



Performing Today.
Preparing for Tomorrow.

About This Report

This report is the first ConocoPhillips Sustainable Development Report, and therefore contains baseline information about its policies and programs. This information provides an overview of ConocoPhillips for its stakeholders.

This report covers the time period from August 2002 – when ConocoPhillips was formed with the merger of Conoco Inc. and Phillips Petroleum Company (the merger) – through 2004. Select performance metrics are provided for 2003 and 2004. Performance data for 2002 could not be aggregated for some indicators due to the different reporting practices of the two companies prior to the merger, and therefore is only given for some metrics.

The social and environmental data in this report covers businesses for which ConocoPhillips was the operator in 2003 and 2004.

Striving for sustainability is a continuous effort, and as this diagram shows, ConocoPhillips takes a thoughtful approach to addressing issues presented by its commitment to sustainable development. This report discusses the core areas of sustainable development that have been addressed to date. Future reports will be focused on updating the company's sustainability performance.



ConocoPhillips has actively participated in an ongoing joint effort of the American Petroleum Institute and the International Petroleum Industry Environmental Conservation Association to develop voluntary sustainability reporting guidelines specific to the oil and gas industry. In developing this report, ConocoPhillips has drawn on these and many additional resources.

Additional information about the company and its sustainable development activities can be found at <http://sd.conocophillips.com>.



This icon identifies feedback from external stakeholders.



This icon identifies a Web site where more information is available. The link to that Web site is provided at the bottom of the page on which the icon appears.



Examples of how ConocoPhillips is performing today, and preparing for tomorrow include (from left to right):

Angel Xiao of ConocoPhillips China talks with elementary school students about environmental responsibility.

ConocoPhillips participates in research efforts to restore habitat for the woodland caribou in Canada. The company strives to minimize impact on the environment. *(photo courtesy of Terry Antoniuk)*

ConocoPhillips' safety goal is zero injuries, illnesses and incidents. Abdul Rasyid Gunawan, a field operator in the Belanak oil and gas field, is part of ConocoPhillips Indonesia, where employees have set a record, working 29.1 million hours with no lost-time accidents since January 1989 through the end of 2004.

Khalid Soofi is the principal scientist in charge of the remote sensing lab of the Integrated Geological Analysis team. The team's maps, created using sophisticated satellites and aerial cameras, assist in exploration and in managing the environmental impact of a project.

Venezuela's Gulf of Paria is home to a variety of species, including the Scarlet Ibis. ConocoPhillips Venezuela partners with diverse organizations to protect the biodiversity in this region.

Jianhua (Jane) Yao in the ConocoPhillips technology division was recognized by the company for her work on the development of high-yield catalysts for renewable fuels.

ConocoPhillips engages with residents surrounding our operations on issues that affect their lifestyle, land and culture, particularly when there is the potential to impact indigenous communities. On the Alaska North Slope, the company employs subsistence representatives and village liaisons to promote clear and open communication, and consult with elders and subsistence hunters, scientists and traditional experts.

Pete Kyle Jr. and Brandon Stevens are operators at ConocoPhillips' Los Angeles, California, refinery. ConocoPhillips is investing about \$2 billion over five years to meet clean fuels regulations.

Table of Contents

Letter to Stakeholders	2	Social Performance	14
A message from J.J. Mulva, Chairman and Chief Executive Officer.		ConocoPhillips' approach toward ensuring ethical behavior, and an overview of its relationship with its employees, local communities and global society.	
About ConocoPhillips	4	Health, Safety & Environmental Performance	23
An overview of the company and the purpose, values and position that are the foundation of its approach to sustainable development.		An overview of the company's health, safety and environmental policies, programs and performance.	
Performance Summary	6	Economic Contribution	38
A snapshot of ConocoPhillips' environmental and social performance and an overview of its progress and future objectives regarding sustainable development.		Highlights and examples of how ConocoPhillips contributes to the global economy.	
Technology for Sustainable Energy	8	Appendix	39
How ConocoPhillips uses technology to extend the sustainability of hydrocarbons and prepare for an alternative future.		Web sites for additional company information, environmental data assumptions and the Safe Harbor statement.	
Accountability	11		
An overview of the company's corporate governance and methods for accountability in its sustainability performance.			

Letter to Stakeholders

ConocoPhillips' commitment to sustainable development stems from our fundamental intent to thrive as an enterprise and to contribute to a better world long into the future. We recognize that our sustainability as a company is determined by the choices we make in growing our business and in meeting the varied needs of our stakeholders. Our success depends on it.

For years, the oil and gas industry has contributed to better living standards and a vigorous world economy by reliably providing supplies of affordable energy. Today, our company and our stakeholders are raising expectations. Specifically, stakeholders are challenging our industry to:

- Provide increasingly cleaner fuels to address concerns for local air quality and climate change.
- Further minimize the environmental impacts of our operations.
- Help safeguard indigenous cultures.
- Contribute to improved health, education and economic conditions everywhere we do business.
- Encourage greater transparency in how producing nations account for their energy revenues; and
- Ensure that our corporate reporting meets the highest standards.

These and other expectations are in addition to our essential requirements to operate safely, remain competitive and contribute toward meeting the growing global demand for energy.

The International Energy Agency has predicted that the world's energy needs will grow by 60 percent over the next three decades. That energy must be available and affordable to its end user, provide adequate returns to its producer, and have minimal impacts on environment and society. Even with an expanding contribution from renewable resources, most of the projected demand growth will have to be met by cleaner-burning fossil fuels. A full portfolio of energy options from across the energy industry will be necessary to responsibly meet demand.

ConocoPhillips is working to provide solutions to some of today's critical sustainable development challenges, as seen throughout this report. We have a substantial presence in the major oil basins of the world, and have pioneering technologies to provide cleaner fuels and processes. We also are among the leading companies developing a global market for liquefied natural gas, providing both established and emerging economies with a cleaner energy source for heat and power generation.



J.J. Mulva

Chairman and
Chief Executive Officer

“We recognize that our sustainability as a company is determined by the choices we make in growing our business and in meeting the varied needs of our stakeholders. Our success depends on it.”

We are building a solid foundation to help us meet the future challenges that face us. In 2003, we published our positions on sustainable development and climate change. At the heart of both positions are commitments that lead to measurable actions from which to judge our performance. The positions are built on our core values, which must guide our behavior.

Safety is one of our core values. We are deeply saddened that there were four fatalities of employees and contractors during operational activities in 2003. We strive to achieve our goal of zero injuries, and we have increased our efforts to ensure that safety is the top priority for everyone at ConocoPhillips. We are pleased that in 2004 there were no work force fatalities.

We continue to build on our knowledge of sustainable development. For example, we are currently studying the issues of human rights, water management and biodiversity to weigh company and stakeholder perspectives, benchmark best practices and determine appropriate future steps. We also are increasing our ability to factor sustainability into our project planning and execution.

Striving for sustainability is a continuous effort, of which we are just at the beginning. We have defined for ourselves a clear goal: ***To conduct our business in a way that promotes economic growth, a healthy environment and vibrant communities, now and in the future.***

This first report is a compilation of our company policies, business activities, and progress to date in meeting our sustainable development commitments. It also outlines our sustainability strategies going forward. Future reports will provide updates on our performance and our evolving understanding of sustainable development. We invite you to tell us how you think we are doing through our Web site at <http://sd.conocophillips.com> or via the mailing address listed on the back cover of this report.

Since our inception as a new company, we have taken important steps to achieve our goals. As we continue to rise to the challenge, we are confident we can accomplish even more in the years ahead.

Sincerely,



J.J. Mulva

Chairman and Chief Executive Officer



About ConocoPhillips

Who We Are

ConocoPhillips is an international, integrated energy company. It is the third-largest integrated energy company in the United States, based on market capitalization, and oil and gas proved reserves and production; and the largest refiner in the United States. Among nongovernment-controlled oil and gas companies worldwide, ConocoPhillips had the eighth-largest total of proved reserves and was the fifth-largest refiner at year-end 2004.

Headquartered in Houston, Texas, ConocoPhillips operates in more than 40 countries. As of year-end 2004, the company had approximately 35,800 employees worldwide and assets of \$93 billion. ConocoPhillips stock is listed on the New York Stock Exchange under the symbol "COP."

Purpose & Values

ConocoPhillips' purpose and values guide its employees and represent *"the spirit of performance"* that the company strives to deliver.

Purpose

Use our pioneering spirit to responsibly deliver energy to the world.

Values

The values of ConocoPhillips are embodied in the word **SPiRiT**, an acronym for **S**afety, **P**eople, **I**ntegrity, **R**esponsibility, **I**nnovation, and **T**eamwork.

Sustainable Development Position

For ConocoPhillips, sustainable development is about conducting our business to promote economic growth, a healthy environment and vibrant communities, now and into the future. We believe that this approach to business will enable us to deliver long-term value and satisfaction to our shareholders and our stakeholders.

Sustainable development is fully aligned with our purpose "to use our pioneering spirit to responsibly deliver energy to the world," and helps translate our core values – Safety, People, Integrity, Responsibility, Innovation and Teamwork (SPiRiT) – into action.

Our Commitments...

- Increase the availability of ever-cleaner energy
- Be transparent and accountable by measuring and reporting both our financial and non-financial performance
- Operate to the highest safety standard
- Positively impact communities wherever we operate
- Minimize the environmental impact of our operations
- Invest in the well-being and development of our employees
- Constantly improve the energy and material efficiency of our operations
- Practice and uphold the highest ethical standard
- Ensure the long-term financial viability of the company

Our Approach...

To deliver on these commitments, we will prioritize issues, establish plans for action with clear goals and monitor our performance. In addition, we will enhance the following company-wide competencies to successfully promote sustainable development:

- Integration – Clearly and completely integrate economic, social and environmental considerations into strategic planning, decision-making and operating processes.
- Stakeholder Engagement – Engage our stakeholders to understand their diverse and evolving expectations and incorporate that understanding into our strategies.
- Life-Cycle Management – Manage the full life-cycle impacts of our operations, assets and products, utilizing such processes as front-end loading, staged decision analysis and product stewardship.
- Knowledge Management – Share our successes and failures to learn from our experiences.
- Innovation – Create a culture that brings new, innovative thinking to the challenges of our evolving business environment.

Our Expectations...

Through delivering on our commitments to sustainable development, we will be the best company to invest in, to work for, to partner with, to have as a supplier and to have as a neighbor.

Worldwide Activities

The following table describes ConocoPhillips core worldwide activities.  The impacts and benefits described are not an exhaustive list, but represent some of the issues dealt with in each business.*

	Exploration and Production (E&P)	Midstream**	Refining and Marketing (R&M)
			 
Business Description	Explores for and produces crude oil, natural gas and natural gas liquids worldwide and mines oil sands to upgrade to Syncrude. Customers and partners include other major oil companies, large industrial energy users, host nations and national oil companies.	Gathers natural gas, extracts and sells the natural gas liquids products, including ethane, butane, propane and natural gasoline, which are marketed as chemical feedstock, fuel or refinery blend stock. Gas is sold to utilities, industrial users and gas marketing companies.	Refines crude oil and markets and transports petroleum products. Along with selling gasoline and diesel fuel to motorists, sells fuels, lubricants and specialty products to industrial and commercial customers.
Financial and Operating Highlights	Produced approximately 1.54 million barrels of oil equivalent (BOE) per day in 2004, excluding Syncrude production of 21,000 barrels per day. Total proved reserves were 7.6 billion BOE at year-end 2004, excluding 258 million barrels of Syncrude, and 880 million BOE from LUKOIL.	In addition to an interest in Duke Energy Field Services, LLC (DEFS), owned or had an interest in five gas processing plants and five natural gas liquid fractionators at year-end 2004.	- At year-end 2004, owned 12 U.S. refineries, owned or had an interest in five European refineries and one in Malaysia, totaling a combined net crude oil refining capacity of 2.6 million barrels of oil per day. Refinery utilization was 94 percent in 2004. - Owned or had an interest in approximately 32,500 miles of pipeline systems in the United States at year-end 2004. - At year-end 2004, gasoline and distillates marketed through approximately 16,400 branded outlets in the United States, Europe and Southeast Asia.
Environmental Impacts	- Land impact during seismic or construction activities - Drilling mud, produced water and sulfur byproducts - Methane, carbon dioxide, volatile organic compounds, nitrogen oxide, and sulfur emissions to air - Energy efficiency - Hydrocarbon releases to land or water		- Carbon dioxide, nitrogen oxide, sulfur oxide, and particulate matter emissions to air - Energy efficiency - Hydrocarbon releases to air, land, sea or groundwater - Hazardous waste - Fresh water use
Social and Economic Impacts	- Reserves replacement and reporting - Worker health and safety - Community health and safety - Indigenous communities - Transparency of flows of revenue from extractive companies to host country expenditures		- Worker health and safety - Community health and safety
Social and Economic Benefits	- Royalties and taxes to host nations and communities - Energy to the wholesale market place - Global and local economic contribution through jobs, capacity building and procurement		- Energy for heat, mobility and power - Products for industrial, commercial and retail applications - Global and local economic contribution through jobs, taxes and procurement

* ConocoPhillips also participates in the chemicals and plastics production and distribution business through a 50 percent interest in ChevronPhillips Chemical Company LLC (CPCChem), a joint venture with ChevronTexaco. Performance results from DEFS and CPCChem are only reflected in financial data presented in this report. This information also excludes the impacts of ConocoPhillips' equity investment in LUKOIL. At year-end 2004, ConocoPhillips' investment in LUKOIL was 10 percent.

** At year-end 2004, Midstream included a 30.3 percent interest in Duke Energy Field Services, LLC.

 For more information about operations, see the ConocoPhillips Fact Book at <http://www.conocophillips.com/about/Company+Reports/ConocoPhillips+Fact+Book.htm>

<http://sd.conocophillips.com>

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Performance Summary

Key Performance Indicators

Select Indicators	2004	2003
Operating		
Worldwide production on a BOE ⁽¹⁾ basis, excluding Syncrude (MBD) ^{(2), (3)}	1,582	1,590
Production from natural gas and natural gas liquids	35%	41%
Total proved reserves at year-end (billion BOE, excluding Syncrude)	7.6	7.8
R&M refinery utilization rate ⁽³⁾	94%	95%
Worldwide petroleum products sales (MBD) ⁽³⁾	3,141	3,046
Social		
Employees at year-end	35,800	39,000
Combined work force on-the-job fatalities	0	4
Combined work force TRR ^{(4), (5)}	0.78	0.96
Estimated philanthropic investment (millions of dollars)	37.1	36.5
Environmental		
Liquid hydrocarbons spilled (in barrels; greater than 1 barrel)	11,833	10,882
Percent of spilled hydrocarbons recovered (in barrels; greater than 1 barrel)	53%	70%
Greenhouse gas emissions (million tonnes CO ₂ equivalent) ^{(6), (7)}	NAV	53
Hazardous wastes (thousand tonnes) ^{(6), (7)}	NAV	64

⁽¹⁾ BOE = barrels of oil equivalent

⁽²⁾ MBD = thousand barrels per day

⁽³⁾ Includes ConocoPhillips' share of equity affiliates, other than LUKOIL

⁽⁴⁾ TRR = Total Recordable Rate is expressed in occupational injuries and illnesses per 200,000 hours worked

⁽⁵⁾ Data revised as of March 15, 2005

⁽⁶⁾ Tonnes = A metric measure of weight. One tonne equals 2,205 pounds or 1.1 English tons.

⁽⁷⁾ NAV = Not available. 2004 environmental data will be published on <http://sd.conocophillips.com> by the end of the third quarter 2005.

Progress and Objectives Summary

In ConocoPhillips' 2003 published statement of Commitment to Sustainable Development, the company outlined the action items listed in the table below, which also describes progress to date and the company's next steps.

Action Item	Progress to Date	Next Steps
Establish corporate-level goals for each commitment listed in the company's sustainable development position and for building key competencies. Identify priority issues for regions and business units in preparation for development of commitments at these levels.	• Exploration and production (E&P) business units are developing action plans for implementing sustainable development commitments and E&P also is developing goals for reducing greenhouse gas emissions. • Refining and marketing (R&M) has created a sustainable development strategy that includes focus areas of reducing emissions from greenhouse gasses, sulfur oxides and nitrogen oxides; managing water quality and supply, and stakeholder engagement. • Integrating sustainable development into key corporate project approval processes. • Corporate support tools are being developed for approaches to stakeholder engagement and sustainable social investment.	• Implement E&P and R&M goals. • Implement upgraded project approval processes in which sustainability commitments have been integrated. • Study the issues of human rights, including further incorporating the values promoted by the Voluntary Principles on Security and Human Rights; water management; biodiversity; diversity within leadership; and endemic diseases. • Develop corporate-wide principles for effective stakeholder engagement. • Implementation of supply base diversity plan. • Implement requirement that major projects assess their environmental and social impacts.
Identify tools and metrics to measure performance against commitments.	The company has included in this report many measurements of the company's performance.	Include additional metrics in future reports as the company data matures.
Publish a sustainable development report and communicate the company's position on key sustainability issues to stakeholders.	• The company has published this corporate sustainable development report and will publish updates regularly. • Several businesses have produced local reports. (page 39)	Prepare for independent third-party verification of our non-financial data processes.
Create an action plan for implementing the company's position on climate change.	• Began to identify greenhouse gas reduction objectives for E&P and R&M. • Began to incorporate climate change issues into business decision processes. • Affected businesses are preparing for upcoming greenhouse gas regulations. (See Climate Change section, page 32.)	Continue implementation of the company's climate change position statement.
Benchmark sustainability performance against leading sustainability indices.	In 2003, the company conducted a gap analysis of its sustainability efforts using criteria typically considered by socially responsible investment analysts. Areas for improvement suggested by the assessment included more systematic and strategic approaches to stakeholder engagement, alternative energy, addressing the potential risks and opportunities associated with the carbon content of products and operations, employee development, and social investment. The assessment also recommended policies addressing human rights, publishing targets externally, verifying data, and integrating sustainability into the value chain. Many suggested improvements are addressed within this report, while others are still being explored.	The company plans to continue to determine how well it is performing compared to its peers and selected third-party indices. ConocoPhillips intends for its Sustainable Development Report and the accompanying information on its Web site to be the primary resources for those wishing to compare the company's sustainability performance with that of others.



Technology for Sustainable Energy

Extending the Sustainability of Hydrocarbons

Extending the role of hydrocarbons in meeting energy demand includes lowering operating costs and the environmental impact of finding and processing energy, as well as improving the ability to economically bring cleaner fuels to market. ConocoPhillips acquires or develops technologies, in-house and with partners, to be implemented internally and/or marketed and licensed externally.

Reducing the Cost of Production

ConocoPhillips continues to develop improved methods for reducing the cost of exploration and production, along with associated environmental and safety impacts. Areas of emphasis include reservoir performance prediction, improved drilling technologies, and advancements in operating excellence and project execution, particularly in arctic development (see page 30) and heavy oil.

An example of improved drilling technology can be found in ConocoPhillips' Lobo field in south Texas, where two innovations have been combined to take a step forward in directional drilling. Rotary-steerable directional drilling allows drillers to accurately direct the well path, ensuring that the maximum amount of the highest-quality reservoir is penetrated. The technology also enables safe navigation around obstacles, such as infrastructure beneath a



Casing drilling in operation at Lobo field, south Texas.

production platform. In a recent well, the bit was steered on a 30-degree diagonal path with a 180-degree turn. At the same time, this well also used casing-while-drilling (CWD) technology. Instead of using drill pipe, CWD uses casing that is cemented in place when drilling wells. By eliminating the need to remove a drill pipe from a well to retrieve or change a bit or fix a problem, which is generally the point where injuries are most likely to occur, CWD can improve safety. CWD also has significantly reduced the lost circulation and well bore instability problems that frequently lead to significant time and cost overruns. Coupling CWD with rotary-steerable technology can enhance the use of this safer, more efficient technology.

Liquefied Natural Gas (LNG)

LNG is natural gas that has been cooled to minus 260 degrees Fahrenheit. This condenses the gas to a liquid that occupies only 1/600 of the space required for the same weight of gas. This allows the LNG to be transported by ships to viable markets. ConocoPhillips has been a global leader in LNG innovation for more than four decades, having built the first LNG carrier used for international trade in 1959. The company also built the first successful commercial liquefaction facility in 1969 in Kenai, Alaska, which it continues to safely operate today. In addition to the Kenai facility, ConocoPhillips' LNG technology is employed in Trinidad and planned for use in Egypt, Equatorial Guinea, Australia and Nigeria.

While LNG has a role in satisfying worldwide energy needs, it has a particularly important application in the United States, where energy demand is quickly outpacing energy supply and infrastructure.

ConocoPhillips has moved closer to bringing LNG to the United States. Construction has begun on a regasification terminal in Freeport, Texas, that will connect with the Texas intrastate gas pipeline system. The company will have rights for approximately 1 billion cubic feet per day of the terminal's capacity. The Freeport terminal is estimated to start up in 2008.

But there have also been challenges. For example, in Harpswell, Maine, residents voted against a proposal to lease a former U.S. Navy fuel depot site for the purpose of building a LNG regasification facility. Siting of LNG facilities is an important issue for the energy industry, as the ability to site terminals in locations that meet both industry and stakeholder needs is a vital step toward providing the United States with much needed supplies of natural gas.

Gas-to-Liquids (GTL)

There are approximately 3,500 trillion cubic feet of known gas reserves in the world today that are economically “stranded,” because their locations do not favor construction of a pipeline to connect them to markets. In addition to LNG, ConocoPhillips has developed GTL technology that enables natural gas to be converted to safe, easily transportable liquid products like diesel fuel and naphtha.

A demonstration plant at the company’s Ponca City, Oklahoma, refinery enabled ConocoPhillips to refine the new technology prior to commercialization. Results from the plant led to the signing of a Statement of Intent for a GTL plant in Qatar.

It is important and necessary to understand life cycle, environmental and human health potential impacts of GTL products in comparison with alternatives. ConocoPhillips, in conjunction with Nexant Inc. and others, joined with the U.S. Department of Energy’s National Energy

Technology Laboratory in a cooperative agreement to perform a comprehensive study of new ultra-clean fuels produced from remote sources of natural gas. Completed in 2004, this study, called the Ultra Clean Fuels Life Cycle Assessment, consisted of a life cycle inventory and life cycle impact assessment for GTL transportation fuels, namely Fischer-Tropsch diesel and naphtha. This study estimated, with available data and within available study resources, the energy utilization and emissions life cycle profiles of ConocoPhillips’ GTL fuels and selected competitive fuels in the future.

E-Gas Technology

In 2003, ConocoPhillips acquired E-Gas, a technology that gasifies coal and petroleum coke to produce electric power, while co-producing hydrogen and steam. In addition to being cost-efficient, the system reduces sulfur dioxide emissions to less than one-tenth of that required by U.S. Clean Air Act standards. It also lowers nitrogen oxide emissions and reduces particulate emissions to negligible levels. Carbon dioxide emissions from facilities using gasification technologies are 20 percent lower than those from typical pulverized coal plants currently in operation. In addition, these facilities can be upgraded for carbon dioxide removal in the future at a fraction of the cost and performance impact that would be seen in conventional coal and coke power plants and natural gas-fueled plants. In discussing the Wabash River Coal Gasification Repowering Project, which employs E-Gas, the U.S.



Department of Energy stated: “Even when operating on relatively high-sulfur coal, the Wabash River project is the cleanest coal-fired power plant in the world of any technology.”

S Zorb™ Sulfur Removal Technology (SRT)

S Zorb SRT reduces sulfur content in gasoline to ultra-low levels – below 15 parts per million in many instances. It yields nearly 100 percent of the original feed stream, without sacrificing quality or octane. ConocoPhillips refineries in Borger, Texas, and Ferndale, Washington, have installed and are operating S Zorb SRT, and its Lake Charles, Louisiana, refinery is well under construction on its installation of S Zorb SRT.



The company’s largest low-sulfur gasoline unit to date is at the Ferndale, Washington, refinery.

For additional information on how the company is working to reduce the environmental impact of hydrocarbon production, see the Environmental Performance section of this report beginning on page 30, particularly the Climate Change section on page 32.

ConocoPhillips' Role in an Alternative Energy Future

Renewable Energy Position

In alignment with our purpose to “use our pioneering spirit to responsibly deliver energy to the world,” and consistent with our positions on sustainable development and climate change, ConocoPhillips is evaluating and developing technologies for renewable energy. We are leveraging our expertise, intellectual property and physical assets in pursuit of economically viable, renewable energy business opportunities.

Our Commitments...

- We plan to continue to develop technology options with the potential to enable renewable energy and, in particular, renewable fuels.
- Investments in technology development will be disciplined and commensurate with the likely returns, market size, timing of development and technology risk inherent in renewable energy projects.

Our Approach...

- Business Leveraged. Renewable energy opportunities that complement our existing processes will be prioritized.

- Competency and Asset Leveraged. We plan to focus our efforts on renewable fuels and other technologies that directly leverage our experience in hydrocarbon chemistry and processing.
- Ongoing Awareness. We plan to continue to evaluate renewable energy technologies to proactively identify new opportunities. We have invented and own rights to renewable technologies, and we also understand the economic drivers, strengths and weaknesses of the alternative technologies available.
- Sustainable Solutions. We remain open to developing renewable energy as a component of our portfolio of energy offerings, as and when these technologies can be deployed in a sustainable manner for our stakeholders.

Our Expectations...

Our work will assist in the development of viable, sustainable and environmentally responsible energy for existing and future customers.

Controlled Hydrogen Fleet and Infrastructure Demonstration and Validation Project

ConocoPhillips is involved in an effort to further demonstrate and validate advancements in hydrogen-based transportation infrastructure. This project team includes ConocoPhillips, Air Products, the National Fuel Cell Research Center at the University of California at Irvine, the University of California at Davis,

California's South Coast Air Quality Management District, and automakers Toyota Motor Sales USA, American Honda Motor, Nissan North America Inc. and BMW. The ambitious five-year program, announced in 2004, is funded in part by a grant from the DOE, as part of its national Controlled Hydrogen Fleet and Infrastructure Demonstration and Validation Project. 

ConocoPhillips' role in the project is to provide up to six of the 24 California fueling stations at which multiple approaches to distributing hydrogen will be explored. Fueling stations will be provided hydrogen produced from both natural gas and renewable energy sources. Some stations will be able to dispense both gaseous and liquid hydrogen.

Freedom Car and Fuel Partnership

This collaborative effort consists of the U.S. Department of Energy (DOE), automakers and energy companies. This partnership 2 provides a structure and process for dialogue on hydrogen

research, with a focus on pre-competitive, high-risk research that



addresses technology breakthroughs needed to realize the National Hydrogen Energy Roadmap. 3 Additionally, the group explores the energy, environmental and economic attributes of various pathways to hydrogen production, as well as the merits of hydrogen-powered fuel cell vehicles relative to other advanced fuel-vehicle systems. ConocoPhillips joined the partnership in 2003 and participates in the executive steering group, fuels operations group and additional technical teams.

 1 http://www.eere.energy.gov/hydrogenandfuelcells/pdfs/draftrev3_g036010gfo.pdf

 2 <http://www.eere.energy.gov/vehiclesandfuels/about/partnerships/freedomcar/index.shtml>

 3 http://www.eere.energy.gov/hydrogenandfuelcells/pdfs/national_h2_roadmap.pdf



Accountability

Corporate Governance¹

ConocoPhillips' board of directors provides oversight of the company's policies, practices and performance. At March 31, 2005, the board consisted of 13 independent directors and one employee director – the chairman of the board and chief executive officer (CEO).

In December 2002, the company established a disclosure committee, comprised of members of senior management and chaired jointly by the chief financial officer (CFO) and the general counsel. The disclosure committee establishes and monitors the company's disclosure controls and procedures, as well as reviewing and supervising the company's reporting to the SEC, financial press releases and presentations to analysts and the investment community. Prior to signing certifications of financial responsibility, the CEO and CFO meet with the disclosure committee and review each U.S. Securities and Exchange Commission (SEC) filing.²

Accountability for Sustainability Issues

Members of ConocoPhillips' senior management, each reporting directly to the CEO, own the ultimate responsibility for developing corporate strategy, reporting company performance, and assisting the businesses with implementation of

Positions, Policies and Management Systems

Among ConocoPhillips' positions, policies and management systems, the following help to govern the sustainability aspects of its business.

This is not a complete list of the company's policies, but represents those that are most relevant to sustainable development issues.

In locations where the work force is not fluent in English, key elements of these policies have been translated into the predominant local language. For example, the Code of Business Ethics and Conduct has been translated for operations in Azerbaijan, China, Norway, Venezuela, Indonesia, as well as countries in the Middle East.



Sustainable Development Position
Code of Business Ethics and Conduct
Corporate Governance Guidelines
Equal Employment Opportunity Policy

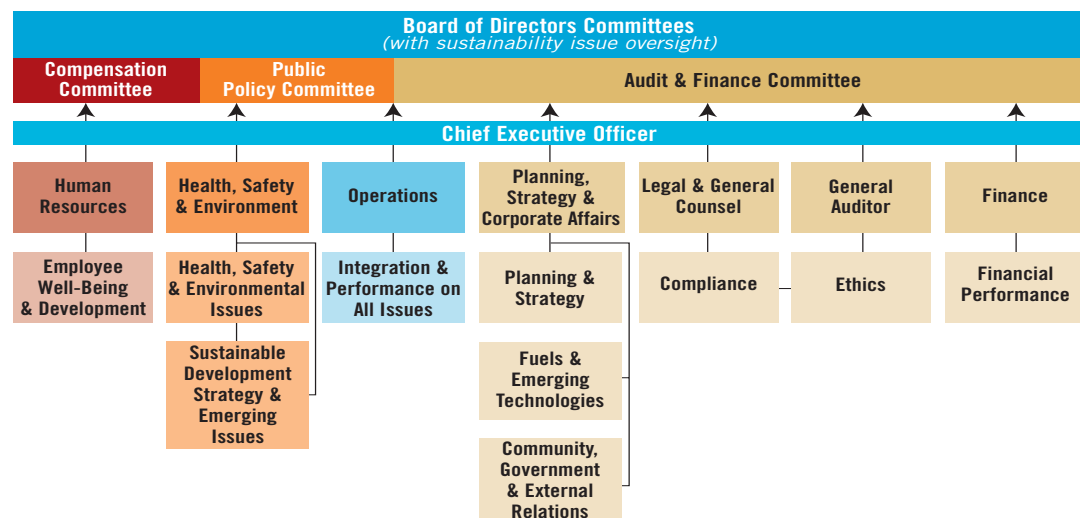
Corporate Contributions Philosophy
Health, Safety & Environment Policy
Renewable Energy Position
Climate Change Position

¹ See the Corporate Governance section of ConocoPhillips' Web site at <http://www.conocophillips.com/about/Corporate+Governance/index.htm> for more information on the company's board of directors.

² See the Company Reports section of ConocoPhillips' Web site at <http://www.conocophillips.com/about/Company+Reports/index.htm> for the company's annual report, proxy statement and SEC filings.

sustainability issues. Progress on sustainability-related issues is reported to the appropriate committees of the board of directors. (See diagram at right.)

The company's businesses are responsible for integrating sustainability issues into day-to-day operations and held accountable through an annual goal-setting process. In 2004, E&P business units began preparing sustainable development action plans. Also, the leadership teams of both E&P and R&M have set business-wide goals for 2005 for implementation of their highest priority sustainable development issues.



Integration of Sustainability Commitments into Business Processes

ConocoPhillips' project authorization guidelines, which establish corporate guidelines for capital project approval, and due diligence standards require that any new business venture identify health, safety, environmental, and social risks, in addition to technical, commercial and political constraints. The company is revising the project authorization guidelines to address its sustainable development commitments. In addition, any new venture must demonstrate that those risks and constraints can be addressed, in order for the project to be approved.

Assessing Impacts

One example of how ConocoPhillips evaluates potential social and environmental impacts is the effort undertaken to gain approval for the liquefied natural gas (LNG) liquefaction plant on Wickham Point near the city of Darwin in the Northern Territory of Australia. The development team evaluated impacts for the life cycle of the project during construction and operations phases.



Construction of the Darwin LNG facility in Australia.

The assessment outlined the existing physical, biological and social environment, and the potential impacts of the project. It also described commitments the company has made to manage impacts, such as air-quality monitoring, greenhouse gas emissions reduction, minimizing wastewater discharge, waste disposal management, minimizing impacts on mangrove ecological communities, dry climate rainforest mitigation, protecting fauna corridors, minimizing public risks, ongoing monitoring, and emergency response preparedness. For example, the company is working with the local regulators to mitigate the impact to the portions of the rainforest disturbed during construction work. The company plans to participate in the Australian Greenhouse Challenge Programme as part of its greenhouse gas management strategy. Also, the Aboriginal traditional owners of the Wickham Point area, as one of the key stakeholders, have been involved with the approval process of the project and the on-going plans for future development. The full listing of impacts and management commitments are detailed in a public environmental report available on the project's Web site. 

Stakeholder Engagement

ConocoPhillips engages with its stakeholders to understand their diverse and evolving expectations and to incorporate that understanding into the company's strategies and actions. Key stakeholders include:

- **Employees** – The company seeks employee input via an employee opinion survey, through town hall meetings, and in employee development discussions and business unit and function efforts.
- **Shareholders** – The company communicates with its shareholders through company reports and SEC filings, annual shareholders'

meetings, information on ConocoPhillips' Web site, and annual presentations to securities analysts. The board of directors maintains a process for shareholders and interested parties to communicate with the board, as described on the company's Web site. 

- **Government** – ConocoPhillips engages with governments in the key areas of public policy that affect the company (see page 15), business development activities, and in permitting and managing the company's operations in accordance with regulations.
- **Communities** – The company's major projects and business unit facilities engage with

communities in a variety of ways, including consultations on specific projects, regular public forums and ongoing conversations.

- **Customers, Partners, Suppliers and Contractors** – The company has a variety of avenues for communicating with its customers, partners, suppliers, and contractors. For example, U.S. Marketing business partners can take advantage of BizLink, a proprietary extranet Web site, to access financial information, interactive processes and fuel purchasing procedures, and submit e-mail questions and feedback. With the company's contractors, safety is an important issue, one that several operations address via contractor safety training and education programs.
- **Interest Groups** – In addition to the information available in company reports and on the Web site, ConocoPhillips connects with project-specific interest groups as part of its project engagement activities.

Stakeholder Engagement Through Community Advisory Councils

Thirteen of the company's 14 company-operated refineries have established community advisory councils (CACs) that meet regularly and promote dialogue between the local community and refinery management. The one refinery without a CAC engages its local community by working through established local organizations. Comprised of a cross-section of the community, CACs provide input regarding community opinions, discuss upcoming refinery plans and their impact on the community, and plan activities that further develop the refineries' relationships with the community.

CACs also can provide input into the company's broader activities. For example, representatives from the majority of ConocoPhillips CACs discussed the company's sustainable development plans with corporate and refinery managers at a recent meeting. Regarding the experience, Bonnie Christensen, a member of the CAC for the Los



Angeles refinery said, "We were most certainly impressed with the company representatives, and the candor with which they answered the questions from the various

community leaders. ConocoPhillips, we believe, gained even more insight into the communities surrounding their refineries. Other corporations could learn from ConocoPhillips' outreach to the communities in which they operate."



Jay Churchill, refinery manager at Billings, Montana, leads a discussion for a community advisory council meeting there.

ConocoPhillips recognizes that it can improve its stakeholder engagement competency by developing principles for effective stakeholder engagement that will establish company expectations for such activity. The company is drafting the principles based on the results of an internal workshop in which practitioners of stakeholder engagement from a wide cross-section of businesses and regions around the world came together to share experiences. ConocoPhillips' E&P and R&M businesses are evaluating their stakeholder engagement activities as they begin implementing their sustainable development action plans.



Social Performance

Ethics

Code of Business Ethics and Conduct

ConocoPhillips' Code of Business Ethics and Conduct 1 summarizes the standards for ethical conduct and compliance with the law expected of the company's employees, contractors and other individuals who work on the company's behalf. The code sets forth the company's position on respect for the individual, maintaining safety and health, protecting the environment, observing the law and upholding honest business practices. The code is available on the Web, has been translated into multiple languages, has been distributed to all employees and is provided to all new hires. Employees are required to annually certify their personal compliance with the code. In addition, periodic ethics reminders are sent to all employees via e-mail.

To help employees familiarize themselves with the code, ConocoPhillips offers online courses on a wide range of compliance and ethical issues relative to ConocoPhillips and its business operations. These courses provide background information on each issue, answer frequently asked questions, and offer brief self-administered quizzes to ensure that the employee has mastered the information. Mandatory courses in 2004 included ethics, preventing workplace harassment and e-mail use for U.S. employees. Ethics and e-mail use

training by international employees is on-going. Supervisors or managers may recommend or require completion of additional courses, especially for employees whose work requires training for a particular compliance area, such as the U.S. Foreign Corrupt Practices Act (FCPA), insider trading, sanctions, export controls, antitrust or antiboycott.

Employees may report ethical violations anonymously, either by an international, toll-free hotline or by e-mail. The company's corporate compliance and ethics committee, composed of senior executives and attorneys, provides regular reports to the chief executive officer (CEO), as well as to the audit and finance committee of the board of directors, regarding the results of annual code certifications, the state of compliance activities, and the handling of reports of violations.

Foreign Corrupt Practices Act

Compliance with the FCPA, as well as similar statutes enacted by some member countries of the Organization for Economic Co-operation and Development, are particularly vital to ConocoPhillips, since the company operates in more than 40 countries. FCPA prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business.

In addition, the United States and many countries have laws and regulations regarding business gratuities that may be accepted by government personnel. Because entertainment and business gifts are an important part of doing business in some cultures, it requires special training to determine to what extent these are permitted by law.

In 2003, ConocoPhillips enhanced its training program for both FCPA and government sanction laws. In addition to Web-based training, numerous in-person training sessions were conducted throughout the company. The sessions were conducted by attorneys who assisted employees in understanding how the FCPA applies to their work.

Human Rights

Many of ConocoPhillips' existing policies and practices for equal opportunity, anti-discrimination, and health and safety protect human rights wherever the company operates. The company continues to study the changing global work environment to further expand its understanding of that environment and better define the company's roles and responsibilities.

United by their commitment to human rights and corporate social responsibility, the governments of the United States and the United Kingdom, companies in the mining and

energy sectors, and nongovernmental organizations collaboratively developed the Voluntary Principles on Security and Human Rights 1 (the Principles). The Principles provide guidance to companies attempting to ensure the safety and security of their operations within a framework that respects human rights and fundamental freedoms. The company subscribes to the values the Principles promote. Recognizing there is always room for improvement, the company plans to continue to identify additional opportunities for expanded implementation of the Principles.

Security

ConocoPhillips has responded to the increased risk of terrorism and other threats to its operations with a program to identify, prevent, detect, deter and mitigate potential attacks against company personnel and facilities. All key facilities and operations are subjected to periodic security vulnerability assessments in which specially trained security professionals determine likely threats and develop appropriate countermeasures. These assessments provide the foundation for investments in security system upgrades at company facilities around the world.

ConocoPhillips works closely with local, national and international governmental agencies to understand the unique security risks present in each of the countries in which it operates. The company also works closely with public and private sector entities to develop security measures to minimize risk to employees, facilities and nearby communities. For example,

U.S. Customs and Border Protection of the U.S. Department of Homeland Security recently certified ConocoPhillips' supply chain security processes as fully compliant with the provisions of the voluntary Customs-Trade Partnership Against Terrorism program. 2

Participation in Public Policy

ConocoPhillips engages in public policy discussions through different means, including membership in trade associations involved in public policy issues, research, and direct lobbying campaigns on specific issues. The company's current public policy areas of emphasis are energy policy, fuel standards, climate change and clean air issues, and industry health, environment, safety and social issues.

ConocoPhillips belongs to a number of organizations related to sustainable development, including:

- World Business Council for Sustainable Development
- United Kingdom Business Council for Sustainable Development
- International Petroleum Industry Environmental Conservation Association
- American Petroleum Institute
- Several climate change-related associations (see pages 32-33)

ConocoPhillips' Code of Business Ethics and Conduct regulates its interactions with public officials. Corporate contributions, made in accordance with U.S. law, and contributions from

Spirit PAC, the U.S. employee political action committee (PAC), are guided by the following criteria: the candidate's integrity and character; leadership potential; positions on issues and voting record; relevance to company operations; nature and strength of the candidate's election opposition; and the candidate's access to other sources of financial assistance. Contributions go directly to the candidate, generally avoiding:

- Independent expenditures in support or opposition of a candidate
- Out-of-election-cycle contributions
- Contributions to presidential campaigns
- Contributions to leadership PACs
- Contributions to national political parties
- Large contributions to trade association PACs

All corporate political contributions are reviewed by either internal or independent counsel prior to being issued and are reported to the public policy committee of the board of directors. The Spirit PAC treasurer reports all receipts and disbursements to the Federal Election Commission 3 and appropriate state agencies.

In 2004, corporate contributions to state and local candidates in the United States and Canada (the only countries in which ConocoPhillips makes political contributions) totaled \$202,800. Spirit PAC contributions totaled \$316,200. ConocoPhillips also makes corporate political contributions in states where it is allowed, to address issues significantly impacting its operations.

1 <http://www.voluntaryprinciples.org>

2 http://www.customs.ustreas.gov/xp/cgov/import/commercial_enforcement/ctpat/

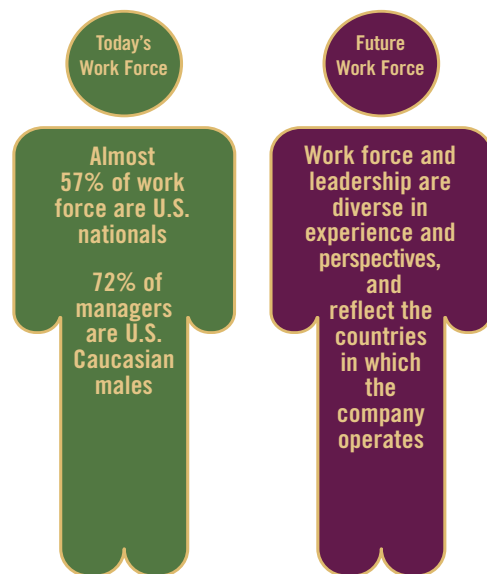
3 <http://www.fec.gov>

Relationship with Employees

A motivated, talented work force is a key asset for ConocoPhillips. To sustain that work force, the company must protect employees' rights, reward hard work, encourage employee development and provide opportunities for dialogue. The company's employee policies and programs are global, and with operations in over 40 countries around the world, are implemented in ways that respect the local laws and culture. All are consistent with the underlying principle of ConocoPhillips' "people" value: respecting everyone in ConocoPhillips' work force.

Global Work Force Development

ConocoPhillips strives to place the right people, with the right skills, to create the right business results. Today, the energy industry faces two key



Developing a Local Work Force in Indonesia

The company's Indonesia business unit takes a multi-faceted approach to contributing to the development of a skilled work force in the country of Indonesia. The company has developed a one-year new engineer training program for engineering graduates wishing to prepare for careers in the oil and gas industry, whether with ConocoPhillips or another organization. Trainees learn the technical aspects of the industry and the importance of



Participants in the 2003 Indonesia new engineer training program.

safety, as well as important business skills such as communication, teamwork, time management, and leadership. The program includes classroom presentations, site visits, apprenticeships in the field, and mentoring from ConocoPhillips employees. Participants have completed the program and are now company employees.

ConocoPhillips also has established a program to teach high school students about drilling and other skills required to work in the oil and gas industry offshore. This roustabout training program teaches safety, English, first aid, basic operations, and drilling, rigging and loading/unloading skills.

To diversify the options available to the local work force, ConocoPhillips has joined with a group of companies to create a vocational training workshop in Natuna. A training house and dormitory are being constructed to house students and equipment such as a welding set and a wood lathe.

challenges: attracting a skilled work force that reflects the population of global operations, and providing a flexible yet productive work environment that attracts, develops and retains high-performing employees.

Leadership

ConocoPhillips has developed a leadership succession management process and engages in mentoring to help identify and cultivate the next generation of talented leaders. The company is currently exploring how best to add to these efforts and to encourage leadership diversity into its succession management process.

Local and Global Opportunities

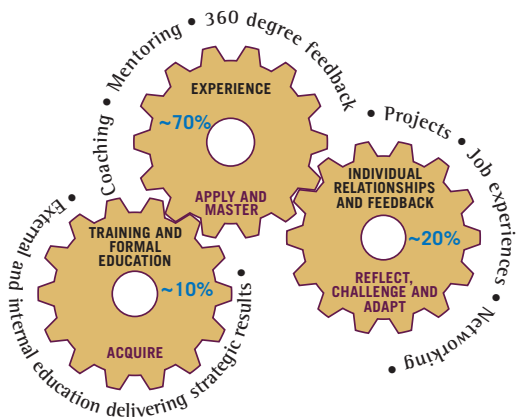
In all company locations, ConocoPhillips is committed to developing local employment opportunities that provide not only local jobs but also opportunities for development into potential global career assignments. To support this goal, the company has developed talent management teams to ensure consistent development and staffing opportunities worldwide for key disciplines in each business and corporate function. The teams create consistent career maps that outline the skills and expectations for each career path. The teams evaluate staffing on a global basis, to consider qualified

candidates from all regions, and review career map promotions, along with training and development, to ensure global consistency.

In addition to managing the existing talent pool, E&P has developed a global recruiting and development strategy scheduled to be fully implemented by the fall of 2005. The program will include training programs and rotational assignments, and the opportunity for select new hires to have an international development assignment designed to encourage global mobility early in an employee's career.

Employee Development Through Talent Management

Talent management is ConocoPhillips' approach to developing people and driving business results. Development is a joint responsibility – all employees are responsible for managing their own careers through performance management



Employee development is roughly 10 percent acquiring knowledge through training and formal education, 70 percent applying that knowledge, and 20 percent learning and adapting from feedback and coaching.

and continued learning, while the company is responsible for providing development and learning opportunities that encourage employee success while helping the company reach its strategic goals.

In addition to participating in global work force planning and staffing as described above, ConocoPhillips' talent management teams identify critical skill sets and create development tools such as career guides to help employees and supervisors manage functional career development. Functional-based talent management teams, which cover about 40 percent of ConocoPhillips' work force, include engineering, geosciences, business

development, transportation, marketing, commercial, finance, global information services, legal and human resources, among others. For employees not covered by a talent management team, development goals can be achieved by working with supervisors through the performance management process.

ConocoPhillips is developing a global learning and development framework that will provide tiers of programs for the different needs employees have at different times in their careers, such as new hires, front-line supervisors or more senior leaders. All of the offerings center around key themes of delivering results, managing change and developing relationships.

Local Opportunities in California

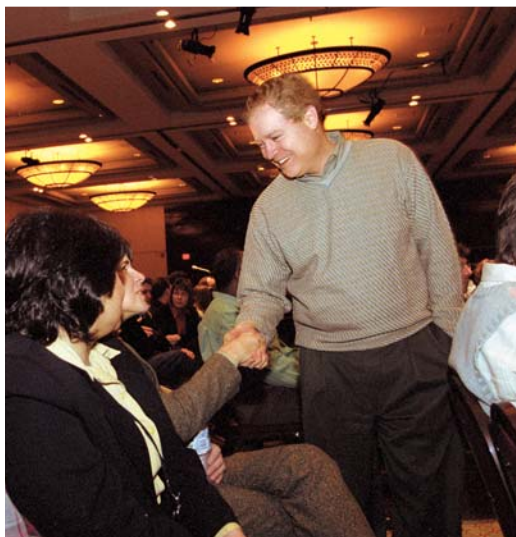
In 2002, the Los Angeles, California, refinery implemented a program designed to increase local recruitment. The program is jointly sponsored by the refinery, the PACE labor union, an area community college and trade school, and a local community resource center. The high school graduates in the program receive a full-time summer internship, college classes during the fall and spring while working one 12-hour shift a week, followed by a second summer of full-time shift work. Three participants completed the program in 2003 and were hired as operator trainees at the refinery's Carson plant. Two additional participants were hired out of the second program in 2004. In addition to giving education and job opportunities to local community members, the program gives the participants a good sense of the realities of the job, and provides management an effective way to assess participants' performance and potential.



Participants in the Los Angeles, California, refinery scholarship program.

Employee Dialogue

ConocoPhillips conducts regular employee opinion surveys that are open to all employees and available in multiple languages. ConocoPhillips utilizes the survey feedback to improve the effectiveness of the organization.



Chairman and CEO Jim Mulva greets employees at a town hall meeting.

Promoting a Positive Work Environment

ConocoPhillips' Code of Business Ethics and Conduct  1 sets global standards for equal employment opportunities in recruiting, compensation, professional development and promotion; promoting a harassment-free work place; and respecting employees' rights to bargain collectively. The company also has established regional policies that further

elaborate on how these elements of the Code of Business Ethics and Conduct will be put into practice according to local law.

ConocoPhillips has a global open door policy for resolving work place issues. The policy outlines steps employees can take to resolve conflicts, beginning with working with the other party, enlisting the help of the employee's supervisor, and, as needed, gaining assistance from human resources personnel and company management. There may be times when employees feel they cannot take issues to supervisors. Should this be the case, employees may discuss the situation directly with a human resources representative, who can pursue the issue at the appropriate level in the organization.

All employees also have access to the company's ethics hotline through which they may anonymously share information, raise questions or lodge complaints regarding violation of policy.

ConocoPhillips offers training programs that help employees understand work place policies and help them handle difficult situations. In 2004, all U.S. employees were required to complete training on preventing work place harassment and all supervisors must complete the module on equal employment opportunity. In addition, courses are being piloted in the United States and adapted for other regions as requested by the local operation, on crucial conversations, civil treatment for employees and guiding conflict resolution.

As mentioned on page 14, ConocoPhillips is in the process of deepening its understanding of its role with respect to human rights. In that effort, the company plans to examine what additional provisions need to be addressed to ensure protection of employee rights in its work places around the world.

Employee Wellness

ConocoPhillips values the health of its employees, and knows that a healthy work force is productive and lowers health care costs for employer and employee alike. The company has more than 40 clinics in 10 countries in order to respond to employee health needs that arise during the work day. For employees in higher health-risk situations, either due to the remoteness of their location (such as offshore) or the



Employee receives a health screening.

potential for exposure (such as emergency response personnel), the company conducts risk-based pre-placement and periodic medical examinations. In countries where the company operates and has clinics and where medical infrastructure is lacking, the company partners with the community to make clinic services available to the public.

Focusing on Preventive Health

ConocoPhillips has launched a global wellness program – MyHealth – which helps individuals identify potential health risk factors and the actions they can take to reduce them, learn the necessary steps to improve and protect their health, and make positive lifestyle choices.

MyHealth Wellness Program educational resources, seminar and health fair kits, and wellness information are provided to employees

worldwide. Many businesses also sponsor physical activity and nutrition challenges that motivate employees to pursue healthy lifestyles.

Endemic Diseases

ConocoPhillips recognizes the effects endemic diseases, such as malaria, HIV/AIDS, tuberculosis and others, can have on the company employees and the surrounding communities. The company currently is exploring approaches to address issues surrounding endemic diseases relevant to its employees, their families and the communities where they live and work.

Employee Assistance Program

ConocoPhillips' Employee Assistance Program (EAP) provides an additional behavioral health benefit and resource for all ConocoPhillips employees and their dependents experiencing mental health problems affecting their personal

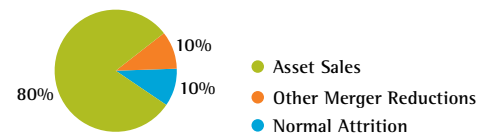
lives, family or work. EAP counselors are mental health professionals who have special training and skills to assist in assessing problems, identifying choices and developing plans of action. EAP services are available in the majority of ConocoPhillips' locations and employ local counselors that are native speakers and understand the local culture.

Staff Reductions Through Periods of Change

ConocoPhillips reduced staff in the United States by approximately 22,600 positions from August 2002 to December 31, 2004. As the graph shows, approximately 80 percent of those reductions involved the sale of assets to other companies. In most cases, employees were offered positions by the new owners of those assets at the time of sale. Approximately 10 percent of the reductions were other merger-related severances. Those employees were eligible for severance benefits, including outplacement support. The remainder are employees who have left the company through normal attrition, such as retirement or resignation.

Staff Reductions

August 2002–December 31, 2004



During periods of reorganization, a change management toolkit is available to assist employees and managers. Counselors from EAP are available to help employees with the emotional effects of change, and offer training classes on coping with change as well as individual counseling.

Teaming Up for Health in the North Sea

The company's North Sea business unit formally established a goal of 70 percent workforce participation in its 2004 Health Challenge. Launched in the spring, employees and contractors formed four to six-person teams and received an initial health screen for height, weight, waist measurement, blood pressure and cholesterol. Following three months of individual and group activities focused on increased physical activity, healthy eating and lifestyles, workers received a follow-up screening. More than 3,000 employees and contractors formed a total of 485 teams and overall participation exceeded 70 percent, with several work groups surpassing 90 percent. In addition to individual incentives for participating workers, rewards were presented for team progress.



A team from Greater Britannia, part of the North Sea business unit, help with the upkeep of park land under the National Trust for Scotland, combining community service with exercise.

Relationship with the Community

As part of ConocoPhillips' core value of "responsibility," the company has committed to be a valued member of the community. Many of the company's major projects have undertaken assessments of community impact. The company's due diligence guidelines include

a component to assess the key community stakeholders in the region and determine their main interests and concerns.

Indigenous Communities

Respecting indigenous communities is an important part of addressing the company's community impact. Company businesses that

interact with indigenous communities have programs and practices in place to maintain good relationships with their communities. Representative examples include guidelines for employee and contractor relationships with the Warao community in Venezuela; working with aboriginal communities in Canada to expand their capacity to engage in discussions about, and receive local benefits associated with, company activities; and working with the artisanal fishing community in Cameroon to ensure seismic data acquisition ships and fishing boats safely coexist.

Community Investment

ConocoPhillips invests in community programs that are aligned with its strategic business objectives and that reflect its vision and values. The company looks for programs that provide sustainable community development and build self-sufficiency instead of creating dependency. ConocoPhillips believes in capacity building – investing in skills and systems that empower communities to improve their quality of life – and more and more this is where the company focuses its efforts. ConocoPhillips' investments in the community take many forms, such as cash contributions, in-kind giving, infrastructure developments, training programs and employee volunteerism.

Philanthropic Giving

In 2004, ConocoPhillips donated an estimated \$37.1 million to charitable organizations. Of that, 8 percent was given outside the United States. These donations are in addition to the project funds allocated to major community infrastructure and environmental improvements that are part of the operating budget for company projects.

Development and Tradition Working Together

At the Alpine field on Alaska's Western North Slope, ConocoPhillips operates the first oil production facility located and developed on Native Alaskan land. As part of the land access negotiations prior to development, ConocoPhillips and the community of Nuiqsut created a Surface Use Agreement that defines the responsibilities and obligations of both parties.

Given Alpine's close proximity to the village of Nuiqsut, and that fish and game are key elements of local social and cultural traditions, the agreement contains provisions for a Kuukpikmiut Subsistence Oversight Panel (KSOP) to help identify and minimize conflict between Alpine operations and traditional practices. The KSOP board, comprised of Nuiqsut residents who are active hunters, is charged with monitoring the health of subsistence resources on Kuukpik lands and identifying any impact that exploration, development or production activities might have on those resources. The panel meets periodically with the company and prepares reports on observations, complaints, concerns and recommendations brought to the panel by local residents.

With help from local residents, panel members monitor and evaluate progress on issues such as access for hunters and fishermen; wildlife impact; tundra damage; impact on lakes that supply water for ice road construction; waste and trash disposal; and interaction, communication and cooperation

between native residents, ConocoPhillips and its contractors.

KSOP efforts are yielding benefits. The panel's attention to detail has helped minimize impacts to the environment and reduced misunderstandings with the community. The result is both parties tend to work on solutions rather than problems.



Mark Ahmakak, a summer environmental field monitor with KSOP, assists ConocoPhillips researchers with fyke nets around the Alpine field. As part of the company's fish monitoring program to help ensure operations do not negatively impact the fish populations harvested by the community of Nuiqsut.

Capacity Building

Business is increasingly shifting from strict philanthropy to a more proactive form of community development and capacity building (investing in skills and systems that empower communities to improve their quality of life). As E&P activities take the company more and more into countries with deep social needs, the company is evolving its social investment guidelines to an approach that will focus on projects that address the most important needs of the community, provide opportunities for local economic development, and result in long-term, sustainable benefits. Some examples of how company businesses already address capacity building are provided below.



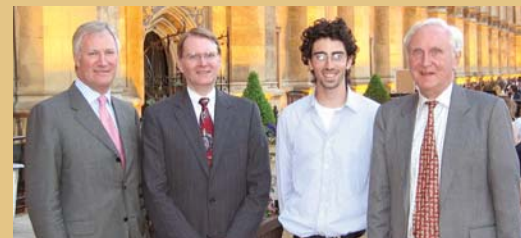
The ConocoPhillips **Indonesia** business unit challenged itself to implement a community development program that would be targeted specifically at economic empowerment objectives. In addition, the company and the Indonesian government were interested in addressing the serious issue of deforestation in Indonesia. It was determined that rubber trees provided an opportunity to rehabilitate degraded land, while also providing earning potential for local villagers. While the rubber tree is not a native species to Indonesia, it has proven to be able to adapt to conditions similar to the marginalized soil of the Indonesian deforested areas, planting stock is readily available, provides economic value to the farmer, and provides a micro climate conducive for enhancing colonization of native species, increasing the ability to improve native species biodiversity in reforestation when compared with other non-native commercially viable options. In 2002, the company started recruiting local farmers to provide specialized training in rubber cultivation for an average of 50 to 80 farmers per year from villages near company facilities in South Sumatra province. Each participant manages 20,000 square meters of their own land during the training period. With current total participants of 235 farmers, the program is in the third year and planned to last for five years, with the first harvest expected in the sixth year. The participants receive training in improved cultivation techniques, as well as horticultural materials including seeds, fertilizer and cultivation tools. To ensure sustainability of the program, as the farmers sell their harvest they begin reimbursement of the cost of their training and supplies, funds that are then employed for the next years' trainees. The program participants also are active in monitoring agricultural activities for five years to help ensure sustainable practices are being employed.



The ConocoPhillips **Nigeria** business unit has focused its community efforts on "the needs of children, the future of Nigeria" for the sustainable provision of essential basic infrastructure and support to less privileged children in society, to ensure a better future for the country. For example, ConocoPhillips responded to the Nigerian government's request for assistance for the Motherless Babies Home in Lagos, which had recently moved to a new, larger location to accommodate the growing number of children they needed to assist, and to provide better living and recreational space for the children. Their new building could not be used, however, as the area was prone to flooding. Apart from the sanitary problems caused by the floodwater, it was an open invitation to mosquitoes and thus malaria.

ConocoPhillips improved the area surrounding the home by constructing a fun-wall, as well as an all-season playground and drainage to channel the floodwater away from the home. The company also drilled a water borehole/treatment plant with a submersible pump and replaced old louver windows with aluminum-framed windows.

The ConocoPhillips Nigeria business unit staff recently chose to spend one work day at the Motherless Babies Home, washing, weeding, landscaping and disinfecting different areas of the facility. Todd Creeger, president of the company's West Africa operations said, "Anyone can assist financially, but it takes real commitment to get out and help hands-on."



The **North Sea** business unit – together with Scotland's University of St. Andrews – annually presents the St. Andrews Prize for the Environment, aimed at helping ordinary people from all walks of life identify innovative solutions to environmental problems. Launched in 1998, the annual competition is now recognized internationally and attracts entries from approximately 50 countries. Winners receive a US\$30,000 prize, with US\$5,000 each going to two runners-up. In each case, winning the prize has led to further financial backing or recognition.

A high-level panel of trustees representing science and academia (to assess and evaluate ideas), industry (to look at economics and practicality), and government (to consider political feasibility) judge more than 100 applications each year. Past winning entries include programs to reverse environmental damage done by old mining works in South Africa (1999); turn waste from olive oil production to valuable byproducts in Palestine (2000); use song, dance and drama to educate rural communities about environmental hazards in Kenya (2001); persuade rice farmers in Vietnam to use safer, more productive ways of working (2002); train semi-illiterate young people to install solar power in remote Himalayan villages (2003); and use mapping technology to further protect the traditional culture and biodiverse lands of a remote tribe in Peru (2004 award recipient pictured above).

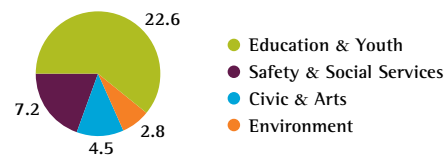
According to Sir Crispin Tickell, an international environmentalist and former British Ambassador to the United Nations who chairs the panel of trustees, "The Prize has given a start to many excellent environmental initiatives around the world that otherwise might never have gotten off the ground."

As indicated below, the company focuses on education and youth, civic and arts, safety and social services, and the environment.

Estimated Cash Contributions

2004

Estimated Millions of Dollars



Education and Youth is the cornerstone of ConocoPhillips' giving portfolio. By supporting education, the company helps communities strengthen their economic base and trains its future work force. In 2004, ConocoPhillips provided \$16.5 million to universities around the world. ConocoPhillips also matches gifts from U.S. employees, directors and retirees to elementary and secondary schools, universities and technical institutes. In 2004, approximately \$1.8 million of the corporate educational spending was contributed through this program.

Employee Volunteerism is another key emphasis for the company. One-on-one involvement in communities develops employee skills, facilitates teamwork, and helps employees understand and appreciate the interdependence between the company and the communities where it does business. ConocoPhillips supports the efforts of employees who volunteer in their communities through the company's Employee Volunteer Grant Program. U.S. employees may apply for grants of up to \$3,000 for capital improvements and up to \$500 for planning projects for charitable

organizations in which they volunteer their time. Employee volunteerism also is fostered through company programs that encourage involvement in local charitable activities, such as support for the United Way and Special Olympics.

Community Input

ConocoPhillips' businesses strive to incorporate community input into the process of deciding where company contributions can be most valuable. For example, the ConocoPhillips Azerbaijan business unit employed a stakeholder process to gain input from local nongovernmental organizations, representatives of vulnerable groups, government and other members of the community into the operation's giving strategies and volunteer efforts. One project that resulted from such consultation was the Baku Exhibition and Sale of Arts and Handicrafts of Azeri disabled artists. Consultations with the disabled artists helped identify specific needs, while consultations with government agencies helped determine the best ways to contribute. Rather than simply making a cash donation, ConocoPhillips provided materials to the artists, so that they could produce and sell their works at the exhibition, thereby gaining income, recognition and self-esteem.

After the success of the first exhibit, ConocoPhillips was contacted by the Azerbaijan Embassy in the United Kingdom to exhibit works of the disabled artists in London. The exhibition drew international attention to the problem of the disabled in Azerbaijan. Through the money and recognition earned from the exhibitions, the disabled artists founded artistic and sewing workshops and have gained new commissions.

The Search for Solutions

Produced in conjunction with the National Science Teachers Association, the Search for Solutions video series explores the key elements of science – creativity, modeling, application, theory and argument – and how these processes are practically applied. Multiple winner of the Telly Award for outstanding programming, the videos are designed to capture the attention and imagination of junior high and high school students. The videos are accompanied by online teaching guides that help reinforce concepts through discussion, hands-on exercises and experiments. ConocoPhillips funds production costs for the 10-part video series, as well as distribution to more than 20,000 science teachers in the United States.

To impart a global view of the practice and application of science, the series features distinguished scientists and research centers in the United States, Australia and Chile. Feedback from teachers validates the effectiveness of this approach.

 Brent Rusert, a high school science teacher from Fort Bragg, California, said, "I have been teaching science for over 20 years, and I want to thank you for Search for Solutions. I have found no better way to explain the diversity of people and ideas that comprise the world of science."



An image from Search for Solutions, which helps students connect with science.



Health, Safety & Environmental Performance

HSE Policy, Management System & Audits

ConocoPhillips' Health, Safety and Environment (HSE) policy  applies to all owned and operated locations and commits the company to working with its subsidiaries, affiliates, contractors and governments worldwide to gain their support in adhering to the company policy. ConocoPhillips' Health, Safety and Environment Policy commitment reads as follows:

ConocoPhillips is committed to protecting the health and safety of everybody who plays a part in our operations, lives in the communities in which we operate or uses our products. Wherever we operate, we will conduct our business with respect and care for both the local and global environment and systematically manage risks to drive sustainable business growth. We will not be satisfied until we succeed in eliminating all injuries, occupational illnesses, unsafe practices and incidents of environmental harm from our activities.

ConocoPhillips has instituted an HSE management system standard as a tool for implementing the HSE policy and ensuring effective HSE programs.

The company audits its facilities against the HSE policy. Any gaps in performance against

the standard result in a nonconformance that requires the business to develop a corrective action plan. Plans are updated at least every six months, at which time a business with a prior nonconformance must report to management whether it has been corrected. Large, complex facilities are audited annually, alternating emphasis between health and safety the first

year, environment the second year, and management systems the third year. Company-wide, in 2004, corporate auditors performed 60 compliance audits for health, safety and environment and 15 management system audits. Sites also perform their own HSE and management system self-assessments regularly.

HSE Data Assumptions

The HSE metrics presented in this report are based on the following assumptions.

For most indicators, data are presented for three geographic regions: North America, Europe and Asia Pacific/Other. "Other" includes Venezuela, Middle East and Africa.

The business sector charts reported for most parameters depict the top three sectors in the company for that parameter, plus a category named "Other," which includes all other sectors combined. For each indicator, the top three sectors may be different, as can the sectors in the "Other" category. These charts illustrate which business sectors are most significant for a particular HSE indicator.

The HSE pro forma data for 2002 is presented as if the merger had occurred on January 1, 2002.

All reported HSE data are based on operated assets only. Environmental data are represented as 100 percent ownership interest regardless of actual share owned by ConocoPhillips. Data is reported in metric tons (referred to as tonnes).

Reported data for air emissions, hydrocarbon spills and waste are broken down into two groups: E&P and Midstream, and R&M.

Select environmental data for 2003 is provided. Environmental data for 2004 will be published on <http://sd.conocophillips.com> by the end of the third quarter of 2005.

The total E&P emissions are normalized using barrels of oil equivalent (BOE) as a factor of production operations. For gas production and liquefied natural gas, 6,000 cubic feet of gas is assumed to be equal to one BOE. For gas processing plants, the BOE normalizer includes only liquid production of ethane, propane, butane and condensate.

The R&M normalized data are presented for refining only, which is the major sector of R&M operations. Refining data are normalized based on million barrels of oil equivalent (MMBOE), which represents the number of barrels of crude oil and other hydrocarbon feedstock input to the refineries.

Due to different reporting practices of the two companies prior to the merger, metrics are not available for some HSE issues of interest to stakeholders. The company is refining its HSE data systems and will report additional indicators in the future.

ConocoPhillips employs an incident notification standard and system for failures and situations that can cause the potential for failure (or near misses). The computerized system ensures that senior management is notified within one business day for significant incidents and are telephoned immediately for the most serious incidents. Investigations seek to identify the root cause of the incident or near miss, and key learnings are communicated within the company to help prevent recurrence.

Occupational Safety & Health Safety Performance

ConocoPhillips' safety goal is zero injuries, illnesses and incidents. Improvements in company safety statistics in 2003 and 2004 are a start toward achieving these goals. However, the company acknowledges its performance in safety must improve further.

In 2004, 40 percent of the ConocoPhillips business and support organizations for which safety statistics are reported achieved the goal of zero recordable employee injuries. Sixteen percent also achieved zero recordable contractor injuries.

A key to improving safety performance is focusing on safe behavior. ConocoPhillips' operations develop programs that emphasize a worker's personal responsibility for working safely and encourage a culture of watching out for each other. Supervisors are encouraged to "walk the talk," ensure their behavior sets an example, and identify ways to reinforce safety messages with employees.

Several ConocoPhillips' operations employ Safety in Motion, a behavior-based safety process and

ergonomics program. On the behavior side, employees learn safety auditing skills – observing people while they work, reinforcing safe work practices, and correcting unsafe acts and conditions. On the ergonomic side, employees

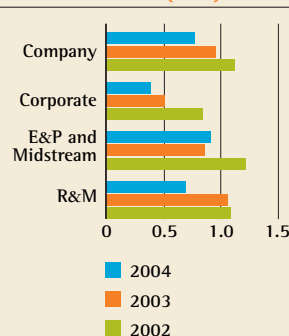
use Safety in Motion's proven training and action system to reduce the incidence of musculoskeletal pain and injury, including common and costly strains, sprains, back pain, tendonitis, slips and trips. The five-module

Safety Performance Data*

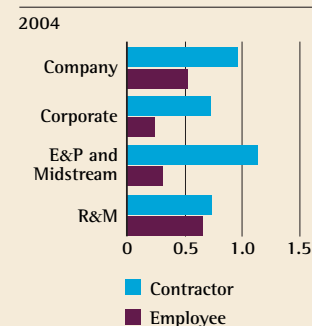
The employees and contractors that make up the company's global work force improved their total recordable rate (TRR) 31 percent from 1.13 injuries per 100 workers in 2002 to 0.78 in 2004. In both 2003 and 2004, 21 percent of all injuries

were serious enough that the worker had to lose time from work, compared to 19 percent in 2002. Four of the injuries proved fatal in 2003, as did two in 2002. There were no fatalities in 2004.

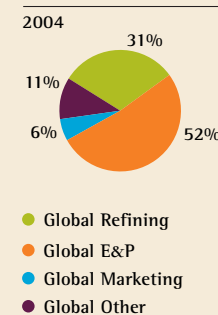
Work Force Total Recordable Rate (TRR)



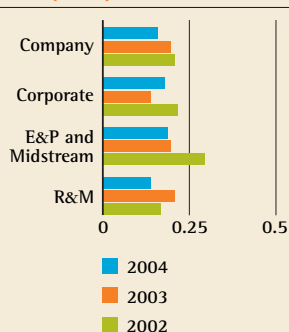
Employee and Contractor TRR



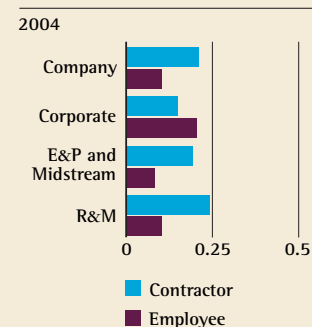
Work Force Recordable Injuries by Business Sector



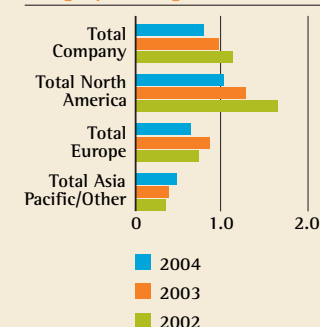
Work Force Lost Workday Case (LWC) Rate



Employee and Contractor LWC Rate



Work Force TRR by Geographic Region



*Data revised as of March 15, 2005.

program emphasizes shifting forces to parts of the body designed to handle those stresses. Training gives employees practical techniques to reduce physical stress and strain, boost balance and strength, and improve productivity.

The company has implemented several programs to drive contractor safety improvements, including:

Contractor Health & Safety Standard – This standard, instituted in April 2004, supplements the HSE management system standard by establishing minimum expectations for health and safety management of contractors.

E&P and R&M Contractor Safety Functional Excellence Team – This team works on contractor safety issues common across all businesses. The team is standardizing the contractor pre-qualification process and assessing incident trends to identify and address root causes. The team also helps share best practices across the company.

Refining Contractor Safety Network – Refining representatives have started a contractor safety network with monthly conference calls to share information, including contractor pre-qualification, performance auditing, management incident reviews, HSE management system implementation for contractors, injury analysis, action plan development, and security background evaluations.

E&P Best Practices Benchmarking – E&P is in the early stages of establishing an internal gap analysis based on lessons learned from industry leaders in contractor safety.

Industrial Hygiene and Occupational Medicine Standard

ConocoPhillips has instituted an industrial hygiene and occupational medicine standard, which establishes overall requirements for assessment and control of work place health hazards, medical surveillance to monitor and validate the effectiveness of the control measures employed, and the determination of applicable exposure limits. This standard is included in the company's HSE audit process. (See page 23 for more on the audit process.)

Ergonomics

Ergonomics is the science of studying people at work, and then designing tasks, jobs, tools, equipment, facilities and the environment so that people can be safe, healthy, effective, productive and comfortable. Guidance documents and risk



The company's Borger, Texas, refinery earned the OSHA Voluntary Protection Program "Star" rating, along with the technology centers in Ponca City and Bartlesville, Oklahoma.

assessment tools are available for office-related work situations. Field-related programs are being piloted in ConocoPhillips' businesses.

Health Care is a Priority Everywhere

Each ConocoPhillips business unit is prepared to address employee health needs. In remote locations, that often requires extra consideration. Basic medical facilities are provided in areas where medical help is absent or lacking. These facilities vary according to need and may include the provision of first-aid posts, ambulances and medics. Where local medical facilities are present, extra equipment or medications may be donated to those facilities, enhancing care for ConocoPhillips employees, as well as local residents.

A look at the company's processes in the Middle East provides an example. Employees working offshore Dubai must have pre-placement and annual physical examinations. The pre-placement exam identifies employees with medical conditions that could jeopardize their health if medical care was delayed due to remote operations or increase the risk of accident or injury at work.

Employees who become ill offshore are usually brought onshore for treatment, unless they are likely to recover quickly without medical help. If the health issue is serious or requires surgery, the company admits employees to a hospital and monitors their condition. While recovering, employees are housed at ConocoPhillips' onshore complex near its clinic so that a nurse or doctor can visit daily, speeding recovery.

When chronic illness or injury prevents someone from continuing work in his or her current job, attempts are made to accommodate the employee. Discussions are held with the employee's managers, and job restrictions are established. Although not practical in all cases, employees are often able to utilize their skills – temporarily and sometimes permanently – elsewhere in the company.

Safe Handling of Chemicals

ConocoPhillips is an active partner in the U.S. Environmental Protection Agency's high production volume chemical testing program.  The purpose of the program is to provide information on potential health and environmental impacts of chemicals produced in large volumes in the United States, but for which impact data is not publicly available. Through testing groups set up by the American Petroleum Institute and the American Chemistry Council, ConocoPhillips is sponsoring health and environmental effects testing on nearly 400 products and refinery intermediate streams.

Being a Safe Neighbor

The company must ensure that its presence does not compromise the safety of the community – not only for employees, but also for neighboring residents and the local environment. The company does so by strengthening the integrity of its facilities and equipment to prevent incidents, preparing for emergencies, and responding quickly. ConocoPhillips also seeks to share its safety values with the community at large.

Mechanical Integrity

Part of reaching the company's safety goal of zero is to eliminate unplanned events by strengthening mechanical and operating integrity programs. ConocoPhillips follows industry standards on managing equipment and has established additional internal standards for fixed assets and equipment. All company-owned and -operated refineries and many upstream assets are participating in a peer

assist program, in which employees visit other locations to share ideas for improving mechanical integrity.

During 2001 and 2002, the consulting firm Det Norske Veritas performed mechanical integrity audits of the company's U.S. and U.K. refineries and major E&P assets. Areas suggested for improvement include elevating the organizational focus on mechanical integrity; the development of mechanical integrity metrics; strengthening management of change processes and auditing programs; and enhanced training. The improvement opportunities were prioritized after being divided into site or global issues. Each refinery and E&P asset, along with support from the company's technology groups, has developed plans to address the key areas.

In 2003 and 2004, key mechanical integrity metrics were established to measure performance and track improvement progress. Also, the mechanical integrity portion of the corporate HSE auditing process was updated to ensure additional focus on mechanical integrity.

The mechanical integrity program for the company's crude oil gathering system has yielded significant results. The program involves implementing measures beyond current regulations to reduce leaks and spills, including additional testing and cleaning of the gathering lines and upgrading components to materials with greater corrosion protection. These efforts have contributed to reducing the number of pipeline releases by more than 40 percent since 2000.

(Percentages present pro forma as if the merger had occurred on January 1, 2000.)

Several significant events occurred at company facilities between late 2002 and mid-2004. In all major incidents, the company conducts full investigations to identify root causes and steps to prevent a recurrence. The following incidents attracted particular public concern:

- An explosion and fire at the Ponca City, Oklahoma, refinery resulted in injuries to five employees and one contractor. One of the employees died as a result of his injuries.

Safety a Benefit to Propane Customers

ConocoPhillips' commercial propane marketing group administers the Safety Circle program, which offers propane marketers in the United States and Canada opportunities to earn rebate dollars for each gallon of propane they buy from ConocoPhillips. Marketers spend their rebates on a wide variety of safety-related educational materials and programs, including seasonal customer fliers, bulletins and propane safety brochures. Rebates also help marketers defray the cost of employee training, as well as postage charges for customer safety mailings.

Participation has been outstanding – ConocoPhillips ships about 2 million brochures per year to propane marketers. In addition to promoting safety, the Safety Circle program builds customer loyalty and has become an effective selling tool for the company's propane sales representatives.

Propane marketers appreciate the flexibility to spend the money in the way that best suits their company. The program can also benefit customers by satisfying their insurance requirements for a documented formal safety program.



- A storage tank in Glenpool, Oklahoma, caught fire, spilling diesel fuel and crude oil. As a precautionary measure, residents within a one-mile radius were evacuated for two days.

- Mechanical failures occurred in a boiler at the Carson, California, refining facility, and a power failure occurred at the Lake Charles, Louisiana, refinery. The Lake Charles incident resulted in a release of sulfur dioxide.

- Fires occurred at: an out-of-service tank undergoing mechanical repairs at the Sweeny, Texas, refinery; a product terminal struck by lightning in East St. Louis, Illinois; a naphtha hydrotreater unit at the Alliance refinery in Belle Chasse, Louisiana; and a catalytic feed hydrotreater at the Wood River refinery in Roxana, Illinois. In these cases, company emergency response or operations personnel expediently brought the situation under control and minimal injuries were sustained.

Key learnings from incidents are shared to prevent like or similar incidents.

Strengthening Community Relationships

In 2001, the Humber refinery's relationship with the neighboring community was tested when an explosion and fire in the saturate gas plant caused damage to area homes. Although the plant was quickly and safely shut down and no major injuries resulted, relationships with the local community were seriously affected. As a result of the incident, a community liaison team was formed to help residents repair property damage and to reassure them of the refinery's commitment to safety.

In an effort to further strengthen the relationships built by the community liaison team, the Killingholme Area Advisory Group (KAAG) was formed in 2003. The group is comprised of a mixture of local citizens and representatives from refinery management, who meet monthly. The KAAG members voice any community concerns or issues to the refinery management, who also keep the KAAG updated on operations.

The KAAG members disseminate to the community the information discussed in the meetings and provide an opportunity for other neighbors to ask questions by producing a quarterly newsletter and erecting a KAAG village notice board. The newsletter promotes awareness of the refinery's operations, any problems that may have arisen and how they were solved, and includes questions asked and answered. The group continues to work on better means of communication. For example, they have launched their own extranet site (www.kaag.co.uk), administered by one representative each of the ConocoPhillips refinery and the community.

The KAAG also has leveraged the refinery's investment in community projects. The group has helped to identify where the refinery's involvement in the community can be of greatest benefit, which



The KAAG identified an opportunity for Humber employees to help increase community pride. Local school children were provided with seeds, taught how to help them grow, then with Humber employees planted them in village flower beds.

has contributed in 2004 toward community effort being included in the Humber refinery's key focus areas. A total of 614 community projects were carried out by refinery employees during 2004, many of which center around employees' volunteer efforts in the community. As a result, relationships with the local community have dramatically improved, achieving a key community goal identified by the KAAG – increasing neighborhood pride.

Marine Integrity

Combined, ConocoPhillips and its subsidiary, Polar Tankers, own a total of 13 tankers. Eleven of the 13 tankers are double-hulled, with one additional double-hulled vessel to be completed by early 2006. The full



The *Polar Discovery* is a double-hulled ship in ConocoPhillips' fleet.

ConocoPhillips and Polar Tankers tanker fleet will be double-hulled in 2008. All of the company's 14 barges also are double-hulled. The company has a ship vetting plan – a review of a vessel's safety management, security and maintenance history, and procedures that take place before a vessel may carry its product – for both ConocoPhillips' fleet and contracted vessels, including barges. And the company has expanded its management system audit process to include contracted ships and barges, as well as the company fleet.

ConocoPhillips has upgraded its marine environmental impact policy to treat all oceans, not just those designated by the International Convention for the Prevention of Pollution from Ships (MARPOL),  as MARPOL Annex V special areas by 2006. This means being capable of retaining oily wastes on board or discharging them to onshore reception facilities.



During a SONS drill, incident commander Jay Jones (second from right) discusses response plans with colleagues from the U.S. Coast Guard and the California Department of Fish & Game.

Crisis Management & Emergency Response

ConocoPhillips has developed an integrated global emergency response process. The process includes response capabilities and crisis management plans at the corporate, regional and local level. All plans include regular training, equipment maintenance and review of procedures.

Community Safety

The company's concern for safety extends to its employees' families and the communities in which it operates, and many company locations have safety outreach programs. For example, employees in Ponca City, Oklahoma, have created an Off-the-Job Safety Committee (OTJSC) to promote individual value for a safe lifestyle to reduce off-the-job incidents and perpetuate the understanding and practice of safety procedures for all employees and their families. Some of the activities the committee undertakes include:

- A Safety Store that provides safety items to employees and retirees at cost.
- Safety tips in employee newsletters.
- "Lunch and Learn" brown bag sessions – professional emergency responders in the community present updates/changes to emergency plans (including environmental shelter-in-place) for the Ponca City area.
- Safety presentations by OTJSC members given at local schools.
- A week-long Summer Safety Day Camp for employees' children.
- Partnering with Oklahoma Safe Kids Coalition and other local agencies to check the safety of children's car seats and distribute information on child passenger safety.
- Distributing bicycle safety information along with bicycle helmets for National Safe Kids Week.
- Conducting boating safety classes that are open to the community.
- Providing information to employees on home fire escape planning and fire safety during National Fire Prevention week.



ConocoPhillips OTJSC employees dressed up as crash test dummies at the local high school to encourage students to "Please Buckle Up."

- Displaying eye protection items from the Safety Store and distributing information about saving vision during Save Your Vision week.
- Talk-back television – continuous loop safety presentations are displayed on various monitors around the Ponca City complex, including the refinery.

ConocoPhillips participates in and helps coordinate Spill of National Significance (SONS) drills – mandated by the Oil Pollution Act of 1990 – which are conducted every two to three years under the direction of the U.S. Coast Guard. One of several emergency response exercises ConocoPhillips engages in, SONS drills are designed to foster significant improvements in the preparedness, prevention and oil spill response

efforts of the U.S. government and the petroleum industry. The drills, funded jointly by government and industry, typically involve a year of planning by the major public and private sector participants.

In April 2004, trained ConocoPhillips personnel joined more than 1,100 other incident responders from the U.S. Department of Homeland Security, the U.S. Coast Guard, the government



An oil spill response vessel deploys a boom and skimmer as part of a drill.

of Mexico, the U.S. and Mexican Navies, the state of California, another oil company and numerous spill response contractors to practice implementing their oil spill contingency plans. The scenario was a vessel collision, a ship explosion and two major oil spills – all in the same morning, off the California coast.

Drill participants staffed local unified command posts in San Diego and San Pedro, California, supplemented by a national incident command center in Los Alamitos, California, and a response center in Ensenada, Mexico. According to Dale Summerlin, emergency response manager at the time for ConocoPhillips, feedback has been very positive. “I heard from state and federal agencies that the industry response was outstanding, and our integration into the various response groups was seamless.”

ConocoPhillips’ crisis management and emergency response planning extends to the community. For example, company fire schools are open to members of the municipalities’ emergency responders.

Hydrocarbon Spills Metrics

ConocoPhillips records and reports information on liquid hydrocarbon spills from primary containment that are one barrel (42 gallons) or greater. While comparative data for spills over one barrel is not available for 2002, data for 2003 and 2004 are shown below. In the greater than one barrel category, the volume of spilled liquid hydrocarbon increased by 9 percent from 2003 to 2004, while the number of spills decreased by 15 percent. Of the total volume spilled in 2003, about 70 percent was recovered. In 2004, 53 percent of the total volume spilled was recovered.

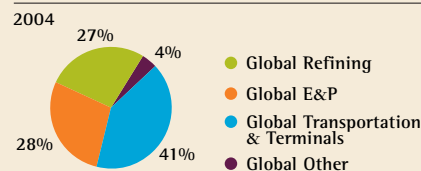
Between 2002 and 2003, the volume of spills greater than 10 barrels decreased by 37 percent

Volume of Spills >1 Bbl

Numbers inside colored portions of bars represent number of spills.



Volume of Spills >10 Bbls Business Sector

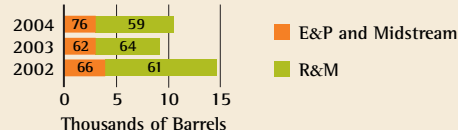


from 14,673 to 9,244 barrels. Spill volume in this category increased by 15 percent to 10,662 barrels from 2003 to 2004, while the number of spills increased from 126 to 135, or 7 percent.

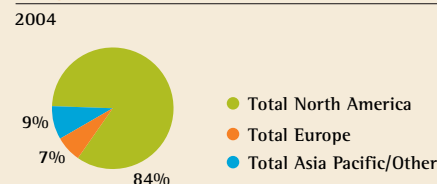
Improvement was seen in reductions of the number of significant spills (greater than 100 barrels) from 2002 to 2004. The number of spills greater than 100 barrels was reduced by 33 percent from 2002 to 2003 and by another 6 percent from 2003 to 2004. The volume spilled was reduced by 56 percent from 11,126 barrels in 2002 to 4,951 barrels in 2003, but increased in 2004 to 7,084 barrels.

Volume of Spills >10 Bbls

Numbers inside colored portions of bars represent number of spills.



Volume of Spills >10 Bbls Geographic Distribution



Environmental Performance

As stated earlier, ConocoPhillips' approach to protecting the environment is guided by its HSE Policy and monitored through the management system standard, audits, incident notification processes and performance reporting.

Select environmental data for 2003 is provided in this section. Environmental data for 2004 will be published on <http://sd.conocophillips.com> by the end of the third quarter of 2005.

Treading Lightly in the Arctic

The tundra of the Alaska North Slope and northwest Russia hold vast oil reserves and also are important and sensitive ecological systems. ConocoPhillips recognizes stakeholders' interest that any development be done in a manner that protects the environment. One way the company treads lightly in arctic regions is by using the concept of padless exploration and development, which uses ice and packed snow in place of gravel well pads and gravel roads. It also includes drilling exploration and/or production



The insert shows an exploratory well on an ice pad in the Alpine field in Alaska. The surrounding picture shows the same site six months later. All that remains is an 8-foot square well house (the white cube).

wells from ice pads, placing the well site facilities on piles, restricting the physical size of production equipment, automating support of remote operations, and limiting surface access in non-winter periods to helicopter travel only.

Air Emissions

Clean Fuels

In 2004, refiners were required to start lowering the sulfur content of gasoline sold in the United States. Most refiners must reach an average of 30 parts per million (ppm) by January 1, 2006. Prior to this new regulation, average conventional gasoline in the United States contained 330 ppm of sulfur.

By June 2006, the U.S. Environmental Protection Agency (EPA) rules will require a 97 percent reduction in the sulfur content of highway diesel fuel (from its current maximum level of 500 ppm) to 15 ppm. According to the EPA, use of this fuel in buses and trucks in conjunction with emission controls reduces criteria pollutant emissions at the tailpipe by almost 95 percent. This will have significant environmental benefits. Another EPA rule will reduce the sulfur standard for non-road diesel from 5,000 to 500 ppm in 2007, to 15 ppm for farm and construction vehicles by 2010, and to 15 ppm for locomotive and marine uses by 2012.

The U.S. sulfur phase-down exemplifies the worldwide trend toward cleaner petroleum fuels. ConocoPhillips is investing about \$2 billion over five years to meet clean fuels regulations. In 2004, approximately one-third of ConocoPhillips' refining and marketing capital



In 2004, the Lomonosov Foundation and the Arkhangelsk Oblast Environment Committee recognized the Polar Lights Company (50 percent owned by ConocoPhillips) for its environmentally-friendly technology and processes used in building the Ardalin Satellite field facilities.

budget was allocated toward clean fuels programs in its U.S. and international operations.

During 2003, the company completed projects to produce low-sulfur gasoline at the Ponca City, Oklahoma; Roxana, Illinois; and Ferndale, Washington; refineries. The Ferndale refinery project installed the proprietary ConocoPhillips S Zorb™ Sulfur Removal Technology – the largest unit built with this technology to date – which will comply with stringent government gasoline sulfur regulations. Construction of a new diesel hydrotreater has begun at ConocoPhillips' Rodeo facility at the San Francisco Area refinery and is expected to produce ultra-low sulfur highway diesel one year ahead of the EPA June 2006 deadline.

Criteria Pollutants

Sulfur Oxides (SOx) are acidic gases produced during the combustion of fuels that contain sulfur compounds. The majority of SOx emissions originate from sulfur contained in fuel and occur as sulfur dioxide. SOx and nitrogen oxide together contribute to acid rain. Overall, the

company's 2003 SOx emissions were about 85,000 tonnes compared with 91,000 tonnes in 2002. However, when adjusted for asset acquisitions and divestitures, operating fluctuations, and data improvements, the 2003 SOx emissions were about 3,000 tonnes lower than the comparable 2002 results. Reduction

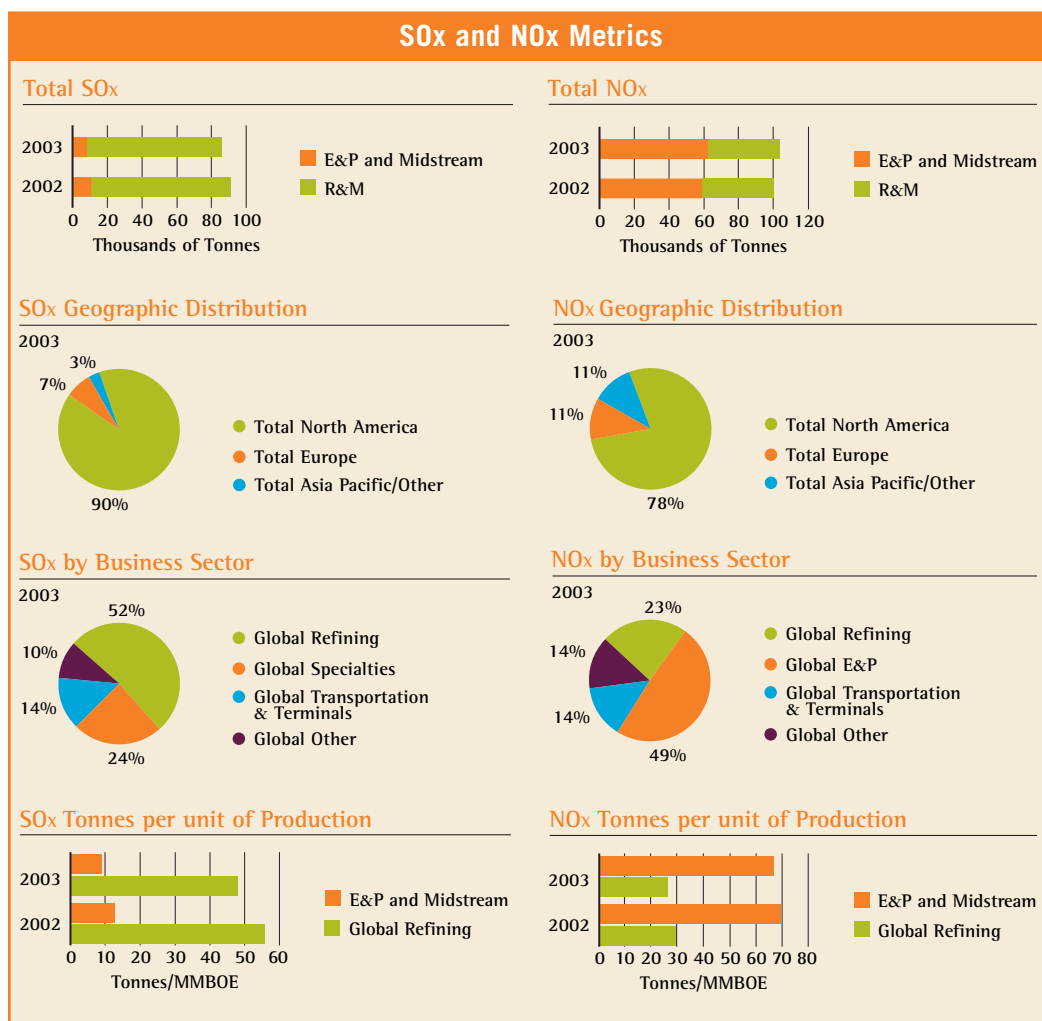
projects at E&P operations and two refineries contributed to the net SOx reduction.

Nitrogen Oxides (NOx) are the sum of nitric oxide and nitrogen dioxide. Nitrogen oxide emissions occur almost exclusively from the combustion of fossil fuels in boilers, heaters, engines, flares and turbines, and are a function of the type and quantity of fuel burned and the type of combustion device in which they are burned. Nitrogen oxides can lead, in the presence of volatile organic compounds and sunlight, to the formation of smog.

Overall, total 2003 NOx emissions were about 104,000 tonnes, compared with 2002 emissions of about 100,000 tonnes. However, when adjusted for acquisitions and divestitures and data improvements, 2003 NOx emissions were unchanged, compared with 2002.

Other Criteria Pollutants. ConocoPhillips is collecting and validating Volatile Organic Compounds and particulate matter emission data and is refining its systems so that it can report this data in the future.

EPA Consent Decree. ConocoPhillips signed an agreement with the U.S. Environmental Protection Agency (EPA) on Jan. 27, 2005, to reduce air emissions at nine of ConocoPhillips' U.S. refineries in seven states. The settlement is expected to reduce emissions from these facilities by approximately 65 percent through the installation of more than \$500 million of state-of-the-art pollution control technologies. The company's other three U.S. refineries were included in a similar settlement reached in 2001.





Opportunities to reduce carbon dioxide (CO₂) also are being investigated in the company's technology efforts, such as its E-Gas technology.

ConocoPhillips is pleased, that by working together with the agencies, it found solutions that will significantly reduce emissions, while enabling the company to continue to provide its customers with a reliable supply of quality fuels. ConocoPhillips places the highest priority on its commitment to operate safely and in an environmentally responsible manner.

The company entered into negotiations voluntarily. The discussions with the EPA and the Department of Justice have been ongoing since 2000. When combined with the earlier agreement, all ConocoPhillips U.S.-based refineries now will be part of a consent decree. Because it was negotiated in good faith, the settlement was reached without litigation.

Over the past three years, the United States has reached similar agreements with many other refiners.

Climate Change

As stated in its 2003 Climate Change Position Statement,  ConocoPhillips recognizes that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gases (GHG) in the atmosphere, which can lead to adverse changes in global climate. While the debate continues over the extent of human contributions and the timing and magnitude of future impacts, the company is committed to taking action now to begin addressing the issue.

Implementing the Climate Change Position

In 2004, ConocoPhillips took several actions toward implementing its climate change position. The company's E&P and R&M businesses began assessing data to develop objectives to reduce GHG emissions. Guidance for integrating climate change considerations into ConocoPhillips' project planning and approval processes is being developed in conjunction with efforts to integrate sustainable development. The company actively engages in discussions on climate change through memberships in the American Petroleum Institute (API) and the International Petroleum Industry Environmental Conservation Association. In 2004, ConocoPhillips joined the International Emissions Trading Association.

Developing Business Opportunities

In 2004, ConocoPhillips created a Global Gas unit within its E&P business to focus the company's efforts in the development and management of lower-carbon natural gas. The company is performing internal research and participating

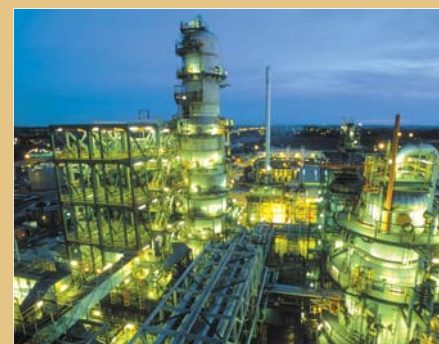
in a number of joint industry projects that are focused on increasing its understanding of carbon dioxide (CO₂) sequestration, and reducing capture and storage costs through development and

Clean Power for the United Kingdom

In 2004, ConocoPhillips launched the new Immingham power plant adjacent to the Humber refinery in North Lincolnshire, England. It is the largest fully qualifying cogeneration plant in Europe and makes a significant contribution to meeting the U.K. targets for reduced CO₂ emissions.

This 730-megawatt cogeneration plant supplies steam and electricity to the Humber refinery. Excess steam goes to a neighboring refinery, and excess electricity is fed into the country's national grid. The plant also can provide heat and power to other emerging industries in the area at competitive prices.

In addition to providing a clean source of electricity, environmental benefits of the plant include use of surplus fuel gas produced by the Humber refinery, which would otherwise have been flared.



The Immingham power plant.

 Please see http://sd.conocophillips.com/climate_position.asp for the full Climate Change Position Statement.

application of new technology. These projects include WESTCARB (the U.S. Department of Energy's West Coast Regional Sequestration Partnership), the SINTEF Group study of CO₂ for enhanced oil recovery and disposition in aquifers in Norway, and the Alberta Research Council's

Enhanced Coalbed Methane Consortium. ConocoPhillips also is a member of CO₂Net, the European network of CO₂ researchers, developers and users of CO₂ mitigation technology. In addition, ConocoPhillips has joined the CO₂ Capture Project.

Preparing for Regulation

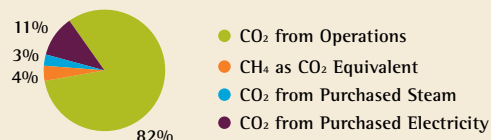
ConocoPhillips' U.K. and Canadian businesses are actively preparing for GHG regulations in those countries, beginning in 2005 and 2008, respectively. Since the start of 2005, ConocoPhillips facilities across Europe have been subject to

Greenhouse Gas (GHG) Metrics*

ConocoPhillips reported total GHG emissions include carbon dioxide (CO₂) emissions from operations (which includes the emissions associated with electricity and steam sold by the company), CO₂ emissions from purchased electricity, CO₂ emissions from purchased steam, and methane (CH₄) emissions from operations in terms of CO₂ equivalent.

Greenhouse Gas Emissions

2003

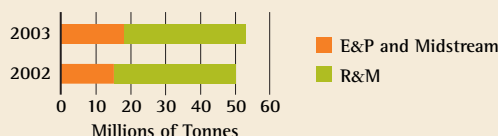


Carbon dioxide from operations, the major component of total company GHG emissions, includes emissions from process operations such as exhaust from combustion sources and vented CO₂. The scope of CO₂ reporting excludes emissions associated with products sold and company-operated transports except for marine vessels. (See page 39 for more information on the company's GHG emissions calculations methodology.) Refining operations are energy intensive and account for the majority of the company's direct CO₂ emissions.

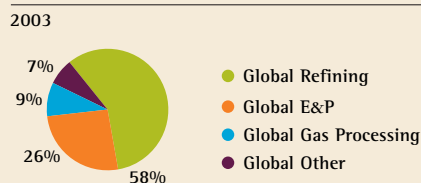
Methane emissions are a minor fraction of the total GHG emissions from operations. These emissions result from vents on tanks, separators or other vessels, leaks from valves and flanges, or natural gas vented during maintenance or emergency procedures. Methane also is found in exhaust gases as a result of incomplete fuel combustion. The majority of the company's methane emissions are from its E&P operations.

The company's total 2003 CO₂ equivalent GHG emissions were approximately 53 million tonnes. Previously reported 2002 GHG emissions have been restated to approximately 50 million tonnes, in order to include emissions from purchased steam and to reflect improvements in data quality and completeness. In 2003, GHG emissions increased by about 2.8 million tonnes from the restated 2002 estimate due to business growth (2.5 million tonnes) and operating fluctuations (0.3 million tonnes).

GHG (CO₂ Equivalent)



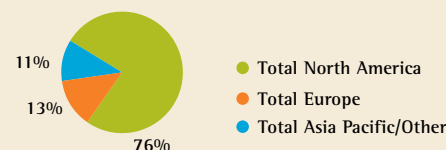
GHG (CO₂ Equivalent) by Business Sector



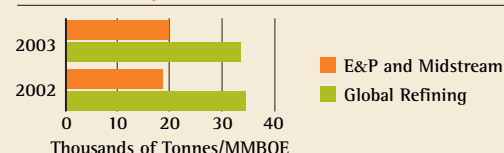
Greenhouse gas emissions from the refining sector were approximately 58 percent of total company GHG emissions, or 31 million tonnes in 2003. Refining GHG emissions normalized per unit of throughput are about 33,000 tonnes CO₂ equivalent per million barrels of hydrocarbon refined. E&P 2003 GHG emissions, including exploration, production and gas processing operations, account for about 35 percent of total company emissions. Normalized E&P GHG emissions are about 20,000 tonnes per million barrels of oil equivalent.

GHG (CO₂ Equivalent) Geographic Distribution

2003



GHG Tonnes per unit of Production



*See page 23 for more information on HSE data assumptions and page 39 for more information on emissions calculations.

the European Union's emissions trading program. The company's commercial organization is preparing to trade CO₂ allowances in order to optimize ConocoPhillips' net emissions position for businesses in Europe. The trading group will focus on minimizing the cost of procuring any additional allowances required to meet compliance and maximizing the value of any excess allowances.

In 2003, the company and its partners submitted the gas flare elimination project for the company's Rang Dong field in Vietnam for approval as a Clean Development Mechanism (CDM) project under the Kyoto Protocol. The project's GHG accounting methodology became the ninth methodology (and the first for the industry) approved by the CDM executive board. The project itself is in the CDM validation/registration process. A final decision from the CDM executive board is expected during 2005.

Flaring

Flaring occurs when produced gas is burned off as a safety precaution or when there is no infrastructure for capturing, transporting and beneficially utilizing the gas. Flaring is both an environmental issue and an economic issue as flared gas is lost product. The company has begun collecting flaring data and will be refining its systems so that it can report flaring data in future reports.

Energy Efficiency

Using energy efficiently is both an environmental benefit through reduced air emissions as well as an economic benefit for the company



Company pipelines employ ConocoPhillips Specialty Products drag reducer technology, resulting in the ability to move more barrels of product with less energy. In addition, the drag reducer allows the pipelines to be operated at a lower pressure, reducing energy costs.

by lowering the cost of production. As part of the API's Climate Action Challenge, ConocoPhillips has committed to improving the energy efficiency of its U.S. refining operations by 10 percent by the year 2012, as measured by the Solomon Energy Efficiency Index. The company has begun collecting and validating company energy use data to include energy metrics in future reports.

Waste

ConocoPhillips launched a Stamp Out Waste campaign in 2003, which, due to its success, was repeated in 2004. Of the nearly 200 submissions, from individuals and teams of

employees worldwide, 13 ideas or projects were selected in 2003 and 11 in 2004 for special recognition.

Evaluation criteria used to judge submissions emphasized the fit of an idea within the pollution prevention hierarchy of "Reduce,

Waste Reduction Efforts in China Applauded



The People's Republic of China's State Oceanic Administration has recognized ConocoPhillips' China business unit for outstanding contributions and commitments to China's environmental protection efforts. The Administration awarded then Loss Prevention Vice President Mark Boben (pictured above) with the distinguished "Marine Environmental Protection Model Award." The award recognized several firsts for offshore oil operators in China: reinjecting drill cuttings versus disposing overboard, obtaining ISO 14001 certification, and committing to reduce produced water discharges to 5 percent through reinjection practices for future developments.



An employee on the floating production, storage and offloading facility in Bohai Bay, China.

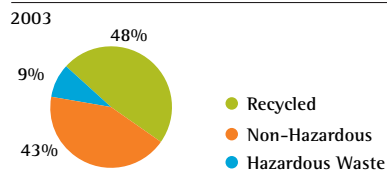
Reuse/Recycle, Safely Dispose,” with education as an additional core value. In 2004, additional emphasis was placed on waste minimization projects that had been implemented in the workplace. Projects included ways to reduce hazardous waste at refineries, evaluate total life cycle costs in materials purchases, achieve cleaner power by replacing lead acid batteries with fly wheels which run on kinetic energy, recycle abandoned pipelines, enhance oil recovery from wastewater, reduce paper usage, improve spill containment methods, and reduce the tire waste from truck fleets.

The Stamp Out Waste program team has made all ideas submitted available to business units and staffs throughout ConocoPhillips.

Waste Metrics

Waste metrics collected and reported include hazardous waste, non-hazardous waste and recycled residual materials. Hazardous waste includes all waste that is regulated as hazardous, toxic, priority, special or any other similar term as defined by an appropriate regulatory agency or authority. Non-hazardous waste includes industrial wastes resulting from company operations that are not designated or listed as hazardous by a regulatory agency.

Waste Profile



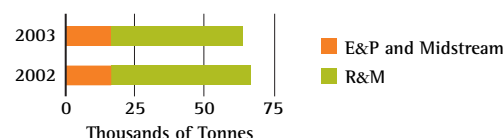
Recycled materials are residual materials from an industrial or commercial process that are not sold as product or disposed of as waste, but are reused, reclaimed or recovered for beneficial use.

Of the total 753,000 tonnes of residual materials managed by ConocoPhillips businesses in 2003, nearly half were recycled or reused, about 9 percent were hazardous waste, and the balance were non-hazardous waste.

Operating segments typically generate different hazardous and non-hazardous waste streams.

R&M, primarily due to the large refining sector, generates about three-fourths of the total company hazardous waste. In R&M, major shutdowns and periodic maintenance activities can result in spikes in total waste generated from year to year. In E&P, drilling wastes and other one-time wastes can cause periodic fluctuations in waste quantity.

Hazardous Wastes



Multiple Perspectives Identify Decommissioning Solutions in the North Sea

Stakeholder input has proven valuable as ConocoPhillips' North Sea business unit assesses options for the ongoing process of decommissioning oil production equipment in the North Sea. A cessation plan for 15 platforms, 235 kilometers of infield buried pipelines and an estimated 31,000 tonnes of historic drill cuttings was submitted – and approved – by the Norwegian authorities. While some of the equipment will remain in operation for years, the company is planning future disposal of infrastructure such as steel jackets and topside structures from the Ekofisk I production facility. Scientific research, along with other important factors such as stakeholder consultation, is part of the decision-making process.

To facilitate dialogue, ConocoPhillips has developed artistic views, illustrations and easily understandable presentations, along with newsletters and a Web site. 

 According to Arnt-Goeran Hartvig, with the Oslo-based Environmental Foundation Bellona, “Since 1999 we have acted as a sparring partner and sounding board on the environmental questions and issues connected to the Ekofisk I



Decommissioning of the Ekofisk tank and protective wall were discussed with stakeholders.

cessation project. Bellona found it most interesting to be part of the stakeholder dialogue and to have been given the opportunity to present our professional views and suggestions.”

The quantity of hazardous waste managed by ConocoPhillips' businesses in 2003 was about 64,000 tonnes. This was 3,000 tonnes less than managed in 2002, primarily due to fewer refinery maintenance activities in 2003.

Risk Management & Remediation

ConocoPhillips is remediating or restoring more than 4,000 properties with surface or subsurface contamination. The company's responsibility for remediation can arise from various situations, including properties currently owned by ConocoPhillips, now owned by another party but previously owned by ConocoPhillips or one of its predecessor companies, jointly owned with one or more third parties, and those currently owned by others where ConocoPhillips has assumed individual or joint responsibility for cleanup.

Where ConocoPhillips performs remedial activities, it minimizes risk to the health and safety of employees and the affected communities by employing appropriate technologies and operating practices at project sites, and being prepared for emergencies. By disposing of waste in an environmentally responsible manner, the company minimizes the impact of remediation activities.

Water

Fresh water is a limited resource that is becoming increasingly scarce in many parts of the world. The United Nations has defined water as one of its highest priorities for action in the next decade. As with any natural resource, ConocoPhillips has an obligation to conserve

and use water wisely. Oil and gas industry water issues include:

- Water produced with oil and gas (volumes, treatment, handling, discharges)
- Fresh water use versus reclaimed or salt water use
- Protection of surface water and groundwater from contamination by spills or leaks
- Facility process water treatment
- Water use for steam production and cooling

ConocoPhillips is studying various approaches for managing issues related to water. These include

addressing the need for a corporate strategy on water management, investigating how the company can use its technical capabilities for improved water management, seeking opportunities to support local water resource projects, and determining goals for efficient water use.

Biodiversity and Environmentally Sensitive Areas

Biodiversity is the life support system of the planet, and its loss impacts all people. All aspects of society, including business, have a responsibility to conserve biodiversity,

Canada Seeks Water Options

ConocoPhillips Canada business unit has drilled a well at the Westrose field in central Alberta to determine the viability of using salt water instead of fresh water in waterflood operations, where water is injected into oil-filled geologic formations to enhance oil production at adjacent wells.

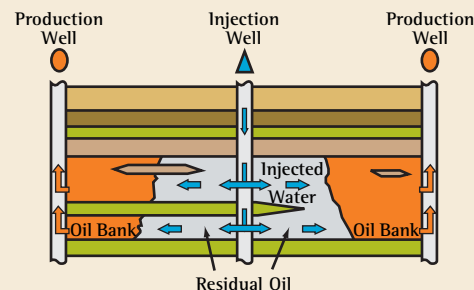
Though not mandatory, companies in the oil and gas industry have been asked to find ways to preserve Canada's fresh water supply by reducing or eliminating the amount used in their operations.

"This quest for an alternative to fresh water involved people across the organization," said Neil Spenceley, a former Westrose field engineer who has since transferred to Alaska. "The jury is still out on whether salt water will be an economical alternative in every situation, but we are moving in the right direction. Searching for salt water is more expensive, and there are greater risks, but it is the sustainable, responsible decision."

The Westrose team also worked with the community to find fresh water alternatives, meeting and listening to the concerns of residents in the Rimbey District, which covers the Westrose field. As a result, the company made the commitment not to use fresh water for waterflood projects in the Rimbey District.

Waterflood

Cross Sectional View



This drawing shows how the waterflood technique can enhance oil production.

The company's efforts were noticed by Judy Winter, secretary for the Butte Action Committee for the Environment, a province-wide community group that seeks to preserve fresh water for future generations. "The people from ConocoPhillips worked with the residents rather than against them. They kept the communication channels open and listened to concerns."



The Orinoco Delta in the Gulf of Paria.

to encourage sustainable use of biological resources, and to promote equitable sharing of biodiversity benefits. ConocoPhillips' HSE policy currently guides the company in protecting the natural environment and biodiversity wherever it operates.

The company is studying the biodiversity issue and plans to develop a strategy for providing a consistent way to protect and conserve biodiversity. One example of ConocoPhillips' efforts can be found in the partnerships with diverse organizations the company is forming to

protect the biodiversity of eastern Venezuela's Gulf of Paria. ¹ In developing pre-production environmental baseline studies, the company included the input of representatives from Audubon Venezuela, the Smithsonian Institution, Fundación la Salle, Conservation International, Ecology & Environment, and Venezuelan academic institutions.

ConocoPhillips' Venezuela business unit works with the United Nations Development Program and the Venezuelan Ministry of Environment and Natural Resources, participating in a global environmental facility program for the conservation and sustainable use of the biological diversity of the biosphere reserve of the Orinoco Delta. In addition, the company has funded and is participating with Fundación Tierra Viva and other Venezuelan organizations on the development of illustrations, compact discs and tapes to broadcast bilingual (Spanish and Warao – the indigenous language) radio messages about the environment, culture and health in the Orinoco River Delta.

ConocoPhillips has signed a Memorandum of Agreement with Conservation International to develop a biodiversity action plan. The first product of that partnership was the development of the bulletin titled "Rapid Assessment of the Biodiversity and Social Aspects of the Aquatic Ecosystems of the Orinoco Delta and the Gulf of Paria, Venezuela." In 2004, ConocoPhillips and its co-venturers Eni Venezuela, Overseas Private Investment

Corporation and Petróleos de Venezuela-Corporación Venezolana del Petróleo (PDVSA-CVP) hosted a symposium to share the information from environmental and biodiversity studies conducted in the Gulf of Paria and the Orinoco Delta in eastern Venezuela. The event drew representatives from the Venezuelan scientific community, federal and state governments, the oil industry, nongovernmental organizations, and the local fishermen and indigenous communities.

Some of the new discoveries presented included:

- The number of bird species registered in the Pedernales region has increased approximately 40 percent;
- 108 plant communities have been defined, including some new to the delta; and
- The mangrove thickets can reach a height of 40 meters (131 feet).

In addition to presenting biodiversity assessments of the area's aquatic ecosystems, the symposium also addressed topics such as trawl fishing and the associated issues, the socioeconomic realities of the region, and the threats and opportunities related to conservation and sustainable utilization of the region's biodiversity.



Economic Contribution

Contributing to the Global Economy

Economic Expenditures

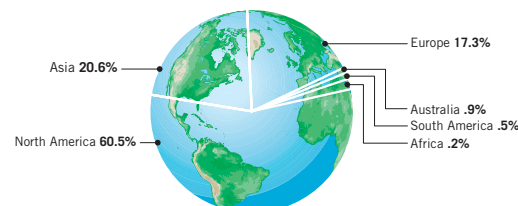
ConocoPhillips contributes to the global economy in a variety of means, as outlined in the list below of 2004 economic expenditures. These figures illustrate the company's economic interaction with several of its key stakeholder groups – governments, shareholders, employees, suppliers, and lenders.

- Taxes – total taxes charged to income from continuing operations were \$23.7 billion.
- Dividends – cash dividends paid on common stock equaled \$1.2 billion.

- Capital expenditures – capital expenditures and investments totaled \$9.5 billion.
- Expenses:
 - production and operating expenses were \$7.4 billion;
 - selling, general and administrative expenses were \$2.1 billion; and
 - exploration expenses were \$703 million.
- Interest expense – interest and debt expense was \$546 million.

Global Procurement

In choosing its procurement relationships, ConocoPhillips seeks suppliers that can uphold its core values and provide the quality and



This graphic reflects ConocoPhillips' geographical employee representation by continent as of Dec. 31, 2004.

service needed for the best cost. The company procurement comes from vendors around the globe. ConocoPhillips has developed supply base diversity initiatives and processes that will facilitate the inclusion of locally owned, minority-owned and women-owned businesses in its supply base. The execution of ConocoPhillips' U.S. supply base diversity plan began in 2004 and includes education and training, outreach, tracking and reporting of program results.

Meeting Demand

ConocoPhillips' commercial organization helps realize the maximum value for crude oil and natural gas production, while minimizing the cost of crude oil, feedstocks and fuel for the company's refineries. It efficiently manages disposition of the refined products, natural gas liquids and power produced at company facilities. At times, the commercial organization mitigates the effects of supply disruptions, such as the one that resulted from a labor strike in Venezuela in late 2002 and early 2003.

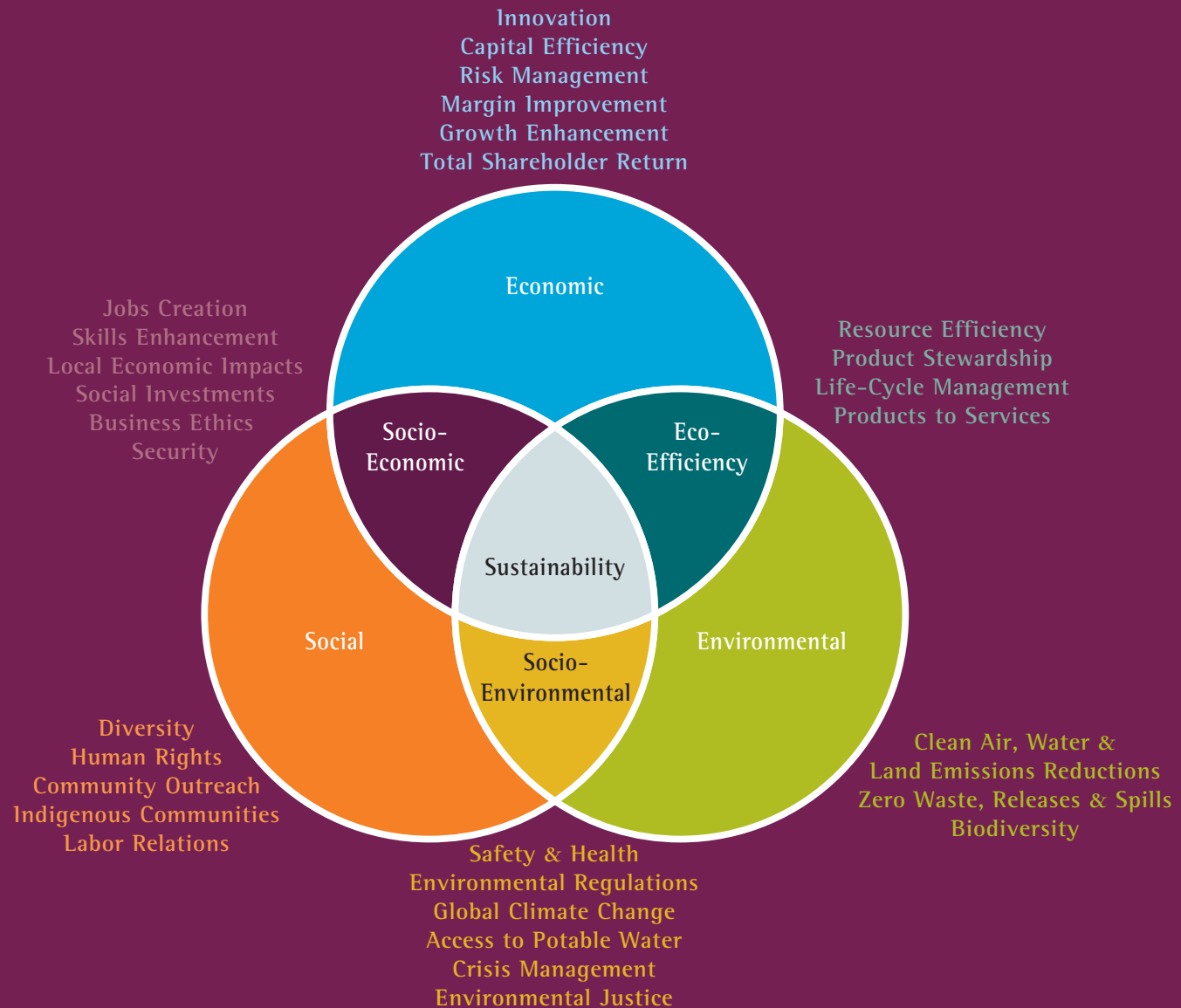
Each year, commercial moves more than 2.5 billion barrels of crude oil and refined products and 3.5 trillion cubic feet of natural gas. In North America, ConocoPhillips' natural gas production portfolio and third-party gas marketing business have positioned the company to support future exploration and production projects, such as arctic gas and liquefied natural gas imports.



Commodity trading floors are located in Houston, Calgary, London and Singapore, providing around-the-clock commodity management for ConocoPhillips.



In Vietnam, ConocoPhillips and the Vietnamese government share a vision of growth in the Asia Pacific region. One factor contributing to recent success in the country is the Su Tu Den field.





We welcome your questions, comments and suggestions.

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World Business Council for
Sustainable Development

ConocoPhillips is a member of
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Sustainable Development.



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Appendix

For More Information

On the ConocoPhillips Web Site

Please visit the company's Sustainable Development Web site, which will be updated regularly and will be the primary source for information about the company's sustainable development activities and performance:
<http://sd.conocophillips.com>

Additional areas of the Web site with information on sustainability-related topics or with information on the company include:

Sustainable Development

<http://sd.conocophillips.com>

- Sustainable Development Position Statement
- Climate Change Position Statement
- Renewable Energy Position Statement

Health, Safety and Environment

<http://www.conocophillips.com/hse/index.htm>

- HSE Policy

Corporate Governance

<http://www.conocophillips.com/about/Corporate+Governance/index.htm>

- Corporate Governance Guidelines
- Code of Business Ethics & Conduct Policy and Booklet

Community Partnerships

<http://www.conocophillips.com/community/index.htm>

Other resources

http://www.conocophillips.com/newsroom/other_resources/index.htm

- Fact Sheets
- Energy Answers
- Energy Glossary

Company Reports

<http://www.conocophillips.com/about/Company+Reports/index.htm>

- Annual Report
- SEC Filings (page down)
- Fact Book



Regional Sustainable Development Reports

Alaska Charter & Sustainable Development Report

<http://www.conocophillipsalaska.com/charter/cpa charter.pdf>

Locality Management Strategy for Venezuela

<http://www.conocophillipsparia.com/files/english-for-viewing.pdf>

Canadian Business Unit Dialogue on Sustainable Development

<http://www.conocophillips.ca/index.htm>



Environmental Data Quality and Assurance

Guidelines, calculation tools and training are provided to ConocoPhillips' business units for calculating and reporting environmental incidents, releases and emissions. The businesses are accountable for reported data completeness and accuracy and for consistency with accepted reporting practices. A business level data submission, review and approval process is implemented to provide accountability for the results and to ensure the best possible data quality.

The corporate health, safety and environment (HSE) function verifies and validates the reported data. In addition, an internal review of the 2003 metrics and the data collection process has been performed by the company's corporate HSE auditors.

Emissions Calculations

The approaches used by the company's businesses in reporting emissions data for greenhouse gases and other compounds are based on the following principles:

- Undertake continuous emission monitoring, and with measured exhaust gas flow, compute instantaneous mass emission rate and integrate over the reporting period.
- Undertake periodic monitoring of exhaust gas flow and composition and estimate mass emission over the reporting period using plant operating records.
- Estimate emissions using a mass balance and process flow knowledge.
- Estimate emissions using emission factors provided by the manufacturer's specifications, local regulatory authority, AP-42, API Compendium or other industry standard.

Cautionary Statement for the Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995

ConocoPhillips is including the following cautionary statement to take advantage of the “safe harbor” provisions of the PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 for any forward-looking statements made by, or on behalf of, the company. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the company.

Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, the company cautions that, while it believes such assumptions or bases to be reasonable and makes them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. Where, in any forward-looking statement, the company expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance

that the statement of expectation or belief will result, or be achieved or accomplished. Taking into account the foregoing, the following are identified as important risk factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the company:

- Plans to drill wells and develop offshore or onshore exploration and production properties are subject to: the company's ability to obtain agreements from co-venturers or partners, and governments; engaging drilling, construction and other contractors; obtaining economical and timely financing; geological, land, or sea conditions; world prices for oil, natural gas and natural gas liquids; and foreign and United States laws, including tax laws.
- Plans for the construction, modernization or debottlenecking of domestic and foreign refineries and chemical plants, and the timing of production from such plants are subject to, in certain instances, approval from the companies and/or subsidiaries; boards of directors; the issuance by foreign, federal, state, and municipal governments, or agencies thereof, of building, environmental and other permits; the availability of specialized contractors and work force; worldwide prices and demand for the products; availability of raw materials and transportation in the form of pipelines, railcars or trucks; and, in certain instances, loan or project financing.
- The ability to meet liquidity requirements, including the funding of the company's capital program from operations, is subject to changes in the commodity prices of the company's basic products of oil, natural gas and natural gas liquids, over which ConocoPhillips has no control, and to a lesser extent the commodity prices for its chemical and other products; its ability to operate its refineries and chemical plants consistently; and the effect of foreign and domestic legislation of federal, state and municipal governments that have jurisdiction in regard to taxes, the environment and human resources.
- Estimates of proved reserves, raw natural gas supplies, project cost estimates and planned spending for maintenance and environmental remediation were developed by company personnel using the latest available information and data, and recognized techniques of estimating, including those prescribed by the U.S. Securities and Exchange Commission, generally accepted accounting principles and other applicable requirements.