.



CONTACT

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ANZAC COMMUNITY ENGAGEMENT OFFICE >>

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237 Stony Mountain Road
780-334-2850

FORT NELSON >>

Fort Nelson, BC V0C 1R0
P.O. Box 3202
250-774-5150

BALZAC POWER STATION AND ABANDONMENT & RECLAMATION >>

Rocky View County, AB T4A 0P7
RR 3, Site 17, Comp 14
403-226-7575

ST. JOHN'S >>

St. John's, NL A1C 6C9
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709-733-2100

SUSTAINABILITY REPORTING: LEARN MORE

This publication highlights some of the sustainability initiatives underway at CNOOC International's Canadian operations. More detailed information is available at <https://www.cnooclimited.com>. CNOOC Limited also publishes a corporate social responsibility report which can be found at www.cnooclimited.com/csrreport/en/index.html.

OPPORTUNITIES AT CNOOC INTERNATIONAL >>

A career at CNOOC International is an opportunity to contribute to a team that values diversity and integrity and strives to be the best. It's also about working toward a common goal: creating value through safe and environmentally responsible energy development. This creates benefit for all stakeholders, including our owners, Canadian governments, local communities and all Canadians. To learn more, visit CNOOC International Careers at www.intl.cnooclimited.com/en/careers.

FORWARD LOOKING STATEMENTS >>

This report may contain "forward-looking statements including statements regarding expected future events, business prospectus or financial results. These statements are based on assumptions and analyses made by CNOOC International, a wholly owned subsidiary of CNOOC Limited (the "Company"), in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that CNOOC International or the Company believes are appropriate under the circumstances. However, whether actual results and developments will meet the expectations and predictions of CNOOC International or the Company depends on a number of risks and uncertainties which could cause the actual results, performance and financial condition to differ materially from the CNOOC International's or the Company's expectations, including but not limited to those associated with fluctuations in crude oil and natural gas prices, the exploration or development activities, the capital expenditure requirements, the business strategy, whether the transactions entered into by the Group can complete on schedule pursuant to their terms and timetable or at all, the highly competitive nature of the oil and natural gas industries, the foreign operations, environmental liabilities and compliance requirements, and economic and political conditions in the People's Republic of China. For a description of these and other risks and uncertainties, please see the documents the Company files from time to time with the United States Securities and Exchange Commission, including their most recent Annual Report on Form 20-F and current reports on Form 6-K.

All financial information is in Canadian dollars.

July 2019





NOOC