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Cover main photo: Husky operations, southern Alberta
Top photo: Catch and release sturgeon from the North Saskatchewan River
Centre photo: Pink shirt day at Calgary offices
Bottom photo: Sandall thermal project, Saskatchewan
CEO Message

Husky delivers, in a safe and responsible manner, the essential energy products the world needs today. The gasoline, diesel, jet fuel and petrochemical feedstocks we produce every day are vital to the way we live.

As supplies of renewable energy grow, demand for oil and natural gas is also set to rise, driven by global population growth and by more people joining the middle class.

In Canada, oil and gas development creates jobs, drives technological advancements and contributes to government revenues. Husky contributes to the economies of the communities where we operate through good jobs, community investment, purchasing goods and services, and paying taxes and royalties that help fund health, education and other services – and we do this while continuously returning value to our shareholders.

A resilient Husky, viable over the long term, benefits all our stakeholders – many of whom are increasingly interested in our ability to compete in this challenging world, while applying a high standard to safety, environmental and social performance.

We have spent many years building programs to deliver safe and reliable operations. Our goal is to operate safely, always. Safety, and asset integrity and reliability, are at the core of our operations and must underpin everything we do. However, in 2017 we had a near-miss offshore Newfoundland and Labrador and earlier this year we had a fire at our refinery in Superior, Wisconsin. These incidents are simply unacceptable. Investigations are underway to determine cause and we will learn from them to ensure it cannot happen again.

Central to accountability on safety, as well as environmental, social and governance issues, is performance transparency. As such, in 2017 we began developing an environmental, social and governance (ESG) strategy to increase Husky’s transparency, prioritize topics and further assess risks we believe have the most impact on our long-term sustainability and success. Under this strategy, we aim to provide increased disclosure and reporting on topics and issues facing the company, the industry and the communities where we do business.

While Husky has undertaken risk assessments and reported selected ESG data for many years, for the first time we are bringing these processes together formally. Our approach to priority topics, as well as our performance, are covered in this report.

We will illustrate how we’re doing through numbers and tell you more about the ways we’re striving to improve our performance in key environmental, social and governance areas, including safety. Some initiatives we report on are underway, such as investments in energy efficiency; other initiatives are new, such as the diluent reduction technology we’re piloting at Sunrise. Technology is vital to improving our competitiveness as a company and to reducing our impact on the environment.

Behind all the numbers are our people, who drive our performance and innovation. By encouraging a culture of inclusion we create a supportive and more vibrant workplace.

A strong commitment to safety, our communities and environmental stewardship benefits our long-term economic performance. We deliver essential energy products to make people’s lives better, and we continue to be equally invested in our role as a responsible and ethical employer, neighbour, customer, taxpayer, innovator and environmental steward.

Rob Peabody
## Performance Data

Summary of key numbers related to the Company’s operations and environmental, social and governance performance.

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<tr>
<th>Indicator</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>IPIECA1</th>
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<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>Thousands of barrels of oil equivalent (boe) per day</td>
<td>323</td>
<td>321</td>
<td>346</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>Canadian $ millions</td>
<td>786</td>
<td>922</td>
<td>(3,850)</td>
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<tr>
<td>Funds from Operations1</td>
<td>Canadian $ millions</td>
<td>3,306</td>
<td>2,198</td>
<td>3,333</td>
</tr>
<tr>
<td>Free Cash Flow2</td>
<td>Canadian $ millions</td>
<td>1,086</td>
<td>493</td>
<td>328</td>
</tr>
<tr>
<td>Capital Investment2</td>
<td>Canadian $ millions</td>
<td>2,220</td>
<td>1,705</td>
<td>3,005</td>
</tr>
<tr>
<td>Reserves</td>
<td>Proved and probable millions boe, before royalties</td>
<td>2,437</td>
<td>2,815</td>
<td>2,912</td>
</tr>
<tr>
<td>Reserves</td>
<td>Proved millions boe, before royalties</td>
<td>1,301</td>
<td>1,224</td>
<td>1,324</td>
</tr>
<tr>
<td><strong>Safety &amp; Asset Integrity &amp; Reliability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Recordable Injury Rate</td>
<td>Recordable injuries per 200,000 exposure hours</td>
<td>0.62</td>
<td>0.55</td>
<td>0.64</td>
</tr>
<tr>
<td>Lost-time Injury Frequency</td>
<td>Number of lost-time injuries per 200,000 exposure hours</td>
<td>0.11</td>
<td>0.11</td>
<td>0.14</td>
</tr>
<tr>
<td>Tier 1 Process Safety Events</td>
<td>12</td>
<td>NPR2</td>
<td>NPR2</td>
<td>HS5</td>
</tr>
<tr>
<td>Fatalities</td>
<td>Employees and contractors</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Pipeline Incident Rate</td>
<td>Number per 1,000 km of pipeline</td>
<td>1.03</td>
<td>1.36</td>
<td>2.39</td>
</tr>
<tr>
<td>Number of Spills</td>
<td>151</td>
<td>170</td>
<td>291</td>
<td>E9</td>
</tr>
<tr>
<td>Volume of Spills – Hydrocarbons</td>
<td>Cubic metres</td>
<td>352</td>
<td>913</td>
<td>469</td>
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<tr>
<td>Volume of Hydrocarbons Recovered2</td>
<td>Percentage</td>
<td>82</td>
<td>97</td>
<td>80</td>
</tr>
<tr>
<td>Volume of Spills – Other (produced/process water, refined products, other)</td>
<td>Cubic metres</td>
<td>974</td>
<td>1,016</td>
<td>1,656</td>
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<tr>
<td><strong>Environmental</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Energy Use5</td>
<td>Gigajoules</td>
<td>155,505,00011</td>
<td>151,324,00011</td>
<td>162,790,000</td>
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<tr>
<td>Scope 1 GHG Emissions6, 11</td>
<td>Tonnes of CO₂</td>
<td>11,180,00011</td>
<td>11,242,00011</td>
<td>11,900,000</td>
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<tr>
<td>Scope 2 GHG Emissions6, 9, 11</td>
<td>Tonnes of CO₂</td>
<td>2,221,00011</td>
<td>2,128,00011</td>
<td>2,430,000</td>
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<tr>
<td>Sulphur Dioxide (SO₂) Emissions6, 11</td>
<td>Tonnes</td>
<td>6,241</td>
<td>8,847</td>
<td>8,611</td>
</tr>
<tr>
<td>Nitrogen Oxides (NOx, expressed as NO₂) Emissions6, 11</td>
<td>Tonnes</td>
<td>10,362</td>
<td>9,773</td>
<td>9,546</td>
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<td>Volatile Organic Compounds (VOC) Emissions6, 11</td>
<td>Tonnes</td>
<td>4,106</td>
<td>3,864</td>
<td>3,703</td>
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<td>Filterable Fine Particulate Matter Emissions (PM₃,6, 11</td>
<td>Tonnes</td>
<td>589</td>
<td>626</td>
<td>NPR4</td>
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<tr>
<td>Fresh Water Withdrawal7</td>
<td>Million cubic metres</td>
<td>31.711</td>
<td>29.111</td>
<td>24.2</td>
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<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Employees</td>
<td>Permanent</td>
<td>5,152</td>
<td>5,150</td>
<td>5,552</td>
</tr>
<tr>
<td>Employee Salaries and Benefits</td>
<td>Full-time and part-time, $ millions</td>
<td>778</td>
<td>NPR5</td>
<td>NPR5</td>
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<tr>
<td>Compensation Per Employee</td>
<td>151,000</td>
<td>NPR5</td>
<td>NPR5</td>
<td></td>
</tr>
<tr>
<td>Employee Turnover</td>
<td>Percentage, voluntary and retirements</td>
<td>3.9</td>
<td>3.3</td>
<td>4.0</td>
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<tr>
<td>Senior Executive Diversity</td>
<td>Percentage of women, Canada</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
</tr>
<tr>
<td>Community Contributions</td>
<td>$ millions</td>
<td>3.0</td>
<td>2.2</td>
<td>3.0</td>
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<td><strong>Governance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Board Members</td>
<td>Percent</td>
<td>56</td>
<td>60</td>
<td>60</td>
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<tr>
<td>Independent Audit Committee Members</td>
<td>Percent</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Board Diversity</td>
<td>Percentage of women</td>
<td>12.5</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Ethics Help Line Reports</td>
<td>Number of reports made</td>
<td>32</td>
<td>NPR5</td>
<td>NPR5</td>
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1. Indicators from IPIECA/AIAG/OOGP oil and gas industry guidance on voluntary sustainability reporting 2015.
2. Excludes capitalized costs related to asset retirement obligations incurred during the period. Excludes amounts related to Husky-CNOOC Madura Ltd. joint venture and, after the second quarter, Infrastructure and Marketing amounts related to the Husky Midstream Limited Partnership.
3. Not previously reported.
4. Includes acquisitions and dispositions.
5. Includes capitalized costs related to asset retirement obligations incurred during the period. Excludes amounts related to Husky-CNOOC Madura Ltd. joint venture.
6. Excludes amounts related to Husky-CNOOC Madura Ltd. joint venture.
7. Excludes all gases flared, vented or incinerated as their energy content is not utilized. Minor discrepancies identified in 2015 data may make it difficult to compare year over year performance.
8. Excludes purchased electricity associated with Husky retail stations and selected offices, based on assets operated as at December 31.
9. Excludes all gases flared, vented or incinerated as their energy content is not utilized. Minor discrepancies identified in 2015 data may make it difficult to compare year over year performance.
10. Excludes paid-in-kind option grants.
11. Excludes paid-in-kind option grants.
12. Includes acquisitions and dispositions.
14. Does not include fresh industrial wastewater.
Husky’s environmental, social and governance (ESG) topics for sustainability reporting are those that, in the view of management, affect Husky’s performance and long-term sustainability and/or inform investor assessments or decisions about us.

We formalized our ESG materiality assessment process in 2017, conducting interviews and considering information from investors, analysts and community members. This was used to compile our ESG material topics.

Workshops were held with management and senior executives to approve and prioritize the list of ESG topics based on risk, performance and impact. The topics below have been approved by Husky’s Executive Committee and the Executive Health, Safety and Environment Committee. These will be reviewed on an annual basis to ensure emerging topics are considered, with the list adjusted accordingly.

Throughout this report you will find information on our programs that support each of these ESG topics, as well as information on our performance. Our performance data table provides quantitative information. It is aligned with the voluntary sustainability reporting guidance developed by IPIECA, along with the International Association of Oil and Gas Producers (IOGP) and the American Petroleum Institute (API).

Husky’s 12 ESG Material Topics

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**Boundary & Approach**

The operations covered within this report are detailed in the Economic section and include our Integrated Corridor assets and our Offshore operations. We do not operate the Toledo Refinery nor the BD Project in Indonesia.
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**Husky’s Commitment to the Sustainable Development Goals**

The United Nations Sustainable Development Goals (SDGs) set the course for governments, businesses and society to respond to global economic, social and environmental challenges by 2030. We recognize our actions have an impact in these areas and the evaluation of our material topics highlighted where, through our actions, we can contribute to achieving the UN SDGs. We have committed resources and efforts to programs that support the goals, and use an SDG symbol to indicate where they align.
Husky employs more than 5,100 people in Canada, the United States and the Asia Pacific region.

Our Integrated Corridor includes thermal production from Lloyd thermal projects, the Tucker Thermal Project and the Sunrise Energy Project, as well as natural gas and associated liquids. This production is integrated with the Downstream business, including the Lloydminster upgrading and refining complex, the Husky Midstream Limited Partnership (of which Husky owns 35 percent and is the operator), and the Lima, Superior and Toledo refineries in the U.S. Midwest.

Offshore production includes operations and exploration in the Asia Pacific region, primarily offshore China and Indonesia, and in the Atlantic region offshore Newfoundland and Labrador.

Husky maintains financial discipline, with a focus on generating free cash flow to invest in low-cost growth opportunities and returning cash to shareholders. Our stability and long-term profitability allows us to contribute to the economies of the communities where we operate through jobs, supply contracts, taxes and royalties, and community investments.

2017 Highlights

Integrated Corridor

Thermal Production

• Advanced six Lloyd thermal bitumen projects totaling 60,000 bbls/day of capacity, including the sanction of Westhazel and Edam Central, and work on Rush Lake 2, Dee Valley, Spruce Lake North and Spruce Lake Central.
• The Tucker Thermal Project continues to ramp up to 30,000 bbls/day, which is expected by the end of 2018.
• Production continued to ramp up towards full capacity at the Sunrise Energy Project.

>$5 billion total contribution to the economy

5,100 employees

>$360 million in royalties
2017 Highlights

Integrated Corridor

Resource Plays

• Continued gas drilling programs in the Wilrich formation in the Ansell and Kakwa areas, and in the Montney formation with liquids-rich gas wells in the Wembley area and oil wells at Karr.

Downstream

• Acquired the 45,000 bbls/day capacity Superior Refinery and ancillary assets in the U.S. Midwest, increasing total downstream throughput capacity to 395,000 bbls/day.

2017 Highlights

Offshore

Asia Pacific

• BD Project offshore Indonesia began production, ramping up towards full production.
• Sanctioned Liuhua 29-1, the third field at the Liwan Gas Project, with production anticipated around the end of 2020.

Atlantic

• Sanctioned the West White Rose Project offshore Newfoundland and Labrador, with first oil expected in 2022.

Contributing to the Economy

Husky delivers essential energy products to the world in a safe and responsible manner, with a focus on financial discipline that generates free cash flow to invest in low-cost growth opportunities, which create jobs and associated activity across the economy, and provides a return to our shareholders.

In 2017 funds from operations were $3.3 billion, up 50 percent from the year before, and we generated free cash flow for the year of $1.1 billion, up 120 percent from 2016. We spent more than $2 billion on capital projects, significantly benefitting the communities where we operate. We established a quarterly cash dividend of $0.075 for the fourth quarter of 2017, delivering on our commitment to return money to shareholders as commodity prices stabilized and free cash flow permitted. Our operating expenses in those communities, including services, materials and equipment, utilities and transportation, were $2.7 billion.

Our integrated business enables us to employ more than 5,100 people in Canada, the United States and the Asia Pacific region, and to contribute strongly to the economies and the communities where we operate.

In addition to providing long-term, well-paid jobs where we operate, these contributions include:

• Employing full-time personnel and contractors, and purchasing goods and services from local businesses, including Indigenous vendors.
• Paying royalties and taxes to municipal, provincial, state and federal governments.
• Paying access fees, taxes and other appropriate payments to Indigenous governments.
• Contributing to community and not-for-profit organizations.
• Paying dividends to our shareholders.
Business Resilience

As Husky assesses current and future oil and gas market scenarios, including International Energy Agency reports and data, we believe our strong balance sheet, low cost structure, downstream integration and market diversification position us to compete in a low commodity price environment, and largely eliminates our exposure to WCS discounts resulting from Western Canadian market egress constraints.

Innovation & Advanced Technology

Husky’s investments in innovation and technology reduce costs, increase resource recovery and improve our environmental performance. We focus on developing and implementing technology that offers the highest potential value for our business, while also learning from our peers from across the energy industry. Husky’s critical competency networks connect people across business units, exposing them to different technologies we’re using or evaluating and to encourage innovation in areas such as carbon capture, water management, reservoir recovery, geoscience integration and business analytics.

Recent innovations include a pilot at the Sunrise Energy Project that will use technology to reduce the amount of diluent required to transport bitumen, which in turn frees up pipeline capacity. The technology is expected to reduce CO₂ emissions and increase the quality and value of recovered bitumen.

Technical Forum

At our Technical Forums, supported by our Chief Geophysicist, Chief Geologist and Chief Petroleum Engineer, employees from across the company explore the technologies we’re using to advance projects and increase Husky’s competitive advantage. The presentations are shared internally so more people can learn from their colleagues and to encourage an environment of continuous learning and improvement. Technologies showcased in 2017 ranged from exploration techniques and improved ethanol production to site remediation. Husky recognizes the best internal technology development and adaptation with awards.
With a focus on maintaining safe and reliable operations, Husky has rigorous safety programs and further strengthens our safety culture by making process safety improvements on an ongoing basis. Our goal is that no one is injured on the job.

**Structural Changes to Promote Safety**

Husky is implementing several structural changes to backstop our drive for improvements in safety and asset integrity and reliability.

Executive compensation will be more tightly aligned with safety performance throughout the organization, with an explicit link between safety performance and the employee bonus program. This will begin in 2019.

The newly created Senior Vice President, Safety position will report directly to the CEO.

We regularly engage independent experts to assess our existing asset integrity and reliability processes to make recommendations for further improvements.

**Safety & Asset Integrity & Reliability**

Safety must be at the core of everything we do. Husky embeds safety and operational integrity into all systems and processes, and is committed to applying what we learn and continually improving. We aim to build and operate our facilities safely, from design and engineering through construction and day-to-day operations.

With a focus on maintaining safe and reliable operations, Husky has rigorous safety programs and further strengthens our safety culture by making process safety improvements on an ongoing basis. Our goal is that no one is injured on the job.

**Safety & Asset Integrity & Reliability**

Executive compensation will be more tightly aligned with safety performance throughout the organization, with an explicit link between safety performance and the employee bonus program. This will begin in 2019.

The newly created Senior Vice President, Safety position will report directly to the CEO.

We regularly engage independent experts to assess our existing asset integrity and reliability processes to make recommendations for further improvements.

- **0.62** Total Recordable Injury Rate, overall downward trend
- **1.03** pipeline incident rate per 1,000 km, downward trend
- number and volume of spills trending down
**Critical and Serious Incidents**

Husky communicates the risks most associated with potential serious injuries and fatalities to employees and contractors so they can take actions to mitigate those risks. The rate of critical and serious incidents per hours worked in 2017 continued a trend of steady improvement.

**Total Recordable Injury Rate**

The total recordable injury rate (TRIR) measures lost time, restricted work and medical aid incidents, and fatalities.

In 2017 we saw an increase in our TRIR, to 0.62 from 0.55 in 2016. It had declined over the previous six years.

![Critical and Serious Incidents Rate](chart)

**Lost Time Injury Frequency**

Lost time injuries are those that prevent a worker from performing their job. We maintained a frequency of 0.11 per 200,000 exposure hours in 2017, the same as in 2016 and down from previous years.

Employees and contractors receive ongoing training in safety processes and procedures to continuously drive this downward trend. In 2017, we recorded 16 lost time incidents, down from 17 in 2016.

![Lost Time Injury Rate](chart)
**Incident Tracking**

Husky tracks all incidents and uses a company-wide tool to learn from the ongoing monitoring and assessment of reported events. Integrating the reporting and review of events such as injuries, equipment failures and complaints from the public can proactively reduce the probability of repeat events.

Investigation results, action items and lessons are incorporated into safety alerts, statistics reports, risk analysis, management reporting and training development. Our goal is to understand the cause of incidents and prevent a reoccurrence.

**Road Safety**

Husky's corporate driving standard includes mandatory driver training and vehicle monitoring devices, which provide drivers with reports on their speed, seatbelt use and driving practices, helping to improve performance.

In 2017, there were 15 motor vehicle accidents involving employees, compared to 18 the previous year. There were 24, including contractors. Husky’s fleet of approximately 1,200 vehicles covered about 31 million kilometres, a decline from 45 million kilometres in 2016, in part due to the disposition of assets in Western Canada.

**Ground Disturbance Prevention**

Our ground disturbance damage prevention team learns from any incident where contact has been made with underground facilities, such as pipelines. "Line strike" incidents range from a portion of a line being inadvertently uncovered by farm equipment to actual contact with a line. Husky’s ground disturbance program clearly defines and communicates our procedures to minimize this risk. Integrating the damage prevention process has resulted in no reportable line strikes since 2014. The ground disturbance damage prevention team identifies additional efficiencies by focusing on a risk-based approach to strengthen our approach to damage prevention continually.

**Office Safety Program**

We have developed a program for our Calgary office to promote an understanding and commitment to safety similar to colleagues in the field.

The Office Safety Program provides a consistent approach to minimizing risk and promoting safety. Based on shared responsibility, the program builds a work space where every individual understands potential office hazards, how to mitigate them and what to do in the event of an incident or emergency.

The level of safety engagement by office personnel has significantly increased, with an external auditor recognizing the program as “very practical and fit for purpose.” We expect to expand the program to our regional offices.

**Husky Implements Pre-payment Before Fueling**

The safety of attendants at our retail stations and the public is a priority. In 2017 we took steps to minimize risks associated with fuel payments. While attendants and retailers had always been instructed not to pursue anyone who drove off without paying, we felt it was important to go further. Now, before fueling up, all customers at our stations are required to pay, either in-store or at the pump. This initiative won a 2017 CEO Award of Excellence.
**Industrial Hygiene**

We protect our employees and contractors by identifying, assessing and controlling occupational health hazards. By understanding potential exposures, we are better able to prevent the development of occupational illnesses.

Our industrial hygiene program includes ongoing surveillance, assessment and specific control procedures for a number of recognized hazards. In 2017, we completed 78 quantitative surveys, including samples from more than 1,000 employees or areas, producing 2,500 results, allowing us to assess exposure to potentially hazardous materials or environments. We use this short-term exposure data to identify exposure scenarios and determine the proper application of controls.

**Industrial Hygiene Assessment Surveys**

We completed comprehensive qualitative exposure assessments at 18 facilities, which are being used to develop ongoing plans and activities.

**Offshore**

Husky’s well management programs offshore Newfoundland and Labrador and at the Liwan Gas Project offshore China start at the planning stage and continue through construction, commission and operation.

Wellbore monitoring, inspection of subsea trees, testing of subsurface safety equipment, plans for blowout mitigation and an inventory of relief well materials are part of the programs. During operations, at least two independent well barriers are in place.

With other area operators we participate in mutual emergency aid partnerships and a number of international safety initiatives.

In Indonesia, similar programs and activities are in place with our partners who operate those facilities.

The Atlantic region is a harsh environment, with a seasonal risk of sea ice and icebergs. Our comprehensive ice management plan mitigates these risks with multiple layers of surveillance and a range of ice management techniques, which include towing icebergs and using water cannons to direct them away from operational areas.

![Atlantic region](image-url)
Husky’s Transportation of Dangerous Goods program developed a new corporate standard in 2017, along with work instructions and an advanced training program. We align our operations with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), placing an emphasis on hazard communication and compliance.

We provide employees and contractors at rural facilities with proper water quality through our Water Supply Integrity Program. Water sources at sites, including groundwater wells, tanks and cisterns, undergo regular sampling and maintenance to ensure water quality and quantity. This includes any source for washing or eye wash stations.

**Emergency Preparedness & Response**

When an incident happens, it is vital we are prepared and ready to respond. We have designed an emergency preparedness program to provide a consistent and effective response to any event which could affect the community, employees, contractors, the environment, our assets and/or reputation.

Our 24-hour emergency line enables the public, emergency responders and customers to access information immediately, and allows us to promptly initiate a response when needed. The 1-877-262-2111 number is posted on huskyenergy.com and on signs at all our facilities, and is included on all public notification material. Some sites post a local 24-hour emergency number and calls to that line receive the same level of response and information as the corporate phone number.

In 2017 we focused on improving planning and compliance programs, as well as training our response teams. We are incorporating what we’ve learned from previous events as we continue to evolve these programs.

**Preparedness**

We understand that regular cross-departmental exercises, and consistent, repeatable processes are an integral part of being prepared for, and responding to, an emergency. Where appropriate, coordination with third-party emergency responders is tested in major exercises.

**Emergency Response Planning Exercises**

The number of exercises each year varies, depending on whether major exercises are being planned or executed. In 2017 the decrease is partly due to the disposition of assets in Western Canada and the resulting need for fewer site-specific exercises.

To enhance readiness at facilities where there is the potential for a higher-consequence event, we have developed comprehensive programs, which include hazard identification and planning, and equipment sourcing and training that are specific to those sites.
Husky shares lessons learned. Reviews undertaken after an incident provide a rigorous framework to analyze events and determine lessons that can be applied elsewhere, continually improving our response. We participate in additional training as an active member of spill cooperatives and preparedness programs.

**Response**

We evaluate local response requirements using area-specific hazard and risk assessments, tailoring training and equipment for individual emergency response teams. These teams are supported by local management and a multi-discipline corporate emergency response team.

Our spill preparedness and response training programs build internal response capacity by ensuring dedicated employees have the knowledge and skills to coordinate and sustain a response in the event of an incident.

We base our plans and procedures on the Incident Command System (ICS), a standard emergency response model used in Canada and internationally to provide an effective response across all operations. It focuses the response so that the most important actions are addressed in priority and under clear accountabilities. About 250 employees completed various levels of ICS training in 2017.

We review and test all Emergency Response Plans (ERPs) at least once a year. In 2017, 35 emergency response plans were being managed, reduced from 45 in 2016 and reflecting the disposition of assets in Western Canada.

**Atlantic Region Ice Management**

In March 2017 an iceberg came within the SeaRose floating, production, storage and offloading (FPSO) vessel’s exclusion zone offshore Newfoundland and Labrador. We followed our ice management plan – shutting down production and making preparations to disconnect. However, we did not take the final step of disconnecting. A judgement call was made that the iceberg could be managed safely – that was a mistake. While there was no contact, we should have followed our plan all the way through. We have undertaken steps to further strengthen the plan and to ensure it will be followed in any future situations. We have also improved our iceberg towing capacity, implemented an onshore ice management room, allowing real-time monitoring of operations offshore, and upgraded radar systems to automate the transfer of ice tracking data from offshore installations.

*Emergency response training at Sunrise Energy Project*
Asset Integrity & Reliability

Our focus is on protecting the public, safeguarding the health and wellbeing of employees and contractors, minimizing potential risks to the environment, and sheltering assets from damage or loss.

We use the Husky Operational Integrity Management System (HOIMS) to guide safe and reliable operations. Each of the 14 HOIMS elements has a specific aim and a clear set of expectations to continuously improve operational integrity.

Husky identifies potential hazards and risks and then works to eliminate or mitigate them. For certain equipment, this begins before it is acquired. We use strategic sourcing to ensure teams with appropriate experience participate in procurement evaluations. For example, purchases made in engineering critical categories – those that include the delivery of services, equipment or materials that have a direct impact on the reliability and integrity of our facilities – are subject to specific review by engineers during the bid evaluation stage.

Performing activities safely and reliably leads to efficient and consistent performance and we continually assess whether we are meeting our own expectations and requirements for operational integrity. We conduct audits of business units and major facilities to verify processes and procedures are in place and implemented effectively. At the same time, business units provide assurance that processes are effective in managing risk.

Operational integrity targets are set as part of Husky’s annual objectives.

Process Safety Events

We investigate Tier 1 and 2 process safety incidents to determine how to improve equipment reliability and related operating integrity practices, and to identify barriers aimed at managing and mitigating major accident hazards.

Our Tier 1 and 2 process safety definitions align with those of the American Petroleum Institute, the American Institute of Chemical Engineers’ Center for Chemical Process Safety and the International Association of Oil and Gas Producers (IOGP).

Tier 1 events are classified as those involving any major release of hazardous materials with the potential for serious consequences resulting in injuries, harm to the environment and/or asset damage. In 2017, we had 12 Tier 1 process safety events.

Green in ’17

Over the past three years, Husky has worked to strengthen the integration of the 14 HOIMS elements in all activities and drive common expectations across the organization with the Green in ‘17 program. It takes its name from achieving a “green light” on meeting HOIMS performance targets. The program has resulted in better collaboration within business units and a sharing of best practices. It has also led to improved assessment and assurance around meeting expectations and closing any gaps that were identified.
Pipeline Integrity

Husky monitors and manages 15,400 kilometres of pipeline as of the end of 2017, from the design and construction phases through to operation, maintenance and, ultimately, suspension and abandonment. This includes pipelines operated by Husky for the Husky Midstream Limited Partnership.

Our risk-based Pipeline Integrity Management Program is applied throughout the lifecycle of all Husky-owned-and-operated pipelines. We apply a proactive approach to managing integrity, operations and maintenance, factoring in the diverse profile of our pipelines. The Pipeline Operations and Maintenance Manual guides the safe operation and maintenance of pipelines.

With the goal of improving integrity and reducing incident rates, the Pipeline Integrity Management Program includes:
• Risk assessments that identify potential integrity issues with appropriate action taken to address them.
• Annual integrity reviews for all pipeline systems, assessing the effectiveness of the integrity programs and making recommendations for improvement where needed.
• Mandatory training for employees involved in pipeline operation and maintenance.
• Investigation of any incident to establish the root cause, using what is learned to improve our programs.
• Performance targets, set annually and tracked monthly.

The Pipeline Integrity Management Program is reviewed regularly for alignment with code and regulatory requirements.

In 2016 Husky had a pipeline release at a river crossing in Saskatchewan, which an investigation conducted with third-party experts determined was caused by ground movement. In 2017 we continued water sampling and assessment of the shoreline to confirm no further cleanup was required. A geotechnical program was subsequently introduced to identify, monitor and mitigate potential impacts to pipelines from natural earth movements. Fibre optic sensing technology, which has increased capacity and capability for long distance distributed monitoring, is being installed on large diameter pipelines in high consequence areas on Husky’s Saskatchewan Gathering System expansion. It will be implemented on all new large diameter and high consequence area projects.

Pipeline Incidents

In 2017 Husky recorded a pipeline incident rate of 1.03 incidents per 1,000 kilometres, coming in under our target and reflecting a reduction of 70 percent over four years.

Pipeline Incident Rate (per 1,000 kilometres)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pipeline Incident Rate (per 1,000 kilometres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4</td>
</tr>
<tr>
<td>2014</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
</tr>
</tbody>
</table>

Tucker Thermal Project
**Spill Management**

Husky’s overall integrity management system uses a number of programs across all operations to minimize the impact of releases and spills. The pipeline integrity management program evaluates pipeline infrastructure to identify risks and allow appropriate mitigation. Our environmental management system mandates that environmental risks, including the potential for spills, are evaluated and mitigated appropriately.

In addition to prevention programs, we assess spill risks and identify and address any gaps in preparedness, improving our ability to respond. In the event of a spill, our response is immediate, implementing containment and recovery plans while safeguarding workers, the public and the environment.

Husky is a member of several industry spill response organizations and mutual aid agreements, onshore and offshore.

Husky had a total recovered volume for reportable hydrocarbons of 82 percent, slightly below our 2017 target of 85 percent. This target remains for 2018.

In 2017, the number of reportable release incidents and the volume of hydrocarbons and other fluids released declined from the previous year, due in part to improvements in integrity management and spill prevention programs, as well as the disposition of legacy assets. Reportable incident counts and volumes were all better than targets. The enhanced focus on spill prevention and early detection has allowed the Company to set more stringent targets for 2018.
Health, Safety and Environment Policy

Husky is committed to operational integrity: conducting all activities safely and reliably so that the public is protected, impact to the environment is minimized, the health and well-being of employees is safeguarded, contractors and customers are safe, and physical assets (such as facilities and equipment) are protected from damage or loss.

We conduct our business so as to maximize positive impacts on current and future generations in accordance with Husky’s values. In particular, Husky will:

- Demonstrate leadership and commitment to operational integrity by providing support to meet this HSE policy, as well as providing a culture where there is recognition for positive performance, and disciplinary action where appropriate, for breaches of this policy.

- Cooperate with staff and workplace health and safety committees in the identification and implementation of reasonable measures that ensure the health and safety of staff and those who work on our behalf.

- Require every member of staff, and those who work on our behalf: to be a leader in HSE; to exercise personal responsibility in preventing harm to themselves, to others, to the environment and to physical assets; and, to stop any work that is or becomes unsafe.

- Require every member of staff and those who work on our behalf: to report all incidents regardless of severity. Incidents will be investigated to determine the root cause, lessons learned will be shared and corrective actions will be taken. Husky aims to sustain an incident free workplace.

- Require organizations that employ individuals that work on our behalf to meet the expectations of this policy.

- Identify and mitigate risk to as low as reasonably practicable during design, construction, commissioning, operation and decommissioning of all assets.

- Prepare for and respond to emergencies efficiently and effectively.

- Comply with relevant laws, regulations and industry standards and take any additional measures considered necessary to meet the intent of this policy.

- Demonstrate continuous improvement by: establishing leading and lagging key performance indicators and measurable performance goals, monitoring and reporting on the progress of our performance and conducting risk-based audits.

Subsea Inspections

To maintain the integrity of our subsea systems in the Atlantic region, we use a risk-based program to inspect and test the equipment. More critical equipment is tested more frequently. The 2017 Subsea Integrity Management Program included additional inspections of the SeaRose FPSO mooring chain, using a new tool that can look beyond the external plastic sheath and provide detail about the individual wire strands that make up the chain. Any issues identified are addressed.
We take steps to minimize our impact on land and habitat, air and water. We monitor the impacts of our operations and actively seek ways to mitigate and further reduce our environmental footprint. This includes working to reduce our air emissions, use water responsibly and mitigate impacts to land and avoiding disturbance, while returning it to similar ecological functions.

**Land Use & Reclamation**

We are stewards of the land in our care, from a project’s planning stage through to the asset’s retirement. Potential impacts are identified so they can be avoided, minimized or mitigated, and the land is ultimately remediated and reclaimed.

**Project Planning**

Husky manages the location of our construction and development activities to maintain healthy, functioning ecosystems, and the wildlife and habitat they support. Wildlife and culturally-sensitive areas are identified with input from local Indigenous communities using traditional land use studies, and by desktop analysis, which is confirmed through field surveys. This reduces our impact to ecologically and culturally sensitive areas. The desktop analysis helps avoid features such as mineral licks, raptor nests and active dens. Our planning also considers sensitive wildlife areas such as amphibian ranges, riparian complexes and known rare plant colonies.

These steps reduce the impact to wildlife movement, preventing them from being displaced to less suitable habitat and maintains vegetation cover, which is important for safety and temperature regulation.

**Well abandonments**

focus on efficient program, targeting high priority sites

**Up to 250 tonnes/day**

CO₂ captured at Lloydminster Ethanol Plant

**12.8 million m³**

recycled produced water used for steam in thermal operations
While Operating

We time our activities, including vegetation clearance and ground preparation, to reduce the risk of disturbing an area during sensitive periods for wildlife, including migratory and breeding windows. If activities are conducted at these times, mitigation measures such as changes to the construction schedule, nest surveys and setback distances from active nests are implemented.

Our workers observe and record the movements of local wildlife to better understand habitat use and to be able to assess any impact from operations so that mitigation measures can be put in place. In some areas, regional wildlife biodiversity monitoring programs observe trends, tracking the presence and movement of animals using wildlife cameras, winter tracking studies, point counts and nest surveys.

We manage surface water on lease, including the use of containment systems to prevent soil erosion and to help prevent a release from migrating off-site. Vegetation control inhibits the spread of weeds and minimizes fire hazards. Husky’s waste tracking system monitors and verifies the type and volume of waste generated, how it is handled and how it is disposed of, treated or recycled.

To accelerate the reclamation timetable, work is undertaken on lands no longer required for operations, even if the project is ongoing. Progressive reclamation allows for work to begin sooner to return land to its pre-disturbance condition and reduce maintenance costs.

Monitoring Wildlife Along the North Saskatchewan River

As we continue to develop Lloyd thermal projects in Saskatchewan, we need to understand how wildlife responds to this increased activity. We have installed 30 trail cameras along the North Saskatchewan River valley between Lloydminster and North Battleford to monitor wildlife movement through the corridor and assess potential project impacts to biodiversity. Breeding bird surveys and winter track surveys have also been conducted to better understand wildlife patterns and frequency.

Managing Biodiversity and Ecosystem Activities

Our Biophysical Management Working Group draws on Husky expertise for the management of biodiversity and ecosystem activities, including risks and opportunities. The group ensures biophysical aspects are integrated into our decision-making processes throughout an asset’s lifecycle. The working group standardizes Husky’s approach to biophysical management, shares what members have learned, and monitors and evaluates relevant emerging and evolving regulations for any potential impacts.
End of Life & Asset Retirement

We prioritize our inventory of inactive assets to determine which have future production potential and which should be retired.

This includes pipelines associated with inactive wells or lines with no flow, which are identified, assessed for future potential and prioritized for abandonment. In 2017, 1,077 pipelines were abandoned in Western Canada.

The process of retiring a well begins with properly abandoning both the downhole and surface components. Husky’s long-term, proactive abandonment program works towards the timely and effective retirement of inactive sites that have no future potential. Candidates for abandonment are ranked and grouped by geography so that resources are used more efficiently.

Land on the site is reclaimed so it can support ecological functions and land use similar to those that existed before any disturbance. This could include addressing potential contamination, re-contouring sites, replacing soil layers and re-establishing appropriate vegetation.

This process takes approximately three to five years to complete, from initial re-contouring to verification the site meets regulatory criteria. All reclaimed sites are submitted for regulatory approval and review by the land owner and/or occupant. We have achieved an average 99 percent approval rate on our submissions. Over the past six years Husky has certified 1,658 sites and associated facilities, such as access roads and log decks, reclaiming almost 5,500 acres of land.

Asset retirement obligations and their status are tracked in Husky’s Environmental Performance Reporting System. They are calculated and disclosed on a quarterly basis, complying with financial reporting regulations. This allows us to better estimate our obligations and account for appropriate financial resources related to abandonment, reclamation and remediation activities.

In 2017 the focus continued to be on executing condensed, more efficient programs, while also addressing high priority sites. Husky’s divestment of assets, including asset retirement obligations, are managed in compliance with the energy regulators’ liability management ratings. Husky contributes to the industry’s orphan well fund.

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**Well Abandonments**

- **200**
- **400**
- **600**
- **800**
- **2013**
- **2014**
- **2015**
- **2016**
- **2017**

**Surface Abandonments**

- **200**
- **400**
- **600**
- **800**
- **2013**
- **2014**
- **2015**
- **2016**
- **2017**

**Reclamation Certificates**

- **200**
- **400**
- **600**
- **800**
- **2013**
- **2014**
- **2015**
- **2016**
- **2017**

**Asset Retirement Spend ($ millions)**

- **200**
- **150**
- **100**
- **50**
- **2013**
- **2014**
- **2015**
- **2016**
- **2017**

In 2016 Alberta regulators processed a large number of legacy applications awaiting approval. 2017 levels were in line with expectations.
North Saskatchewan River Monitoring and Assessment

In 2017 we completed our incident investigation into the 2016 pipeline incident that affected the North Saskatchewan River and had an associated impact on communities and First Nations downstream, and undertook a review of our response.

We have taken full responsibility for the incident and are using what we learned from the investigation to further improve our operations and reduce the likelihood of another incident. Our spill preparedness and response plan programs, for example, will have enhanced containment and recovery control tactics and wildlife management strategies. We are sharing what we’ve learned throughout our organization, as well as with industry peers and regulators.

Working with the Saskatchewan Water Security Agency, the Saskatchewan Ministry of the Environment, Environment and Climate Change Canada and third-party experts, we have undertaken ongoing monitoring to determine the impact to the river. More than 5,600 water samples and 1,600 sediment samples have been collected for review since July 2016.

The 2017 monitoring detected no surface water exceedances of regulatory criteria attributed to the incident. A targeted sediment sampling program was developed in 2017 to determine whether product from the incident remained along the river. Between the point of entry and the point 16 kilometres downstream, trace levels of product from the incident were found in 25 percent of the samples. No measurable product from the incident was found in sediment samples taken downstream of the 16-kilometre point.

The regulator lifted the ‘do not consume’ fish advisory in May 2017 after reviewing the results of testing and analysis on fish tissue, including a human health risk assessment. Results of fish and benthic population and community assessments conducted in 2016 and 2017 will be presented to regulators and a third-party reviewer commissioned by the Saskatchewan First Nations Natural Resources Centre of Excellence.

In 2017, 960 kilometres of North Saskatchewan River shoreline was assessed using dogs specially trained to detect trace levels of product from the incident. The program was completed in October 2017, with all shoreline meeting specific cleanup criteria developed by provincial and federal regulators.

Windfall Sulphur

We are using an innovative approach to remediate and reclaim a former sulphur handling facility near Whitecourt, Alberta. We’ve received approval from provincial and municipal authorities for a Class 2 landfill on site for any soil with sulphur impacts, reducing the affected area from 40 hectares to two hectares. The site was used to store and ship sulphur from a third-party gas plant. Construction of the landfill is expected to start in 2018. Once the soil is remediated the site will be recontoured and vegetation planted.

Reusing Sulphur at Ram River

Sulphur from the base of a former sulphur pad at the Ram River gas plant had mixed with soil over the years and couldn’t be considered pure product. Husky worked with a Calgary company to reuse it, before the facility was divested in 2017. An agreement with the company will see the sulphur combined with food waste to produce a sulphur-rich fertilizer, which will be marketed in Western Canada. The agreement is expected to keep almost 500,000 tonnes of material out of the landfill.
Air Emissions Management

Oil and gas production generates greenhouse gas (GHG) emissions and air pollutants, which can affect air quality. A key driver of emissions is the use of energy, such as natural gas and oil, in our own operations.

Husky's air quality and carbon management programs reduce emissions, achieve regulatory compliance and are supported by our Environmental Performance Reporting System, which provides transparency and consistency of data. We operate in tightly regulated jurisdictions, have rigorous emission controls in all our operations and produce ultra-low sulphur diesel at our U.S. and Canadian refineries.

Energy Use

Total energy use increased slightly over 2016, primarily because of increases in thermal oil production and throughput at the Lima Refinery. This increase was partially offset by reductions in conventional oil and gas production due to divestitures and a recorded decrease at Canadian refinery operations, which resulted from a change in methodology to remove energy associated with waste gas incineration, in alignment with Husky's upstream operations.

To improve the efficiency of our operations, we are always looking at the most effective way to use energy. In 2017 we reduced the steam-to-oil ratio at our Tucker thermal project by about 35 percent, using a new reservoir operating strategy. Using less steam lowers our energy use, which reduces both operating costs and air emissions, including GHGs. In 2017 Tucker was awarded emission performance credits for reducing emissions by more than 250,000 tonnes of CO₂e beyond 2016 requirements under the Specified Gas Emitters Regulation (SGER) in Alberta.

Greenhouse Gas Emissions

Husky’s GHG emissions in 2017 are comparable to 2016.

The slight decrease in Scope 1 GHG emissions is due to divestitures, the decline in non-thermal heavy oil operations, vent-reduction programs in Western Canada, and refined emissions estimates based on improved engine fleet data. These reductions were offset by increases in Scope 1 GHG emissions from increased thermal production, the Superior Refinery acquisition and inclusion of fugitive emissions for additional facilities based on improved data quality.

Scope 1 GHG Emissions (million tonnes of CO₂e)

Scope 1 GHG emissions include all direct GHG emissions from assets operated by Husky in Canada and the U.S. as at December 31. Activities in the Asia Pacific region are reported by the operator and are not included. Scope 1 GHG emissions include all direct GHG emissions, with CO₂, methane (CH₄) and nitrous oxide (N₂O) reported as CO₂ equivalent (CO₂e). Scope 1 GHG emissions do not include emissions from biological sources, such as fermentation process emissions at Husky’s ethanol plants. Drilling and completions emissions and emissions from on-site transportation are included where they have been reported to the regulator.
Scope 2 GHG emissions increased slightly over 2016 primarily due to increased thermal production and throughput at the Lima Refinery, which were partially offset by reduced conventional oil and gas production due to divestitures.

Husky supports the global response to the threat of climate change, including national commitments under the Paris Climate Change Agreement to keep global temperature rise this century below 2 degrees Celsius. Our discussions with federal and provincial governments on proposed policies related to these commitments emphasize the importance of reducing emissions intensity while protecting competitiveness. Husky uses an internal price on carbon, testing long-range plans against various pricing scenarios. Husky’s Carbon Management Critical Competency Network meets regularly to share knowledge and to develop corporate strategies to manage Husky’s carbon-related risks and opportunities. Husky has implemented a number of carbon reduction offset projects and technologies.

Our carbon management approach and metrics are detailed in annual submissions to the CDP Climate Change Program, which are posted on huskyenergy.com. In 2017 we received a B grade, which exceeds the sector average and is based on our disclosure of: Emissions Management, Governance and Strategy, Risk and Opportunity Management and Verification.

Husky monitors the Task Force on Climate Related Financial Disclosures (TCFD), the Alberta Securities Commission and the Canadian Securities Administrators and addresses recommendations in financial disclosures. Through both voluntary and mandatory reporting mechanisms, we demonstrate our management of environmental, social and governance risks, including climate change. We continue to talk to our investors and other stakeholders on expectations related to climate change disclosure, and ensure we address their priorities.

### Husky Diluent Reduction Project

At the Sunrise Energy Project we are undertaking a pilot project involving Husky-patented diluent reduction technology, which is considered partial upgrading. It is expected to reduce the amount of diluent required, increase effective pipeline capacity and reduce CO₂ emissions, while increasing the quality and value of recovered bitumen. A 500-barrel-per-day pilot has received federal and provincial financial support.
Renewable & Low Carbon Production

Husky helped pioneer ethanol production for use in ethanol-blended gasoline, starting almost 30 years ago. We currently operate two ethanol plants, one in Minnedosa, Manitoba and the other in Lloydminster, Saskatchewan. With total production of up to 300 million litres per year, we are Western Canada's largest manufacturer and marketer of fuel-grade ethanol.

At the Lloydminster plant, we capture up to 250 tonnes a day of carbon dioxide (CO₂) to aid in enhanced oil recovery, which involves CO₂ being injected into reservoirs to increase oil production. The use of this carbon capture technology allows for the production of some of the lowest carbon intensity ethanol in Canada. From 2012 to 2017, we captured 362,000 tonnes of CO₂ at our Lloydminster Ethanol Plant.

We continue to evaluate additional carbon capture technologies, including at our Pikes Peak South Lloyd thermal project where we have been testing technology capturing CO₂ from a once-through steam generator. One pilot underway since 2015 is capturing up to 30 tonnes per day, and a third-party demonstration pilot using different technology has been capturing 0.5 tonnes per day, with plans to increase to a 30 tonnes per day capacity beginning in 2019. Husky believes these technologies have the potential to reduce carbon capture costs and could result in lower carbon thermal oil production.

Husky evaluates various ways to reduce the carbon intensity of our upstream and downstream operations, using a Marginal Abatement Cost Curve (MACC) to catalogue options, including the size of emissions reduction possible and economic performance. This allows us to prioritize resources and achieve reductions at the most efficient cost per tonne of CO₂e. The MACC also helps different areas of the company share information about emission reduction options.

Methane

In Alberta, Husky participated in a government-appointed multi-stakeholder committee to develop draft regulations to reduce methane emissions from oil and gas operations by 45 percent by 2025. We have started to reduce methane emissions through the conversion of pneumatic devices, gas conservation and incineration technology. In 2017 Husky was awarded 14,647 offset credits related to emissions avoided at our Alberta conventional operations in 2016.

We participate in a number of pilot projects to reduce GHG emissions (including methane), which will be deployed in mid-2018. At Ansell, conventional venting equipment at wellsites will be replaced with electric solar panel and fuel cell equivalents, which is expected to reduce net GHGs by more than 95 percent, with the fuel cell emitting a small amount of GHGs. We will also be testing an instrument air compressor at Ansell that is expected to eliminate most methane venting at a wellsite. At some cold heavy oil production with sand (CHOPS) operations we will install incinerators that are expected to emit fewer GHGs than venting or flaring.
Gas Conservation

We conserve solution gas at our operations and reduce venting and flaring. Since 2014, Husky has installed 100 compressors in our Saskatchewan and Alberta operations which are used to compress vented gas so it can be used on-site or sold as fuel. Additional sites are planned for 2018.

Husky’s total volume of flared and vented gas in Alberta has declined by 65.5 percent since 2014, coinciding with a 65 percent reduction in Alberta oil production in the same time period. The reduction in flaring and venting can be attributed to the continued disposition of legacy assets, the decline in non-thermal heavy oil operations, and venting reduction projects in Western Canada. Data from the annual Alberta Energy Regulator’s Upstream Petroleum Industry Flaring and Venting Report shows Husky’s gas conservation remains comparable to or better than the industry average.

Criteria Air Contaminants

Husky measures and reports emissions of criteria air contaminants, such as sulphur dioxide (SO₂), nitrogen oxides (NOX as NO₂ equivalent), volatile organic compounds (VOCs), particulate matter and others. This allows us to evaluate and manage emissions at the corporate and individual facility level, forecast emissions associated with future operations and achieve regulatory compliance.

Sulphur dioxide emissions declined in 2017 primarily due to the sale of the Ram River Gas Plant and a significant decrease at our Rush Lake Thermal Project with the installation of a sulphur recovery unit.

The increase in NOX emissions in 2017 is due to a full year of production for several thermal facilities and the acquisition of the Superior Refinery, which is partially offset by divestitures in Western Canada.

Alberta Gas Conservation

All data up to and including 2016 from Alberta Energy Regulator Upstream Petroleum Industry Flaring and Venting Report, Industry Performance for year ending December 31, 2016. 2017 data from production accounting data reported to Petrinex for Husky operated crude oil and bitumen batteries in Alberta. Reported flare volumes include gas that was incinerated.
**Fugitive Emissions Management Program**

Our Fugitive Emission Management Program detects and ensures the timely repair of leaking equipment to reduce emissions. It improves our operating efficiency by tracking where and when leaks occur, minimizing the release of GHGs and volatile organic compounds (VOCs).

Fugitive emissions are gas and vapour leaks, including methane and VOCs, from valves, piping connections, pumps and compressor seals, and other piping system components that occur as part of the normal operation of a facility or plant. Husky uses several techniques to detect a leaking component, including highly specialized infrared cameras that provide a view of normally inaccessible locations such as tank seals and overhead piping from a distance, and ultrasonic detection, which identifies leaking components using sound. These methods create an effective survey, repair and tracking system. Vapour analyzers and ultrasonic measurements can be used to quantify equipment leaks.

A third-party contractor completes a Leak Detection and Repair (LDAR) survey for the Downstream business annually, checking applicable components and testing with a vapour analyzer. We undertake maintenance where required. For the Upstream business, LDAR surveys are conducted by Husky personnel, as well as third-party contractors. The reports are shared with facility staff, and maintenance is undertaken as needed.

**Husky Uses SmartWay to Choose Efficient Carriers**

Husky and almost 20 percent of our light oil fuel carriers are currently registered with the federal SmartWay program. Those carriers represent more than 50 percent of the kilometres driven by our trucking companies and we continue to encourage others to join. The program helps freight carriers and shippers identify how to reduce fuel consumption and related emissions providing both economic and environmental benefits. Trucking companies input fuel use and other data while shippers, like us, enter kilometres and average payload. This data is used to calculate the trucking company's annual GHG emissions. We can use that information to choose efficient carriers and reduce our environmental impact.
Water Use & Availability

We are committed to responsible water stewardship throughout our operations. Our water management approach and metrics are detailed in annual submissions to the CDP Water Security Program. In 2017 we received a B grade, which exceeds the sector average and is based on our disclosure of: Context, Risk Assessment, Governance and Strategy, Direct Risks and Response, and Indirect Risks and Response.

We undertake a number of water-related initiatives, many endorsed in our Corporate Water Standard:
- Identifying, assessing and managing water risks at a local level.
- Monitoring surface and groundwater, ensuring impacts from operations are negligible or mitigated.
- Protecting groundwater using established well casing and cementing practices.
- Measuring and publicly disclosing water use.
- Participating in multi-operator agreements and water sharing.
- Recycling produced water.
- Ensuring acceptable domestic water quality standards for employees at remote facilities through our Water Supply Integrity Program.
- Collaboration of internal experts on solving water challenges.
- Contributing to joint industry water management initiatives and water research.
- Participating in watershed planning and advisory councils.

Identifying and Managing Water Source Risks

In considering a water source for our operations, Husky evaluates risks, including reliability, technical feasibility, net environmental effect, economics, and regulatory and stakeholder concerns. Where risks are identified, mitigation plans are developed.

We conduct surface and groundwater monitoring to ensure operations do not negatively impact the environment. We participate in the COSIA Monitoring Working Group, a joint industry initiative working on technical issues related to the design, implementation and ongoing refinement of the Oil Sands Monitoring Program, and the COSIA Devonian Aquifer Working Group, to better understand this hydrogeological system in the oil sands region.

Enhancing Water Management

Our Water Management Critical Competency Network brings together water expertise from across the company and recommends technologies or strategies that could be used in operations. This approach makes sure our water risks are identified, managed and addressed, while opportunities are fully explored.
We recycle produced water at the Sunrise Energy Project and the Tucker Thermal Project. At Sunrise we use process-affected water from a neighbour’s tailings ponds as a water source. This water-sharing agreement is mutually beneficial and a first for industry. At Tucker we source water from groundwater that is 40 times more saline than typically used domestically.

Husky is a partner in the COSIA Water Technology Development Centre, a lab which will test and advance new water treatment and recycling technologies for oil sands development.

**Water Performance**

We track water metrics across all business units using our Environmental Performance Reporting System. By participating in national and international programs we help drive better measurement and transparency of water use and issues across the industry.

Husky withdraws water for industrial use, drawing on saline and non-saline sources, including non-saline industrial wastewater. We report volumes for facilities we operate, for the time operated within the reporting year.

Overall, non-saline water withdrawal increased in 2017, due in part to the Edam East, Edam West and Vawn Lloyd thermal projects ramping up to full production, and an increase in throughput at the Lima Refinery.

**Water Use in Our Operations**

**Thermal Projects in Alberta**

Water volumes at the Sunrise Energy Project and the Tucker Thermal Project are reported to the Alberta Energy Regulator and included in its Thermal In-Situ and Water Use reports.

**Sunrise**

At Sunrise, produced water is recycled for steam generation, supplemented with water from two sources: process-affected water from a neighbour’s tailings ponds, and basal McMurray groundwater that is in contact with bitumen which would have been extracted as part of dewatering and mining at a neighbouring operation.

In 2017 recycled produced water provided 82 percent (8.9 million m³) of the total water used for steam generation, an increase from 69 percent in 2016. The remaining 18 percent was from the basal McMurray groundwater and process-affected water sources.

**Tucker**

At Tucker we use low quality saline groundwater as a makeup water source, with a total dissolved solid concentration of about 19,000 mg/L. This is about 40 times greater than the concentration in shallow groundwater sources for domestic use.

In 2017 recycled produced water was 83 percent (3.9 million m³) of the water used to generate steam. The remaining 17 percent (0.8 million m³) was from saline groundwater.
Thermal Projects in Saskatchewan

Lloyd thermal projects rely on an available supply of water from the North Saskatchewan River to produce steam for operations.

The North Saskatchewan River is considered to have high availability in Saskatchewan, and water licences for our thermal projects represent approximately 0.3 percent of the annual average flow. With the Edam East, Edam West and Vawn projects ramping up to capacity in their first year of operation, water withdrawals under these licences increased from 14.3 million cubic metres (m³) in 2016 to 16.2 million m³ in 2017. However, the overall water intensity for Lloyd thermal projects remained steady.

Our water management plans for these projects are continually updated and we incorporate long-term flow forecasting from the Saskatchewan Water Security Agency. In 2017 Husky undertook a detailed risk assessment for this area drawing on technical expertise from hydrologists, geomorphologists, engineers, hydrogeologists, and geochemists to better define water sourcing risks. The water availability was determined to be more than sufficient to meet Husky’s current and future needs, through all seasons, while not affecting other users.

Water source options for new thermal projects are assessed to ensure we select the most appropriate source for each, considering a balance of factors including source reliability, technical feasibility, net environmental effects, regulatory and stakeholder aspects and economics. We continue to advance technologies to improve water efficiency at current and future projects.

Resource Plays

In Western Canada our resource plays are developed through hydraulic fracturing technology, and we operate conventional oil assets and the Rainbow Lake gas processing plant.

The amount of water required for resource plays depends on the reservoir characteristics, as well as the amount and quality of water produced from the reservoir and the timing of operations. Water reuse opportunities are evaluated based on these factors and implemented where possible. In 2017 Husky recycled water at three wells that were hydraulically fractured.

We are developing water management plans for our resource plays, taking a lifecycle approach to promote water security. The plans identify water reuse opportunities, centralized water hubs and optimal timing of operations to reduce the overall environmental footprint.

We recycle all produced water at our Wainwright waterflood project, re-injecting it into the formation. We use produced water from other operations in the area as makeup water, reducing the amount of non-saline groundwater withdrawals. In 2017 a saline groundwater source was used to further reduce the need for non-saline groundwater.

Edam East Lloyd thermal project
**Downstream**

Husky reports water withdrawals for the refineries, ethanol plants, and upgrader that we operate.

Non-saline water withdrawal for refining increased from 6.6 million m³ in 2016 to 8.5 million m³ in 2017, largely due to a proportionate increase in operations at the Lima Refinery. In November 2017 we acquired the Superior Refinery, which contributed to an increase in the Company’s total withdrawals. Overall, the intensity of water use for refining remained approximately the same as 2016.

The approximately 8.5 million m³ of non-saline water withdrawn for our refineries was offset by the 4.4 million m³ returned to the surface hydrologic cycle after being treated in multiple stages, including separating oil from the water and applying biological treatments. This water is tested before being discharged to promote regulatory compliance.

The crude oil flexibility project underway at the Lima Refinery to increase heavy oil processing capacity includes a water recycling component, which will reduce freshwater withdrawal once operational.

**Offshore**

Husky operates projects in the Atlantic region, offshore Newfoundland and Labrador. In 2017 14.3 million m³ of seawater was withdrawn for oil production, offset by 8.8 million m³ of cooling water discharged back, with 5.5 million m³ used for injection to support production. Seawater withdrawn for marine operations, such as ship engine cooling, is excluded.

**Water Recycle Project at Lima Refinery**

The Crude Oil Flexibility Project underway at the Lima Refinery to increase heavy oil processing capacity has a water recycle component, which will reduce fresh water withdrawal once operational. Experts from across the organization were brought together to successfully address water management aspects of the project in an environmentally responsible manner. This cooperative initiative received a 2017 CEO Award of Excellence.
People are at the centre of everything we do. Whether it’s our employees and contractors, supported by a diverse and inclusive workplace, or those living in the communities where we operate, we want to contribute positively to their quality of life. We do this by reducing impacts and creating benefits.

Our People

Supporting a Diverse and Inclusive Workplace

We understand a culture of inclusion, where diversity and differences of thought and perspective are respected, creates a better and more productive working environment for our employees and contractors. Husky supports a workplace that is free of harassment, where individuals are treated with dignity and respect.

Education and mandatory training programs are in place to increase employee knowledge and encourage a respectful work environment.

We have developed Indigenous Awareness Training for our employees, to help them better understand historical implications and how we work with Indigenous communities today. This program is being rolled out in 2018.

The Diversity and Respectful Workplace Council provides local representation in all areas of our operations and organizes employee events to increase awareness and understanding.

$3 million in community investment

$30 million with Indigenous vendors

4 employee networks with more than 900 members
Our employee resource groups assist with career and personal goals, as well as with corporate and community objectives. These include the Women’s Leadership Network, (which has chapters in Calgary and St. John’s), the Indigenous Community Sharing Circle, the Asian Network, and the Lesbian, Gay, Bisexual, Transgender, Ally Network.

Our Employment Equity Plan is designed to ensure appropriate representation of women, visible minorities, Indigenous peoples and persons with disabilities in our workforce, while eliminating barriers to employment and advancement. We are working to increase our representation in all four categories.

### Human Rights

Husky is committed to supporting and promoting the protection of human rights at all of our operations and throughout our sphere of influence. Perceived impacts can be reported through our Ethics Help Line.

We adhere to the United Nations’ Universal Declaration of Human Rights and applicable human rights laws in the jurisdictions where we operate.

### Freedom of Association

We respect an employee’s right to freedom of association and to negotiate through relevant representative bodies.

### Total Rewards

We contribute to the physical and emotional health of our employees and their families through a fully-funded, comprehensive benefits package that includes supplementary medical and dental care, income protection (life and accident insurance, short and long-term disability coverage), registered retirement programs, a savings plan, vacation and paid time off. A fitness allowance, service awards, dependent scholarships and summer camp reimbursement are also offered.

Employees are encouraged to take advantage of a financial literacy program, including financial education opportunities, access to financial planning resources and one-on-one retirement planning sessions, while retiring employees may qualify for a comprehensive retiree health benefit program.

An annual personalized Total Rewards Statement gives employees a complete picture of how they are benefitting from, and can maximize, their rewards programs.
Health and Wellness

We are invested in the health and wellness of our employees and their families. Along with a comprehensive benefits package, employees, retirees and their dependents are able to access online resources and counselling services through our Employee and Family Assistance Program. These include solutions for better work-life balance, career counselling and health coaching.

We are working to reduce the stigma associated with mental health issues and assist employees with accessing services more quickly. Employees have access to The Working Mind program, developed by the Mental Health Commission of Canada, which is designed to address and promote mental health in the workplace.

Additional health and wellness information is provided through the myHealth website, including resources, programs and upcoming events.

Should an employee have a medical-related absence, we provide an integrated disability management program with a focus on early intervention. The employee and their supervisor, along with health practitioners and human resources, work together to facilitate a safe and productive return, once it is recommended.

Professional Development

Husky offers training, mentoring and professional development programs and resources to our employees. Qualified candidates are eligible for tuition reimbursement and a subsidized master’s degree program.

Husky Acknowledged for Mental Health Training Program

The Mental Health Commission of Canada recognized us for our support of The Working Mind program, which promotes awareness of mental health issues and works to reduce stigma around them. It also teaches employees how to recognize behaviour changes in themselves and others, with resources to maintain good mental health.
Indigenous Peoples’ Engagement

Husky’s practices and policies recognize Indigenous rights and reconciliation, including the Treaty and Indigenous rights of First Nations, Métis and Inuit peoples embedded in Canada’s Constitution. We are committed to working with Indigenous communities to build mutually beneficial relationships founded in respect, cooperation and economic inclusion. This is reinforced through our leadership and is included in our agreements, policies and procedures.

Economic Inclusion

We focus on building capacity in Indigenous businesses to establish competitiveness and develop entrepreneurs. Opportunities are created for goods and services to be provided on a competitive basis, with contracts awarded on technical and safety criteria, as well as price.

In 2017 we introduced new initiatives to expand Indigenous economic inclusion, bringing on more than 10 new strategic partnerships to provide goods and services. We signed contracts worth about $30 million with Indigenous vendors, including more than $9.8 million with businesses based in Saskatchewan.

Highlights:
• Engaged local Indigenous businesses as part of the 2017 North Saskatchewan River shoreline assessment.
• Worked with Sahtu Nation vendors on our asset retirement project in the Northwest Territories.
• The Sunrise Energy Project supply chain includes businesses from most local Indigenous communities.

Education

We support long-term academic success for Indigenous students through funding, scholarships, mentoring, summer employment and apprenticeship positions resulting in potential career opportunities. We believe academic options can lead to additional career choices, positively affecting students and their communities.

Scholarships are awarded on academic merit, community and cultural involvement and work experience. Peer support is available through Husky’s Indigenous Community Sharing Circle. Husky continues to provide computers, laptops and printers to Indigenous community schools in areas where we operate.
Community Involvement

We strive to be a good neighbour and that means moving beyond day-to-day business to become involved in communities and supporting community wellness initiatives. There is value in promoting mutual understanding and respect through the sharing of cultures. Our management and employees are encouraged to participate and support, where appropriate, community events. In 2017 this included:

- Thunderchild First Nation 50th Annual Pow Wow.
- Fort McKay Treaty Days.
- Fort McMurray Métis Festival.
- Saulteaux First Nation and Moosomin First Nation ice fishing derby.
- Moosomin First Nation fundraising golf tournament.
- Saulteaux First Nation fundraising golf tournament.
- Paul First Nation and Alexis Nakoda Sioux Nation community barbecue.

Advancing Education at Thunderchild First Nation

In 2017 we assisted 12 students from the Thunderchild First Nation in Saskatchewan with access to upgrading in math, science, English and job-readiness skills through Northwest College in North Battleford. These classes put the students in a position where they could apply for post-secondary education, including the power engineering programs we sponsor at Lakeland College in Lloydminster, Alberta and Saskatchewan Polytechnic in Saskatoon, Saskatchewan, and lines them up for possible employment with Husky.
Husky Has Heart

Our employees in Calgary and at offices in locations such as Lloydminster, St. John’s, Lima and Edson raised more than $600,000 for local charitable organizations in 2017. Employees select the groups that will benefit from the fundraising. We also collect donations for local food banks, as well as toys, diapers and baby clothes.

Community Investment

Our employees and contractors live in the communities where we operate, giving back in many ways. We support their commitment and strengthen our relationships with those communities through our Community Investment program, which includes corporate investments, in-kind donations and employees volunteering their time.

Donation Highlights:
- United Way of Greater Lima – through employee and corporate giving, supporting 18 community agencies in Lima, Ohio.
- Thunderchild First Nation – upgrading for students from the Thunderchild First Nation in Saskatchewan, improving their ability to enroll in power engineering programs.
- Food banks – supporting programs in communities where we operate.
- Thrive Youth Community Network – assisting low income and youth at risk in St. John’s, Newfoundland and Labrador, including help to stay in school and finding employment, as well as meeting basic needs and providing mental health supports.
- Minnedosa Primary Care Centre – contributing to the capital campaign to fund a new care facility in Minnedosa, Manitoba that will include updated healthcare equipment.
- STARS – supporting emergency medical evacuations in British Columbia, Alberta, Saskatchewan and Manitoba.
- Earth Rangers – helping students in Newfoundland and Labrador and Saskatchewan learn about biodiversity, ecology and the impacts of human activity.
- Job Safety Skills Society Alberta – offering high school students in trades and technology courses with a safety on the job curriculum.
- Victim Services – supporting the program in North Battleford, Saskatchewan, Cold Lake, Alberta and Lloydminster, Alberta and Saskatchewan through gas cards, allowing outreach workers to offer services in rural communities. We also provide stuffed toy huskies for young victims.
- Saskatchewan Polytechnic – supporting research into Lake Sturgeon in Saskatchewan, which are classified as endangered by the Committee on the Status of Endangered Wildlife in Canada.
- Science Enhancement for Science Advancement (SESA) – introducing scientific methods and experiments to elementary and middle school students with the goal of encouraging careers in the sciences.
Managing Risk

Enterprise Risk Management

The Corporate Risk Management Standard outlines our approach to assessing and managing risks.

Our Enterprise Risk Management program employs a risk matrix with seven probability factors and a scale of the severity of events to identify and assess potential hazards and risks that could impact the health and safety of people, property and the environment. This analysis provides greater certainty for shareholders, customers and suppliers that risks are well managed, and leads to increased confidence in the communities where we operate.

At least twice a year the Corporate Risk Management group undertakes an internal assessment to better identify and manage risk, understand the risk drivers and promote a culture of risk awareness. The assessment determines who is accountable for the management and mitigation of each risk and identifies any emerging issues. The potential financial, health, safety, reputational and environmental impacts of each risk are assessed, with critical risks reported to the Board of Directors.

5,100 employees participate in mandatory Code of Conduct training

>3,200 employees trained in competition and anti-trust laws
Suppliers

Through our Global Sourcing Office we perform audits on suppliers, including facility visits, to evaluate health, safety, environment and human rights information.

Business Continuity

We develop business continuity plans to mitigate impacts should a business-interrupting event occur. Critical processes are identified for each business unit.

Plans for individual departments are updated and tested to validate information, confirm contingency strategies and prepare staff. Areas with more critical processes are tested every year, those with less critical processes every two years. We often conduct exercises with multiple departments to improve efficiencies and identify any gaps in our process.

In 2017 we conducted a review of our business continuity program, with support from a third-party expert, with identified improvements planned for 2018. A key focus is to align our program with ongoing enhancements to the Information Systems Disaster Recovery Program and cyber security initiatives.

Code of Business Conduct

In accordance with Husky’s Code of Business Conduct, employees are expected to conduct themselves in an ethical manner, with a high degree of personal integrity. We mandate training for employees so they are aware of their responsibilities.

This includes adhering to regulations around lobbying in the jurisdictions where we operate. We report any lobbying activities as required. We do not provide political donations for municipal elections, leadership contests, individual candidates or riding/constituency associations, and we do not reimburse personnel for individual political donations.

Ethics Help Line

Husky has a confidential and anonymous Ethics Help Line where employees, contractors and other stakeholders can report perceived breaches of the Code of Business Conduct. The Ethics Help Line is managed by EthicsPoint, an independent service provider. Reports can be made either through an online form or by calling toll-free phone lines available in each country where Husky operates, including English and French options in Canada. Those making a report can choose to provide information anonymously. Information provided is submitted to the Ethics Help Line Committee, which includes representatives from the legal, audit, security, health, safety, environment and human resources departments. Perceived breaches of the Code of Business Conduct reported through other channels are recorded with those received through EthicsPoint. If it is determined a report requires further investigation, a formal review will be launched. In 2017, 32 reports were made through the Ethics Help Line.

Improving Competition and Anti-trust Law Knowledge

To further ensure our employees understand competition and anti-trust laws in Canada and the United States, training is now available via a web-based tool. It outlines prohibited conduct and highlights red flags employees should watch for. The annual course is mandatory for personnel who engage with external parties, including customers, competitors, regulators and vendors.
Safety and Sustainability Groups & Industry Organizations

Husky participates in sustainability groups and industry associations to better understand environmental, safety and social issues while benefitting from, and contributing to, industry innovation and best practices.

Community
- Earth Rangers
- Lakeland Industry and Community Association (LICA)
- Shawnee Industrial Neighbors Group (SING)

Safety & Emergency Preparedness
- Alberta Industrial Fire Protection Association (AIFPA)
- Allen County Local Emergency Planning Committee (LEPC)
- Center for Chemical Process Safety (CCPS)
- China Offshore Oil Operation Safety Office (COOOSO)
- China’s Marine Safety Administration (MSA)
- Clearwater Mutual Aid CO-OP
- Conference Board of Canada – Council on Emergency Management
- Eastern Canada Response Corporation (ECRC)
- Edson Mutual Aid Committee (EMAC)
- Emergency Response Assistance Canada (ERAC)
- Energy Safety Canada (ESC)
- Hardisty Mutual Aid Plan (HMAP)
- Land Spill Emergency Program (LSEP)
- Lima Area Security and Emergency Response Task Force (LASER)
- Lloydminster Emergency Preparedness Stakeholder Group
- Mackenzie Delta Spill Response Corporation (MDSRC)
- Mutual Aid Alberta
- Oil Spill Response Limited (OSRL)
- Strathcona District Mutual Assistance Emergency Response Assistance Agreement (SDMAP)
- Transportation Community Awareness and Emergency Response (TRANSCAER)
- Western Canada Marine Response Corporation
- Western Canadian Spill Services (WCSS)

Environmental
- Allen County Environmental Citizen’s Advisory Committee (ECAC)
- Calgary Region Airshed Zone (CRAZ)
- Canadian Brownfields Network (CBN)
- CDP
- China Offshore Environmental Services (COES)
- China’s State Oceanic Administration (SOA)
- Devonian Aquifer Working Group (DAWG) – COSIA joint industry project
- Environmental Studies Research Funds (ESRF)
- Faster Forests – COSIA joint industry project
- Foothills Research Institute – Grizzly Bear Program
- Foothills Restoration Forum – Southwest Alberta Sustainable Community Initiative (SASCI)
- Foothills Stream Crossing Partnership
- Industry Footprint Reduction Operations Group (IFROG)
- Marine Pollution Control
- Monitoring Avian Productivity and Survivorship (MAPS)
- Monitoring Priority Area (MPA) – COSIA joint industry project
- North Saskatchewan Watershed Alliance
- Ohio Chemistry Technology Council (OCTC)
- Oil Sands Monitoring (OSM)
- One Ocean
- Orphan Well Association
- Ottawa River Coalition (ORC)
- Parkland Airshed Management Zone (PAMZ)
- Petroleum Research Newfoundland and Labrador (PRNL)
- Plains CO2 Reduction (PCOR) Partnership
- Prince George Air Improvement Roundtable (PGAIR)
- Saskatchewan Environmental Industry and Managers Association (SEIMA)
- Saskatchewan Petroleum Industry Government Environmental Committee (SPIGEC)
- Saskatchewan Prairie Conservation Action Plan (SK – PCAP)
- Water Technology Development Centre (WTDC) – COSIA joint industry project
- Western Yellowhead Air Management Zone (WYAMZ)
- Wood Buffalo Environmental Association (WBEA)

Industry Associations
- American Fuel and Petrochemical Manufacturers (AFPM)
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Fuels Association (CFA)
- Canadian Land Reclamation Association (CLRA)
- Canadian Society for Unconventional Resources
- Environmental Services Association of Alberta (ESAA)
- Indonesian Petroleum Association (IPA)
- International Emissions Trading Association (IETA)
- International Oil & Gas Producers Association (IOGP)
- IPIECA
- Ohio Manufacturer’s Association (OMA)
- Petroleum Technology Alliance Canada (PTAC)
This report focuses on performance for the 12-month period ending December 31, 2017, unless otherwise noted.

All financial data is reported in Canadian dollars, and excludes discontinued operations. Please refer to the 2017 Annual Report and other reporting documents at www.huskyenergy.com for detailed information on financial and operational performance.

Financial information is presented on a net equity basis. Quantitative information is presented on a gross operated basis, unless otherwise stated.

This report covers 2017 activities and metrics, with reference to activities before 2017 or in early 2018 when they provide more context around our performance. This report uses gross operated information for assets where Husky was the operator during 2017 or for any portion of that year. All air emissions and energy numbers are the exception, where we report gross operated information for assets where Husky was the operator as at 31 December 2017, unless otherwise noted.

Monitoring and Measurement

Asset retirement obligation data, energy, emissions to air and water, groundwater quality and greenhouse gas data are estimated and recorded as per Husky’s Environmental Performance Reporting System.

Quantifiable data for operations is presented to meet or exceed regional jurisdictional and reporting requirements. Excluded data is footnoted.

Internal Governance and Verification

Husky’s health, safety and environment activities are guided by a committee of the Board of Directors and the Executive Health, Safety and Environment Committee.

The data in this report has been reported, reviewed and approved in accordance with internal measurement and verification practices, and reflects information relevant to Husky’s business sustainability and its shareholders.

KPMG provided independent limited assurance on select 2016 and 2017 performance indicators disclosed in this report.
To the Management of Husky Energy Inc:

We have been engaged by the management of Husky Energy Inc. (Husky Energy) to undertake a limited assurance engagement, in respect of the year ended December 31, 2017, on certain quantitative performance information disclosed in Husky Energy’s ESG Report 2018 (the Report) as described below.

Selected Indicators and Applicable Criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following performance information (the Selected Indicators):

- Total Energy Use (gigajoules)
- Scope 1 GHG Emissions (tonnes of CO2e)
- Scope 2 GHG Emissions (tonnes of CO2e)
- Fresh Water Withdrawal (million cubic metres)

The Selected Indicators, contained within the Report and indicated with the footnote “11” in the Performance Data section, have been determined by management on the basis of Husky Energy’s assessment of the material issues contributing to Husky Energy’s sustainability performance and most relevant to their stakeholders.

There are no mandatory requirements for the preparation, publication or review of sustainability performance metrics. As such, Husky Energy applies its own internal reporting guidelines and definitions for sustainability reporting in preparing the Selected Indicators which can be found in the About this Report section and relevant footnotes in the Report.

Management’s Responsibilities

Management is responsible for the preparation and presentation of the Selected Indicators in accordance with Husky Energy’s internal reporting guidelines and definitions for sustainability reporting, current as at the date of our report. Management is also responsible for determining Husky Energy’s objectives in respect of sustainability performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our Responsibility

Our responsibility in relation to the Selected Indicators is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) and International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. ISAE 3000 and ISAE 3410 require that we plan and perform our procedures to obtain limited assurance about whether the Selected Indicators are presented fairly, in accordance with the applicable criteria, in all material respects. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matter including environmental and greenhouse gas accounting.

Assurance Approach

We planned and performed our work to obtain all of the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Selected Indicators, and applying analytical and other evidence gathering procedures to the Selected Indicators, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of Husky Energy’s processes for determining the material issues for Husky Energy’s key stakeholder groups;
- Inquiries with relevant staff at the corporate and business unit level to understand the data collection and reporting processes for the Selected Indicators;
- Where relevant, performing walkthroughs of data collection and reporting processes for the Selected Indicators;
- Comparing the reported data for the Selected Indicators to underlying data sources;
- Inquiries of management regarding key assumptions and, where relevant, the re-performance of calculations; and,
- Reviewing the presentation of the Selected Indicators in the Report to determine whether they are consistent with our overall knowledge of, and experience with, the sustainability performance of Husky Energy.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is obtained.

Our assurance report is provided solely to Husky Energy in accordance with the terms of our engagement. Our work has been undertaken so that we might report to Husky Energy on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than Husky Energy for our work, for this assurance report, or for the conclusions we have reached.

Inherent Limitations

Non-financial information, such as that supporting the Selected Indicators, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as well as the measurement criteria may change over time.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that for the year ended December 31, 2017, the Selected Indicators, as described above and disclosed in the Husky Energy ESG Report 2018, have not been prepared and presented, in all material respects, in accordance with Husky Energy’s internal reporting guidelines and definitions for sustainability reporting as at the date of our report.

Chartered Professional Accountants,
Licensed Public Accountants

July 13, 2018
Vancouver, Canada
Forward-Looking Statements and Information

Certain statements in this document, including “financial outlook,” are forward-looking statements and information (collectively “forward-looking statements”), within the meaning of applicable Canadian securities legislation, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The forward-looking statements contained in this document are forward-looking and not historical facts.

Some of the forward-looking statements may be identified by statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result,” “are expected to,” “will continue,” “is anticipated,” “is targeting,” “estimated,” “intend,” “plan,” “projection,” “forecast,” “guidance,” “could,” “may,” “would,” “aim,” “vision,” “goals,” “objective,” “target,” “schedules” and “outlook”). In particular, forward-looking statements in this document include, but are not limited to, references to: the Company’s general strategic plans and growth strategies; expected total daily production volumes from the Westhazel, Edam Central, Rush Lake 2, Dee Valley, Spruce Lake North and Spruce Lake Central Lloyd thermal bitumen projects; expected timing of ramp up of production and expected 2018 production volumes from the Tucker Thermal Project; expected timing of first production from Liuhua 29-1; anticipated benefits from, and expected timing of start-up and design capacity of, Husky’s hydrogen diluent reduction pilot program at the Sunrise Energy Project; anticipated benefits from, and expected timing of construction of, a landfill at a former sulphur handling facility near Whitecourt, Alberta; anticipated benefits from an agreement between Husky and a Calgary company relating to the reuse of sulphur from the base of a former sulphur pad at the Ram River gas plant; plans to install additional compressors in 2018 to further gas conservation efforts; anticipated timing of deployment of, and benefits from, methane and GHG emission reduction pilot projects, including at Ansell and some of the Company’s CHOPS operations; planned changes to executive compensation and employee bonus program, and timing of implementing these changes; anticipated benefits from, and expected timing of commissioning and design capacity of, Husky’s second CO₂ capture pilot project at Pikes Peak South Lloyd thermal project; and anticipated benefits from a crude oil flexibility project underway at the Company’s Lima Refinery.

In addition, statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary from reserve and production estimates.

Certain of the information in this report is “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding the Company’s reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this document are reasonable, the Company’s forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources, including third party consultants, suppliers and regulators, among others.
Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Some of these risks, uncertainties and other factors are similar to those faced by other oil and gas companies and some are unique to the Company.

The Company’s Annual Information Form for the year ended December 31, 2017 and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com and the EDGAR website www.sec.gov) describe risks, material assumptions and other factors that could influence actual results and are incorporated herein by reference.

New factors emerge from time to time and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors, and the Company’s course of action would depend upon management’s assessment of the future considering all information available to it at the relevant time. Any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Non-GAAP Measures

This document contains certain terms which do not have any standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and are therefore unlikely to be comparable to similar measures presented by other issuers. None of these measures is used to enhance the Company’s reported financial performance or position. The non-GAAP measures included in this document are: funds from operations, free cash flow, and WTI price required to break even. These non-GAAP measures are considered to be useful as complementary measures in assessing Husky’s financial performance, efficiency and liquidity.

Funds from operations is a non-GAAP measure which should not be considered an alternative to, or more meaningful than, “cash flow – operating activities” as determined in accordance with IFRS, as an indicator of financial performance. Funds from operations is presented in the Company’s financial reports to assist management and investors in analyzing operating performance of the Company in the stated period. Funds from operations equals cash flow – operating activities plus change in non-cash working capital.

Funds from operations has been restated in the second quarter of 2017 in order to be more comparable to similar non-GAAP measures presented by other companies. Changes from prior period presentation include the removal of adjustments for settlement of asset retirement obligations and deferred revenue. Prior periods have been restated to conform to current presentation.

Free cash flow is a non-GAAP measure which should not be considered an alternative to, or more meaningful than, “cash flow – operating activities” as determined in accordance with IFRS, as an indicator of financial performance. Free cash flow is presented to assist management and investors in analyzing operating performance by the business in the stated period. Free cash flow equals funds from operations less capital expenditures.
The following table shows the reconciliation of cash flow – operating activities to funds from operations and free cash flow for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net earnings (loss)</strong></td>
<td>786</td>
<td>922</td>
<td>(3,850)</td>
</tr>
<tr>
<td><strong>Items not affecting cash:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accretion</td>
<td>112</td>
<td>126</td>
<td>121</td>
</tr>
<tr>
<td>Depletion, depreciation, amortization and impairment</td>
<td>2,882</td>
<td>2,462</td>
<td>8,644</td>
</tr>
<tr>
<td>Inventory write-down to NRV</td>
<td>-</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Exploration and evaluation expenses</td>
<td>6</td>
<td>86</td>
<td>242</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(359)</td>
<td>29</td>
<td>(1,827)</td>
</tr>
<tr>
<td>Foreign exchange loss (gain)</td>
<td>(4)</td>
<td>(4)</td>
<td>27</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>45</td>
<td>33</td>
<td>(39)</td>
</tr>
<tr>
<td>Loss (gain) on sale of assets</td>
<td>(46)</td>
<td>(1,634)</td>
<td>(16)</td>
</tr>
<tr>
<td>Unrealized market to market loss (gain)</td>
<td>56</td>
<td>38</td>
<td>-</td>
</tr>
<tr>
<td>Change in non-cash working capital</td>
<td>(61)</td>
<td>(15)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flow – operating activities</strong></td>
<td>3,704</td>
<td>1,971</td>
<td>3,760</td>
</tr>
<tr>
<td><strong>Funds from operations</strong></td>
<td>3,306</td>
<td>2,198</td>
<td>3,333</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>1,086</td>
<td>1,086</td>
<td>493</td>
</tr>
</tbody>
</table>

Disclosure of Oil and Gas Information

Unless otherwise indicated: (i) reserves estimates in this document have been prepared by internal qualified reserves evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook, have an effective date of December 31 in the years indicated and represent the Company’s working interest share before royalties; (ii) projected and historical production volumes provided represent the Company’s working interest share before royalties; and (iii) historical production volumes provided are for the years ended December 31, 2017, 2016 and 2015, as applicable.

The Company uses the term barrels of oil equivalent ("boe"), which is consistent with other oil and gas companies’ disclosures, and is calculated on an energy equivalence basis applicable at the burner tip whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. The term boe is used to express the sum of the total company products in one unit that can be used for comparisons. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is used for consistency with other oil and gas companies and does not represent value equivalency at the wellhead.

All currency is expressed in Canadian dollars, unless otherwise directed.