

California Resources Corporation

Health, Safety & Environmental Management System



CHARACTER
Acting with integrity and honor, without exception

RESPONSIBILITY
Achieving California's high standards for safety and environmental protection

COMMITMENT
Empowering workers and promoting communities where we live and work

Mission of CRC's HSE Management System

The mission of California Resources Corporation's (CRC's) Health, Safety and Environmental (HSE) management system is to protect people and the environment while enhancing business performance through the safe, proactive and efficient management of our workforce, facilities, operations, resources and products. CRC's HSE management system is organized around three core disciplines – Risk Management, Health & Safety and Environmental – and these disciplines interface closely with Community Outreach, Mechanical Integrity and Supply Chain Management functions. In 2017, a third-party expert validated that CRC meets international best practices for HSE management systems in the oil and natural gas exploration and production sector.

Genesis of the System

CRC launched as an independent, publicly-traded company on November 30, 2014. Before that date, CRC was a wholly-owned subsidiary of Occidental Petroleum Corporation and, together with its subsidiaries, comprised the California oil and natural gas exploration and production business of Occidental. On November 30, 2014, CRC acquired Occidental's California subsidiaries that had already operated our major fields for up to 40 years, and Occidental also conveyed its remaining California fields to CRC. Therefore, prior to that date, CRC's assets and operations were governed by Occidental's longstanding HSE management system, which was initiated in the 1970s and applied to all of Occidental's U.S. and international operations in its oil and natural gas, midstream and chemical manufacturing industry segments.

CRC's leadership with direct oversight and responsibility for CRC's HSE management, including CRC's Chairman of the Board of Directors, CRC's President and CEO, and leaders of Operations and HSE, and Field and Plant Operations Managers and Superintendents, implemented Occidental's HSE management system both in the U.S. and in international locations in Latin America, the Middle East and Europe. For example, CRC's EVP of Public Affairs served as Occidental's Vice President of Health, Environment and Safety and managed its worldwide HSE management system from 2007 until the launch of CRC in 2014. Accordingly, CRC adopted Occidental's longstanding HSE management system in all significant respects at its launch as an independent company, and has expanded and tailored the system to reflect California's developing priorities.

CRC is a unique NYSE-listed energy company that operates entirely in California. We are not a multinational, or even a multistate, energy company. All of CRC's assets, facilities, operations and employees are located in California. Shortly after our formation we entered into the first statewide Project Labor Agreement with the

California Building and Construction Trades Council in California's oil and natural gas industry, ensuring that our construction and construction maintenance is performed by a safe, well-trained and highly-qualified California workforce from among the 300 trade unions that comprise the Council. All of our products are produced in California; as such we have no business interests in or dealings with international conflict areas. All of the oil, natural gas and electricity we produce are sold into California markets. The only CRC products that are not sold for use in California are the portion of our natural gas liquids which are sold to customers in Canada or Mexico.

CRC adheres to California's world-leading safety, labor, human rights and environmental standards, and our operations are among the most-highly regulated, inspected and audited oil and natural gas operations anywhere. Since our business is focused entirely in the state with the highest standards, we invest our resources to retain California subject matter experts to design and implement programs and projects that achieve the state's stringent requirements, meet the core values of CRC and our employees, and advance the long-term sustainability goals we share with the state and its residents. In doing so, we evaluate and apply relevant international practices, and in 2017 a third-party expert validated that CRC's HSE management system meets international best practices. Given CRC's exclusive focus on California, the state's recognized leadership in HSE laws and regulations, and our proactive engagement with local communities, we believe that investing in programs and certifications from international organizations would be redundant, potentially confuse our stakeholders, and be an inefficient use of our resources.

Leadership and Governance

From its formation, CRC has adhered to best practices for HSE governance, including direct oversight by both the Board of the Directors and senior company management, direct integration of HSE management with Operations, and promoting continuous improvement of HSE performance beyond regulatory requirements.

Before the company's spin-off from Occidental, CRC's Board of Directors on November 17, 2014 established three HSE Principles for the company:

1. Safeguard people and the environment in the design, operation and maintenance of our facilities;
2. Engage proactively with neighbors, regulators and other stakeholders to serve as an active and supportive community partner; and
3. Promote conservation of water, habitat and energy in our operations.

CRC's Board of Directors also appointed an HSE Committee to provide direction and oversight of the implementation of CRC's HSE management system to foster sustainable growth in accordance with the Board's HSE Principles. The Board assigned the following four duties to the HSE Committee:

1. Review and discuss the status of HSE objectives, issues, laws and regulations with management;
2. Review the Corporation's policies and programs to ensure compliance with applicable HSE laws and regulations, conservation of natural resources and community engagement regarding HSE matters;
3. Report periodically to the Board of Directors with respect to HSE matters affecting the Corporation and its subsidiaries; and
4. Act in such other matters as the Board of Directors may direct.

At the direction of the HSE Committee, CRC's management adopted an HSE Policy to carry out the Board's Principles that applies uniformly throughout our statewide operations. Importantly, our HSE Policy applies not only to our employees, but also to our suppliers and vendors (collectively, contractors) who work in our operations and to inspectors and other visitors to our operations. We believe our HSE culture must encompass everyone who works on and visits our operations, so our orientation, reporting requirements, programs like Stop Work Authority and HSE metrics are mandatory for employees, contractors and visitors alike. We also endeavor to apply our Code of Business Conduct and HSE Policy to our suppliers and vendors in their work for the company outside our facilities.

The Board also established three quantitative HSE metrics – for safety, oil spill prevention and water conservation – as well as five additional strategic objectives – for risk management, strategic permitting, community partnerships, integration with operations and professional development. These metrics and objectives are updated and approved annually to drive continuous improvement and are used directly in determining incentive compensation for CRC's management team and employees.

In 2017, the Board adopted CRC's 2030 Sustainability Goals to address water, renewables, carbon and methane in our life-of-field planning. These goals advance the state's parallel 2030 goals and are measured against a 2013 baseline, since 2013 serves as a baseline for certain State policies and was the year before CRC's launch as an independent company.

Scope of CRC's HSE Management System

CRC's workforce, facilities and operations are located entirely in California, which has the most comprehensive and stringent safety, labor, human rights and environmental standards governing oil and natural gas exploration and production in the world. We are the largest operator by far on California State Lands and are audited by the State Lands Commission's independent experts for those facilities. While CRC operates in a highly-regulated environment, our proactive HSE management system extends well beyond regulatory requirements.

The three core programs of CRC's system – Risk Management, Health & Safety and Environmental – are summarized below. As dictated by the Board's HSE Principles, each of these programs includes actions to ensure compliance, to promote continuous improvement, and to engage constructively with neighboring communities, government agencies and other stakeholders.

HSE Risk Management Program

CRC's HSE Risk Management program is led by a team of experts in process risk engineering, pipeline safety and mechanical integrity and provides a uniform methodology to identify, evaluate and mitigate risks to people or the environment throughout the company's assets, whether in natural gas processing plants, power or steam generation, water treatment and reclamation, field facilities for processing and storing oil, natural gas and produced water, pipelines and gathering lines, construction, drilling, well servicing, transportation of people, equipment and products or other business activities, like property development and farming. Mitigation options are developed, and risks are reevaluated at least annually by senior management. The program is designed to safeguard workers, the public and the environment as required by the Board's first HSE Principle and is reviewed annually by the HSE Committee.

As of December 31, 2017, CRC and its affiliates operated 12 facilities regulated by one or more of the U.S. Occupational Safety and Health Administration's (OSHA's) Process Safety Management regulations, the U.S. Environmental Protection Agency's Risk Management Planning regulations and California's Accidental Release Prevention regulations, as well as 59 oil, natural gas liquids or natural gas pipelines regulated by the Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation or the California State Fire Marshal. CRC applies its HSE Risk Management program beyond these regulated plants and pipelines to encompass CRC's field facilities, gathering lines, construction, drilling, well servicing, transportation and other activities. This broader application helps our management inform the Board

of Directors, allocate resources and prioritize risk mitigation projects efficiently and consistently.

Health & Safety Program

CRC's Health & Safety program is led by experienced personnel dedicated to the disciplines of occupational health and safety, industrial hygiene, security and emergency response. Particular emphasis is placed on permits to work in handling flammable or hazardous materials, electricity, stored pressure and heavy equipment and compliance with the construction and petroleum safety orders of the California Department of Labor's Division of Occupational Safety and Health (Cal/OSHA). In addition to overseeing and updating CRC's health and safety policies and permit to work system, CRC's health and safety professionals lead training and orientation programs, incident investigations and internal audits, and issue lessons learned and other safety communications. They work in conjunction with our Supply Chain Management group to implement behavior-based safety observation, stop work authority and contractor scorecard systems that promote safe work practices among our workforce, participating labor unions, vendors and suppliers that go beyond regulatory requirements.

The first of CRC's three key HSE metrics is the OSHA injury and illness incidence rate for our combined workforce of employees and contractors. CRC's results since our formation have consistently been within the top six years in the long history of those operations. In recognition of the exemplary safety performance of our workforce, CRC and each of our operating regions received National Safety Achievement Awards at the National Safety Council's 2017 annual meeting. CRC was one of only 27 organizations from across the country that the Council recognized at the event.

CRC also has a robust emergency response program, with a Communications Operations Center that is staffed 24 hours per day year-round to report and address medical, safety, security or environmental incidents and to dispatch company personnel, environmental contractors and local emergency responders. CRC's HSE and security professionals mobilize to such incidents, and aid local emergency responders in third-party events unrelated to our operations such as wildfires or vehicle accidents. Safety and environmental events are tracked consistently in CRC's Knowledge Management System for reporting, investigation and resolution as well as continuous improvement.

Environmental Program

CRC's Environmental program comprises regulatory compliance, conservation and sustainability efforts throughout the life of a field, from exploration, primary development and enhanced recovery to ultimate decommissioning and restoration.

CRC's operations are regulated and inspected by 26 federal and state agencies and are subject to hundreds of thousands of compliance points in our environmental permits. Oil spill prevention is our key HSE metric for environmental performance, and we have successfully reduced the net volume of crude oil and condensate spilled from our operations every year over the past five years. The Board's second HSE Principle commits CRC's workforce to engage proactively with neighbors, regulators and other stakeholders, and our HSE management system requires proactive, constructive and transparent outreach. We are frequently called upon by regulators, elected officials and community leaders to provide tours and demonstrations of our operations, which we believe helps to inform those leaders as they fulfill their duties. CRC also employs multi-disciplinary professionals who focus on emerging issues and regulatory and legislative development.

The Board's third HSE Principle requires CRC's workforce to promote the conservation of water, habitat and energy in our operations. To build on Occidental's preexisting conservation programs, CRC has established multi-disciplinary Water Reclamation, Sustainability and New Energy Venture Teams. Reflecting California's drought conditions, water conservation is CRC's key conservation metric. Through investments in water treatment and conservation, CRC has served since our formation in 2014 as a net water supplier in California, providing more reclaimed water to agricultural water districts each year than the amount of fresh water we purchase. Each year from 2014 through 2017, CRC dramatically expanded our water delivery to agriculture, while continuing to limit our use of fresh water. As a result, we have surpassed our water conservation target for every year of CRC's existence. In 2017, we treated and delivered a company record 4.9 billion gallons of reclaimed water, making beneficial use of virtually 100% of the surplus water from Kern Front, our largest steamflood field. In 2017, for every gallon of fresh water CRC purchased statewide, we delivered nearly three gallons of treated, reclaimed water to agriculture.

We apply similar rigor to energy conservation, reducing greenhouse gas (GHG) and other air emissions, and habitat conservation. CRC's operations have reported GHG emissions for years, first voluntarily and then, since 2013, through mandatory reporting to both the California Air Resources Board (CARB) under California's Global Warming Solutions Act and the U.S. Environmental Protection Agency under the Clean Air Act. CRC also reports voluntarily to the Carbon Disclosure Project on our GHG management program and our estimated Scope 1, 2 and 3 GHG emissions. CRC's GHG emission reports to CARB are verified by independent, state-accredited experts, and CRC acquires allowances or qualified offsets under California's cap-and-trade program to address our GHG emissions.

In addition to reporting and offsetting our GHG emissions under the cap-and-trade program, CRC has implemented numerous measures to increase energy efficiency and reduce GHG emissions from our operations. We have invested in efficient natural

gas power plants that generate electricity and steam for our oilfield operations and supply excess power to the electrical grid for communities and businesses near our operations. In parallel, we have continued to expand our electric infrastructure, converting much of our equipment to electrical power to increase reliability and reduce air emissions. Our Sustainability and New Energy Ventures Teams are actively pursuing integration of renewable power into oilfield operations. We have also acquired older fields and plants from other operators and consolidated processing into our state-of-the-art facilities, further reducing energy use and emissions and increasing process safety. Finally, CRC's investment in improved and enhanced oil recovery helps to maximize recovery of oil in place, extends the productive lives of wells and facilities and maintains a small surface footprint in existing fields.

This life-of-field planning is integrated with our HSE management system and our 2030 Sustainability Goals to ensure that we are designing, permitting, building and maintaining facilities for the long term, while protecting sensitive ecosystems and habitat. Our flagship Elk Hills Field and our coastal facilities in Long Beach and Huntington Beach have all been certified for habitat conservation by the Wildlife Habitat Council, and we received state approval in 2016 to triple our existing 8,000-acre habitat conservation area at Elk Hills as we grow our oil and natural gas operations in the coming years.

Conclusion

By incorporating California and international best practices, CRC's mature HSE management system has enabled our workforce to achieve years of exemplary HSE performance; to engage constructively with neighbors, government agencies and other stakeholders; and to safely, efficiently and responsibly develop and sustain our facilities, operations, resources and products.