

## Opinion Regarding Conformance of California Resources Corporation's Health, Safety and Environmental Standards and Programs with International Practices

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## OPINION REGARDING CONFORMANCE OF CALIFORNIA RESOURCES CORPORATION’S HEALTH, SAFETY AND ENVIRONMENTAL (HSE) STANDARDS AND PROGRAMS WITH INTERNATIONAL PRACTICES

FirstCarbon Solutions (FCS) has completed a review of California Resources Corporations’ (CRC’s) HSE Program, and compared it with our understanding of the content of international HSE practices and management systems. This exercise was performed by a dedicated team with over 60 years of combined experiences in HSE stewardship and programs, directed by Luis Navarro, M.S., Director of Environmental Solutions for FCS, an environmental and sustainability consulting firm with a global presence and over 30 years in operation. Mr. Navarro has approximately 20 years of experience supporting the oil and gas industry with his HSE consulting expertise, including designing, implementing, and/or auditing HSE systems throughout North and South America. Mr. Navarro, as well as the project team, has the necessary experience to review CRC’s HSE program and compare it with international practices for HSE Management Systems.

FCS found clear evidence of all of the requirements of a fully functioning and effective HSE system, producing results of exemplary Illness and Injury Rate (IIR); CRC’s IIR was less than one-sixth the average rate for private industry in the United States in 2015. FCS also confirmed compliance with environmental regulatory and permit requirements through verification in the regulators’ databases.

As outlined in the Health, Safety and Environment Sections of the Business Ethics and Corporate Policies published on CRC’s website., all parts of the CRC organization are involved with the HSE program, from the Board of Directors to Field Technicians, all of whom have clear HSE roles and responsibilities and are regularly informed about HSE performance. FCS found evidence of the Plan, Do, Check, Act model – phases of a functioning management system and procedures that measure and document regulatory compliance, continuous improvement, management engagement, approval hierarchy, incident reporting, corrective/preventive action (CAPA), document management, internal and third party audits, etc. Based upon our review, CRC has developed a system that demonstrates leadership in managing HSE throughout their operations. The following provides the steps taken in the review process, as well as conclusions.

### Environmental Review

FCS completed review of CRC’s HSE program documentation, including all programmatic policies, management systems (document, incident, continuous improvement/best practices, auditing, etc.), and reports, as well as procedures and reports covering specific HSE topics. In addition, we completed a spot investigation of the public fillings CRC submitted to the California Air Resource Board and the California State Water Resources Control Board. Finally, based upon the information gathered, we completed interviews with a select group of CRC staff to validate our findings.

### Understanding of Legal Obligations

CRC demonstrated a clear understanding of their compliance obligations. Local HSE managers maintain a checklist of key compliance activities, a schedule of recurring reporting obligations, and

policies for managing events and submitting agency notifications reports within 24 and 48 hours of the event. In addition to staff dedicated to compliance with existing regulations, employees and budget are dedicated to monitoring upcoming regulations, assessing their impact on the business, and collaboratively working with the regulators to efficiently achieve the intent of the proposed regulations. Evidence of this is found on the Health, Safety and Environment Management System Summary, published on CRC's website.

## Data and Document Management

All key documents are managed from a centralized electronic document library. Each document is numbered, owned by a named individual and tracked by revisions. The library contains clear instructions on training, emergency plans, incident policies, regulatory obligations, reporting forms, best practices, and permits.

Incident management is captured through the Knowledge Management System (KMS), a single corporate wide-system. If a field incident occurs, the site manager calls a centralized dispatcher. The dispatcher contacts the relevant emergency staff and logs the incident into KMS. Alerts are sent to the indicated personnel through the KMS system, assuring compliance with the incident communication plan, allowing details to be reviewed and generation of a summary dashboard. Incidents and near misses are investigated, root causes identified, and CAPA plans implemented. Once completed, staff is notified, and applicable documents are updated accordingly to reflect the CAPA.

Operational data is maintained and reported from each site. A spot review of public filings to the California Air Resources Board and the California State Water Resources Control Board showed that recurring air and water compliance reports were current and complete.

## Training and Continuous Improvement

CRC has a company-wide HSE Training and Tracking system, which includes notification of pending training, content, competency measurements, certification information, and staff compliance tracking. CRC runs scorecards and comparison reports of its facilities that identify Best Practices being implemented by facilities, teams, or an individual. CRC then publishes the Best Practices to its staff and updates applicable documents accordingly through its document management system.

## Validation and Verification

In addition to compliance with regulatory HSE requirements, validation of an effective HSE system for an operator can be measured by stakeholder relations. Hundreds of thousands of people per day see some element of the CRC operations, including wells, field facilities and processing plants in Southern and Central California that are posted with company contact information, as well as four man-made islands in Long Beach Harbor that are visible from the shore. The public has access to report observations or ask questions of both company personnel and regulatory agencies. In order to proactively engage with the community, CRC holds periodic meetings with internal and external stakeholders and provides recurrent public tours; CRC continuously performs internal audits,

collaborates with regulatory agencies through frequent meetings and maintains an active CAPA program. These activities reflect a proactive and engaged relationship with stakeholders.

## **Conclusions**

CRC has demonstrated the implementation and execution for more than five (5) years of processes and policies of a mature, transparent, and robust HSE system, including a dedicated compliance team that continues to develop and adjust to changing technology, stakeholder expectations, and new regulations. CRC is regarded as a responsible operator within its current operational footprint. The health, safety and environmental protection management system of California Resources Corporation conforms with international practices for operations in hydrocarbon exploration and extraction projects.

## Legal Notice

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