

California Resources Corporation 2017 Sustainability Overview

SUSTAINABILITY FOR CALIFORNIA RESOURCES

California Resources Corporation (CRC) is dedicated to fostering sustainable growth to meet the future energy needs of all Californians. We seek to proactively advance the State's energy self-sufficiency by practicing and advocating policies that promote the safe and responsible development of California's abundant natural resources.

As a responsible steward of California's ample oil and natural gas resources, we optimize local energy production to the world's strongest safety, labor, human rights and environmental standards. In doing so, we strive to improve the quality of life for California's families and communities by championing access to affordable and reliable energy.

CRC's dedication to a vibrant, sustainable California starts with our values – Character, Responsibility and Commitment. To help our workforce carry out these values, our Board of Directors established three specific Health, Safety and Environmental (HSE) principles that apply to everything we do:

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

CRC has established both annual and long-term goals to foster current and long-term continuous improvement in implementing our HSE Principles. Each year, CRC sets three quantitative HSE goals on health and safety, spill prevention and water conservation that directly impact compensation of our management team and workforce. Additionally, CRC has adopted 2030 sustainability goals focused on water conservation, renewables integration, methane emission reduction, and carbon capture and sequestration to incorporate into our life-of-field planning. The following summarizes our sustainability strategy, goals and performance.

“Reflecting the priority Californians place on protecting the planet, state leaders have demonstrated their strong commitment to global environmental policies and have devoted billions of taxpayer and consumer dollars through mandates and subsidies to implement those policies. One ironic side effect has been to increase California's dependence on imported energy from other states and countries that do not apply the State's world-leading standards or meet the expectations of Californian's desire to contribute to sustainability in a meaningful way. If we are going to get serious about climate change and other natural or man-made challenges, California must become more self-sufficient and more resilient with an “all-of the above” energy approach. This means safely developing all our energy resources – from renewables to oil and natural gas – to support everything we do at home and at work. CRC has a critical role to play in this important dynamic. Tapping into the State's vast oil and gas resources in sustainable ways provides a path to energy equality for the most disadvantaged and directly benefits California's diverse society, economy and environment by maintaining a more affordable energy mix that enables continued growth of all needed energy sources, including renewables. CRC embodies the American dream and we are proud to deliver that dream through jobs, affordable energy and being responsible stewards of California's natural resources.”

-- Todd Stevens, President and Chief Executive Officer, California Resources Corporation

CONTRIBUTING TO CALIFORNIA'S SUCCESS

California is the world's third-largest consumer of oil and must ensure an affordable, reliable and secure supply. As California's largest oil and natural gas producer on a gross-operated basis, CRC takes pride in providing energy and revenues that are critical to communities and residents throughout our State. We manage the largest privately held mineral acreage position with operations in all four of California's major oil and gas basins, including San Joaquin, Los Angeles, Ventura and Sacramento. All our operations and employees are in California, so our success depends on a vibrant future for California's society, economy and environment.

Despite our State's world-class oil and natural gas resource base, California's growing energy demand has us in a chronic dependence on out-of-state and foreign energy imports, which has hit or neared record levels. In fact, California imported 67% of the oil, 90% of the natural gas and 32% of the electricity it needed in 2016 from other states or countries. California consumers are funding jobs and development overseas instead of right here at home. More than 85% of oil dollars flowing out of California to foreign countries goes to Saudi Arabia, Ecuador, Colombia, Kuwait and Iraq. This dependence is not sustainable for our society, our economy or our environment.

California can and must reverse this trend. Californians benefit by meeting our energy needs from oil, natural gas and electricity production here at home and retaining the value chain derived from that production, including increased employment, income from mineral rights, technology development, infrastructure improvements and significant tax revenues.

From 2014 through 2016, CRC paid more than **\$700 million** in California state, local and payroll taxes. CRC's operations have provided an additional **\$500 million** in revenues to the California State Lands Commission from our production on native lands. CRC's operations in Long Beach alone have generated more than **\$4.6 billion** in revenue for the city, State and port since 2003. Each year, CRC's tax payments and production for government agencies supports thousands of public sector jobs for essential services like health, education, regulatory oversight and public safety.

Additionally, from 2014 through 2016, CRC has paid more than **\$600 million** to more than 20,000 individuals, small businesses and non-profit organizations who own mineral rights in California. CRC is valued as an economic engine and community partner, from the farmer who leases land to CRC to the hard-working men and women who build, maintain and operate our plants and fields, to the large number of businesses that support our daily operations, to the teacher in the classroom, the local fire station and state agencies in Sacramento.

By choosing to import more oil, natural gas and electricity, Californians lose the benefits of local production and instead pay to develop jobs, schools, infrastructure and technology in the Middle East and South America or other states like Alaska and Texas. Imported energy also raises global greenhouse gas (GHG) and other air emissions, since production in those countries and states do not follow California's rigorous air quality standards or our GHG cap-and-trade program. Additionally, their products are transported over thousands of miles by pipelines or supertankers to reach California. Finally, relying on distant producers subjects California's growing population to unnecessary energy shortages and price spikes due to foreign conflicts, natural disasters and transportation incidents. By increasing local production of oil, natural gas and electricity, CRC and other California producers make our energy supply more secure, affordable and reliable, reduce global emissions, and make our economy and society more resilient and self-sufficient. California's sustainability depends on increasing cost-effective local energy production, which CRC is committed to deliver.

HIGH-QUALITY WORKFORCE

At CRC, health and safety leads everything we do. This isn't just a slogan. We work actively to reduce hazards in our operations by setting consistent expectations in job planning and contractor selection, empowering and training our workforce as safety leaders, and supporting them with safe work practices, technology and rigorous maintenance and asset integrity programs. CRC was the first oil and gas company in California's 140-year history to enter into a statewide Project Labor Agreement with the California Building and Construction Trades Council to ensure that our facilities are built and maintained with a safe, highly-qualified workforce. Importantly, CRC empowers and encourages each employee and contractor with Stop Work Authority to cease without repercussion any task or behavior that is believed to be unsafe or adversely impacting the environment.

Our health and safety goal is to sustain our exemplary safety performance by reducing recordable injuries. Each year, CRC sets a threshold injury and illness incidence rate as a quantitative metric that directly affects incentive compensation and promotes continuous improvement. Creating this culture of accountability has led to our California workforce achieving their three best annual combined safety performance ratings from 2014 through 2016 in the decades-long history of our operations. These safety rates are consistently much better than private industry, as well as state and local government. In addition, our employees received four National Safety Achievement

Awards in 2017 from the National Safety Council recognizing CRC's exceptional safety performance over the past year in each of our operating areas and company-wide. CRC was one of only 27 organizations nationwide so recognized by the National Safety Council in 2017. This is in addition to seven safety awards that CRC received, including an Occupational Excellence Achievement Award, two Million Work Hours Awards and four Perfect Record Awards, in 2016.

CRC honors the men and women who work hard every day to explore for oil and natural gas, drill, monitor and service our wells, build and maintain our critical infrastructure of separators, tanks, pipelines and advanced gas processing, water treatment and power plants, and safely operate our plants and fields. CRC is committed to being a driving force for local industrial jobs that are honorable, desirable and provide opportunities for upward mobility, particularly in rural and urban areas that have not shared equally in California's recent economic growth.

CRC is proud to participate in an industry that provides high wages for working families regardless of educational background and reflects ethnic diversity of the State that is unmatched by other industries. California's oil and natural gas industry supports more than 368,000 jobs throughout the State with an average wage of about \$84,500 according to a recent study by the Los Angeles Economic Development Corporation. This wage level is more than 35% above the average wage and provides a path to the middle class for a diverse workforce with a range of industrial jobs that do not require a college degree, as well as a fresh start for those who need a second chance. Our industry also reflects California's diversity with a labor force that is 27% Latino, 16% Asian and 6% Black.

CRC's workplace is built on an unwavering commitment to promoting health and safety throughout our operations and providing a pathway to middle-class jobs, ample career advancement and strength through diversity.

ENVIRONMENTAL STEWARDSHIP

California has imposed the most stringent environmental regulations on the oil and natural gas industry anywhere. More than 20 state and federal agencies oversee all aspects of exploration and development of oil and gas properties, production, transportation and sale in California. Foreign governments and other states do not follow California's stringent standards like our greenhouse cap-and-trade program. Our all-California workforce is proud of the commitments and investments CRC has made to actively promote conservation of water, habitat and energy to benefit the communities where we live and work and improve the environment, extending well beyond regulatory requirements.

Through ingenuity, hard work and coalitions with like-minded Californians, we efficiently produce energy as responsible stewards of California's natural resources. We design and maintain our facilities throughout the State with our neighbors, communities and the environment in mind. CRC operates in sensitive coastal, urban and agricultural settings by applying advanced production technologies and control systems, as well as innovative environmental safeguards and conservation

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measures. Our environmental stewardship goal is to demonstrate sustained asset integrity by limiting losses of crude oil and condensate to a minute fraction of production. Each year, the Company sets a threshold oil spill prevention rate as a quantitative metric that directly affects incentive compensation and promotes continuous improvement. CRC's spill prevention rate has improved every year since our launch in 2014, retaining over 99.999% of our production. We also initiate tabletop and full deployment drills with federal, state and local emergency response agencies to ensure that all parties are prepared to respond rapidly should a spill occur.

CRC's conservation programs and investments surpass California's stringent regulatory requirements. Unlike most oil and gas producers in other parts of the world who are net users of fresh water, CRC is a net water supplier thanks to our extensive investments in treating and recycling produced water that originates in underground oil and gas formations. Our Company's water conservation goal is to expand our role as a net water supplier to agriculture and other uses. In 2016, we supplied nearly 4 billion gallons of treated, reclaimed water for agriculture – almost doubling our 2014 delivery and increasing our 2015 volume by 50%. This water delivery set a new record for our operations and was two and a half times greater than the total fresh water volume we purchased for our statewide operations. We already recycle or reclaim 87% of our produced water statewide, and we are committed through our 2030 water sustainability goal to significantly increase the volume of produced water available for beneficial use.

CRC also seeks to increase energy efficiency and reduce emissions of GHG and other compounds, even as we supply more energy to Californians. We devote significant resources to capture natural gas, both in design and construction of new facilities and in retrofitting existing facilities, to minimize air emissions and reduce flaring. CRC is by far the leading in-state producer of natural gas, a fuel that has delivered substantial GHG emission reductions in California, as well as nationwide, and perfectly complements renewable energy. 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. The Company also reports voluntarily to the Carbon Disclosure Project on our GHG management program and our estimated GHG emissions. In 2017,

the Carbon Disclosure Project provided CRC with a “B” grade for our GHG reporting, the same grade received by several of the supermajor energy companies and above virtually all of our peer companies. 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. Collectively, these efforts enable us to incorporate GHG emissions and the State’s cost of carbon into our life-of-field planning process. Through our proactive 2030 sustainability goals on methane and carbon, we will redouble our efforts to sustain California’s leadership role in reducing GHG emissions, while preserving an affordable, reliable and secure energy supply for Californians.

CORPORATE GOVERNANCE

CRC’s senior management team and Board of Directors are committed to effective and ethical corporate governance, which we believe sustains and enhances stockholder value. CRC’s Board, which includes seven independent directors, regularly reviews the Company’s governance practices to ensure good business practices and a strong compliance program.

The Company’s comprehensive business and ethical conduct policies are available in our Governance section at CRC.com. These policies apply to all directors, officers and employees, each of whom personally commits to following our code and our corporate policies. Our position is that no business goal is worth our employees compromising their integrity or our shared values.

CRC is an active and constructive participant in California’s development of legislation, regulation and energy policy. Our operations are governed by tens of thousands of regulatory and permit requirements, and we have a demonstrated commitment to regulatory compliance. As regulations are proposed or implemented, we offer constructive suggestions on how to meet the objectives in the most efficient manner possible. CRC’s contact with government representatives is subject to applicable federal, state and local laws and Company policies.

CRC cultivates a culture bound by high ethical standards and values that reward acting with Character, Responsibility and Commitment.

CRC contributes to candidates and political organizations that we believe share our interest in promoting a self-sufficient, sustainable society with greater economic and energy equality for California’s diverse communities. Such contributions are subject to applicable federal, state and local laws, as well as Company policies. Specific information on campaign finance and lobbying activities is available through the California Secretary of State’s website at www.sos.ca.gov/campaign-lobbying. CRC does not have a federal or state political action committee.

COMMUNITY OUTREACH

CRC takes a proactive approach to engage our stakeholders throughout California, including regulators, the communities in which we live and operate, our workforce and labor, business and non-profit organizations. Our families live here, our children are growing up here and our work is focused exclusively on California. CRC serves as an active and supportive community partner through impactful donations and volunteerism.

Our charitable contributions support CRC’s five community pillars:

- Education and Job Training – CRC supports numerous programs that inspire students of all ages about science, technology, engineering and mathematics (STEM), skills which are important in California’s cutting-edge industries, including CRC’s oil and natural gas production. We also partner with universities, apprenticeship programs and non-profits to provide paid internships, scholarships and workforce training, focusing on those from disadvantaged communities.
- Veterans – CRC supports military and veteran organizations in recognition for their service to our country and as valued members of our workforce.
- Public Health and Safety – CRC supports and develops programs that promote community health, safety and well-being, focusing on children’s health and wellness in underprivileged communities and our public safety professionals.
- Environmental Stewardship and Water Conservation – CRC’s workforce values the sensitive ecosystems of the Golden State and enthusiastically contributes to solving challenges. The Company dedicates resources to habitat conservation and biodiversity and partner with water districts and non-profit organizations to help alleviate the impact of California’s drought on farmers and rural communities.
- Civic Events – CRC supports a wide range of community programs and events that strengthen California’s vibrant neighborhoods and address the local priorities that make each distinct.

CRC seeks to partner with many non-profit organizations throughout California to help make long-term, positive impacts on working families, businesses and diverse communities across the State.

This proactive stakeholder engagement helps us to obtain and act constructively on community input. CRC believes that this outreach strategy will continue to expand its opportunities to thrive and grow in California, while providing significant benefits to the State and communities where we live and work.

2030 SUSTAINABILITY GOALS

Dedicated to supplying energy for California by Californians, CRC proudly shares and endorses California’s commitment to conserve our natural resources and protect our environment. We design, build and maintain state-of-the-art facilities to help California achieve self-sufficiency in water and energy, which we believe is the highest form of sustainability.

CRC has adopted 2030 Sustainability Goals throughout our operations which advance the State’s 2030 goals and aid in our life-of-field planning process. The Company’s goals are measured against a 2013 baseline, which is the year before CRC’s launch as an independent company.

- Water – Significantly increase the volume of recycled produced water from our 2013 baseline. CRC is a net water supplier, delivering a Company record four billion gallons of treated, reclaimed water for agriculture in 2016, more than two and a half times the amount of fresh water we purchased.

- Renewables – Integrate renewable power into oil and gas operations. Safely develop all our energy resources – from renewables to oil and natural gas – to provide reliable, affordable energy to Californians. Integrating renewable power projects in oil and gas fields reduces our electricity demand from the grid, as well as GHG and other air emissions, and preserves undisturbed habitat by concentrating energy production on land already dedicated to oil and gas operations.
- Methane – Significantly reduce methane emissions from our 2013 baseline. CRC devotes substantial resources to capture natural gas, both in design and construction of new facilities and in retrofitting existing facilities, to minimize air emissions.
- Carbon – Design and permit carbon dioxide capture system at the Company’s Elk Hills Power Plant with carbon dioxide enhanced oil recovery at Elk Hills Field. This project would make the Elk Hills Power Plant, which generates electricity for up to 350,000 homes, as well as the Elk Hills Field, carbon-neutral.

These goals are subject to liquidity and securing funding and permits, and to adjustment for major acquisitions and dispositions. CRC will report annually on our progress on our 2030 sustainability goals, including quantitative metrics on water recycling, renewable power and methane reductions, and intends to set interim milestones for each sustainability goal.