



Environmental,
Social and Governance
Performance

ESG Report 2019

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CEO Message



Rob Peabody at our Moose Mountain operations.

Husky responsibly produces the energy the world needs, and has done so for more than eight decades.

You can only be successful for that long if you keep evolving and looking for opportunities to improve economic, environmental and social performance, while adhering to high standards of corporate governance. This is what Husky aims to do and this report details our programs and our performance across priority environmental, social and governance (ESG) topics.

Our industry operates in a constantly changing environment and we're proud to have built a company resilient to changing conditions. Economic sustainability and resiliency are core among our responsibilities to shareholders, employees, governments and the communities where we operate. Thinking and acting with a long-term perspective helps us to avoid risk and take important investment decisions, which create the steady, well-paid jobs and solid returns to shareholders, governments and communities that we like to be known for.

However, expectations of our industry – of all large businesses – are changing. Our shareholders, stakeholders and employees are demanding increased transparency about how we operate, about our ESG performance and, where needed, about our plans to demonstrate progress on these issues. In 2018 Husky's safety and operations integrity performance fell short of my expectations. Our goal is to operate safely, always – safety remains our top priority.

We set three safety and operations integrity priorities in 2018 and have actioned all of them. First, our new Senior Vice President, Safety & Operations Integrity started in April 2019 and reports directly to me. Second, compensation for all employees, including senior management, is now more closely and transparently linked to safety performance. And third, we have started our work to become a high reliability organization, ensuring processes and procedures are the right ones and are strictly followed, and we are institutionalizing the right behaviours, including the life-saving rules.

In 2018 we had two serious safety and operations integrity incidents: a fire at our refinery in Superior, Wisconsin and an oil spill offshore Newfoundland and Labrador. We are using these incidents as a catalyst to drive further improvements and apply what we learn throughout the Company.

In addition to a focus on safety and operations integrity, we are hearing from our stakeholders that continuous improvement on our ESG performance and how we address greenhouse gas emissions is paramount. At our Sunrise and Tucker thermal projects, production since 2015 has been growing at a rate greater than our energy use, lowering total energy intensity and Scope 1 GHG intensity.

In the area of asset retirement, we have pioneered an Area-Based Closure program, recognized by the Alberta government, which sees land reclaimed more quickly. This assists biodiversity while being more efficient and cost effective.

These initiatives speak to the innovation of our people, supported by a diverse and inclusive workplace. Our Innovation Gateway team is exploring how innovation and technology can improve safety and environmental performance and reduce costs.

Advancements on environmental performance are key as demand continues to grow for the products we produce, products which are vital to the way we all live. We strive to make improvements because we take seriously our responsibility as a safe and ethical employer, neighbour, taxpayer and innovator, with a commitment to environmental stewardship.

There is always lots to do. Our ongoing drive to innovate and improve, while being accountable to our stakeholders, puts us on a firm foundation to thrive in the coming decades.

Rob Peabody

Performance Data

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

	Indicator	2018	2017	2016	IPEICA ¹
Safety & Operations Integrity	Total Recordable Injury Rate <i>Recordable injuries per 200,000 exposure hours</i>	0.57	0.62	0.55	HS3
	Lost-time Injury Rate <i>Number of lost-time injuries per 200,000 exposure hours</i>	0.11	0.11	0.11	HS3
	Tier 1 Process Safety Events	12	12	NPR ²	HS5
	Fatalities <i>Employees and contractors</i>	0	0	0	HS3
	Pipeline Incident Rate <i>Number per 1,000 km of pipeline</i>	1.04	1.03	1.36	
	Number of Spills³	209	151	170	E9
	Volume of Spills – Hydrocarbons^{3,4} <i>Cubic metres</i>	563	352	913	E9
	Volume of Hydrocarbons Recovered^{3,4,5} <i>Percentage</i>	42	82	97	E9
	Volume of Spills – Other³ (produced/process water, refined products, other) <i>Cubic metres</i>	4,367	974	1,016	E9
Economic	Production <i>Thousands of barrels of oil equivalent per day</i>	299	323	321	
	Net Earnings <i>Canadian \$ millions</i>	1,457	786	922	
	Cash Flow from Operating Activities <i>Canadian \$ millions</i>	4,134	3,704	1,971	
	Funds from Operations⁵ <i>Canadian \$ millions</i>	4,004	3,306	2,198	
	Free Cash Flow^{6,7} <i>Canadian \$ millions</i>	426	1,086	493	
	Capital Investment⁸ <i>Canadian \$ millions</i>	3,578	2,220	1,705	
	Reserves <i>Proved and probable millions boe, before royalties</i>	2,541	2,437	2,815	
	Reserves <i>Proved millions boe, before royalties</i>	1,471	1,301	1,224	
Environmental	Total Energy Use^{9,10,11,12,13,14,15,16} <i>Gigajoules (GJ)</i>	172,785,000 ¹⁷	175,640,000 ^{17,18}	165,600,000 ¹⁷	E2
	Scope 1 GHG Emissions^{10,19} <i>Tonnes of CO₂e</i>	10,265,000 ¹⁷	10,975,000 ^{17,20}	11,242,000 ¹⁷	E1
	Scope 2 GHG Emissions^{10,11,21,22} <i>Tonnes of CO₂e</i>	2,035,000 ¹⁷	2,135,000 ^{17,23}	2,030,000 ¹⁷	E1
	Sulphur Dioxide (SO₂) Emissions^{10,24} <i>Tonnes</i>	5,247	6,241	8,847	E8
	Nitrogen Oxides (NO_x expressed as NO₂) Emissions^{10,24} <i>Tonnes</i>	9,319	10,362	9,773	E8
	Volatile Organic Compounds (VOC) Emissions^{10,24} <i>Tonnes</i>	3,884	4,106	3,864	E8
	Filterable Fine Particulate Matter Emissions (PM_{2.5})^{10,24} <i>Tonnes</i>	607 ²⁵	612 ^{25,26}	626	E8
	Fresh Water Withdrawal²⁷ <i>Million cubic metres</i>	30.5 ¹⁷	31.7 ¹⁷	29.1 ¹⁷	E6

Performance Data (continued)

	Indicator	2018	2017	2016	IPIECA ¹
Social	Number of Employees <i>Permanent</i>	5,157	5,152	5,150	
	Employee Salaries and Benefits <i>Full-time and part-time, \$ millions</i>	827	778	NPR ²	
	Compensation Per Employee <i>\$</i>	160,000	151,000	NPR ²	
	Employee Turnover <i>Percentage, voluntary and retirements</i>	4.6	3.9	3.3	
	Senior Executive Diversity ²⁸ <i>Percentage of women, Canada</i>	15	14	14	SE15
	Community Contributions <i>\$ millions</i>	4.50	3.00	2.20	SE4
	Employee Volunteer Commitment <i>Hours</i>	12,000	NPR ²	NPR ²	
Governance	Independent Board Members <i>Percent</i>	56	56	60	
	Independent Audit Committee Members <i>Percent</i>	100	100	100	
	Board Diversity <i>Percentage of women</i>	12.5	12.5	13.3	
	Ethics Help Line Reports <i>Number of reports made</i>	39	32	NPR ²	SE18

All data as of December 31, unless otherwise stated.

¹ Indicators from IPIECA/API/OGP oil and gas industry guidance on voluntary sustainability reporting 2015.

² Not previously reported.

³ Spill metrics are reported as of the 7th day following year end, consistent with monthly reporting and review schedule.

⁴ Does not include volumes of asphalt related to the Superior Refinery fire in April 2018.

⁵ Volumes recovered during initial response or within seven days, additional volumes are remediated over longer term.

⁶ Refer to the "Non-GAAP Measures" advisory in this document.

⁷ Excludes acquisitions and dispositions.

⁸ 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.

⁹ Excludes all gases flared, vented or incinerated as their energy content is not utilized.

¹⁰ Reported for assets operated by Husky in Canada and the U.S. as at December 31. Activities in the Asia Pacific region are not operated by Husky and not included, with the exception of drilling and completions activities offshore China which are included. For any year, assets divested during that year are not included.

¹¹ Excludes purchased electricity associated with Husky retail stations and selected offices, based on assets operated as at December 31.

¹² Energy calculations are based on fuel High Heating Value (HHV).

¹³ Methodology change to apply IPIECA grid factor of 38% to purchased electricity, to account for efficiency loss during transformation of fuel combusted into electricity. Increase of approximately 13.5 million GJ annually.

¹⁴ Adjusted to include incinerator energy, in accordance with IPIECA indicator E2. Increase of approximately 1 million GJ annually.

¹⁵ Methodology change for Lloydminster Ethanol Plant, removal of low pressure steam as it is already accounted for in Lloydminster Upgrader. Decrease of approximately 1 million GJ annually.

¹⁶ Methodology change for Lima Refinery, treatment of steam purchased and sold. Increase of approximately 1.5 million GJ annually.

¹⁷ Independent, limited assurance provided by KPMG.

¹⁸ Superior Refinery data initially unavailable for first year of Husky operation added. Increase of approximately 5 million GJ.

¹⁹ Scope 1 GHG emissions include 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, and emissions from some on-site transportation, which are unavailable and not material. Fugitive emissions and drilling and completions emissions are estimated and reported as required by jurisdictions.

²⁰ Superior Refinery lowered by 205,000 tonnes to correct application of global warming potential.

²¹ Adjusted for new National Inventory Report electricity emission factors published by Environment Canada in April 2019, applied retroactively.

²² Methodology change for Lloydminster Ethanol Plant, removal of low pressure steam as it is already accounted for in Lloydminster Upgrader. Decrease of approximately 60,000 tonnes annually.

²³ Superior Refinery data initially unavailable for first year of Husky operation added. Increase of 64,000 tonnes.

²⁴ SO₂, NO_x, VOC and filterable PM_{2.5} emissions are reported as the total for all facilities where criteria air contaminant emissions have been reported to the regulator.

²⁵ PM₁₀ used as proxy for Superior Refinery as detailed emissions factors are unavailable, resulting in overstated emissions.

²⁶ Superior Refinery data initially unavailable for first year of Husky operation added. Increase of approximately 20 tonnes.

²⁷ Does not include fresh industrial wastewater.

²⁸ Senior executives include the CEO, CFO, COO and Senior Vice President positions.

ESG Priority Topics

Our environmental, social and governance (ESG) topics are those which, in the view of management, affect Husky's performance and long-term sustainability and/or inform investor assessments and decisions about us.

Our ESG assessment process includes internal interviews and considers information from investors, analysts and community members to determine our top ESG topics. These are prioritized by management and senior executives and approved by our ESG Steering Committee and Executive Health, Safety and Environment Committee. In 2018 we evaluated existing and emerging issues to confirm 12 priority topics, and in 2019 determined our priorities were best aligned and managed under nine topics. We combined occupational health and safety, asset integrity and reliability, and emergency

preparedness and response into one topic, now called Safety & Operations Integrity. Energy use is managed within the topics of innovation and advanced technology given the opportunity to use innovation to drive improvements, business resilience given the direct link between energy use and costs, and air emissions management given the relationship between energy use and air emissions, including greenhouse gases.

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

Husky's ESG Priority Topics

Topic	Definition
Safety	
Safety & Operations Integrity	Promote a safety culture through systems, processes and continued learning to prevent employee and contractor injuries and illnesses. Design, maintain and operate facilities and assets focused on process safety and asset integrity to realize strong operational performance. Prepare, plan and practice to respond effectively to incidents with worker and community safety and environmental protection as priorities.
Economic	
Business Resilience	Maintain strong financial discipline, with a focus on generating free cash flow and returns today, while investing in higher-margin growth opportunities.
Innovation & Advanced Technology	Identify, evaluate and invest in technology advancements to improve environmental and financial performance.
Environmental	
Air Emissions Management, including GHGs	Comply with regulations, and work to lower our emissions of pollutants.
Water Use & Availability	Comply with regulations and explore innovative opportunities to responsibly reduce, recycle and re-use as much water as is economically feasible.
Land Use & Reclamation	Manage land use through mitigation and restoration, and avoidance of disturbance.
Social	
Community & Indigenous Peoples' Engagement	Contribute positively to quality of life in communities where we operate by reducing impacts and creating benefits.
Talent Management & Culture of Inclusion	Attract, develop and retain top talent and ensure an inclusive, diverse and respectful workplace.
Governance	
Business Ethics & Transparency	Obey the law, report accurately to investors and stakeholders, and act ethically in accordance with the principles of good governance.

Boundary & Approach

This report includes all our operated assets within our Integrated Corridor and Offshore businesses, which are detailed in the Economic section. We do not operate the Toledo Refinery, the onshore gas plant associated with our Liwan Gas Project, the BD Project in Indonesia nor the Terra Nova oil field in the Atlantic region.

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Husky's Commitment to the United Nations Sustainable Development Goals

In evaluating our priority topics we highlight actions that make a contribution towards achieving the UN SDGs. We have programs that support the goals, using an SDG symbol in this report to indicate where they align.



Safety & Operations Integrity



Employees at our Lima Refinery strive to work safely every day.

Safety becomes ingrained in our culture and part of every decision through systems, processes and continued learning.

Our facilities and assets are designed, maintained and operated with focus on process safety and asset integrity to realize strong operational performance. In the event of an incident, worker and community safety and environmental protection are the priorities.

Safety

Focused on maintaining safe and reliable operations, we have rigorous safety programs and strengthen our safety culture by making process and occupational safety improvements on an ongoing basis. Our goal is that no one is injured on the job.

In 2018 we had two significant process safety events. On April 26 there was an explosion and fire at our Superior Refinery in Superior, Wisconsin. On November 16, we had an oil spill offshore Newfoundland and Labrador at our White Rose field.

Structural Changes to Promote Safety

In 2018 we committed to several initiatives to reinforce our commitment to process safety and asset integrity, which have been implemented to help drive our safety improvements.

Compensation, starting in 2019, is more tightly aligned with safety performance throughout the organization, with an explicit link between safety performance and the employee bonus program.

A Senior Vice President, Safety & Operations Integrity has been hired and reports directly to the CEO.



0.57

Total Recordable Injury Rate



1.04

pipeline incident rate per 1,000 km



12

Tier 1 process safety events

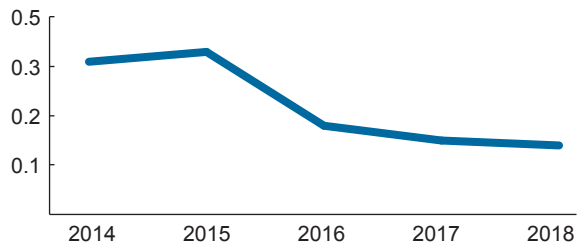
We have engaged independent experts, the High Reliability Group, to assess our existing asset integrity and reliability processes and make recommendations for further improvements, and to mentor our employees and provide guidance as we move towards becoming a high reliability organization. The principles of a high reliability organization include:

- Knowledge and learning – we understand facts, interpret our environment and apply knowledge to all our activities. We seek to be a learning organization, learning from our performance and making necessary changes.
- Standards and procedural compliance – we capture our knowledge in standards, processes and procedures, which we follow.
- Questioning attitude – we always ask whether we understand the hazards and risks, what could go wrong, do we have the right process, procedure or tool.
- Team backup – we support and look out for each other, intervening when something isn't right.
- Integrity – we do the right thing, the right way, every time.

Critical and Serious Incidents

Our critical and serious safety incidents rate includes both safety incidents which result in a lost-time incident, permanent disability or fatality, and incidents which meet the severity consequence on our risk matrix for safety, environmental or asset impact. We communicate the risks associated with these types of incidents to employees and contractors so they can take actions to mitigate them. The rate of critical and serious incidents per hours worked in 2018 continued to reflect improvements we've made in recent years.

Critical and Serious Incidents Rate
(per 200,000 exposure hours)



To enhance existing training, we employ the nine International Oil and Gas Producers' Life-Saving Rules, which focus on activities most likely to lead to fatalities or significant life-altering injuries. In 2018 we moved from 18 rules to nine,

aligning with a simplified, standardized, industry-wide approach that empowers employees and contractors to stop work when it is unsafe. The rules provide specific actions for workers to follow and make it easier to identify situations that, if not properly managed, may lead to hazardous conditions.

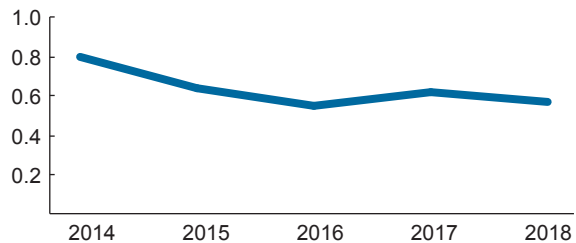
As we continue to work to reduce the number of incidents, we evaluate our performance to identify and address areas of potential risk. To ensure the potential for those risks isn't recreated in other areas of the company, we share what we've learned across the organization and track actions to closure.

Total Recordable Injury Rate

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

In 2018 our TRIR was 0.57, a decrease from 0.62 in 2017.

Total Recordable Injury Rate
(per 200,000 exposure hours)

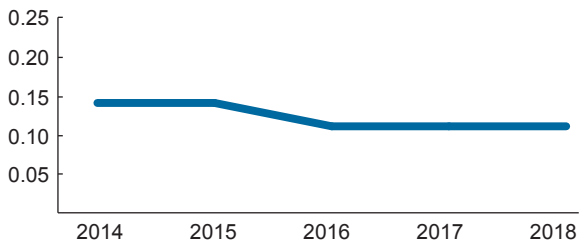


Lost Time Injury Frequency

Lost time injuries are those preventing a worker from performing their job. We maintained a frequency of 0.11 per 200,000 exposure hours in 2018, recording 20 lost time injuries.

Employees and contractors receive ongoing training in safety processes and procedures to continuously drive better performance.

Lost Time Injury Frequency
(per 200,000 exposure hours)



Incident Tracking

We track all incidents and use 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 in our standards and processes to reduce the likelihood of a reoccurrence.

Road Safety

Our corporate vehicle safety procedure includes mandatory driver training and vehicle monitoring devices, improving safety by providing drivers with reports on their speed, seatbelt use and driving practices. Our Drive Safe program provides real-time support and coaching on safe driving behaviours, reinforcing our commitment to the Life Saving Rules.



UN SDG

In 2018 there were nine motor vehicle accidents involving employees and contractors, compared to 24 the previous year. The number of driving accidents has dropped 88% over the past three years. Husky's fleet of approximately 1,200 vehicles covered about 21 million kilometres, a decline from 31 million kilometres in 2017, in part due to the disposition of assets in Western Canada.

Ground Disturbance Prevention

Our ground disturbance damage prevention program protects worker and public safety and the environment by deterring contact with underground facilities, such as pipelines. "Line strike" incidents range from a portion of a line being inadvertently uncovered by farm or other equipment to actual contact with a line. Husky's ground disturbance program clearly defines and communicates our procedures to minimize these risks.

Implementing the damage prevention process has resulted in no enforcement line strikes since 2013 and reduced the severity of contacts, even though there are increased reporting requirements to federal and provincial regulators. We use a risk-based approach to continually strengthen the program.

Our New SVP, Safety & Operations Integrity: Priorities

Peter Rosenthal is our new Senior Vice President, Safety & Operations Integrity, reporting directly to the CEO.

With responsibility for process and occupational safety, operations integrity and emergency response, he is also leading our high reliability organization culture. The initial priorities for Peter and his team are further improving:

- Our overall safety culture
- Our systems and procedures
- The knowledge and abilities of our workforce

"We will be building on the work the High Reliability Group has been doing with employees and contractors across our organization, from the front-line staff to our executives," he says. "Our goal is to become a high reliability organization and by working towards that, we expect our safety performance to become top-quartile."



Peter Rosenthal, SVP, Safety & Operations Integrity, visits the Lima Refinery.

Office Safety Program

A safety program developed for our Calgary office promotes an understanding and commitment to safety similar to colleagues in the field. The program provides a consistent approach to minimizing risk and understanding safety. Based on shared responsibility, the program builds a work space where every individual is aware of 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 and we plan to expand the program to our regional offices.

Offshore Well Management

Our 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, such as the International Association of Oil and Gas Producers.

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

In the Atlantic region, a harsh environment with a seasonal risk of sea ice and icebergs, our comprehensive ice management plan mitigates this risk with multiple layers of surveillance and a range of ice management techniques. These include towing icebergs and using water cannons to direct them away from operational areas.

Ice Management Report

In 2018 the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) issued its final report on the 2017 incident where an iceberg came within the *SeaRose* FPSO's exclusion zone and we failed to disconnect. We made changes to our ice management plan and practices following the incident, and these were augmented with the findings of the C-NLOPB's interim report. Its final report aligned with the interim findings. Changes to our incident command and ice management plans include a clearer definition of roles and responsibilities, a new threat assessment matrix and an iceberg-specific HaBERS (hazard-based emergency response scenario) for the *SeaRose*.

COR Certification

Husky obtained a Certificate of Recognition (COR) from the Alberta government and Energy Safety Canada. The process included an external audit of our health and safety management program, with our office safety program and the Husky Operational Integrity Management System contributing to the certification.



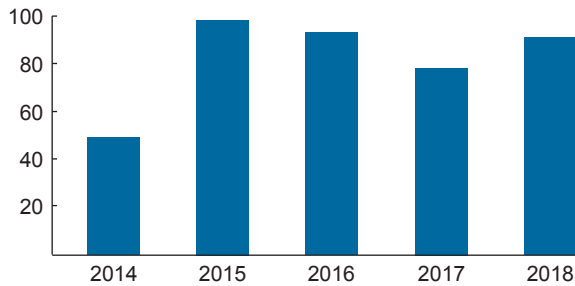
Employees from our Lloydminster operations review the Husky Operations Integrity Management System.

Industrial Hygiene

We protect our employees and contractors by identifying, assessing and controlling occupational health hazards. Our industrial hygiene program includes ongoing surveillance, assessment and specific control procedures for a number of recognized hazards.

Our facilities use 14 hazard-specific procedures to control potential risk, including benzene exposure control, hearing conservation, respiratory protection and management of silica, asbestos and chemicals. Most have site-specific plans and strategies in place, based on comprehensive assessments that are used to define, communicate and report on industrial hygiene activities.

Industrial Hygiene Surveys



In 2018 we completed 91 quantitative surveys, including more than 2,000 assessment samples that produced 3,600 results.



SeaRose FPSO



Sunrise Energy Project

In 2018 we introduced an audit tool to review the compliance components of the Transportation of Dangerous Goods program at our Western Canada and Lloydminster pipeline operations. More than 2,300 shipping documents were audited, resulting in the identification of minor cases of non-compliance that were addressed with additional training and awareness.

Our operations are aligned with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), placing an emphasis on hazard communication and compliance. We have implemented a formal chemical approval process for new products, with increasing levels of review required for more toxic chemicals. Less toxic alternatives are investigated for use, and suitable controls are established prior to chemicals arriving on-site.

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, including eye wash stations.



UN SDG



Emergency Response Team members at Sunrise, participating in an exercise.

Emergency Preparedness & Response

When an incident occurs that could affect the community, our employees and contractors, the environment, our assets and/or reputation, our emergency preparedness program facilitates a consistent and effective response.

Our 24-hour emergency line provides the public, emergency responders and customers with immediate access to information, and allows us to promptly initiate a response when needed. The 1-877-262-2111 number is posted on signs at all our facilities, included on all public notification material and displayed on huskyenergy.com. 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.

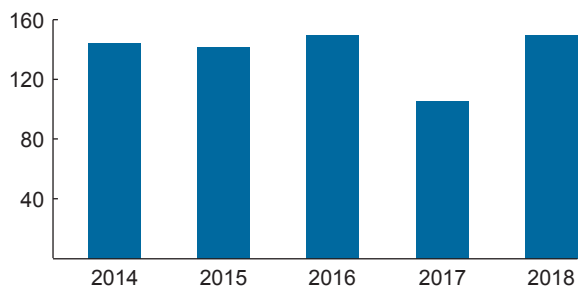
We are always improving our planning and compliance programs, implementing additional training for our response teams. We incorporate what we learn from previous events as we evolve these programs.

Preparedness

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

In 2018 we conducted a full-scale response exercise with our Lloydminster heavy oil employees, inviting regulators, Indigenous neighbours and other agencies to observe. In the Atlantic region we participated in a response exercise with our peers, the regulator and other agencies. At our Lima Refinery, firefighting teams from across the company were brought together to participate in a training session.

Emergency Response Planning Exercises



The number of exercises each year varies, depending on whether major exercises are being planned or executed. In 2017, the number of exercises declined with the disposition of Western Canada assets. In 2018 we increased the number of exercises to ensure we tested Incident Command System knowledge and reached workers on varying shifts.

To enhance our readiness at facilities where there is the potential for a higher-consequence event, our comprehensive emergency management program includes hazard identification and planning, as well as equipment sourcing and training specific to those sites.

At relevant Canadian locations, on-site supervisors have been identified and trained to respond to spills.

We share what we've learned, both internally and with our partners, including local authorities and agencies. 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 our 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 support team.

Our spill preparedness and response training programs build internal capacity by ensuring dedicated employees have the knowledge and skills to coordinate and sustain a response in the event of an incident, including making sure equipment that might be needed is available. In the Lloydminster area we have added six boats, three rapid deployment trailers and a wildlife trailer to our response capabilities.

We base our plans and procedures on the Incident Command System (ICS), a standard model used in Canada and internationally to provide an effective emergency response across all operations. It focuses a response so that the most important actions are addressed by priority and under clear accountabilities. More than 850 employees completed various levels of ICS training in 2018, including new role-specific courses.

We review, update and test all Emergency Response Plans (ERPs) at least once a year. While we have ERPs for all facilities and operating areas, we also maintain plans that relate to specific hazards, such as geographic response plans for potential spills, pre-wildfire plans and well and source control plans.

Superior Refinery Fire

On April 26, 2018 an explosion and fire at the Superior Refinery injured workers and led public officials managing the emergency response to evacuate residents from an area around the site as a precaution. After the initial fire was extinguished, asphalt released from a punctured tank caught fire and was put out by the refinery's emergency response team (ERT), working with local first responders. ERT members are specially trained to handle incidents that could potentially occur on-site. Their training includes monthly sessions, joint exercises with local first responders, and attending industrial firefighting school every year. A fire pumper truck and fire tender are stationed on-site. We will learn from this incident to further improve our response.



The Emergency Response Team at the Superior Refinery worked with local first responders to extinguish the fire.



Our pipeline systems in the Lloydminster area are constantly monitored.

Operations Integrity

Through designing, maintaining and operating our facilities and assets with a focus on process safety and asset integrity, we protect the public, safeguard the health and wellbeing of our employees and contractors, minimize potential risks to the environment, and shelter assets from damage or loss.

At all our operations we identify hazards and risks and work 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.

For all facilities with the potential for major accident hazards we have developed safety cases, which identify hazards and associated risks and, dependent on the level of risk, the control and mitigation measures required.

Performing activities safely and reliably leads to efficient and consistent performance and we constantly assess whether we are meeting our own expectations and requirements for operational integrity. We conduct audits of business units and major facilities to verify the processes and procedures in place and that they are 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 our annual objectives and are reviewed monthly by the Business Leadership Team and at each Executive Health, Safety and Environment Committee meeting.

Process Safety Incidents

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.

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 2018 we had 12 Tier 1 process safety events, unchanged from the year before.

Pipeline Integrity

We monitor and manage approximately 20,800 kilometres of pipelines, as of the end of 2018, 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.

Pipeline Integrity Management Program

Our Pipeline Integrity Management Program employs a proactive approach to managing integrity, operations and maintenance, factoring in the diverse profile of all Husky-owned-and-operated pipelines.

We are enhancing our Pipeline Risk Assessment process to align with the safety case approach used for facilities, which identifies hazards and associated risks and, dependent on the level of risk, the control and mitigation measures required. The process will use the bow tie methodology to evaluate major accident hazards associated with Husky's pipelines, classify pipelines according to criticality and demonstrate there are sufficient barriers and safeguards to manage pipeline risks to as low as reasonably practicable.

With the goal of improving integrity and reducing incident rates, we apply the risk-based program throughout the lifecycle of all our pipelines, including:

- Risk assessments that identify potential integrity issues and the appropriate action taken to address them.
- Annual integrity reviews for all pipeline systems, assessing the effectiveness of the integrity programs and making recommendations for improvements where needed.
- Mandatory training for employees involved in pipeline operation and maintenance. The Pipeline Operations and Maintenance Manual is used to set requirements for the safe operation and maintenance of pipelines.
- Investigation of any incident to establish the root cause, using what is learned to improve our programs.
- Performance targets, set annually and tracked monthly.

We review the Pipeline Integrity Management Program regularly for alignment with code and regulatory requirements.

Geohazard Integrity Management Program

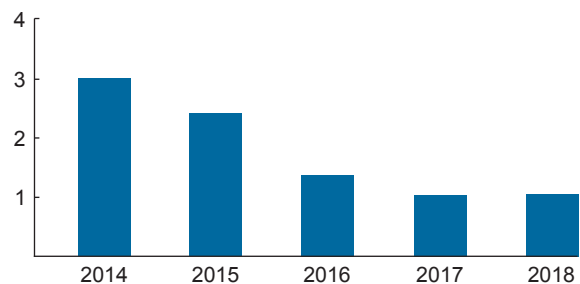
We monitor potential impacts to pipelines from natural earth movement so we can identify and mitigate those risks. Fibre optic sensing technology, which has increased capacity and capability for long distance distributed monitoring, has been installed on our LLB Direct pipeline in Alberta and will be installed on all new large diameter and high consequence area projects. Geohazard baseline assessments have been completed on about 25% of our pipelines, starting with those that have the highest potential consequence.

In 2018 we suspended the use of a pipeline crossing the North Saskatchewan River, where a 2016 release, caused by ground movement, occurred. Construction has started on a new line and a number of integrity measures will be in place, including a geotechnical review and fibre optic monitoring.

Pipeline Incidents

In 2018 Husky recorded a pipeline incident rate of 1.04 incidents per 1,000 kilometres, a slight increase over the year before. We have reduced our pipeline incident rate by more than 70% over the past four years.

Pipeline Incident Rate (per 1,000 kilometres)



Technology Improves Pipeline Integrity

Cathodic protection controls corrosion in metal. We use cable break locating technology to confirm continuity of the electricity along the length of a pipeline. This reduces the need to uncover sections of the pipe to verify the protection, minimizing ground disturbance, reducing the risk of line strikes and allowing us to test more pipelines in the same amount of time.



Pipeline integrity is a focus at our Hardisty Terminal.

Spill Management

Preventing spills, and immediately detecting and responding when they occur, is a priority for Husky. We implement operational integrity programs throughout the life-cycle of an asset, which is key to preventing spills. In 2018 our number of reportable spills increased from the year before, showing we must continue to focus on this area.

When alerted to a spill, we respond by implementing containment and recovery plans while safeguarding workers, the public and the environment. Spills are reported to the appropriate regulatory authority.

Containment and recovery is our initial priority, to prevent migration of the released product and any impact to soil or water. As much of the release as possible is recovered. If soil or water has been affected, an assessment is conducted to determine remediation efforts, followed by ongoing monitoring.

Our people receive training related to response and recovery activities, health and safety, remediation and regulatory requirements. We have site-specific spill response plans, with recommended practices governing spill management and site remediation.

By participating in industry spill response organizations and mutual aid agreements, both onshore and offshore, we share knowledge and best practices to further improve prevention and response. Through mutual aid agreements we can access additional resources if needed.

We track our performance to learn from incidents and determine what we should do differently.

Spill Incidents

The results of investigations – both interim and final – regarding a spill at the White Rose field and an explosion and fire at the Superior Refinery are being incorporated into our standards and procedures to improve our operations further.

White Rose Spill

In November 2018 production was shut in at the White Rose field offshore Newfoundland and Labrador due to operational safety concerns resulting from severe weather. Once conditions returned to normal operating parameters, and safety checks were completed, we started the process of resuming operations and approximately 250 cubic metres of oil and water were released. Due to the sea conditions at the time, the spill could not be recovered. A failed subsea flowline connector was determined to be the cause and no further oil was detected at the surface after the initial release. The failed flowline connector was recovered in March 2019 for investigation and analysis. We are cooperating fully with the Canada-Newfoundland Offshore Petroleum Board and other regulatory authorities to investigate the incident.

Superior Refinery Fire

On April 26, 2018 an explosion and fire at the Superior Refinery injured workers and led to the evacuation of residents from an area around the site as a precaution. Approximately 17,000 barrels of asphalt, 42 barrels of heat transfer fluid and 11 barrels of #6 fuel oil were released during the incident. The asphalt was recovered and disposed of off-site. The heat transfer fluid and fuel oil were recovered and treated on-site. A factual update from the Chemical Safety Board (CSB) found a failed slide valve allowed a flammable mixture to form inside the catalytic cracking unit. Our investigation results have been largely consistent with this finding. We will continue to work with the CSB and industry associations to share what was learned that would help prevent this from happening at other sites in the future. In April 2019 we announced plans to rebuild the refinery with additional safety enhancements and new units, which will operate with increased efficiency and environmental performance. Operations are expected to resume in 2021.

Release Incidents Count

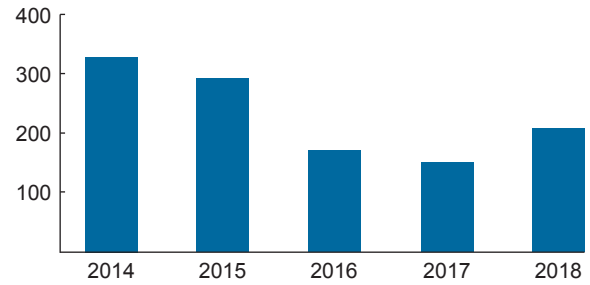
In 2018 the number of reportable release incidents increased over the year before, as did the volume of hydrocarbons and other fluids released. We recovered 42% of released hydrocarbons, below our target of 85%.

Three incidents primarily contributed to these results:

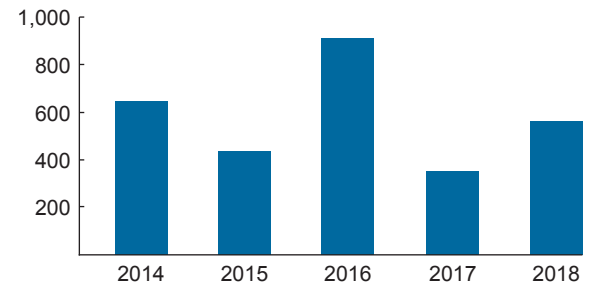
- In November, a failed subsea flowline connector in the White Rose field offshore Newfoundland and Labrador resulted in the release of approximately 250 cubic metres of oil and water. We were not able to recover any of the release because of the sea conditions.
- In Saskatchewan about 2,800 cubic metres of saltwater were released onto a field in July, with some entering the Englishman River. We removed the affected soil and continue to remediate the site and monitor river water quality. All water testing results from the Englishman River in 2018 met surface water quality standards.
- Approximately 700 cubic metres of wastewater were released at the Lima Refinery in June when a tank flange failed. The wastewater was all recovered and cycled back through the refinery's wastewater treatment system.

Reportable releases include those from operating pipelines, wells, facilities and drilling activities. The increase in reportable incidents in 2018 is largely due to horizontal drilling for pipeline infrastructure where drilling mud was released, recovered and properly disposed of. A number of releases were attributable to a heavy oil facility which has now been shut in and will be decommissioned.

Reportable Release Incidents Count

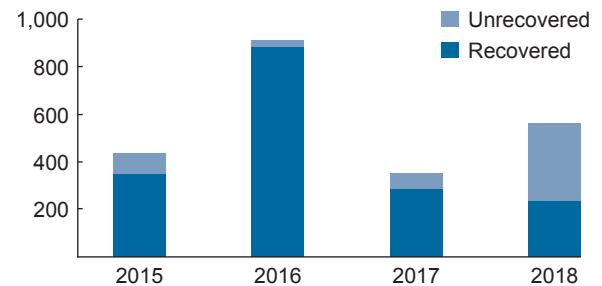


Reportable Hydrocarbons Released Volumes (m³)



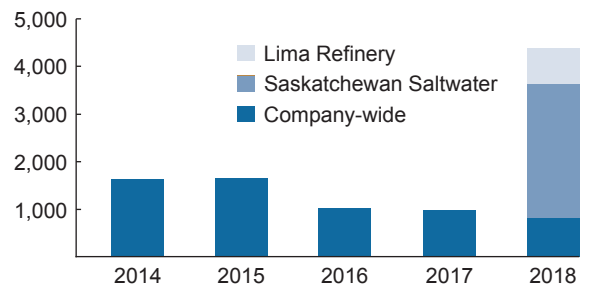
The 2018 figure includes the spill offshore Newfoundland and Labrador.

Released Hydrocarbons Recovered (m³)



Amount of the original release volume removed from the environment, generally within seven days of the incident date, after which it is considered remediation. Of the unrecovered volume, almost all was due to the White Rose field spill.

Reportable Other Fluids Released (m³)



Includes fluids such as refined products, produced/process water, process chemicals and other substances used in operations or generated as waste materials. The 2018 number includes the Saskatchewan produced water release and the wastewater release at the Lima Refinery.



Our Husky Operational Integrity Management System (HOIMS), a set of interrelated policies, aims, expectations and processes, was updated in 2018. These 14 elements guide our safe and reliable operations. HOIMS applies a specific aim and a clear set of expectations to each element to continuously improve our process safety and operational integrity. They are designed to achieve our strategic operational objectives:

- No fatalities or serious injuries
- No process safety incidents
- No significant off-site environmental impacts
- Reliable operations
- Contribution to business value
- Safeguarding our reputation

The HOIMS elements are:

- **Accountability** – All personnel demonstrate accountability for operational integrity.
- **Occupational Health & Safety** – Health and safety risks are effectively managed.
- **Risk Management** – Our hazards are identified, analyzed and evaluated and associated risks are managed.
- **Emergency Management** – Emergency response, business continuity and security programs are implemented. Husky is prepared to manage an emergency, business interruption or security event.
- **Reliability & Integrity** – Manage equipment and controls that are essential to reliability and integrity.
- **Training & Competency** – Personnel are trained and competent to perform their role responsibilities.
- **Incident Management** – Investigate and learn from incidents to improve operational integrity performance.
- **Environmental Stewardship** – Responsibly manage our environmental impact.
- **Management of Change** – Permanent, temporary and emergency changes that impact operational integrity, and the risks associated with those changes, are managed.
- **Information Management** – Operational integrity information is accurate and current. The right people can access the right information at the right time.
- **Regulatory Compliance** – Husky complies with regulatory requirements.
- **Project Delivery** – Facilities are designed and built, and assets are developed, to meet operational integrity aims and expectations of Husky's Operational Integrity Management System.
- **Supply Chain** – Supplied services and materials meet Husky's operational integrity requirements.
- **Assurance & Improvement** – Learn from results to continually improve Husky's processes, procedures, competencies and operational integrity performance.

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.*

Economic



Our Lloydminster operations are a key part of our resilient business.

Husky responsibly produces the energy the world needs. To ensure our business is resilient, we maintain strong financial discipline, with a focus on generating free cash flow and returns today, while investing in higher-margin growth opportunities. We identify, evaluate and invest in technology to improve environmental and financial performance.

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

Our 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.

Contributing to the Economy

Our focus on investing in higher-margin growth opportunities continues to lower our cost structure, generating free cash flow that can be returned to shareholders through a dividend, used to maintain the strength of our balance sheet or be re-invested in more growth. 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.

In 2018 funds from operations were \$4 billion, up 21% from the year before, cash flow from operating activities was \$4.1 billion and we generated free cash flow for the year of \$426 million.



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>\$6.5 billion
contribution
to the economy



>5,100
employees



>\$335 million
in royalties

We spent \$3.6 billion on capital projects, significantly benefitting the communities where we operate. We paid an annual cash dividend of \$0.45. Operating cash spent in those communities, including services, materials and equipment, utilities and transportation, was \$2.8 billion.

We directly employ more than 5,100 people in Canada, the United States and the Asia Pacific region through our integrated business, strongly contributing to the economies and the communities where we operate.

In addition to providing long-term, well-paid jobs throughout our operations, our contributions include:

- Purchasing goods and services from local businesses, including Indigenous vendors.
- Paying royalties and taxes to municipal, provincial, state and federal governments.
- Providing economic inclusion and business opportunities to Indigenous communities.
- Contributing to community and charitable organizations.

2018 Highlights

Integrated Corridor

Thermal Production

- First oil achieved at the 10,000 bbls/day Rush Lake 2 Lloyd thermal bitumen project, surpassing its design capacity within five weeks.
- Advanced timing of first production at the 10,000 bbls/day Dee Valley Lloyd thermal bitumen project to the third quarter of 2019.
- Sanctioned a new 10,000 bbls/day thermal bitumen project at Spruce Lake East.
- Achieved production above design capacity at both the Sunrise Energy Project and the Tucker Thermal Project.

Resource Plays

- Accelerated drilling program in Western Canada, with a focused portfolio that achieves lower operating costs, faster drilling times and improved well performance.

Downstream

- Strong margin capture in the Infrastructure and Marketing segment, reflecting long-term 75,000 bbls/day committed export capacity on the Keystone pipeline.
- LLB Direct pipeline and additional 300,000-barrel storage tank at Hardisty came online.

Offshore

Asia Pacific

- Record sales gas production from the Liwan and BD gas projects.
- Increased working interest at Liuhua 29-1, the third deepwater field at the Liwan Gas Project offshore China, to 75%.
- Installed two shallow water platforms at the MDA-MBH and MDK fields in the Madura Strait in Indonesia.
- Signed Production Sharing Contracts for two exploration blocks offshore China in the Beibu Gulf.

Atlantic

- Poured concrete base slab for the fixed wellhead platform at the West White Rose Project.
- Successful exploration discovery at White Rose A-24.

Business Resilience

With our low level of debt, low-cost structure, downstream integration and market diversification, which provide for stability of funds from operations, we are well positioned to compete and succeed in a volatile commodity price environment.

Our upgrading and refining capacity, long-term export pipeline access, along with storage and logistical assets, allow us to capture global pricing for the majority of our production, despite the record-high location and quality differentials for heavy oil seen in 2018.

We incorporate carbon-related costs, based on current and emerging policies in the jurisdictions where we operate, to help us understand the resilience of our current and proposed assets to changes in carbon policy and regulation.

Energy Use

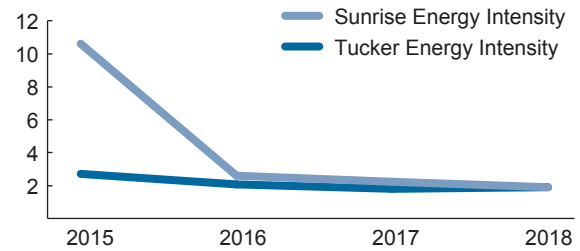
To improve the efficiency of our operations, we are always looking at the most effective way to use energy. Reducing steam-to-oil ratios means we are using less steam, lowering our energy intensity and reducing both operating costs and air emissions intensity, including greenhouse gases (GHGs).

Since 2015, production at our Sunrise and Tucker operations has been growing at a rate greater than our energy use, resulting in overall declines in both total energy use intensity and Scope 1 GHG intensity.

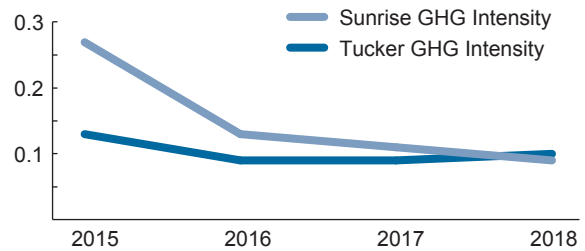


We are working to lower energy use intensity and GHG intensity at Tucker.

Total Energy Use Intensity – Sunrise & Tucker (GJ/boe)



Scope 1 GHG Intensity – Sunrise & Tucker (Tonnes CO₂e/boe)



Diluent Reduction Technology

At our Sunrise Energy Project, a 500 barrel-per-day pilot project testing our Husky-patented diluent reduction technology is underway. We believe it could reduce the amount of diluent required, increasing effective pipeline capacity and the quality and value of recovered bitumen.



The Husky Diluent Reduction Project at Sunrise.

Innovation & Advanced Technology

Our investments in innovation and technology target improved safety and environmental performance, reducing costs and increasing resource recovery. We focus on developing and implementing technology that offers the highest potential value for our business, while also learning from peers. We have a number of critical competency networks that connect people across business units, exposing them to different technologies their colleagues are using. These networks are focused on innovation in such areas as carbon capture, water management, reservoir recovery, geoscience integration and business analytics.



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The Husky Innovation Gateway, building on the expertise of our technical chiefs and other out-of-the-box thinkers from across the company, provides a coordinated approach to fostering innovation. We continue to work with employees to encourage ideas, while increasing their knowledge and skills through courses and hands-on experience.



Our Technical Forum is evolving to help solve challenges our colleagues face.

Every year we hold a Technical Forum for employees, a session where emerging and existing technology is shared. In 2019 we are evolving the forum to include solving challenges our colleagues are facing, working with suppliers on relevant technology and ideas.

Advanced Technologies and Analytics

We are incorporating advanced technologies and analytics, such as machine learning, deep learning, artificial intelligence and the industrial internet of things (IIoT) throughout our operations.

Technology installed at our Rainbow Lake operations means we can maximize the efficiency and performance of each well, while reducing the number of routine site visits needed and improving safety. A monitor on our electric-driven pumpjacks reads and analyzes live data about operating performance, allowing remote workers to make decisions to optimize well performance. These decisions are captured by the technology, providing workers with better analysis as the program learns. We are also installing the technology at test wells in Rocky Mountain House and Grande Prairie.

We are using analytics to optimize steam-oil ratios in our SAGD production, which helps lower GHG emissions. Field trials are underway at two Lloyd thermal projects.

Machine learning can be used to help drive reliability. We are exploring the use of predictive models in our

downstream operations to identify anomalies. Currently we are using historic data to run tests, which could be used to develop a schedule that better predicts when maintenance will be needed.

In the Atlantic region, we are using machine learning to enhance weather and iceberg drift predictions, with the aim of improving safety and efficiency.



Technology installed at Rainbow Lake is maximizing the efficiency and performance of each well.

Environmental



Lynx at an Area-Based Closure site in northwestern Alberta.

Steps are taken to minimize our impact on land and habitat, air and water. We work to lower our emissions of pollutants. When using water, we explore innovative opportunities to responsibly reduce, recycle and re-use as much as is economically feasible. Land use is managed through mitigation and restoration, and avoidance of disturbance. We monitor our operations, actively seeking ways to mitigate and further reduce our environmental footprint.

Air Emissions Management

Oil and gas production generates greenhouse gas (GHG) emissions and air pollutants, which can affect air quality and contribute to climate change. A key driver of Husky's air emissions is the use of energy, such as natural gas, oil and electricity, in our operations.



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Our air quality and carbon management programs achieve regulatory compliance and identify opportunities to reduce emissions. These programs are supported by our Environmental Performance Reporting System, which provides transparency and consistency of data.



360,000

trees planted
in 2018



95%

waste diverted from landfill
at large facility decommissioning



88%

amount of recycled water
used at Sunrise



Employees at our Moose Mountain operations.

Our carbon management approach and metrics are detailed in annual submissions to the CDP Climate Change Program, which are posted on huskyenergy.com. In 2018 we received a grade of B, which exceeds the sector average and is based on our disclosure of: governance, risks and opportunities, business strategy, targets and performance, emissions methodology, emissions data, emissions breakdown, energy, additional metrics, verification, carbon pricing and engagement. Our CDP response is reviewed by members of the executive team and signed by the Chief Operating Officer.

Energy Use

Total energy use dropped slightly in 2018, largely due to the turnaround at the Lima Refinery and the suspension of operations at the Superior Refinery after a fire in April 2018, offset by increases in production from our thermal facilities. Several methodology changes are identified in the Performance Data footnotes on page 3, including changes to the efficiency factor applied to our purchased electricity, the inclusion of gas used to operate incinerators and not double counting low-pressure steam used at our Lloydminster Ethanol Plant.

To improve the efficiency of our operations, we look at the most effective way to use energy. Over the last five years, using a new reservoir operating strategy, we have reduced the steam-to-oil ratio at our Tucker Thermal Project by about 35%. Using less steam lowers our energy use which reduces both operating costs and air emissions, including GHGs. In 2018 the Sunrise Energy Project used emission performance credits generated by Tucker in prior years to reduce its total compliance costs under Alberta's Carbon Competitiveness Incentive Regulation. The credits were achieved through reducing Tucker's greenhouse gas emissions below regulatory requirements.



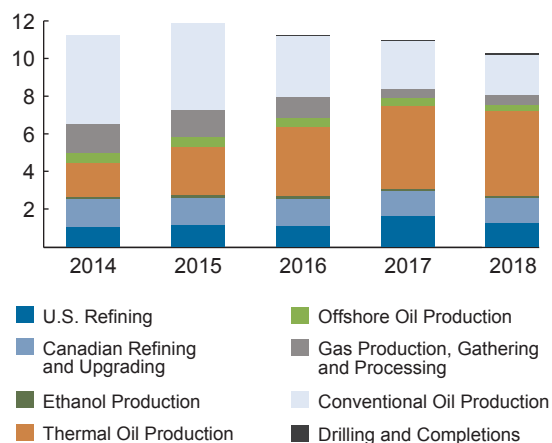
Installation of equipment to expand a carbon capture pilot project at Pikes Peak South.

Greenhouse Gas Emissions

Our Scope 1 and Scope 2 GHG emissions in 2018 decreased slightly compared to 2017, largely due to declines in conventional oil production and the turnaround at the Lima Refinery. Suspension of operations offshore Newfoundland and Labrador in November and December 2018, and at the Superior Refinery following a fire in April 2018, also resulted in reduced emissions. This was partially offset by an increase in emissions from our thermal operations.

Several methodology changes are identified in the Performance Data footnotes on page 3, including changes to the emission factor applied to our purchased electricity, the inclusion of gas used to operate incinerators and not double counting low-pressure steam used at our Lloydminster Ethanol Plant.

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 not operated by Husky and not included, with the exception of drilling and completions activities offshore China which are included. Scope 1 GHG emissions include 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, and emissions from on-site transportation, which are not material. Fugitive emissions and drilling and completions emissions are estimated and reported as required by jurisdictions.

Husky recognizes the social, environmental and economic risks posed by climate change as outlined in the IPCC Special Report 15 on Global Warming of 1.5 °C. The risks and opportunities inherent to a lower global emissions pathway are built into our Enterprise Risk Management process.

We believe there is a significant role for government to provide incentives and direct support in the development and commercialization of technologies that reduce industry emissions. Revenues generated through carbon policy and regulation should be made available to support industry research and the development and deployment of innovative practices and technology that improve efficiency and reduce carbon emissions.

Emission reduction regulations should apply a price on carbon and we support the development of a market for environmental attributes such as emission offset credits.

We incorporate carbon-related costs based on current and emerging policies in the jurisdictions where we operate, to help us understand the resilience of our existing and proposed assets to changes in carbon policy and regulation.

Our Carbon Management Critical Competency Network meets regularly to share knowledge and develop corporate strategies to manage Husky's carbon-related risks and opportunities. The network provides updates and recommendations to the Executive Health, Safety and Environment Committee, which reports to the Board of Director's Health, Safety and Environment Committee.

We monitor changing expectations related to carbon and climate performance and disclosure, including the Task Force on Climate-related Financial Disclosures. Through both voluntary and mandatory reporting mechanisms, we demonstrate how we manage environmental, social and governance risks, including climate change. We continue to talk to our investors and other stakeholders about their expectations related to climate change disclosure, to understand and address their priorities.



Lloydminster Upgrader

Renewable & Low Carbon Production

Renewable energy is a growing part of the energy mix and we assess opportunities to use renewable energy where it makes economic and operational sense, for example using solar pumps at our Western Canada conventional operations.

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 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 2018, 469,000 tonnes of CO₂ were captured at our Lloydminster Ethanol Plant.

We continue to evaluate additional carbon capture technologies, including at our Pikes Peak South 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 capacity to 30 tonnes per day beginning in 2019. We believe these technologies have the potential to reduce carbon capture costs and reduce the carbon intensity of heavy oil production.

We evaluate 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

We participated in the development of draft regulations to reduce methane emissions from oil and gas operations in Alberta and Saskatchewan, which assists in achieving reduction targets in support of the federal objective of a 45% reduction by 2025. We participate in initiatives to reduce methane emissions through the conversion of pneumatic devices, gas conservation and incineration technology.

In 2018 Husky was awarded more than 12,000 offset credits related to emissions avoided the year before at our Alberta conventional operations.

Gas Conservation

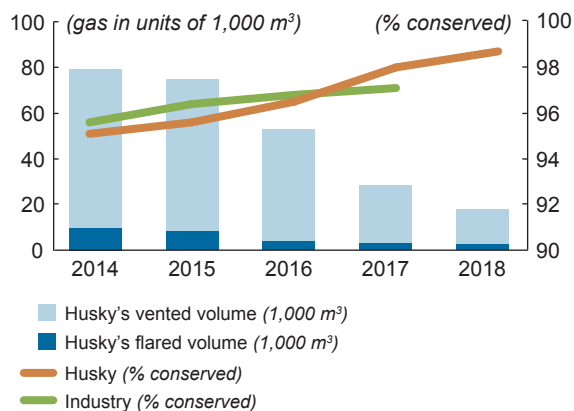
We conserve solution gas at our operations and reduce venting and flaring. Since 2014 Husky has installed 100 compressors in our Saskatchewan and Alberta operations which compress vented gas, so it can be used on-site or sold as fuel. Additional sites are planned for 2019.

Our total volume of flared and vented gas in Alberta declined by 77% between 2014 and 2018, coinciding with a 63% reduction in Alberta conventional oil production in the same period. In Saskatchewan, our total volume of flared and vented gas declined by 61% coinciding with a 49% decline in Saskatchewan conventional oil production. 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.



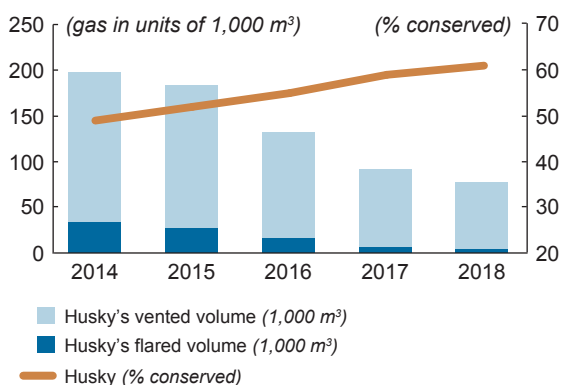
Sunrise Energy Project

Alberta Gas Conservation Rate for 2014 to 2018



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.

Saskatchewan Gas Conservation Rate for 2014 to 2018



Industry rate unavailable for Saskatchewan.

Criteria Air Contaminants

We measure and report emissions of criteria air contaminants, including sulphur dioxide (SO₂), nitrogen oxides (NO_x as NO₂ equivalent), volatile organic compounds (VOCs) and particulate matter. 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.

The installation of a sulphur recovery unit (SRU) at the Rush Lake thermal project and increased up-time of the SRU at the Lloydminster Upgrader resulted in a decrease of more than 1,500 tonnes of SO₂ emissions in 2018 from the year before. These were offset by a slight increase in SO₂ emissions from our Saskatchewan thermal operations due to increased production. A decrease in NO_x emissions of more than 1,100 tonnes was a result of using stack testing results for the Saskatchewan thermal projects, as required under Canada's Multi-Sector Air Pollutants Regulation, instead of the default emission factor previously used. New regulations in Canada have changed the scope of reporting VOCs from venting sources, such as fugitive emissions from casing gas venting and tanks, resulting in higher reported VOC emissions of approximately 780 tonnes. This increase is offset by a decrease of more than 700 tonnes of VOC emissions from the Lima Refinery due to improvements in data availability through the use of our continuous emissions monitoring system, instead of using the default emission factor AP-42 provided by the U.S. Environmental Protection Agency.

Fugitive Emissions Management Program

Our Fugitive Emissions 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 VOCs.

Fugitive emissions, including methane and VOCs, are gas and vapour leaks from valves, piping connections, pumps and compressor seals, and other piping system components which occur as part of the normal operation of a facility or plant. We use 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. We use a third-party database to track all survey results and manage the repairs. These methods create an effective survey, repair and tracking system. Vapour analyzers and ultrasonic measurements can be used to quantify equipment leaks.

Our Downstream facilities conduct ongoing Leak Detection and Repair (LDAR) monitoring, checking applicable components and testing with a vapour analyzer. Since 2011 our LDAR program for Canadian facilities has tested more than 41,000 sources and this inventory will further expand with anticipated changes in regulations. The total number of leaks found in 2018 was 102, a more than 50% decrease from 2017, due to repairs to leaking equipment identified by the program. Overall emissions declined almost 60% year over year from 141,187 kilograms to 60,543 kilograms.

LDAR surveys are also conducted for the Upstream business. The reports are shared with facility staff, and maintenance is undertaken as needed to repair equipment leaks.



More than 82% of water used to generate steam at Tucker is recycled produced water.

Water Use & Availability

We manage water use throughout our operations by exploring innovative opportunities to responsibly reduce, recycle and re-use as much water as is economically feasible. Our water management approach and metrics are detailed in annual submissions to the CDP Water Security Program. In 2018 we received a grade of B-, which exceeds the sector average and reflects our progress on water security through water accounting, governance and stewardship activities.



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Water-related issues are managed under the direction of the Executive Health, Safety and Environment Committee, which consists of senior management and is chaired by our Chief Operating Officer.

Our water-related initiatives include:

- Identifying, assessing and managing water risks at a local level.
- Monitoring surface and groundwater, ensuring impacts from operations are negligible or mitigated.
- Recycling produced water.
- Protecting groundwater using established well casing and cementing practices.
- Measuring and publicly disclosing water use.
- Ensuring acceptable domestic water quality standards for employees at remote facilities through our Water Supply Integrity Program.

- Collaboration by internal experts to solve water challenges.
- Contributing to joint industry water management initiatives and water research.
- Participating in multi-operator agreements and water sharing.
- Participating in watershed planning and advisory councils.

Identifying and Managing Water Source Risks

In the areas where we operate, the withdrawal of fresh water is regulated and licensed, to ensure surface and groundwater supplies are not affected negatively.

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

We monitor surface water and groundwater to ensure operations are not negatively impacting the environment. To better understand hydrogeological systems in the Northern Alberta oil sands region we participate in the Canada's Oil Sands Innovation Alliance (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 Aquifer Working Group.

Enhancing Water Management

Our Water Management Critical Competency Network brings together water expertise from across the company to share technologies and strategies that could be used in operations. This approach improves our ability to identify, manage and address water risks, and to fully explore water opportunities.

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, a mutually beneficial agreement that reduces our demand for groundwater and supports Sustainable Development Goal 6.5: implement integrated water resource management. At Tucker we source groundwater that is 40 times more saline than water considered appropriate for household use, using it as an alternative to shallow groundwater or surface water. It is treated extensively before being used in operations.

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 Recycle Project at Lima Refinery

The Lima Refinery is reducing the amount of fresh water it withdraws through recycling. The water recycle component was implemented as part of the crude oil flexibility project work ongoing at the refinery.



The Lima Refinery is implementing water recycling.

We also participate in the Petroleum Technology Alliance of Canada's Water Innovation Planning Committee, where joint industry projects related to water management for hydraulic fracturing are addressed under the Alberta Upstream Petroleum Research Fund.

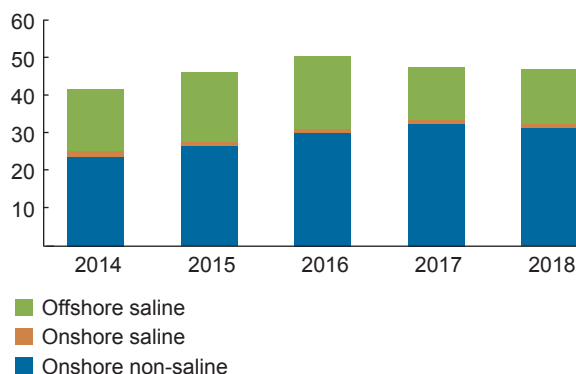
Water Performance

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

We withdraw water for industrial use from saline and non-saline sources, including non-saline industrial wastewater. We report volumes for facilities we operate, for the time operated within the report year. Our CDP response includes detailed metrics on water recycling and an assessment of our withdrawals from water-stressed areas.

Overall, non-saline water withdrawal in 2018 decreased slightly compared to the previous year, a result of using less water at the Lima Refinery, where there was an equivalent decrease in throughput, and at Sunrise, where we recycled more produced water.

Water Withdrawals (millions m³)



Water withdrawals are for industrial use. Non-saline (fresh) water is defined as having a total dissolved solids concentration of less than 4,000 mg/L.

Water Use in Our Operations

Thermal Projects in Alberta

Water volumes at Sunrise and Tucker are reported to the Alberta Energy Regulator and included in its Water Use Performance report.

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 which is in contact with bitumen.

In 2018 recycled produced water provided 88% (10.1 million cubic metres) of the total water used for steam generation, an increase from 82% in 2017. The remaining 12% 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 more saline than water considered acceptable for household use.

In 2018 recycled produced water was 82% (4.3 million cubic metres) of the water used to generate steam. The remaining 18% (0.9 million cubic metres) 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.

Water licences for our thermal projects represent approximately 0.3% of the North Saskatchewan River annual average flow. Water withdrawals under these licences were slightly lower in 2018 at 15.9 million cubic metres, compared to 16.2 million cubic metres in 2017. The overall water intensity for Lloyd thermal projects was comparable year over year.

Sourcing Water at Sunrise

We recycle a large portion of produced water at the Sunrise Energy Project and have collaborative agreements with two industrial neighbours to access makeup water from alternative sources. The project team responsible for this collaborative approach won a Husky CEO Award of Excellence.



Sunrise is working with its neighbours to reduce the use of freshwater.

Water Technology Development Centre

As a member of COSIA's Water Technology Development Centre (WTDC), we are developing new technologies to improve the carbon and water use footprint of thermal operations. The WTDC is a dedicated test facility, attached to a commercial thermal plant, where partners work together to develop and assess new processes for water treatment and steam generation. The facility will begin operating in mid-2019, through to 2024.



Water Technology Development Centre

Our detailed risk assessment for this area, conducted in 2017, drew on technical expertise from hydrologists, geomorphologists, engineers, hydrogeologists and geochemists to better define water sourcing risks. The water availability from the North Saskatchewan River was determined to be more than sufficient to meet our current and future needs, through all seasons, while not affecting other users.

This technical review supports Sustainable Development Goal 6.4: ensuring sustainable withdrawals and supply of fresh water. Water management plans for our Lloyd thermal projects are updated considering new water demands and water availability risks.

Potential sources of water for new thermal projects are assessed to ensure we select the most appropriate for each, considering a balance of factors. We are advancing technologies to improve our water efficiency at current and future projects.



Water sampling in the Lloydminster area.

Battery Recycling

In 2018, we diverted more than 300 kilograms of office batteries from the landfill. Batteries contain toxic heavy metals that must be managed in a safe and environmentally sustainable way. Our recycling program, in place across the company since 2015, makes sure useful materials are recovered and the rest is properly disposed of.

Resource Plays

In Western Canada our resource plays include the Spirit River formation in the Ansell and Kakwa areas and the Montney formation in the Karr and Wembley areas. These are being developed with hydraulic fracturing technology. We also operate conventional oil assets and the Rainbow Lake gas processing plant.

Water management plans for each area identify and mitigate water risks over the long-term, promoting responsible water stewardship by evaluating re-use opportunities, source alternatives and wastewater disposal solutions. Water risks for each are characterized in the context of reliability, technical feasibility, net environmental effects, regulatory and stakeholder interests and economics. We also assess water management components, including transportation, storage and treatment.

The amount of water required for each resource play depends on the reservoir characteristics, as well as the amount and quality of water produced from the reservoir and the timing of operations. We evaluate water re-use opportunities on these factors and implement where possible. In 2018 we recycled water at 11 of 32 wells that were hydraulically fractured.

At our Wainwright waterflood project we recycle all produced water, reinjecting it into the formation. We use saline groundwater and produced water from other operations in the area as makeup water, reducing non-saline groundwater withdrawals.

Water Re-use at Resource Plays

We re-use water where possible at our resource plays in Western Canada. In 2018 we re-used flowback water at 11 of 32 wells that were hydraulically fractured, amounting to 24,000 cubic metres. We also worked with neighbouring operators, providing them with 12,000 cubic metres of the flowback water for re-use in their operations.

Downstream

We report water withdrawals for the upgrader, refineries and ethanol plants that we operate.

Non-saline water withdrawal for refining decreased from 8.4 million cubic metres in 2017 to eight million cubic metres in 2018, largely due to a proportionate decrease in throughput at the Lima Refinery due to planned maintenance. Overall, the intensity of water used for refining remained approximately the same as 2017.

The approximately eight million cubic metres of non-saline water withdrawn for our refineries was offset by the five million cubic metres 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 in accordance with regulatory conditions.

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

Offshore

We operate projects in the Atlantic region, offshore Newfoundland and Labrador. In 2018 14.9 million cubic metres of seawater was withdrawn for oil production, offset by 11.8 million cubic metres of cooling water discharged back, with 3.1 million cubic metres used for injection to support production. Seawater withdrawn for marine operations, such as ship engine cooling, is excluded.



SeaRose FPSO

North Saskatchewan River Monitoring and Assessment

We continue our commitment to monitor and assess the North Saskatchewan River and its shoreline, following a pipeline incident in 2016.

Working with the Saskatchewan Water Security Agency, the Saskatchewan Ministry of the Environment, Environment and Climate Change Canada and third-party experts, monitoring to determine the impact to the river is ongoing. More than 6,000 water samples and 1,800 sediment samples have been collected for review since July 2016.

In 2018 monitoring detected no surface water exceedances of regulatory criteria attributed to the incident. No related product was detected in water samples and trace levels were sporadically detected in sediment samples collected near the shoreline, primarily within the 27 kilometres downstream of the point of entry.

We assessed the shorelines of two Indigenous communities, using dogs specially trained to detect trace levels of product from the incident. The program confirmed the shorelines met cleanup criteria developed by provincial and federal regulators.



Specially trained dogs were used to assess the North Saskatchewan River shoreline in two communities.



Caribou near our activities in the Northwest Territories.

Land Use & Reclamation

We strive to avoid disturbing the land before we begin operations and remediate and restore the land when our operations cease. From planning to an asset's retirement, we identify potential impacts so they can be avoided, minimized or mitigated.

Project Planning

Our construction and development activities are managed so that we minimize our footprint, maintain healthy, functioning ecosystems, and the wildlife and habitat they support, and reduce our impact on ecologically and culturally-sensitive areas. We identify wildlife and culturally-sensitive areas with input from local Indigenous communities and their traditional land use studies. In addition, biologists assess the presence and sensitivity of known species within the project area. Desktop analysis, confirmed through field surveys, helps us 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 address changes to wildlife movement, reducing the displacement of animals and birds to less suitable habitat, and maintaining vegetation cover, which is important for survival and temperature regulation.



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While Operating

We time activities, such as 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, measures to mitigate impacts, such as changes to the construction schedule, nest surveys and setback distances from active nests are implemented. Deterrents are in place to keep birds from high-risk areas and prevent nesting on infrastructure.

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

End of Life and Asset Retirement

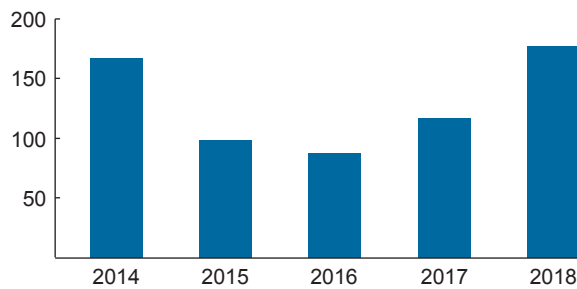
When we cease operations at a well or facility, the asset must be retired in a responsible manner. We pioneered Area-Based Closure (ABC), a program-based approach that makes asset retirement activities more efficient and cost effective. We address larger and neighbouring areas at the same time, starting remediation work and the restoration of land and habitat more quickly.

With the support of the Alberta Energy Regulator, we share the ABC approach with our peers to assist with better management of inactive sites liability for all of industry. Our asset retirement obligations 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.

The ABC approach includes:

- Well abandonment
- Pipeline and facility decommissioning
- Site remediation and reclamation

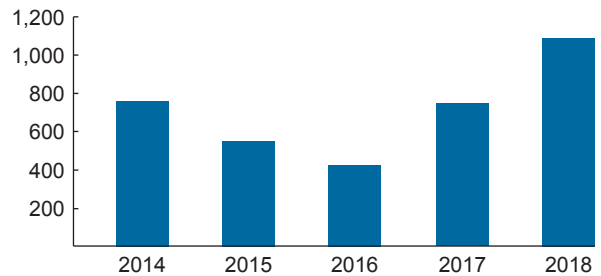
Asset Retirement Spend (\$ millions)



Well Abandonment

The process of retiring a well begins with properly abandoning both the downhole and surface components. Our long-term, proactive abandonment program leads to the timely and effective retirement of inactive sites that have no future production potential. We abandon multiple wells in a single area, which allows for a coordinated effort to decommission associated pipelines and facilities.

Well Abandonments



NWT Phytoremediation

Exploration activities in the Northwest Territories between 2003 and 2008 didn't result in production, leading us to close and reclaim the sites. Working with the Government of the Northwest Territories' Land Department and Alberta Innovates we implemented a phytoremediation program, using plants to help degrade and remove contamination in the soil. As part of the program we tested a new rhizobacteria to promote plant growth. Phytoremediation is more cost effective and has less impact on the environment than conventional remediation measures. Subsequent soil analysis has shown a decrease in hydrocarbon concentrations and strong vegetation regrowth.

Pipeline and Facility Decommissioning

When we determine a facility has no future production value, it is designated for retirement. We look at options to re-use, sell or recycle before a disposal decision is made, ensuring less waste is put into landfills.

In 2018, we undertook the demolition of four large-scale facilities:

- 100% of the concrete (more than 9,800 tonnes) was recycled or re-used in local construction projects.
- 100% of all metal, including steel, tin, aluminum and copper (almost 5,500 tonnes), was recycled.
- Hazardous materials were safely contained, removed and disposed of.
- Construction and demolition waste, less than five percent of total waste, went to local landfills.
- Using local facilities and re-using materials close to where the projects were located meant transporting the items a shorter distance, resulting in the use of less fuel and fewer emissions.

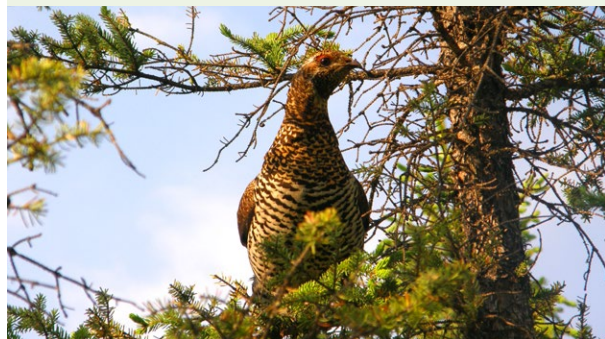
Properly abandoning inactive pipelines reduces the risk of spills from those segments. The inactive pipelines are first assessed, including length, which product it contained, whether there is pressure on the line and its proximity to towns or environmentally sensitive areas.

By abandoning multiple segments in an area as a single project, we reduce ground disturbance and associated activities. An improvement to the technology we use to remove risers has also resulted in the need for less excavation.

From 2015 through 2018, the Alberta Energy Regulator approved status changes to abandoned for 3,300 pipeline segments, representing more than 3,000 kilometres of pipeline. In 2014 we began working with the regulator to develop a five-year plan to tackle our inventory of 1,976 inactive pipeline segments in the province. We expect to complete full abandonment of those lines, as well as any new inactive pipeline segments in Western Canada, in 2019.

Monitoring Wildlife Along the North Saskatchewan River

We continue to study how wildlife in the North Saskatchewan River valley, between Lloydminster and North Battleford, respond to the increased industrial activity in the area. Indigenous members of local communities participate in annual monitoring programs. Thirty trail cameras monitor wildlife movements through the corridor and assess potential impacts from our thermal projects to biodiversity. Breeding bird surveys and winter track surveys have also been conducted to better understand wildlife patterns and frequency.



Spruce Grouse

Rainbow Lake Battery Decommissioned

The decommissioning of an asset takes time to do safely and properly. We began the Rainbow Lake Battery 10 Decommissioning project in 2013 and completed it in 2018. We started with a hazardous materials assessment which determined asbestos abatement would be required prior to demolition and an experienced contractor was brought in for that portion of the work. Less than three percent of all waste from the decommissioning, primarily construction and demolition waste, was disposed of in a local landfill. The rest was recycled or re-used locally.

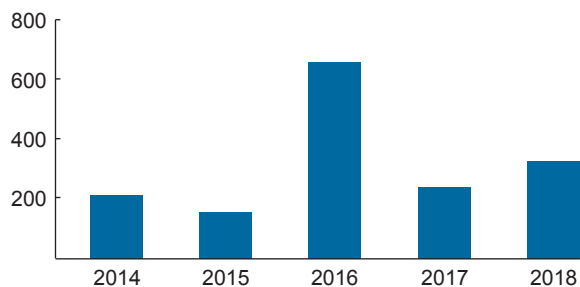
Remediation and Reclamation

Once all surface infrastructure is removed, we begin remediation and reclamation activities. Remediation involves assessing the site for impacts due to operations and mitigating any that are found. Reclamation involves returning disturbed lands to a capability equivalent to that prior to development.

After we initially reclaim the site we conduct follow-up work as needed. When a site is deemed ready, a detailed site assessment is conducted and we can apply for regulatory closure. The average time from initial reclamation to site closure is 5.8 years. With the ABC program, we are targeting time frames of less than four years.

In 2018 we received 320 reclamation certificates from provincial regulators, with a 94% approval rate on submissions. Over the past seven years, we have certified almost 2,000 sites and associated facilities, such as access roads and log decks, reclaiming approximately 7,520 acres of land.

Reclamation Certificates



In 2016 Alberta regulators processed a large number of legacy applications awaiting approval.

Asia Pacific Environmental and Fishery Surveys

Before drilling offshore China, we conduct environmental and fish surveys to collect baseline information. The information is used to determine pre-project water and surface sediment quality and to assess any impact operations have on chlorophyll, phytoplankton, zooplankton, fish, crustaceans and mollusks.

We planted 360,000 trees on more than 175 sites, as part of our 2018 ABC program. Species native to the area, including white and black spruce, lodgepole and jack pine, larch, poplar, aspen and alder, are planted to re-establish similar land capability. Over the past 10 years, we have planted more than 1.5 million trees.

A key component of reclaiming a site is restoring habitat, especially for species at risk. Of the areas we certified in 2018, almost all were in regions home to species listed on Environment Canada's Committee on the Status of Endangered Wildlife in Canada (COSEWIC). These include woodland caribou, wolverines, northern leopard frogs, boreal toads, bullsnakes, monarch butterflies and flora such as the smooth goosefoot.

Of the land we received site closure certificates for in 2018, meaning the land had been returned to its pre-development state, almost one-quarter is woodland caribou habitat. Caribou are an umbrella species for boreal forest biodiversity, with other species that share the same habitat requirements benefitting from the reclamation and restoration work.

Reconnecting Fish Habitat in Alberta

We take steps to make sure fish migration isn't affected by our operations. In 2018 we trained 12 staff to inspect and repair crossings in the Eastern Slopes, an area home to trout, mountain whitefish and Arctic grayling. We have inspected more than 100 stream crossings and developed plans to fix concerns. Working with the Foothills Stream Crossing Partnership, we have removed about 340 barriers to fish migration and reconnected more than 500 kilometres of fish habitat.



Arctic grayling

Social



Students in Lima, Ohio take part in fun, interactive science experiments as part of the Science Enhancement for Science Advancement program.

Our employees and contractors drive our innovation and business, supported by a diverse and inclusive workplace. We want to contribute positively to the quality of life in the communities where we operate, reducing impacts and creating benefits.

Our People

Supporting a Diverse and Inclusive Workplace

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



We support our employees with a diverse and inclusive workplace.



\$30 million
with Indigenous vendors



>12,000
volunteer hours



>\$4 million
in community investment

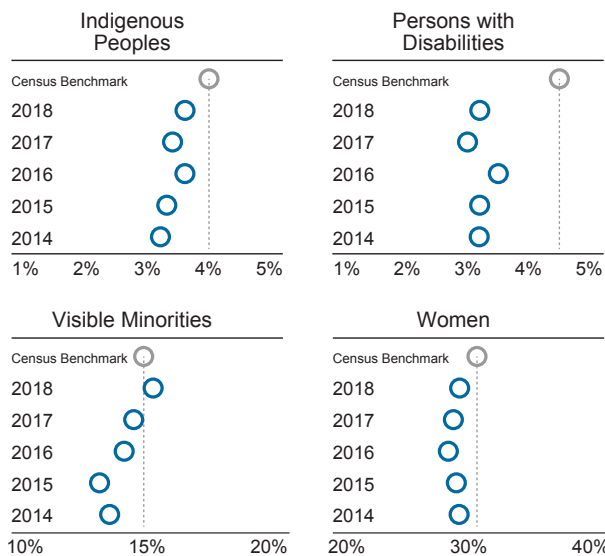
The Diversity and Respectful Workplace Council provides local representation across all areas of our operations, organizing employee events to increase awareness and understanding. Our education and mandatory training programs increase employee knowledge and encourage a respectful work environment.

Our employee resource groups align with corporate and community objectives, while assisting people with career and personal goals. These include the Women’s Leadership Network, which has chapters in Calgary and St. John’s, the Indigenous Community Sharing Circle and the Lesbian, Gay, Bisexual, Transgender, Ally Network, with chapters in Calgary and Lloydminster. The Asian Network evolved in 2018 to become the Fusion Network, open to all cultures to better reflect and integrate the diverse employees across the company. A new resource group to assist employees with disabilities, enABLE, was launched.



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.

Husky Demographics Compared to Census
(percent of overall workforce, at year-end)



Human Rights

We are committed to supporting and promoting the protection of human rights at all 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 all 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 children’s summer camp reimbursement are also offered.

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

In 2018 we enhanced our pension program, where a percentage of employee voluntary contributions are matched by Husky to a set maximum.

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.

Health and Wellness

We are invested – and continually invest – in the health and wellness of our employees and their families. Employees, retirees and their dependents have access to online resources and counselling services through our Employee and Family Assistance Program, including solutions for better work-life balance, career counselling and health coaching.

Recognizing that mental health is vital to a person's overall wellbeing, we strive to reduce the stigma associated with mental health issues and assist employees with accessing services more quickly. The Working Mind program, developed by the Mental Health Commission of Canada, promotes awareness of mental health in the workplace, educates employees on how to recognize changes in behaviour in themselves or others, and provides resources to help maintain good mental health.

Additional health and wellness information is provided through the myHealth website, outlining 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. When coming back to work is recommended, the employee and their supervisor, along with health practitioners and human resources personnel, work together to facilitate a safe and productive return.

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 Has Pride

Employee resource networks respect and promote the diversity in our workforce, including our Lesbian, Gay, Bisexual, Transgender, Ally Network in Calgary, and the new chapter launching in Lloydminster. In 2018, staff across the Company participated in events during Pride week, with about 100 employees, friends and families walking in the Calgary Pride Parade.



Employees participate in Calgary's Pride parade.

Indigenous Awareness Training

Indigenous Awareness Training helps employees better understand historical implications as well as how we can work with Indigenous communities today to build mutually beneficial relationships. In 2018, 240 employees in Calgary and Lloydminster participated in sessions, with the training continuing to roll out in 2019, including to field staff.



About 240 employees participated in Indigenous Awareness Training.



We support leaders seeking to develop their skills through The Banff Centre's Indigenous Leadership programs. Photo credit: The Banff Centre for Arts and Creativity

Indigenous Peoples' Engagement

Our practices and policies recognize Indigenous rights and reconciliation, including the Aboriginal and Treaty rights of First Nations, Métis and Inuit peoples embedded in Canada's Constitution. We aim to work 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.

In 2018 we engaged with local Indigenous communities on 67 projects.

Economic Inclusion

Our focus on building capacity in Indigenous businesses establishes competitiveness and develops entrepreneurs. Opportunities are created to provide goods and services on a competitive basis, with contracts awarded on technical and safety criteria, as well as price.



We are expanding how Indigenous businesses can access work and take advantage of economic inclusion opportunities, developing a wider network of both vendors and employees. Starting in Saskatchewan, we are also connecting our non-Indigenous suppliers with potential employees.

In 2018 we hosted a job fair for Saulteaux First Nation and Moosomin First Nation, and attended a career session for the Dene Thá. We continue to develop strategic partnerships to provide goods and services, bringing on more than 40 new partners and signing contracts worth about \$30 million with Indigenous vendors in 2018.

We are including language in our bid evaluations that makes sure Indigenous economic inclusion is fully considered. We work to add Indigenous suppliers into our supply chain in the areas where we operate. These include:

- Engaging local Indigenous businesses as part of the 2018 North Saskatchewan River shoreline assessment.
- Working with Sahtu Nation vendors on our asset retirement project in the Northwest Territories.
- Including businesses from most local Indigenous communities in the Sunrise Energy Project supply chain.

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 provided 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 2018 this included:

- Thunderchild First Nation Annual Pow Wow.
- Fort McKay Treaty Days.
- Sauleaux First Nation Treaty Days.
- Thunderchild First Nation Treaty Days.



We hosted a job fair for Sauleaux and Moosomin First Nations, bringing together vendors and potential employees.



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Developing Indigenous Leadership

Strong communities depend on strong leadership. The Banff Centre for Arts and Creativity offers Indigenous leaders programs that support the development, planning and strategic implementation of their vision for their community, and teach negotiation skills, how to set strategic direction, measure performance and establish economic ventures. We help leaders in the communities where we operate access these programs, providing support for tuition, meals and accommodations.

Support for Pipeline Access

Husky joined a delegation of Indigenous leaders to meet with federal leaders and the Senate to discuss the benefits of pipeline access for Alberta production.

Thunderchild, Moosomin and Sauleaux First Nations Participate in Hockey Camps

Our employees hosted hockey camps for youth from the Thunderchild First Nation, Moosomin First Nation and Sauleaux First Nation, running them through on-ice training, as well as off-ice sessions focused on nutrition, fitness and goal setting. A former professional player spoke to the students and took part in on-ice drills. The equipment used during the on-ice sessions was shared between the three communities.



Youth from Moosomin First Nation enjoy hockey camp.



Our annual giving campaign, Husky Has Heart, raised more than \$1.3 million.

Community Investment

Husky can't succeed without the support of the communities where we operate, and we strengthen those relationships through our Community Investment program. Our employees and contractors live where they work, and we recognize their volunteer efforts in giving back to their communities.

In 2018, we supported these communities through corporate and employee donations, sponsorships and in-kind contributions of more than \$4 million.

We enable initiatives that provide access to education and skills, enhance safety or improve community resilience.

Our Employees Care

We recognize our employees' dedication to their communities.

Through our Community Grant Program, employees who volunteer 50 hours a year with a community organization earn a \$1,000 grant. In 2018, 234 community grants were awarded to local organizations, including the Rainbow Lake Family Centre, Daffodil Place in Newfoundland and Labrador, Prince George Hospice Society, the Hardisty Fire and Rescue Department, the Elida Wheels baseball team in Lima and the Children's Cottage in Calgary.

They also volunteered more than 12,000 hours, through individual and team efforts. This wouldn't include the countless hours they donate and don't track.

Our employees participate in annual giving campaigns, allowing them to come together to raise awareness and funds for causes they are passionate about. In 2018 we set a record, donating more than \$1.3 million to charities in communities where we live and work, including \$850,000 raised by employees.

Supporting Education and Skills Training

We believe in encouraging education in science, technology, engineering and mathematics (STEM), with a focus on youth, Indigenous Peoples and women. We do this through our support of education and skills training programs, sponsorships, scholarships and mentoring.

Every year a team from Lima Senior High School in Ohio participates in NASA's Human Exploration Rover Challenge, an international engineering design contest with a focus on designing, building and testing technologies to move and explore on moons, planets, asteroids and comets.



Lima Senior High School students participate in NASA's Human Exploration Rover Challenge.

At the Calgary Youth Science Fair, more than 900 students participated in 2018, developing about 650 experiments and projects, which our employees helped adjudicate.

Through Techsploration, our employees in Newfoundland and Labrador introduce young women to the possibilities of careers in science and technology.

Technovation, through the University of Calgary, challenges young women from 10 to 18 to build an app addressing a community problem, develop a business plan and enter their project into competition. Each team works with an adult team leader and a mentor.

We work with Women in Science and Engineering (WISE) at the University of Calgary, sponsoring its outreach program to make students aware of opportunities available in STEM. WISE members are invited to participate in Husky events and our Women's Leadership Network.

We provide power engineering scholarships for female and Indigenous students at Lakeland College in Lloydminster, Saskatchewan and Saskatchewan Polytechnic in Saskatoon, Saskatchewan. In 2019 we will be awarding three STEM scholarships of \$5,000 to women already in a post-secondary course. Students are encouraged to apply to our co-op and summer work positions, with access to our mentoring programs.

In rural China, we support a skills training program that helps women become independent through earning a sustainable living. Through the Captivating International Foundation, each year the tailoring program focuses on teaching 30 young women a skill that will allow them to work their way out of poverty.



More than 900 students participated in the Calgary Youth Science Fair, where our employees volunteered.



Husky supports the Calgary Humane Society.



Captivating International's tailoring program gives women the skills to become independent.



Brad Saunders volunteers with the Canadian Red Cross in St. John's.



Employees volunteer at charities they are passionate about.

Supporting Safety and Our Communities

We know strong communities are essential to the growth and stability of the people who live there, and the companies operating nearby. We, along with our employees, support these communities so everyone can thrive.

In Lloydminster, a helipad adjacent to the hospital means more timely transport for patients requiring urgent care. Previously patients had to be transported to the airport to be transferred to a STARS flight, adding risk as additional care teams were involved. Our \$150,000 in funding and in-kind support, including the land where the helipad sits and earth moving, helps ensure residents in Lloydminster and area have access to this vital service.

Every year our Superior Refinery employees adopt local families through the Society of St. Vincent DePaul, which provides people with emergency food, clothing, household goods, furniture and money to assist with basic needs. The refinery raises money and wraps presents for the families.

The new Perry Webb Student Life Building at Ohio State University in Lima is a home away from home for students attending the college. Our \$100,000 donation supports activities, programs and infrastructure needs at the hub, which houses a café, wellness center, collaborative workspaces and an information commons.



Employees volunteer at charities they are passionate about.



Employees at the Superior Refinery wrap gifts for an "adopt-a-family" program.



Employee Shawn Epp received a grant for the Cold Lake Minor Ball Association, where he volunteers.



Brian Hozack coaches his grandson's hockey team in Lloydminster.



STARS Air Ambulance, Calgary.

Governance



Our ESG programs are managed through corporate risk strategies.

Husky as a company, along with our employees and contractors, acts ethically, in accordance with the principles of good governance. We report accurately to shareholders and follow all laws and regulations in the jurisdictions where we operate.

Our environmental, social and governance programs are managed through corporate risk strategies and our annual ESG assessment process, including review and approval by senior executives, Husky's Executive Committee and the Executive Health, Safety and Environment Committee.

Managing Risk

Enterprise Risk Management

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

Our Enterprise Risk Management program, modelled on the Committee of Sponsoring Organizations of the Treadway Commission, 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, the environment, property and the reputation of the organization. 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.

Regularly throughout the year, the Corporate Risk Management group undertakes an internal assessment/risk review to better identify and manage risk, understand risk drivers within the organization and industry and promote a culture of risk awareness. The assessment determines who is



5,100

employees participate in mandatory Code of Conduct training



100%

independent Audit Committee members

accountable for the management and mitigation of each risk and identifies any emerging issues. The potential health, safety, environmental, financial and reputational impacts of each risk are assessed, with critical risks reported to the Board of Directors.

Suppliers

We select suppliers who align with our criteria for health, safety, environmental, quality and technical competence. Suppliers are evaluated, in part, on their ability to help us meet our safety and environmental goals and their commitment to environmental responsibility. 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, identifying critical processes for each business unit, to mitigate impacts should a business-interrupting event occur. In 2018 we tested a business impact analysis tool that identifies and evaluates the potential effect of crisis events on day-to-day operations, to further validate our critical processes.

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

In 2018 we enhanced our Business Impact Assessment tool, our Information Systems Disaster Recovery Program and cyber security initiatives.

Choosing Environmental Responsibility

We evaluate suppliers on their ability to help us meet our environmental goals. In 2018 we selected a vendor that was committed to recycling all possible components of a project, minimizing landfill disposal. The company fully or partially recycles about two-thirds of the waste it receives.

Code of Business Conduct

Employees are expected to conduct themselves in an ethical manner, with a high degree of personal integrity, in accordance with Husky's Code of Business Conduct. Employees take mandated training every year to ensure they are aware of their responsibilities.



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This includes adhering to regulations around lobbying in the jurisdictions where we operate, and we report all lobbying activities as required. We observe and respect all laws concerning political donations and we do not provide donations for municipal elections, leadership contests, individual candidates or riding/constituency associations. 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 through an online form or by calling a toll-free phone line 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 via EthicsPoint. If it is determined a report requires further investigation, a formal review will be launched. In 2018, 39 reports were made through the Ethics Help Line.

Safety and Sustainability Groups & Industry Organizations

Husky participates in sustainability groups and industry associations to better understand existing and emerging environmental, safety and social issues. We benefit from, and contribute to, industry innovation and best practices.

Community

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

Safety & Emergency Preparedness

- Alberta Industrial Fire and Emergency Management Association (AIFEMA)
- 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)
- Prince George Industrial Mutual Aid Committee (PG IMAC)
- RM Wood Buffalo Mutual Aid Group
- Strathcona District Mutual Assistance Program (SDMAP)
- Superior Petroleum Partners
- 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)
- CHWMEG, Inc.

- Clean Resource Innovation Network (CRIN)
- 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 Stream Crossing Partnership
- Industry Footprint Reduction Operations Group (iFROG)
- Ministry of Ecology and Environment of the People's Republic of China (MEE)
- Monitoring Avian Productivity and Survivorship (MAPS)
- Monitoring Priority Area (MPA) – COSIA joint industry project
- Natural Sciences and Engineering Research Council (NSERC) FlareNet Network
- 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)
- Prince George Air Improvement Roundtable (PGAIR)
- Red Deer Air Quality Advisory Group
- Saskatchewan Environmental Industry and Managers Association (SEIMA)
- Saskatchewan Petroleum Industry Government Environmental Committee (SPIGEC)
- Water Technology Development Centre (WTDC) – COSIA joint industry project
- Well Abandonment and Integrity Society (WIA)
- Western Yellowhead Air Management Zone (WYAMZ)
- Wood Buffalo Environmental Association (WBEA)

Business and Industry Associations

- American Fuel and Petrochemical Manufacturers (AFPM)
- Business Council of Canada
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Chamber of Commerce
- Canadian Fuels Association (CFA)
- Canadian Land Reclamation Association (CLRA)
- Canadian Manufacturing & Exporters
- Canadian Society for Unconventional Resources
- Environmental Services Association of Alberta (ESAA)
- Indonesian Petroleum Association (IPA)
- Industrial Power Consumers Association of Alberta (IPCAA)
- International Oil & Gas Producers Association (IOGP)
- IPIECA
- Ohio Manufacturer's Association (OMA)
- Petroleum Research Newfoundland and Labrador (PRNL)
- Petroleum Technology Alliance Canada (PTAC)
- Saskatchewan Industrial Energy Consumers Association (SIECA)

About This Report

This report focuses on performance for the 12-month period ended December 31, 2018, unless otherwise noted.

All financial data is reported in Canadian dollars, and excludes discontinued operations. Please refer to the 2018 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 2018 activities and metrics, with reference to activities before 2018 or in early 2019 when they provide more context around our performance. This report uses gross operated information for assets where Husky was the operator during 2018 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 December 31, 2018, 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. An internal audit team has reviewed key safety and asset integrity numbers in the report to verify data and processes.

KPMG provided independent limited assurance on select 2016, 2017 and 2018 performance indicators disclosed in this report.

Independent Limited Assurance 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, 2018, on certain quantitative performance information disclosed in Husky Energy's ESG Report 2019 (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 "17" 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 the stated level of assurance, in accordance with the applicable criteria. 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 reperformance 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, 2018, the Selected Indicators, as described above and disclosed in the Husky Energy ESG Report 2019, 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



August 16, 2019
Vancouver, Canada

Reader Advisories

Forward-Looking Statements and Information

Certain statements in this document 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”, “could”, “aim”, “vision”, “goals”, “objective”, “target”, “scheduled” 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; expectations regarding the Company’s future safety performance; the expected timing of resumption of partial operations at the Superior Refinery; the expected timing of first production at, and the design capacity of, the Dee Valley Lloyd thermal bitumen project; the design capacity of a new thermal bitumen project at Spruce Lake East; the expected benefits of the Company’s new diluent reduction technology; plans to increase carbon capture to 30 tonnes per day using a third-party demonstration pilot; plans for additional gas compressor sites; the expected benefits of the Company’s carbon capture technologies; the expected timing of completion of full abandonment of currently inactive pipeline segments in Alberta and any new inactive segments in Western Canada; and target time frames for site closures under the ABC program.

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.

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, 2018 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 and free cash flow. 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.

Free cash flow was restated in the fourth quarter of 2018 in order to be more comparable to similar non-GAAP measures presented by other companies. Changes from prior period presentation include the removal of investment in joint ventures. Prior periods have been restated to conform to current presentation.

The following table shows the reconciliation of net earnings to funds from operations and free cash flow for the years ended December 31:

(\$ millions)	2018	2017	2016
Net earnings	1,457	786	922
Items not affecting cash:			
Accretion	97	112	126
Depletion, depreciation, amortization and impairment	2,591	2,882	2,462
Inventory write-down to net realizable value	60	–	9
Exploration and evaluation expenses	29	6	86
Deferred income taxes	396	(359)	29
Foreign exchange gain	(6)	(4)	(4)
Stock-based compensation	44	45	33
Gain on sale of assets	(4)	(46)	(1,634)
Unrealized mark to market loss (gain)	(150)	56	38
Share of equity investment gain	(69)	(61)	(15)
Gain on insurance recoveries for damage to property	(253)	–	–
Other	21	16	24
Settlement of asset retirement obligations	(181)	(136)	(87)
Deferred revenue	(100)	(16)	209
Distribution from joint ventures	72	25	–
Change in non-cash working capital	130	398	(227)
Cash flow – operating activities	4,134	3,704	1,971
Change in non-cash working capital	(130)	(398)	227
Funds from operations	4,004	3,306	2,198
Capital expenditures	(3,578)	(2,220)	(1,705)
Free cash flow	426	1,086	493

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, 2018, 2017 and 2016, as applicable.

The Company uses the term “barrels of oil equivalent” (or “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.

Note to U.S. Readers

The Company reports its reserves information in accordance with Canadian practices and specifically in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, adopted by the Canadian securities regulators. Because the Company is permitted to prepare its reserves information in accordance with Canadian disclosure requirements, it may use certain terms in that disclosure that U.S. oil and gas companies generally do not include or may be prohibited from including in their filings with the U.S. Securities and Exchange Commission.

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



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