



Canadian Natural

DELIVERING THE FUTURE THROUGH RESPONSIBLE OPERATIONS



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who we are

Canadian Natural Resources Limited (Canadian Natural) is a senior independent oil and natural gas exploration, development and production company based in Calgary, Alberta, Canada. Our operations are focused in Western Canada, the North Sea and Offshore West Africa. We have over 4,000 employees worldwide. We have a strong, diversified asset base with a balanced production of natural gas and heavy, light and synthetic crude oil.

our vision

Health and Safety ■ Infrastructure Integrity ■ Environment ■ Community

- We conduct all of our operations in a way that identifies, minimizes and mitigates harm to the health and safety of employees, contractors, the public and the environment.
- We work co-operatively and effectively with communities, government agencies and interested stakeholders to reduce potential impacts of our operations and to maximize opportunities for economic participation locally and regionally.
- We are committed to a long-term presence in the communities where we operate. Our business activities and community investments contribute to the economies and quality of life where we do business.
- We work together with community and industry groups to ensure a better, sustainable energy industry.
- We integrate health and safety, environmental management, integrity and community planning into all aspects of our operations.

our mission statement

To develop people to work together to create value for the Company's shareholders by doing it right with fun and integrity.



Annual pipeline safety audit, near Bonnyville, AB.

message to our stakeholders

At Canadian Natural, we are committed to our mission of “doing it right” by enhancing our health and safety, infrastructure integrity, environmental and community programs to meet stakeholder expectations for corporate citizenship.

The health and safety of our employees, contractors and the communities close to our operations is of the utmost importance. We continue to enhance safety awareness across all our operations by maintaining a focus on safety programs and processes. In 2008, our health and safety performance benchmarks surpassed internal targets and continue to improve. Unfortunately, we suffered a tragic fatality in our contractor workforce in 2008. This incident is of great concern to all Canadian Natural employees and we are making progress to continue increased diligence in protecting employee and contractor health and safety.

Canadian Natural’s long-term focus is making a positive impact on the communities close to our operations. In keeping with our mission statement, we focus on “developing people” to help create and maintain sustainable communities. These are often the same communities where our employees live and work.

On pages 4 – 6, you will read about how we are “working together” with communities and stakeholders. Canadian Natural participates in the Northeast British Columbia Aboriginal Stay in School program which has been incredibly successful for the Chalo School in Fort Nelson, British Columbia. You will also meet *Corie Flett*, a brilliant young student from Alberta who is studying Aboriginal Law. Corie is a recent recipient of the Canadian Natural Building Futures Scholarship, a program which she says is helping her realize her dream of giving back to her community.

Canadian Natural continues to “create value” for the areas where we operate. On page 8, we take an in-depth look at how our activities are creating value in Alberta. You will also meet the Mayor of Fort St. John, British Columbia who talks about the importance of working together and the value that Canadian Natural brings to his hometown.

“Doing it right” is an essential part of our company’s culture. This includes maintaining our focus on the importance of environmental stewardship. We are committed to ensuring that planning, training and due diligence are key elements in our environmental management programs for air, land and water. One way we are reducing our landscape footprint is through land reclamation. In 2008, we reclaimed over 600 hectares of land including 80 hectares at Horizon Oil Sands (Horizon). We also constructed the first fisheries habitat compensation lake in the oil sands region. The lake is named Wāpan Sakāhikan and you can read more about it on page 11.

We understand that industry has to continue to raise the bar when it comes to environmental performance. This Report provides several examples of how we are using new processes and technologies to improve in areas such as water recycling and carbon capture and storage. We have been working with government to ensure that the importance of environmental stewardship is balanced with the importance of oil sands development to our country.

Infrastructure integrity is another area where we set and meet high standards. In 2008, during a period of high inflation and labour shortages, we substantially completed the construction of Horizon. Despite the many challenges, our commitment to working “with integrity” set the stage for first oil production in early 2009. Our success at Horizon can be attributed to the thousands of people who worked very hard over the past five years to make it happen. On page 13, *Mike Tosio*, Quality Assurance Manager at Horizon, talks about what it took to get this project off the ground.

We believe that the strength of Canadian Natural lies in the people we employ and the standards we set for ourselves to improve and strengthen how we do business in Canada, the North Sea and Offshore West Africa. This report outlines the challenges we faced in 2008, our achievements and how we will continue to “create value for our shareholders, by doing it right with fun and integrity”.



Allan P. Markin
CHAIRMAN
OF THE BOARD



Steve W. Laut
PRESIDENT &
CHIEF OPERATING OFFICER

a quick look at our achievements in 2008

HEALTH AND SAFETY

- Substantially completed construction of Phase 1 at Horizon Oil Sands (Horizon) and transitioned into commissioning and start-up of operations.
- Improved injury statistics from previous years and significantly reduced lost time injuries.
- Increased awareness of safety issues through the process of reporting under the Near Miss/Hazard ID/Safety Opportunity Program implemented in 2007.
- Improved results in driving performance through new initiatives including GPS installation and driver training.
- Following a third party audit, Canadian Natural's Certificate of Recognition (COR) was approved for another three years. The COR is a widely recognized standard of good practice for company safety programs and is issued by Enform, the petroleum safety association for Alberta, British Columbia and Saskatchewan. Enform develops and promotes safety products and practices that help the industry improve its safety record and manage the safety certification of companies, employees and contractors.
- Continued to implement Canadian Natural's Health and Wellness program at the Calgary office, North American field offices and in the United Kingdom.



Safety is a constant priority

ENVIRONMENT

- 8.2 million tonnes of carbon dioxide equivalent (CO₂e) emissions were avoided through gas conservation projects from 2004 – 2008.
- Completed and filled Wāpan Sakāhikan, the Horizon fish habitat compensation lake.
- Reclaimed over 600 hectares of land including 80 hectares at Horizon.
- Certified all Canadian Natural's North Sea assets to the international standard for environmental management systems, ISO 14001:2004.



Wāpan Sakāhikan compensation lake



Sampling on the Athabasca in Spring

INFRASTRUCTURE INTEGRITY

- Continued to focus on proactive logging and online monitoring of key pipelines including those transporting corrosive fluids or crossing environmentally sensitive areas.
- Decreased the need for repairs on pressure equipment outside of planned shutdowns.
- Inspected and certified all pressure equipment at Horizon through the Alberta Boilers Safety Association.
- Established the Asset Integrity Program at Horizon to support the process of optimizing the shutdown intervals.
- Completed all planned integrity work at Canadian Natural Resources International (CNRI) with no significant structural failures or hydrocarbon leaks.
- Developed a detailed pipeline contingency plan enabling CNRI to respond effectively to pipeline incidents.



Steam Assisted Gravity Drainage (SAGD) wellpad in Wolf Lake

COMMUNITY

- Awarded 76 students from Alberta, British Columbia and Saskatchewan with approximately \$100,000 in Canadian Natural Building Futures scholarships.
- Donated over \$4 million to charities and community initiatives in North America, the United Kingdom and West Africa.
- Continued our strong financial and leadership support for Aboriginal education and training through Inside Education, apprenticeship programs and the Northeast British Columbia Aboriginal Stay in School Program.
- Provided leadership and support to a successful community intervention project in Northeast British Columbia that provides treatment and support for chemically addicted adolescents and their families.



Canadian Natural staff in Fort St. John



Calvin Jarrett, Canadian Natural and Janice Isberg, Fort St. John Hospital Foundation, with the newly arrived CT Scanner

developing people

Canadian Natural is proud to support initiatives that help develop the quality of life and economic health of the communities where we operate. Our community investment projects benefit people living in Western Canada, the United Kingdom and West Africa by providing financial and volunteer support for the projects that meet their vision for the future. In 2008, Canadian Natural's sponsorship and donation dollars added up to over \$4 million.

Our community investment programs focus on supporting the priorities identified by our many stakeholders. They encompass three main areas:

- Education and training;
- Community donations and sponsorships; and
- Field-Corporate Matching Donations program.

BUILDING FUTURES THROUGH EDUCATION AND TRAINING

We strongly believe that education and training are fundamental to developing people. Through the Canadian Natural Building Futures Scholarship program, we support students who are pursuing education and training related to oil and natural gas. In 2008, we awarded approximately \$100,000 in scholarships to 76 students living in all regions of Alberta, British Columbia and Saskatchewan, including many Aboriginal students living near our operations.



Daycare and community centre, Cold Lake, AB

case study

BUILDING FUTURES SCHOLARSHIP PROGRAM

Corie Flett is a busy 23 year old. With the help of her trusty Blackberry she manages to juggle law school at the University of Alberta, volunteer shifts at Student Legal Services of Edmonton and a part-time job. The crazy schedule can sometimes take a toll, but Corie Flett is up for the challenge.

Originally from Fort Smith, Corie was a successful recipient of the Canadian Natural Building Futures scholarship program in 2008.

She says, "This scholarship has really given me some peace of mind when it comes to my finances. I don't need to be so stressed out and I can put more time and effort into my studies without having to worry so much about how I am going to make ends meet."

When Corie graduates she hopes to specialize in Aboriginal Law and continue giving back to her community as a volunteer and role model.



Corie Flett, scholarship recipient

NORTHEAST BRITISH COLUMBIA ABORIGINAL STAY IN SCHOOL PROGRAM

2008 marked our fifth year of participation in the Northeast British Columbia Aboriginal Stay in School program. This program encourages Aboriginal youth to complete 13 years of school (K-12) by providing certificates and awards to students in such categories as academic achievement, attendance, athletics and cultural heritage.

One of the schools involved in this program is Chalo School which is owned and operated by the Fort Nelson First Nation. Chalo School has recently been recognized in the House of Commons as a role model for Aboriginal schools in Canada.



THANK YOU FROM CHALO SCHOOL: *A success story*

"...The support Chalo receives from Canadian Natural has allowed us to be creative and consistent in rewarding and recognizing our students for their hard work and attendance at school. We've been able to purchase books and award them to every student in the school that achieves 90% attendance throughout the school year.

Support from Canadian Natural also allows us to take our entire school up to Summit Lake for a year-end celebration and BBQ to reward the students for their hard work. Our partnership with Canadian Natural helps our students to stay encouraged and stay in school.

Thanks Canadian Natural!!"

Cory Carmichael – Principal, Chalo School

case study



Collection of the golf bags, clubs and balls before shipment

SUPPORTING CHILDREN'S GOLF IN CÔTE D'IVOIRE

For the past six years in Côte d'Ivoire, West Africa, Canadian Natural Resources International has sponsored a junior golf championship which helps many underprivileged children who have an interest in the sport. Emmanuel Koffi is Canadian Natural's General Manager in Côte d'Ivoire and says, "The kids here are playing in such poor conditions and they are sharing clubs between three or four children. We decided this year, it would be great if we could go one step further and provide some equipment".

"We sent a call for support out to our Aberdeen headquarters and the response from the employees, their families and friends was overwhelming. We eventually received around 2,500 clubs, over 100 golf bags and thousands of golf balls. These donations will not only make a huge difference to those currently playing, but will also bring this great sport to many children for the first time."

working together

In 2008, we continued to develop and sustain strong working relationships with our stakeholders. We aim to understand their interests so we can consider and incorporate their input in our operations. We strive to integrate economic, environmental and social considerations in the decision-making process in all of our business activities.

We work closely with more than 55 Aboriginal communities near our operations. These partnerships strengthen mutual understanding and cooperation and enhance the opportunities for economic participation in our oil and natural gas developments.

In November, we issued the first edition of "Working Together", a newsletter highlighting our support for community initiatives in the areas where we work. To view the latest edition of "Working Together" please visit the Community Investment section of our website.

COMMUNITY INTERVENTION

Supporting communities and families has always been a priority for Canadian Natural. In 2006, Canadian Natural Chairman *Allan Markin* teamed up with the Alberta Adolescent Recovery Centre (AARC), a Calgary-based, non-profit organization that provides treatment and support for chemically addicted adolescents and their families.

Their partnership has resulted in the establishment of a Community Intervention pilot program in Fort St. John, British Columbia. This community-led program promotes awareness of the dangers of drug and alcohol use. It also provides individuals and community support groups with the tools to help families deal with these issues.

One of the communities taking part in the Community Intervention program is Blueberry River First Nation. *Chief Norman Yahey* says, "Our community's health is of tremendous importance to all of us and we would like to thank Canadian Natural for providing our community with an avenue to promote a healthier lifestyle without drugs or alcohol. To this end, we appreciate all their financial and moral support that is necessary when dealing with addictions and thank them for supporting those who have the courage to enroll in the AARC program."

Canadian Natural is currently looking to expand the Community Intervention program and bring it to other communities in Western Canada.



Mobile Trades Lab in Northern Lights School Division, sponsored by Canadian Natural

JOINING FORCES ACROSS THE INDUSTRY

Canadian Natural works with other oil and natural gas companies to bring information about the industry to adults and children living in the communities where we operate. We sponsor the following educational programs:

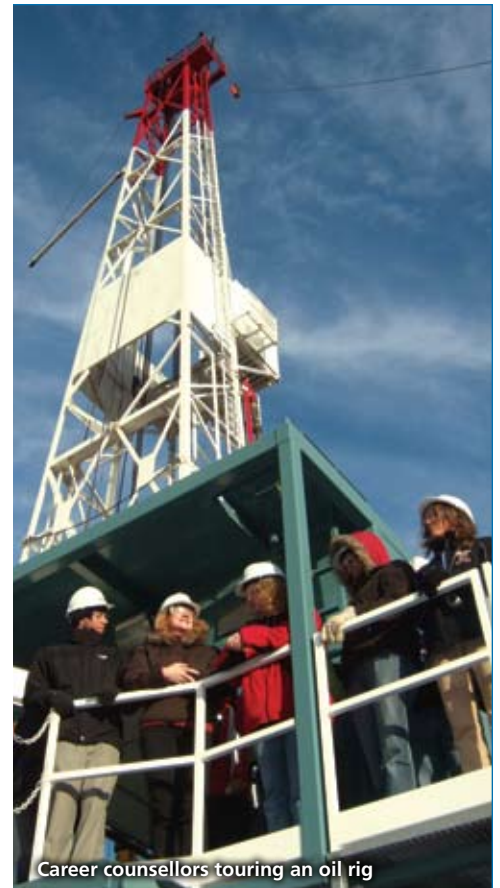
- **Inside Education** is a non-profit organization committed to providing bias-balanced educational resources and programs to help young people understand the relationship between environmental sustainability and economic development.
- **Discover Energy** provides a forum where community members can grab a coffee and ask questions of various experts and industry employees from different companies operating in their area. These events give local residents the opportunity to gain a better understanding of the oil and natural gas sector and see first-hand how the industry works.

WORKING WITH THE CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS (CAPP)

In 2008, Canadian Natural joined with CAPP and other oil sands developers to launch a communication initiative to encourage an open, public dialogue about oil sands issues.

Understanding the concerns we all have about the environment, energy development and the economy, Canadian Natural wanted to reach out and encourage a balanced conversation involving citizens, community leaders and the many stakeholders across North America. We understand that industry has to continue to raise the bar when it comes to environmental performance and we are working with government to ensure this is balanced with ensuring that oil sands development continues to be sustainable.

Since this initiative began, the 'dialogue' starting with CAPP has continued through all forms of media including an interactive web forum at www.canadasoilsands.ca



Career counsellors touring an oil rig



Planting trees in Alberta with Energy in Action



Energy in Action events are taking place in communities throughout western Canada

creating value

Canadian Natural is committed to creating value for our shareholders and for the communities where we operate in Western Canada, Offshore West Africa and the United Kingdom.

In addition to the direct employment and spending that helps sustain these communities, our operations create considerable indirect effects across Canada and the world. Development of Horizon Oil Sands exemplifies this effect. While this project was under development, Canadian Natural contracted for over \$420 million in materials and services from firms in Atlantic Canada and over \$450 million from firms in Quebec. These major expenditures across Canada demonstrate how all regions of Canada participate and benefit from energy development. Canadians from all regions also participated directly in the development of this major project. For example, in 2008/09, over 1300 skilled workers from Quebec worked on site in the construction of Horizon. Figure 1 demonstrates how we create value in Alberta through employment (direct, indirect and induced). You will also see how we are creating value and enhancing the quality of life for many municipalities through the payment of annual royalties on oil and natural gas and payment of local taxes on our equipment and facilities.

CREATING VALUE IN ALBERTA

...through employment

Being a low cost producer affords us the opportunity to provide stable, direct employment for over 4,000 people throughout our operations. We rely extensively on contractors so much of our capital spending goes to construction, drilling and oil and gas service firms. When you look at it all together, the total employment creation linked to our activities in 2008 is estimated at **50,610 person-years** throughout the province of Alberta alone.

Figure 1 shows how the employment associated with our activities is broadly distributed throughout the province. Horizon and Wolf Lake/Primrose oil sands operations are located in the Wood Buffalo/Cold Lake region. In the Calgary and Edmonton areas, there are many business services that support our work in oil and natural gas. These are also the areas where many of our plant site construction workers live.

...through royalties

In 2008, Canadian Natural paid over \$1.2 billion in oil, oil sands and natural gas royalties, to the Alberta government. This is approximately 11% of the estimated total 2008/09 oil and gas royalties of the province.

case study



Bruce Lantz, Mayor of Fort St. John

CREATING VALUE IN FORT ST. JOHN

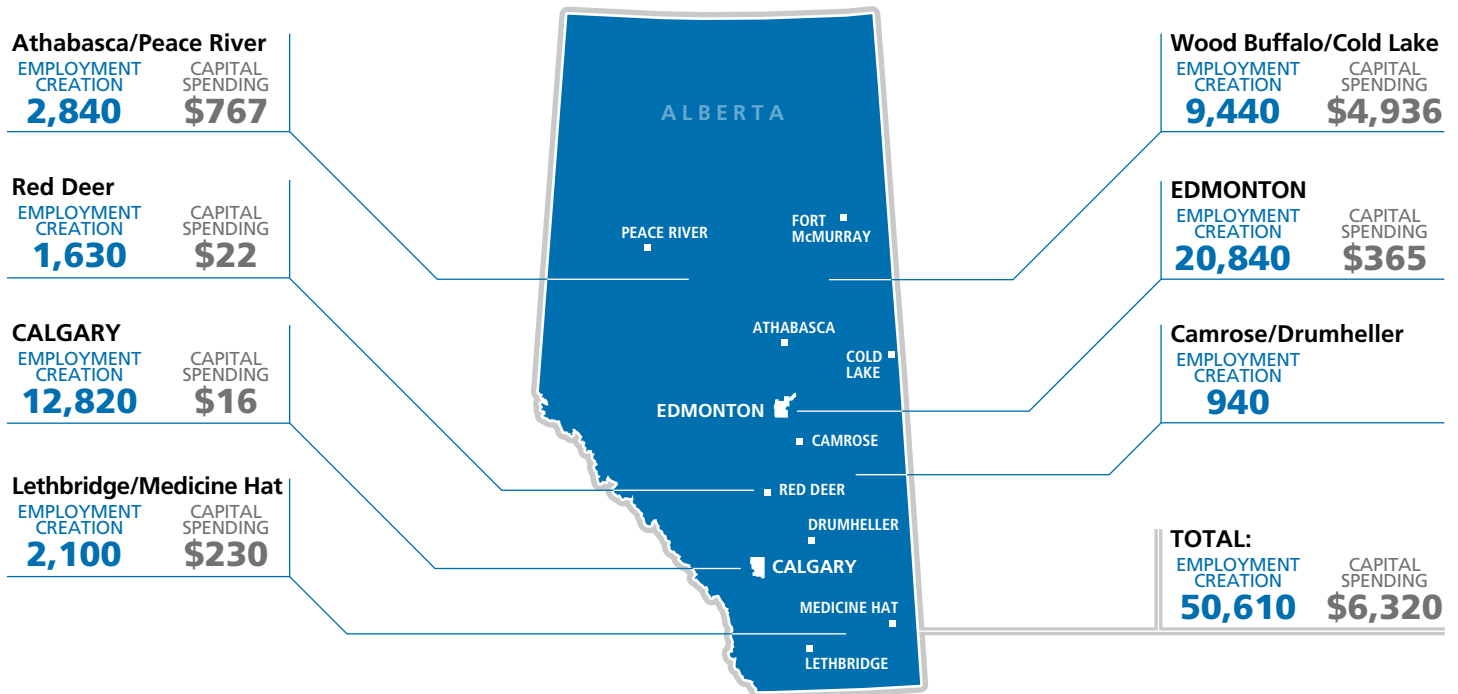
Bruce Lantz is the Mayor of Fort St. John, British Columbia and has lived in the area since 1995. He's seen a lot of change and growth in his community over the years and attributes some of that to the presence of Canadian Natural in the area.

"People who lived here in the 1990s were pleased to see Canadian Natural come to town and were impressed by the faith that the company showed in the region. Since then, the oil patch has taken off and stabilized. Fort St. John has grown into a modern, diversified community and service hub for the whole Northeast and all its economic sectors: oil and natural gas, forestry, agriculture and tourism.

The role Canadian Natural has played in our city's growth over the years cannot be underestimated. It has grown with the region, providing jobs and other economic benefits by its presence. It has also been a good corporate citizen, giving back to the community by supporting a wide variety of worthy causes and volunteer efforts.

As a Mayor, I understand how important it is to work together with industry and companies such as Canadian Natural. These partnerships help ensure that industry stays viable and that communities like Fort St. John are always great places for employees to live and work."

Figure 1:
TOTAL EMPLOYMENT CREATION IN ALBERTA, 2008 (Person-Years)
CAPITAL SPENDING BY ECONOMIC REGION (\$ million)



Note: Limited or no capital spending occurred in the Banff/Jasper, and Camrose/Drumheller economic regions. Capital spending in south eastern Saskatchewan is supported out of the Medicine Hat field office and allocated to the Lethbridge/Medicine Hat economic region. North eastern BC is economically tied to the Athabasca/Peace River economic region. Capital spending in BC has been allocated to this region. Additional employment creation accrues to areas outside the province, especially related to the use of out-of-province mobile workers on the large oil sands construction sites.

Employment (in person-years) is estimated based on Canadian Natural’s operational employment and capital spending. Total employment includes direct employment, employment created with suppliers to Canadian Natural (indirect employment) and employment in the general economy (induced employment) linked to the household spending of directly and indirectly employed workers. A person-year is the equivalent of a full-time job.

Source: Alberta Treasury 2007, Alberta Economic Multipliers and Nichols Applied Management

doing it right

At Canadian Natural, 'doing it right' has always been an important part of our culture. When working on any project, we strive to:

- ensure it is economically viable and enhances the communities where we operate;
- use innovative technologies and adapt them to meet our needs; and
- minimize environmental impacts in everything we do.

Our environmental strategies target corporate standards, operations compliance and liability reduction. This is implemented through air emission management, reduction of water use and minimizing our landscape footprint.

ISO 14001 CERTIFICATION

All of Canadian Natural's North Sea assets are certified to the international standard for Environmental Management Systems, ISO 14001:2004. This globally-recognized standard defines the requirements of an environmental management system that provides a systematic process for managing and reducing an organization's impact on the environment.

The ISO 14001 certification process requires that we identify aspects of our operations that have the potential for an environmental impact and determine the significance of those impacts. Secondly, we must implement plans to minimize the impacts and monitor and measure their effectiveness.

Ninian South and Murchison offshore platforms were added to the scope of our certification in July 2008. We are now embarking on a challenging process of maintaining certification across all our operations and each asset will be subject to regular re-assessments every six to nine months to ensure we continue this good work.

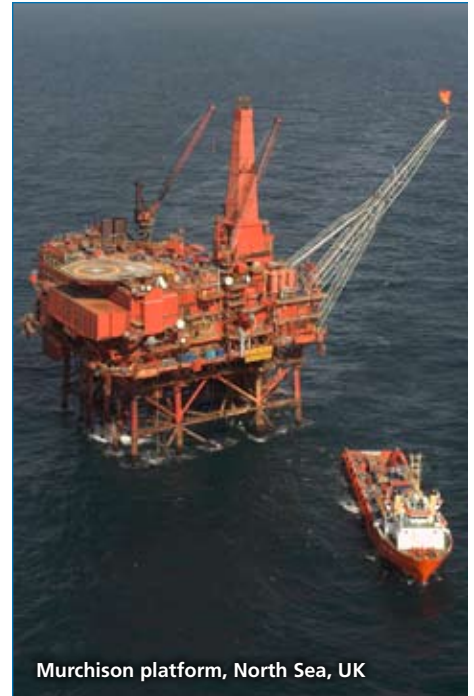
AIR

Canadian Natural is committed to ongoing development of innovative and economically effective solutions to manage greenhouse gas (GHG) emissions. Our actions focus on technology development and continuous improvement in operational performance.

We manage our air emissions through an integrated approach which considers actions to reduce both air pollutants and GHG emissions. Our efforts to address emissions balance our goals for reducing air pollutants and GHGs because actions to reduce one may increase emissions of the other.

Canadian Natural's strategy for managing GHG emissions is based on the following:

- improving our energy conservation and efficiency;
- reducing emission intensity;
- developing and adopting innovative technology and supporting the associated research and development;
- improving our emission trading capability - both domestically and globally;
- offsetting emissions; and
- considering life cycle costs of emission reductions in making decisions about project development.



Murchison platform, North Sea, UK

case study

GAS CONSERVATION

In the fall of 1999, Canadian Natural acquired the Primrose and Wolf Lake in-situ oil sands project area. At this time, the methane produced was flared so we conducted extensive testing to assess several types of vapour (gas) recovery units. In 2002, we installed an annulus gas recovery system. This gas conservation project was completed in 2003. In 2008, we were able to conserve the equivalent of 457 kilotonnes of CO₂ emissions.

*In 2008, we completed approximately 101 solution gas conservation projects in our heavy oil development areas resulting in a reduction of 835 kilotonnes a year of carbon dioxide equivalent (CO₂e). **Over the past five years we've conserved over 8.2 million tonnes of CO₂e.***

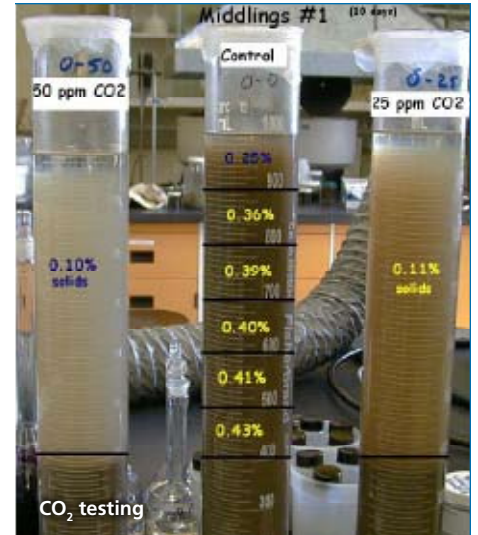
LEADING THE WAY IN CARBON CAPTURE AND STORAGE

Canadian Natural is breaking new ground with creative ways to reduce greenhouse gases and minimize its tailings pond footprint. At Horizon, we are testing a process which, if implemented, will take waste CO₂ from the hydrogen plant and combine it with tailings.

By doing this, Canadian Natural is:

- reducing CO₂ emissions;
- speeding up the reclamation process;
- reducing energy usage; and
- reducing the need for water from the Athabasca River.

In the experiment pictured on the right, you can see that even a small addition of CO₂ significantly improves how the tailings settle after only ten days. Beakers on the right and left which have had CO₂ added are noticeably clearer than the original tailings sample in the middle.

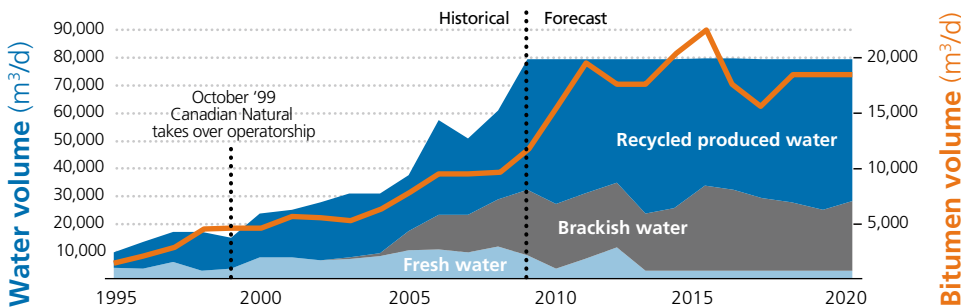


WATER

Throughout our operations we constantly strive to reduce our water use and where feasible, to use brackish (saline) water. Brackish water is not usable for human or livestock consumption or irrigation. Our ongoing work to reduce our water use includes recycling a high percentage of produced water, increasing the use of brackish water and using produced water in our drilling and abandonment operations.

Increased brackish water use at our Primrose and Wolf Lake operations continues to help us produce more bitumen without using more fresh water. We've installed two additional brackish water wells in 2008 to increase our capacity to produce and treat brackish water for our operations. Our ongoing efforts here should help us reduce fresh water use by 73% by 2013.

Figure 3:
WATER RECYCLING AT PRIMROSE AND WOLF LAKE



LAND

As part of Canadian Natural's commitment to reducing our environmental footprint, we are actively reclaiming abandoned well sites. In 2008, we reclaimed over 600 hectares of land and since 2004 we have reclaimed approximately 1,600 hectares of land. We work closely with landowners and land managers to understand the end land use goal of their sites. By working this way, we ensure that any site-specific requirements are met.

LAND RECLAMATION AT HORIZON

When we begin a project, we always have a vision and a plan for the landscape after our work is complete. At Horizon, our vision for the landscape includes a mixture of boreal habitat types and lakes and re-vegetation with trees and shrubs native to the area. In 2008, we used a new topsoil placement technique and were able to reclaim approximately 80 hectares of land. Even though Horizon is still in the early stages of mining, we've stockpiled over six million cubic meters of topsoil for future reclamation purposes.

case study

WĀPAN SAKĀHIKAN

In 2008, Canadian Natural constructed the first fisheries habitat compensation lake in the oil sands region. The lake was named Wāpan Sakāhikan by the Fort McKay First Nation and provides new fish habitat as compensation for habitat lost. It has been designed to support a wide variety of fish species. We are working with governments and local Aboriginal groups to develop plans for fish species to stock the lake.



working with fun and integrity

COMMITTED TO HEALTH AND SAFETY

Canadian Natural conducts operations in ways that protect the health and safety of employees, contractors, the public and the environment. We continue to enhance safety awareness by maintaining a focus on safety programs and processes. In 2008, our health and safety performance benchmarks surpassed internal targets and continue to improve. Over the past six years, the total recordable injury frequency has fallen across all our operations and 2008 was no exception.

In 2008, we completed the last stage of construction and transitioned into commissioning and start-up of operations at Horizon. We delivered operational training to personnel working in the plant and implemented Oil Sands Safety Association approved permit training.

Despite our continuous efforts to improve our worker health and safety results, we experienced one tragic contractor fatality in 2008. This event has strengthened our resolve to ensure that such incidents are prevented. In cooperation with workplace health and safety authorities, Canadian Natural investigates all incidents and develops preventive action plans toward our goal of eliminating such incidents.

BEHAVIOURAL SAFETY IN THE UNITED KINGDOM

All Canadian Natural's installations on the United Kingdom Continental Shelf have active Behavioural Safety teams. These teams are made up of offshore personnel and contractors who have been trained by our staff in observational safety techniques, dynamic risk assessment and behavioral interventions.

The Behavioural Safety program encourages people to take responsibility for their own safety and to look out for themselves and others around them. The program points out aspects of the physical environment that can have an impact on safety behaviors and proactively aims to reduce the risk of accidents occurring.

FUN AND WELLNESS IN THE WORKPLACE

We understand that the workplace can have a strong influence on our physical, mental and social well-being, and that of our families and communities. Through the Healthy Lifestyles program at Canadian Natural, our employees have many opportunities to have fun, get fit, meet new people and get motivated to improve their health. They have access to the services of a registered dietician, certified exercise physiologists and weight management specialists two days a week. In 2008, many employees got involved in various health and nutrition events including a walking program, food tasting sessions and a 12-week 'Get Healthy' initiative.

Pure North Synergy Program

For employees in the field, Canadian Natural offers the Pure North Synergy Program. This is a voluntary, comprehensive program for employees, contractors and their spouses which looks at a list of factors including metabolic function, nutritional deficiency, neuro toxicity, lifestyle practices and job satisfaction. The check marks in the chart below indicate where there has been a decrease in risk for each health factor. As you can see, our employees' health has improved overall.



	Vitamin D	Nutrition	Healthy Weight	Physical Activity	Blood Pressure	Cholesterol	Smoking
Bonnyville	✓	✓	✓	✓	NC	✓	NC
Edson	✓	✓	✓	✓	✓	✓	✓
Grand Prairie	✓	✓	NC	✓	✓	✓	✓
Lloydminster	✓	✓	✓	✓	✓	✓	✓
Slave Lake	✓	✓	✓	✓	✓	✓	✓
Wolf Lake	✓	✓	✓	✓	✓	✓	✓
St. Albert	✓	✓	✓	✓	✓	✓	✓
Medicine Hat	✓	✓	✓	✓	✓	✓	✓
Fort St. John	✓	✓	✓	✓	✓	✓	✓

✓ indicates a decrease in risk
 NC - no change in risk

MAINTAINING INFRASTRUCTURE INTEGRITY

Canadian Natural is committed to maintaining the structural integrity of all our operations, especially our more mature installations and pipelines. We take a proactive approach to inspections utilizing Risk Based Inspection (RBI). RBI is a technique used to ensure that inspections are carried out at an appropriate frequency.

INGENUITY IN RISER TESTING

In 2008, Canadian Natural Resources International learned of an incident in offshore West Africa involving another operator which resulted in a significant loss. The incident involved a flexible gas riser which failed due to fluid moving into the space between the armour layers and the subsequent corrosion of the armour wire.

In light of this incident, we proactively set out to determine the condition of the flexible risers in our North Sea operations and carried out an annulus testing program. We found that most of the risers had external sheath damage and the risers' annuli were flooded. This meant that the standard method of determining riser integrity wasn't working as well as we had hoped. Realizing this, our Integrity Team worked with consultants to determine a better way to conduct the testing and they discovered that the most effective method was hydrostatic strength testing.

This method of testing was successfully completed, provided verification of continued safe riser integrity for all flexible risers and will now become an annual procedure to ensure ongoing integrity.



Slave Lake natural gas plant, AB

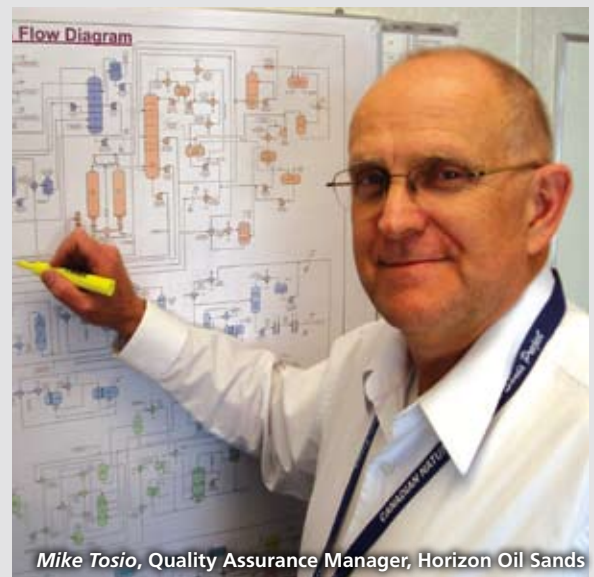
case study

MIKE TOSIO AT HORIZON

Mike Tosio leads the Quality Assurance team at Horizon. The past 20 months have been busy for Mike and his team as they led the transition of Horizon from project to operation. Mike says he expects a certain degree of difficulty to come with any project the size and scope of Horizon. In light of that, he says 2008 was as satisfying as it was challenging.

"Like most other companies in Alberta, the economy in 2007/2008 made it really difficult to hire and retain staff. The delays we faced along the way also meant that we were attempting to start up operations in the worst of winter in Northern Alberta and that, in itself provided some severe challenges for our people and equipment. Despite this, our employees and contractors really pulled together and overcame these obstacles. Thanks to their hard work and dedication, we were able to bring the project along with a target of a start-up in early 2009."

He adds "Although my team deals with infrastructure and asset integrity, you can't do this job and successfully start a project like Horizon without personal integrity. Getting the project off the ground may have taken longer than we anticipated but we were all committed to working together to do it right. In that sense, I think that we did a pretty good job."



Mike Tosio, Quality Assurance Manager, Horizon Oil Sands

code of integrity, business ethics and conduct

Our employees, contractors and consultants agree to adhere to a code of integrity that reflects our mission statement.

We perform our duties with integrity, honesty and in accordance with the highest ethical standards. We respect our fellow staff members, business associates and public officials. We act fairly, we act without harassment or intimidation and we act without discrimination on the basis of ethnicity, gender, sexual orientation, age, religion or disability.

We act in the best interests of the Company and comply with all public disclosure requirements.

Our statement of human rights is as follows:

- Canadian Natural believes in, supports and is committed to human rights and social justice. Our statement of Human Rights is reflected in our code of integrity, business ethics and conduct and in the core values of our mission statement – To develop people to work together to create value for the Company's shareholders by doing it right with fun and integrity.
- Security is a fundamental right for all. We acknowledge the variety of security issues we face as a company (both locally and internationally) and strive to ensure safe working conditions and environments for all those within our sphere of influence.
- We recognize and respect all labour, child labour and employment laws and expect our contract service companies, contractors and other third-parties' companies to meet the same standards. These include prohibitions on child labor, forced labor and discriminatory behavior.
- We value and respect the traditions and the culture of the many different communities in which we do business.
- We believe our business activities and community investments should contribute to the economic well being and quality of life where we do business. We recognize the effect that our activities may have on local communities, and we value and strive to engage in a mutually beneficial way with a goal to be a positive contributor to the well being of these communities.
- Canadian Natural will endeavor to conduct business with contractors and contract service companies that share our values and business principles. We will inform them of our statement of Human Rights and our Code of Integrity, Business Ethics and Conduct and expect they will comply with those principles.



Installation of Conductor Supported Platform on Olowi, offshore Gabon

looking ahead

Our priorities in 2009 in our commitment to ongoing responsible operations include the following:

- Continue to develop community initiatives that support training, education and wellness programs in the areas where we operate.
- Continue to work with our Aboriginal neighbours and participate in multi-stakeholder groups as part of our long term commitment to communities.
- Work with CAPP to inform and educate the public about the importance of the oil sands and the oil and natural gas industry across the country.
- Develop and maintain consultation strategies to meet community and stakeholder goals, as well as regulatory requirements.
- Provide ongoing stakeholder relations guidance and support on regulatory projects such as the Kirby In-situ Oil Sands Project.
- Continue to work with elected representatives of the provincial and federal governments to ensure that they have a full appreciation of the Company's operations, plans and concerns about key issues.
- Continue to create value for the communities where we operate.
- Continue working with Alberta regulators on the implementation of the Land Use Framework.
- Develop and implement a Fugitive Leak Detection Plan at Horizon six months following plant start-up.
- Continue to enhance and implement the Environmental Management System.
- Sustain and strive for further improvement on the levels of performance achieved in 2008 in relation to Lost Time Incidents.
- Deliver more Safety Leadership training courses to offshore personnel to improve risk and situational awareness and intervention skills.
- Continue with an aggressive facility, rig, construction and pipeline audit program.
- Develop an integrity management audit schedule with particular focus on pressure and equipment.
- Continue to implement Canadian Natural's Health and Wellness program at the Calgary office, North American field offices and in the UK.



Environmental audit in progress, Wolf Lake, AB

affiliations

- CAPP Stewardship Program
- Carbon Disclosure Project
- Certificate of Recognition Program

statistics

SAFETY

Recordable injury frequency ⁽¹⁾ (employees and contractors)	2005	2006	2007	2008
North American conventional operations	1.47	1.48	1.43	1.19
Horizon	1.20	1.06	0.72	0.59
International operations	1.12	0.92	0.59	0.34

(1) per 200,000 hours worked.

Fatalities	2005	2006	2007	2008
Employees				
North American conventional operations	0	0	0	0
Horizon	0	0	0	0
International operations	0	0	0	0
Contractors				
North American conventional operations	1	2	2	0
Horizon	0	0	2	1
International operations	0	1	0	0

ENVIRONMENT

Number of reportable spills ⁽¹⁾	2005	2006	2007	2008
North American conventional operations	292	314	292	284
International operations	17	13	6	9

(1) reported to regulatory agency, according to jurisdictional requirements, including oil, natural gas, produced water and refined products. Horizon numbers are not available for the construction years of 2005 - 2008.

Volume spilled ^{(m³)⁽¹⁾}	2005	2006	2007	2008
North American conventional operations	4,498	14,427	4,235	5,638
International operations	4.3	10.4	0.2	2.5

(1) reported to regulatory agency, according to jurisdictional requirements, including oil, natural gas, produced water and refined products.

Number of spills and leaks / production ^(m³/MM BOE)	2005	2006	2007	2008
North American conventional operations	2.31	2.15	2.09	2.22

Volume spilled or leaked / production ^(m³/MM BOE)	2005	2006	2007	2008
North American conventional operations	27.0	82.6	22.3	32.0

Number of leaks / 1000 km pipeline	2005	2006	2007	2008
North American conventional operations	3.1	1.8	3.1	3.3

WASTE

Waste type ^(volume m³)	2007	2008
Non dangerous oilfield waste	442,073	413,394
Dangerous oilfield waste	208,348	261,274

AIR AND GHG EMISSIONS

The Company's GHG emission estimates are prepared internally using reported production volumes and generic emission factors. Information for Horizon is not reported for 2005 – 2007 as it became operational in 2008.

Direct GHG emissions from fuel consumption (tonnes CO ₂ e)	2005	2006	2007	2008
North American conventional operations	4,665,092	5,459,565	6,155,541	6,666,315
Horizon	0	0	0	444,151
International operations	1,372,185	1,269,628	1,463,867	1,394,131

Indirect GHG emissions (tonnes CO ₂ e)	2005	2006	2007	2008
Electricity consumption (MWhr)	1,127,683	1,217,442	1,394,273	1,427,579
Indirect GHG emissions ⁽¹⁾	982,670	1,062,242	1,216,092	1,243,383

(1) does not include GHG emissions generated from cogen plants (included as direct emissions). Emissions for 2005 – 2007 have been amended from previous reports to rectify the double reporting of those emissions.

Direct GHG emissions (million tonnes) ⁽¹⁾	2005	2006	2007	2008
North American conventional operations	8.95	9.90	10.12	10.62
Horizon	0	0	0	0.44
International operations	1.96	1.96	1.95	1.81

(1) includes total direct emissions from combustion, flaring, formation CO₂, and other venting and fugitive leaks from equipment.

EMISSIONS INTENSITY

Direct GHG emissions intensity (tonnes CO ₂ e/BOE) ⁽¹⁾	2005	2006	2007	2008
North American conventional operations	0.0538	0.0566	0.0533	0.0593
Horizon	0	0	0	0 ⁽²⁾
International operations	0.0450	0.0373	0.0462	0.0467

(1) includes total direct emissions from combustion, flaring, formation CO₂, and other venting and fugitive leaks from equipment.

(2) in 2008, Horizon did not have any marketable products to calculate intensity-based emissions.

FLARING AND VENTING

Total gas flared (10 ³ m ³)	2005	2006	2007	2008
North American conventional operations ⁽¹⁾	60,941	67,691	69,432	60,127

(1) includes flaring volume of 4,014 10³m³ from Horizon.

Total gas vented (10 ³ m ³)	2005	2006	2007	2008
North American conventional operations	218,003	223,603	182,067	188,344

NOX AND SOX EMISSIONS (TONNES)

	2005	2006	2007	2008
Oxides of Nitrogen ⁽¹⁾	42,444	41,960	46,081	40,114
Sulphur Dioxide ⁽¹⁾	12,257	9,200	9,941	6,601

(1) reported for North American conventional operations meeting the NPRI reporting criteria.

EMPLOYMENT

DISTRIBUTION OF CANADIAN NATURAL EMPLOYEES

Number of employees	2007	2008
North American conventional operations	2,487	2,495
Horizon	919	1,232
International operations	334	344
TOTAL	3,740	4,071

Exposure hours (millions)	2005	2006	2007	2008
North American conventional operations	31.00	29.80	27.92	26.63
Horizon	3.07	5.80	19.93	23.15
International operations	9.07	8.47	8.11	8.74
TOTAL	43.14	44.07	55.96	58.52



Construction crew at Horizon, AB

Global Reporting Initiative (“GRI”) index

GRI indicator	Description	Where to find it
Economic performance		
EC1	Direct economic value generated (revenues)	Stewardship Report
EC2	Financial implications and risks and opportunities due to climate change	Annual Information Form
EC6	Policy and practices for spending on locally-based suppliers	Stewardship Report
EC7	Procedures for local hiring	Stewardship Report
Environmental performance		
EN3	Direct energy use by primary source	Stewardship Report
EN5	Energy saved due to conservation	Stewardship Report
EN6	Initiatives to provide energy-efficient or renewable energy	Stewardship Report
EN10	Percentage and total volume of water recycled and reused	Stewardship Report
EN16	Total direct GHG emissions	Stewardship Report
EN18	Initiatives to reduce GHG emission and reductions achieved	Stewardship Report
EN20	NO, SO and significant air emissions	Stewardship Report
EN22	Total weight of waste by type	Stewardship Report
EN23	Total number and volume of significant spills	Stewardship Report
Labour practices and decent work		
LA1	Breakdown of workforce	Stewardship Report
LA7	Standard injury and lost day rates and fatalities	Stewardship Report
Society		
SO1	Programs to manage impacts on communities	Stewardship Report



Fall colours in Northern Alberta

GRI (G3) report requirements	Where to find it
1. Strategy and analysis	
1.1 Statement from senior decision maker	Stewardship Report
1.2 Description of key impacts, risks and opportunities	Annual Information Form and Annual Report
2. Organizational profile	
2.1 Name of Organization	Stewardship Report and Annual Report
2.2 Primary brands, products and/or services	Stewardship Report and Annual Report
2.3 Operational structure, major divisions, operating companies	Annual Report
2.4 Location of headquarters	Annual Report
2.5 Countries of operation	Annual Report
2.6 Nature of ownership	Annual Report
2.7 Markets serviced, including geographic breakdown/sectors serviced/customer	Annual Report
2.8 Scale of organization including number of employees, net sales/revenues, total capitalization	Annual Report
2.9 Significant changes during reporting period	Stewardship Report and Annual Report
3. Report parameters	
3.1 Reporting period	Stewardship Report
3.2 Reporting cycle	Stewardship Report
3.3 Contact point for questions	Stewardship Report
4. Governance, commitments and engagement	
4.1 Governance structure including committees	Annual Information Form
4.2 Indicate whether chair of highest governance body is also an executive officer	Annual Information Form
4.3 Percent of independent directors	Annual Information Form
4.4 Process for the Board to ensure conflicts of interest are avoided	Annual Information Form
4.5 Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation	Stewardship Report and Annual Report
4.6 Explanation of how precautionary approach/principle is addressed by organization	Annual Report
4.7 Externally developed, voluntary economic, environmental and social charters, sets of principles or other initiatives	Stewardship Report and Annual Report
4.8 Significant memberships in associations and/or advocacy groups	Stewardship Report and Annual Report
4.9 Basis for identification and selection of stakeholders with who to engage	Stewardship Report and Annual Report
4.10 Approaches to stakeholder engagement, including frequency and type	Stewardship Report and Annual Report



Personal protective gear worn by our crew on the Baobab platform, Offshore West Africa

glossary of terms

Abandonment:

Converting a drilled well to a condition that can be left indefinitely without further attention and will not damage fresh water supplies, potential petroleum reservoirs or the environment.

Annulus:

The tube shaped void between a pipe string and a surrounding pipe string or formation, allowing the circulation of fluid in the well.

Barrel:

The common unit for measuring petroleum. One barrel contains approximately 159 litres.

Bitumen:

Crude oil having an API gravity less than 10°. Bitumen is oil that will not flow and is extracted either by mining or in-situ recovery typically by injecting steam to heat-up the bitumen.

BOE:

Barrel of oil equivalent. Converts natural gas to an equivalent amount of oil.

Brackish (saline) water:

Water that has a high concentration of total dissolved solids (>4,000 mg/l or ppm); as a result it is unsuitable for consumption or agricultural use.

Carbon capture and storage:

To capture carbon dioxide and permanently remove it from the environment by chemically changing it or separating it from the atmosphere in an isolated deep underground structure.

Carbon dioxide (CO₂):

A non-toxic gas produced from decaying materials, respiration of plant and animal life, and combustion of organic matter, including fossil fuels; the most common greenhouse gas produced by human activities.

CO₂e:

Carbon dioxide equivalent. To calculate the effect of the various gases involved in global warming using a single unit of measurement, all greenhouse gases (carbon dioxide, methane, and nitrous oxides) are converted to this unit of measurement.

Conventional crude oil (or light crude oil):

Oil having an API gravity greater than 31° and that flows naturally or that can be pumped without being heated or diluted.

Flaring:

Controlled burning of natural gas that cannot be processed for sale because of technical or economic reasons. The biggest portion is solution gas flaring which involves the burning of natural gas produced along with crude oil and bitumen.

Global Reporting Initiative (GRI):

A network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide.

Greenhouse gases (GHG):

Gases that trap heat near the Earth's surface. These include carbon dioxide, methane, nitrous oxide and water vapor. These gases occur through natural processes (such as volcanoes) and human activities (such as the burning of fossil fuels).

Groundwater:

Water accumulations below the earth's surface that supply fresh water to wells and springs.

Heavy crude oil:

Oil having an API gravity less than 22° and greater than 10°. Includes some oil that will flow, but most oil requires heat or dilution to flow to a well or through a pipeline.

In-situ:

In its original place; in position; in-situ recovery refers to various methods used to recover deeply buried bitumen deposits, including steam injection, solvent injection and firefloods.

ISO 14001:

An international standard that specifies requirements for an environmental management system. The standard was developed by the International Organization for Standardization (ISO).

Methane:

Also known as natural gas. It is a naturally occurring hydrocarbon, however when it is released into the environment it becomes a greenhouse gas.

Mmscf:

Million standard cubic feet.

Oil sands:

Naturally-occurring mixtures of bitumen, water, sand and clay that are found mainly in the Athabasca, Peace River and Cold Lake areas of Alberta.

Produced water:

Water that is produced along with the oil and gas. The water is brought up from the hydrocarbon bearing strata during the extraction of oil and/or gas and can include formation water, injection water and small volumes of condensed water.

Sequester:

To remove carbon dioxide and place it into long-term storage (see carbon capture and storage).

Tailings:

A mixture of water, clay, sand and residual bitumen remaining after the bitumen has been separated from the ore.



Canadian Natural

To reach us

We welcome your comments and suggestions on this report and on any aspect of our operations.

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