

# California Resources Corporation

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## Health, Safety & Environmental Management System



**C**HARACTER  
Acting with integrity and honor, without exception

**R**ESPONSIBILITY  
Achieving California's high standards for safety and environmental protection

**C**OMMITMENT  
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) 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 four core disciplines – Risk Management, Health & Safety, Environmental Protection, and Sustainability – and these disciplines interface closely with our Community Outreach, Mechanical Integrity, People Operations and Supply Chain Management functions. Our Board of Directors has established four 2030 Sustainability Goals and four annual Sustainability Metrics that unite our workforce in implementing the HSE management system and directly impact incentive compensation. Our Sustainability Goals and Metrics align CRC with both the state's parallel goals to further the Paris Climate Accord and the United Nations (UN) Sustainable Development Goals, which we believe provide an important framework for government, business, labor and community organizations to collaborate to achieve a more vibrant, inclusive and equitable society.

## CRC's HSE Management System Exemplifies California Values

CRC is a unique 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 jobsites are located in California. Our employees and their families contribute actively to the communities where we live and work. 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 are 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 operations, assets or business interests in international conflict areas, including countries that have poor rankings for environmental protection, political freedoms, civil liberties, corruption, child labor, forced labor or human trafficking. All of the oil, natural gas and electricity we produce is sold into California markets. The only CRC products that are not sold for use in California are a portion of our natural gas liquids sold to customers for use 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. As an innovative California exploration and production company, we invest our resources and expertise

to design and implement programs and projects that achieve the state's stringent requirements, meet the core values of CRC and our employees, and promote long-term community interests where we live and work. While CRC operates exclusively in California, our commitment does not end at the state's borders. We periodically evaluate and apply relevant U.S. and international practices, and in 2017 an independent, third-party expert validated that CRC meets international best practices for HSE management systems in the oil and natural gas exploration and production sector.

## Leadership and Governance

From its formation in 2014, CRC has adhered to best Environmental, Social and Governance (ESG) practices, including direct oversight by both the Board of Directors and senior management of our HSE and stakeholder engagement policies, programs and performance, direct integration of HSE management and community outreach with Operations, and promoting continuous improvement of our performance beyond regulatory requirements.

At CRC's formation as an independent company in 2014, the Board of Directors established three HSE Principles:

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 also established a Sustainability – Health, Safety, Environment and Community Committee to provide direction and oversight of the implementation of CRC's HSE management system to foster sustainable growth in accordance with its HSE Principles and to further integrate our ESG efforts. The Board has assigned the following four duties to the Sustainability Committee:

1. Review and discuss with management the status of strategies, objectives, issues, laws and regulations regarding sustainability, HSE and community engagement;
2. Review CRC's policies and programs designed to ensure compliance with applicable HSE laws and regulations, promote sustainability and conservation of natural resources and engage proactively with communities;

3. Report periodically to the Board with respect to sustainability, HSE and community engagement; and
4. Act in such other matters as the Board may direct.

At the direction of the Sustainability Committee, CRC's management adopted a Code of Business Conduct, HSE Policy and related Corporate Governance Policies to carry out the Principles that apply uniformly throughout our statewide operations. Importantly, CRC's Code of Business Conduct, HSE Policy and other key policies apply to our employees, to the Company's suppliers and vendors (collectively, contractors) who work in and support 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 and training on our HSE Policy and Safety Tenets, reporting requirements and safeguards like Stop Work Authority are mandatory for employees, contractors and visitors alike. We also endeavor to apply our Code of Business Conduct and HSE Policy to CRC's suppliers and vendors in their work for the Company outside our facilities.

CRC's management team regularly updates the Sustainability Committee and the Board of Directors on our policies, programs and performance regarding sustainability, HSE and community engagement, including our progress on our annual Sustainability Metrics and 2030 Sustainability Goals. CRC also reports publicly on these matters in our annual Sustainability Report, our annual Proxy Statement and the Sustainability section of our website at CRC.com.

## **CRC's Sustainability Goals and Metrics**

At our launch in 2014, the Board adopted three quantitative annual Sustainability Metrics for HSE performance and additional strategic objectives that are used directly in determining incentive compensation for CRC's management team and employees. These Sustainability Metrics reflect company performance in health & safety, oil spill prevention and net water supply to agriculture, with performance thresholds set annually by the Board to drive continuous improvement. The additional strategic objectives measure individual contributions to risk management, strategic permitting, community partnerships, integration of HSE with Operations, and professional development.

CRC's Board has also established 2030 Sustainability Goals with quantitative targets to address carbon, methane, water and renewables directly in our life-of-field planning and long-term corporate development. CRC's Sustainability Goals advance California's parallel 2030 goals for these essential subjects, the state's 2045 carbon neutrality goal under the Paris Accord, and key UN Sustainable Development Goals. Our progress is measured against a 2013 baseline, since 2013 serves as a baseline for

several state policies and was the year before CRC's launch as an independent company. CRC has assigned dedicated teams and resources and establishes annual project milestones to ensure that we are progressing to achieve or surpass each of our 2030 Sustainability Goals. Our performance on these sustainability progress milestones forms our fourth annual Sustainability Metric. Our progress on achieving our annual Sustainability Metrics and our 2030 Sustainability Goals is summarized in our Sustainability Report, Proxy Statement and the Sustainability section of our website at CRC.com.

## 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 four core programs of CRC's system – Risk Management, Health & Safety, Environmental Protection, and Sustainability – are summarized below. As dictated by the Board's HSE Principles, each of these programs includes actions that are designed to ensure compliance, promote continuous improvement, and 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. The program 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, our 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 Sustainability Committee.

As of December 31, 2019, CRC and its affiliates operated 14 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 54 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, as well as in our strategic planning to evaluate risks and opportunities associated with the state's long-term climate, environmental and economic goals. This broader application helps CRC's management inform the Board, allocate resources and prioritize risk mitigation projects efficiently and consistently.

## Health & Safety Program

CRC's four Safety Tenets are the foundation of our Health & Safety program:

1. Our Goal is Zero Injuries
2. Everyone is a Safety Leader
3. No Job is Worth an Injury
4. Safe Production is our Standard

Our 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 our Safety Tenets among our workforce, participating labor unions, vendors and suppliers that go beyond regulatory requirements and help us sustain CRC's exemplary health and safety record.

The first of CRC's four annual Sustainability Metrics is based on the OSHA injury and illness incidence rate for our combined workforce of employees and contractors. In 2019, CRC achieved the best ever safety record in the long history of our operations, and our safety performance since our formation has consistently surpassed even office-based sectors like finance and insurance. In recognition of the exemplary safety performance of our workforce, CRC's operations have received National Safety



Achievement Awards and other awards from the National Safety Council every year since our formation, including 24 awards for 2019 performance alone.

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. In 2019, CRC conducted ten major emergency response drills with first responders, regulatory agencies and response contractors, typically involving 50 or more participants and dynamic, real-world scenarios. Safety and environmental events are tracked consistently in CRC's Knowledge Management System for reporting, investigation and resolution as well as continuous improvement.

## **Environmental Protection Program**

CRC's Environmental Protection program comprises environmental monitoring, spill prevention and response, regulatory compliance and restoration 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 up to 26 federal and state agencies and are subject to hundreds of thousands of compliance points in our environmental permits. Oil spill prevention is CRC's key Sustainability Metric for environmental performance, and we measure our volume of crude oil or condensate released, net of recoveries in liquid form. This metric emphasizes both spill prevention through our construction, maintenance and mechanical integrity programs and rapid spill containment and cleanup through our emergency response program described above. As a result, CRC has successfully sustained a low net volume of crude oil and condensate released from our operations every year since our formation.

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 development of regulations and legislation.

## Sustainability Program

CRC's Sustainability program focuses on conservation of water, habitat and energy in accordance with our Board's third HSE Principle and the state's long-term goals. CRC's Sustainability Team comprises multi-disciplinary professionals from HSE, Corporate Development, New Energy Ventures, Facilities and Operations to implement CRC's 2030 Sustainability Goals for carbon capture and sequestration, methane emission reduction, water recycling, and renewables integration that align with the state's long-term goals to advance the Paris Accord and the UN Sustainable Development Goals. This team in turn provides regular updates and progress against CRC's 2030 Sustainability Goals and annual project milestones to CRC's Sustainability Committee and the Board of Directors.

Reflecting California's recent drought conditions, water supply to agriculture is CRC's key Sustainability Metric for conservation. Through investments in water treatment and recycling, CRC has consistently served 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 2019, 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 2019, we treated and delivered a Company record 5.35 billion gallons of reclaimed water, making beneficial use of virtually 100% of the surplus water from Kern Front, our largest steamflood field. For every gallon of fresh water CRC purchased statewide, we delivered three gallons of treated, reclaimed water to agriculture. This reclamation is part of our 2030 Water Sustainability Goal to increase our volume of recycled or reclaimed produced water by 30% from our 2013 baseline. As of 2019, we were nearly halfway to achieving that goal.

We apply similar rigor to energy conservation, reducing greenhouse gas (GHG), methane and other air emissions, and to 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 CDP (formerly known as the Carbon Disclosure Project) on our GHG management program and our estimated Scope 1, 2 and 3 GHG emissions. CRC received an "A-" from CDP for our 2019 climate disclosure, scoring at CDP's Leadership Level and earning the highest ranking among all U.S. oil and natural gas companies along with one U.S.-based E&P company with global operations. CRC's GHG emission reports to CARB are verified by independent, state-accredited experts and, unlike out-of-state producers, CRC acquires allowances or qualified offsets under California's Cap-and-Trade program for our GHG emissions, which provides significant revenues for California's Greenhouse Gas Reduction Fund to mitigate climate change.



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. We have also surpassed our 2030 Methane Sustainability Goal, by reducing methane emissions nearly 63% from our 2013 baseline by implementing equipment and process changes at multiple fields.

As a result of these investments, CRC's flagship Elk Hills and Wilmington fields are the only two major fields in California that have lower carbon intensity than typical Saudi Arabia crude imports. To further reduce carbon intensity and help the state achieve its 2045 goal of carbon neutrality under the Paris Accord, CRC is developing "CalCapture," California's first carbon capture and sequestration (CCS) project at Elk Hills. This CCS project would reduce CRC's statewide carbon dioxide emissions by 30%, significantly further reduce the carbon intensity of the oil we produce at Elk Hills, and put our 550-megawatt (MW) Elk Hills Power Plant on a pathway to be a carbon-neutral source of baseload power for California.

CRC also actively supports the expansion of renewables. Our operations have enabled third-party solar developers to progress 735 megawatts of planned or operating commercial solar projects over our mineral properties through surface waiver or mutual use agreements that provide the large contiguous footprint they require, reserving access to our minerals through drilling pads and corridors. Our New Energy Ventures group actively pursues integration of renewable power into oilfield operations, as well as solar development of CRC's surface acreage. In 2019, CRC signed power purchase agreements for 40 MW of solar power at multiple fields and designed an additional 2 MW of carport solar at our largest building. In addition, we have 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 CRC's 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. CRC's 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. CRC received state approval in 2016 to triple our existing 8,000-acre

habitat conservation area at Elk Hills at full field development, which will devote 25% of the total surface acreage we currently own to conservation in the coming years.

## Conclusion

By incorporating California and international best practices, CRC's advanced 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.