



SUSTAINABILITY AT CNOOC INTERNATIONAL

2020 CANADIAN REPORT



Table of Contents

In this report, we highlight our approach to sustainability and our accomplishments in 2020.



Who We Are

PAGE 3



Letter from the CEO

PAGE 5



Living our Safety First Culture

PAGE 6



Community Matters

PAGE 8



Minimizing Impacts to the Environment

PAGE 10



Who We Are: Our Business at a Glance

CNOOC International is a subsidiary of CNOOC Limited with operations in the Americas, Asia, Africa and Europe.

In Canada, our operations are spread across three provinces and vary from resource type to development stage. Our oil sands operations, located south of Fort McMurray in Alberta, are a key part of our parent company's global portfolio. Also in Alberta is the Balzac Power Station and the Soderghen Wind Farm – a renewable project in which we are a 50% partner. In Atlantic Canada, we have two exploration licences offshore Newfoundland and Labrador. We also have shale gas assets in Northeast British Columbia.

Here's a closer look at our business and achievements in 2020, a year of unprecedented global challenges resulting from the COVID-19 pandemic.

ALBERTA



LONG LAKE OIL SANDS OPERATIONS

SAGD (steam-assisted gravity drainage) operation with production capacity of 72,000 barrels of bitumen a day in Northern Alberta

KEY MILESTONES IN 2020

- Proactively implemented **health and safety control measures** to protect the safety and wellbeing of our workforce in response to the global pandemic
- Safely completed the turnaround project with **zero reportable safety events, spills or COVID-19 transmissions**
- Enhanced well performance by **completing the third phase of our infill well program**, successfully increasing production from existing wells while reducing the facility's steam-to-oil ratio and lowering our emissions intensity
- Won **1st place at CNOOC International's Science & Technology Awards** for the infill well program
- **Safely executed the Long Lake Southwest expansion project** despite multiple COVID-related delays; following commissioning and start-up, this development is expected to add 26,000 barrels of oil equivalent per day

OTHER OIL SANDS INTERESTS

- **25% non-operating interest** in Hangingstone, a SAGD joint-venture project operated by Japan Canada Oil Sands (JACOS)
- **7.23% non-operating interest** in Syncrude's oil sands mining and upgrading facility
- Approximately **9% equity interest** in MEG Energy





ALBERTA



SODERGLEN WIND FARM

50% partner in the 70.5-megawatt Soderghen Wind Farm operated by TransAlta in Southern Alberta

KEY MILESTONES IN 2020

- 47-turbine farm produced a total of **127,000 megawatts** in 2020 which is equivalent to powering about **20,000 homes for 1 year**



BALZAC POWER STATION

50% working interest in the natural gas-fired, combined cycle power station in Southern Alberta

KEY MILESTONES IN 2020

- Achieved **3,385 days without a recordable injury** and maintained an outstanding record of zero Lost-Time Injuries (LTI) since the facility's commissioning in 2001
- Generated over **281,860 megawatts** for the Alberta electricity grid in 2020 which is equivalent to powering about **40,000 homes for 1 year**



NEWFOUNDLAND & LABRADOR



ATLANTIC CANADA EXPLORATION

100% working interest of Exploration Licenses 1144 and 1150 in the Flemish Pass Basin offshore Newfoundland and Labrador

KEY MILESTONES IN 2020

- As a result of the impacts of COVID-19, the decision was made **to postpone drilling of the Pelles exploration well** 450 kilometres offshore Newfoundland
- Worked with vendors in the region to **ensure business continuity and reduce exposure to safety risks**
- Implemented **stringent COVID-19 protocols and procedures** to safely resume drilling activities in April 2021



Letter from the CEO

At the beginning of 2020, no one could have foreseen the unprecedented challenges the world would face over the next 12 months. Even as we are still facing the impacts of COVID-19, I am continually amazed by the resilience and dedication shown by our teams. In Canada, working in conjunction with our international offices, the Coronavirus Prevention and Control Leadership Team has been closely monitoring global events and implementing actions to prevent the spread of the disease while demonstrating our steadfast commitment to putting the health and safety of our people and our communities first.

From the difficult but necessary public health measures including lockdowns, to the spring flood in Fort McMurray, and the significant pressure on global commodity prices, together we found new ways of delivering value across our business. Highlights from 2020 include improved safety performance across our Canadian operations and implementing proactive pandemic control measures in order to safely execute the Long Lake turnaround. In addition, we were successful in mitigating safety risks when unavoidable project delays occurred, including the drilling of the Pelles well offshore Newfoundland and Labrador. I'm also proud of how we found creative ways to support communities and share the benefits of our operations with our local stakeholders throughout this tumultuous year.

As with our industry peers, reducing our emissions has and will continue to be a key focus for our Canadian operations. I'm pleased to say that we have made strides in this area over the last 10 years, particularly at our Long Lake facility. Since 2010, we have reduced overall emissions from Long Lake by 48% while growing production and lowered our greenhouse gas intensity by 67% over the same period. These results directly contribute towards the goal of low-carbon development.

Going forward, we plan to build on these 2020 accomplishments and continue to live up to our reputation as a responsible energy developer and an operator of choice. We look forward to continuing to listen and engage with you.

Liu Yongjie

CEO, CNOOC Petroleum North America & President of CNOOC International





Living our Safety First Culture

Safety is foundational to the way we work. Every activity we undertake is measured by our ability to execute work safely. In 2020, this meant rapidly adapting to the constantly evolving global pandemic and taking action to address unforeseen obstacles in order to live up to our top priority; ensuring the health and safety of our people and our communities first.

OUR PROGRESS IN 2020

**0 Lost Time Injuries**

**0 Recordable Injuries**

**0 Significant Events**

Our safety performance in 2020 saw significant improvement over the previous year with zero lost-time injuries, recordable injuries or significant events. We continue to proactively focus on improving contractor management, identifying and eliminating safety hazards, sharing learnings through training and other communications tools in addition to enhancing safety leadership.

CANADA-WIDE SAFETY PERFORMANCE (COMBINED EMPLOYEE AND CONTRACTOR)

Year	Lost-Time Injury Frequency (LTIF) ¹	Total Recordable Injury Frequency (TRIF) ²
2017	0.5	0.68
2018	0	0.35
2019	0.09	0.61
2020	0	0

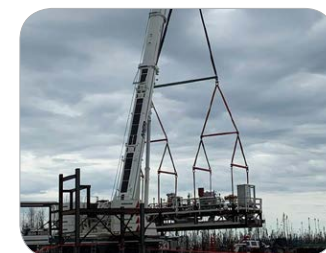
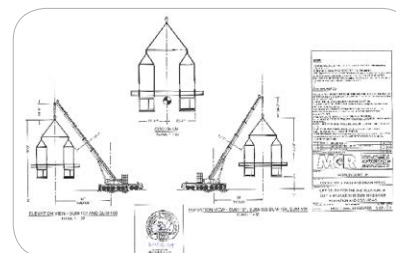
¹ Lost-Time Injury Frequency is a measure of safety performance calculated as the number of lost time injuries and fatalities recorded for every 200,000 hours worked

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

WALKING THE TALK ON SAFETY

Each member of our leadership team sponsors a health and safety topic every month in order to enhance safety awareness and demonstrate accountability for living our “Safety First” culture. Resources provided each month include safety moments accessible to all staff, hazard identification quizzes and lunch and learns.

In January 2020, Brian Bench, VP - Global IT, and his team sponsored one of our Life Saving Rules, “Safe Lifting Operations”, by sharing information about the lifting of 57 prefabricated modules to be used in our Long Lake Southwest development project. These modules safely travelled first across the ocean over 8,000 kilometres from the fabrication yard in China to Canadian shores, before travelling by truck to their final destination at Long Lake in Alberta.



Engineering plans certified by third-party inspection were used to guide the safe lifting of modules containing structural steel, piping and instrumentation to be used in the Long Lake Southwest expansion project



Q&A WITH BAOSHAN LU - GM, OIL SANDS



I CAN PROUDLY SAY THAT OUR COMMITMENT TO SAFETY, TEAMWORK AND OPTIMIZING OUR OPERATIONS BECAME STRONGER IN THIS CHALLENGING YEAR.



Q: How did the team mobilize to overcome the unprecedented challenges of 2020 including not only the global pandemic but also the Fort McMurray flood and the collapse of commodity prices?

A: It really came down to three things; we have an incredibly strong and capable team that lives and works in this community. There is nothing more important to us than the health and safety of people, and that was clearly demonstrated throughout the year. Next, we focused on our core business and what was in our ability to control which helped us focus on our priorities. Finally, we proactively identified risks and then, one by one, worked to mitigate them.

Q: What was the most significant challenge of conducting the essential and complex work of a turnaround in a pandemic?

A: This new risk forced us to mitigate COVID-19 transmissions among the essential workforce we would need onsite to conduct this critical work. Not only did that mean putting in place very stringent control measures to prevent the spread of the virus, but also adapting our turnaround strategy.



When an ice jam in the Athabasca River caused significant flooding in Fort McMurray in April 2020, forcing 13,000 people to evacuate their homes, oil sands staff partnered with Indigenous contractor Centerfire to supply potable water over a two-week period to residents living under a boil water advisory.

This included relying on a substantially smaller team to execute the required work over a 12-week period. That small team, through excellent safety management, planning and a constant focus on efficiency and quality, completed the project under budget, ahead of schedule and with zero reportable safety events and spills and no cases of COVID-19 transmission.

Q: What were some of the control measures you put in place to ensure health and safety on site and in the community?

A: We proactively implemented a range of protocols from onsite antigen (rapid) testing, restricting site access for anyone feeling unwell or anyone with a household member showing any signs of illness, reducing occupancy at our camp, shifting to a grab-and-go meal service instead of group dining to name a few. We also implemented an assurance program with periodic audits of our control measures to address any gaps that needed to be closed.

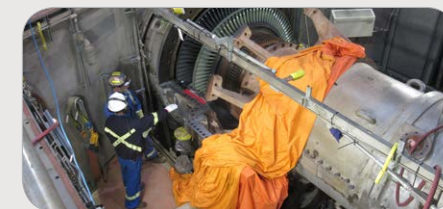
Q: What learnings will you and the team take forward from this year that will benefit operations long term?

A: I think this year really forced us to think differently as a team and take accountability or asking “what else can we do” to solve unprecedented problems. This positive attitude made a difference, and I can proudly say that our commitment to safety, teamwork and optimizing our operations became stronger.



WHAT'S A TURNAROUND?

A turnaround is the term used within the industry when a facility is completely shut down to provide an invaluable window to carry out essential maintenance and inspections on equipment which isn't usually accessible. The work ranges from testing emergency shutdown valves to carrying out a full internal inspection of asset vessels. Turnarounds are vital to ensure safe and reliable operations and asset integrity.



Essential staff inspecting a turbine during the Long Lake Turnaround



Community Matters

In 2020, we continued to support the communities where we live and work with a focus on investing in initiatives that prioritize care to individuals and families who need it most and developing mutually beneficial relationships with Indigenous communities impacted by our operations. This relationship building centres on engaging early and frequently to identify and understand the views of Indigenous groups, and includes business development, capacity building, employment and community investment.

OUR PROGRESS IN 2020



1,800 meals distributed to First Nation Elders and others with underlying health issues



Over **600 hampers** delivered to on-reserve homes during lockdown



\$30,000 purchase of Google Chromebooks donated to students of the Fort McMurray 468 First Nation, Heart Lake First Nation and Chipewyan Prairie First Nation



Over **7,000 litres** of fresh water provided to Fort McMurray residents during the flood



\$10,000 for masks, sanitizer and other supplies to assist communities combat the spread of COVID -19

ECONOMIC CONTRIBUTION

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

Year	Capital Expenditure ¹ (CAD \$MILLIONS)	Total Royalties and Income Taxes for Canadian Operations ² (CAD \$MILLIONS)
2017	255	9
2018	296	54
2019	512	92
2020	215	13

¹ Reduced Capex in 2020: In 2020, we saw a reduction in spending. This was a result of completing major project activities at Long Lake in 2019 and reductions due to the COVID-19 pandemic

² Reduced Royalties and Taxes in 2020: Constrained production and reduced bitumen prices significantly lowered royalties paid in 2020



THE GLOBAL PANDEMIC HAS MEANT WE'VE HAD TO BE CREATIVE IN FINDING WAYS TO SUPPORT THE COMMUNITY IN THE WOOD BUFFALO REGION. THE DONATION OF GOOGLE CHROMEBOOKS WAS ONE WAY WE COULD HELP THE FIRST NATIONS COMMUNITIES NEAR OUR OPERATIONS, BY PROVIDING ESSENTIAL RESOURCES TO SUPPORT THE TRANSITION TO THE ONLINE CLASSROOM ENVIRONMENT.

BRYANNE GARDNER – ANALYST, COMMUNITY RELATIONS & BUSINESS DEVELOPMENT, OIL SANDS





COMMITTED TO SUPPORTING LOCAL AND INDIGENOUS INCLUSION IN OUR WORKFORCE

Creating meaningful opportunities for local residents to participate in our operations is an essential component of our commitment to responsible energy development.

OIL SANDS

Located within Treaty 8, our Oil Sands operations are situated within the overlapping boundaries of three First Nations and several Metis communities. We work closely with these groups to foster strong relationships and to ensure long-term inclusion of Indigenous businesses in our operations. This includes ongoing dialogue to understand the capacity that exists within the Indigenous businesses, support Indigenous inclusion in the RFP process and prioritize local and Indigenous ownership when evaluating contractors.

ATLANTIC CANADA

While drilling operations at the Pelles exploration well offshore Newfoundland and Labrador were postponed in 2020 due to the ongoing COVID-19 crisis, we continued planning for the eventual resumption of activity in 2021. This planning included developing stringent COVID-19 protocols for the remote working environment as well as building local capacity and providing full and fair commercial and employment opportunities in line with our local benefits plan to provide first consideration to local residents. In fact, in 2020, over 90% of our workforce in the region was sourced from Newfoundland and Labrador and elsewhere in Canada.



ADVANCING EDUCATION

Since 2012, the company has offered scholarships to graduates of the Bill Woodward high school in Anzac, Alberta near our Long Lake facility. The scholarship provides \$2,500 per year up to four years for students entering or currently enrolled in post-secondary schools. One of the four scholarship winners from 2020 was Rikki Janvier. "I feel very grateful to have received the Bill Woodward scholarship," she says. "It allows me to focus on my career as Bachelor of Commerce Student at the University of Calgary. I want to thank the Bill Woodward High School and all the teachers who have helped me."





Minimizing Impacts to the Environment

As a responsible energy developer, we seek to reduce our impact on air, water, land and ecosystems. This includes acting on climate change and reducing our carbon emissions. We do this by supporting a range of actions from using energy efficient technologies in the construction of our facilities, pursuing energy efficiency and conservation measures across existing operations, and making investments in new technologies and innovation to improve emissions performance longer term.

OUR PROGRESS IN 2020



Reduced total emissions in 2020 by **316,000 tonnes CO₂** equivalent, which is equivalent to the emissions produced by nearly 70,000 passenger cars



Delivered **most emissions reductions** of Alberta oil sands operators from 2011 – 2019 (SOURCE: ALBERTA ENERGY REGULATOR)

CANADA-WIDE GREENHOUSE GAS EMISSIONS

Year	Carbon Dioxide (CO ₂) Equivalent Emissions ¹ (MILLION TONNES)	Emissions per cubic metre (t CO ₂ /m ³ OE)
2017	2.00	0.58
2018	2.10	0.58
2019	1.90	0.52
2020	1.58	0.71 ²

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

² Emissions per cubic metre higher than previous years due to constrained production in 2020

THE STRATEGIC ADVANTAGE OF MINIMIZING STEAM-TO-OIL RATIO

The majority of emissions created by a SAGD oil sands facility is through the production of steam which requires fuel combustion to heat water. A key driver of our emissions intensity reduction strategy is our Long Lake infill well program, which reduces the amount of steam required to produce bitumen and replaces existing higher emission intensive Long Lake production with lower-emission barrels. To do this, a well is drilled between an existing well pair in order to extract trapped pockets of heated bitumen that have not already been extracted by the existing well. This allows us to produce additional bitumen using minimal additional steam, lowering the steam-to-oil ratio (SOR).

A lower SOR means lower emissions created for each barrel of bitumen we produce. At Long Lake there are currently 31 infill producer wells which account for approximately 35% of total Long Lake production.

In addition to reducing the SOR, other key drivers helping us reduce GHG emissions intensity include improved plant reliability and efficiency, and advancing future innovations like digital transformation projects that will allow for faster troubleshooting and repair.





ENVIRONMENTAL REGULATORY OR PERMIT VIOLATIONS: GEOGRAPHICAL REGION

Year	Canadian Operations Total	Shale Gas & Oil	Oil Sands
2017	69	5	64
2018	53	1	52
2019	13	1	12
2020	19	9	10

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

Year	Canadian Operations Total	Shale Gas & Oil	Oil Sands
2017	5	0	5
2018	10	0	10
2019	12	0	12
2020	6	1	5

WORKING TOWARDS ZERO SPILLS: VOLUME RELEASED (m³)

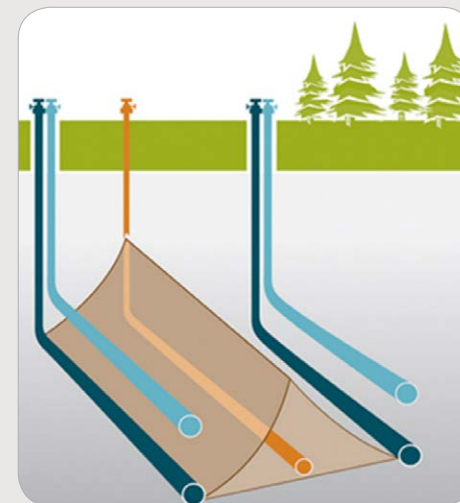
Year	Canadian Operations Total	Shale Gas & Oil	Oil Sands
2017	38	0	38
2018	380	0	380
2019	834	0	834
2020	12	0	12

Volumes include liquid and solid reportable releases.

SAGD INFILL WELLS IN FOCUS

An injector well and producer well (well pairs) are drilled to produce bitumen. The injector well sends high pressure steam into the reservoir and heats up the bitumen allowing it to flow towards the producer well using gravity.

Over time, trapped pockets of heated bitumen get stuck between the well pairs. By drilling a single producer well (an infill well) in between well pairs, we can produce large amounts of incremental bitumen with minimal additional steam.



DID YOU KNOW?

In 2020, 79% of the company's non-compliances were identified internally and self-reported to the respective regulators. That's notable because these practices demonstrate thoroughness and diligence in our internal and external reporting and recording practices. Regulators encourage self-reporting as evidence of functioning systems and programs which are integral to positive HSE results.



PARTNERING TO PROTECT THE ENVIRONMENT

- **Studying Salmon Migration:** We are a funding participant of the Environmental Studies Research Fund, a joint industry and government forum which selects research priorities, one of which is a comprehensive salmon study that will be conducted from 2020 to 2025 offshore Newfoundland and Labrador. Local indigenous groups identified the need for this research which will advance knowledge of salmon migration patterns near our project area.
- **COSIA XPrize:** We are a participant of the COSIA (Canada's Oil Sands Innovation Alliance) XPrize challenge to find innovative ways to use CO₂ as a feedstock to create useful products. One of the winners announced in 2020 uses their technology to make stronger, greener concrete.

ABANDONMENT & RECLAMATION PROJECTS

As we continued to progress abandonment and reclamation activities, our top priority remains ensuring the safety of our workforce and regulatory compliance, while minimizing impacts on local communities and the environment.

- **Progressing Shale Gas Abandonment and Reclamation:** In 2020 we continued our work to abandon a number of our shale gas assets in northeast British Columbia. This includes cutting and capping 26 wells as well as completing the demolition and removal of all surface equipment at the Etsho Plant, Tsea Plant and Dilly Creek well pads.
- **Progressing Balzac Abandonment & Remediation/Reclamation:** The former Balzac Gas Plant has been decommissioned in 2011 and the associated wells have been abandoned. Currently the plant and field are in the process of being remediated and reclaimed in compliance with all applicable regulations. As of the end of 2020, nearly 80% of the field sites have been remediated and 56% of the sites have been reclaimed with a targeted completion date of 2023.



GOING FORWARD, WE PLAN TO BUILD ON THESE 2020 ACCOMPLISHMENTS AND CONTINUE TO LIVE UP TO OUR REPUTATION AS A RESPONSIBLE ENERGY DEVELOPER AND AN OPERATOR OF CHOICE.



LIU YONGJIE – CEO, CNOOC PETROLEUM NORTH AMERICA & PRESIDENT OF CNOOC INTERNATIONAL

SUSTAINABILITY REPORTING: LEARN MORE

This publication highlights some of the sustainability initiatives underway at CNOOC International's Canadian operations. More information is available at www.cnoocinternational.com/sustainability. CNOOC Limited also publishes a corporate social responsibility report which can be found at www.cnoocld.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 value for all stakeholders, including our owners, Canadian governments, local communities and all Canadians. To learn more, visit CNOOC International Careers at www.cnoocinternational.com/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 Company 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 conditions. 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.

CONTACT

CALGARY

Calgary, AB T2G 1A6
Suite 2300, 500 Centre St. SE
403-699-4000

LONG LAKE (FORT MCMURRAY)

Fort McMurray, AB T9H 4V9
P.O. Box 6010

ANZAC COMMUNITY ENGAGEMENT OFFICE

Anzac, AB T0P 1J0
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
701A 215 Water St.
709-733-2100

