



Canadian Natural

2010 Stewardship Report to Stakeholders



Delivering the future
through responsible operations

North American operations

- Thermal crude oil
- Polymer flooding
- Primary heavy crude oil
- Light and medium crude oil
- Horizon Oil Sands
- Natural gas



North Sea and Offshore Africa

- Light crude oil
- Natural gas

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 Africa. We have approximately 4,573 employees worldwide. Our strong, diversified asset base is comprised of a balanced portfolio of natural gas, heavy, light and synthetic crude oil.

Our vision

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.



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Wāpan Sākahikan (Horizon Lake) is the first fisheries compensation habitat created in the oil sands. It was developed in close consultation with Aboriginal stakeholders who provided traditional knowledge regarding fish assemblage, locations for the planting of medicinal plants, and wildlife usage in the area.

MESSAGE TO OUR STAKEHOLDERS

In 2010, Canadian Natural's focus on responsible operations and continuous improvement enabled us to demonstrate adherence to our Mission Statement across all operations. We did this while implementing our defined growth plan. As our operations grow in overall size and complexity, our systems for managing safety, infrastructure integrity and the environment must keep pace with new challenges.

As one of Canada's largest independent oil and gas producers, we strive to achieve performance excellence in all our activities. We remain committed to the responsible and sustainable development of our resources and to incorporating environmental, economic and social considerations in all business activities.

In 2010, we challenged our employees with a stronger focus on achieving excellence. In particular, we launched initiatives for Safety Excellence and Environmental Excellence. Within each initiative, we identified opportunities for improvement and developed plans to implement these improvements.

Safety is a core value of Canadian Natural. We continue to enhance our overall safety results and will continue to pursue improvements to achieve even higher levels of Safety Excellence. Our year-over-year safety performance, as measured by industry standards, demonstrates this process of continuous improvement. In 2010, our total recordable injury frequency was the lowest recorded in the past eight years.

Despite improved overall results, we experienced incidents that served to further strengthen our resolve to achieve our Safety Excellence goals – no harm to people and no safety incidents. In October of 2010 we were very saddened by a motor vehicle accident that resulted in a fatality at our Chip River operations. We extend our condolences to the family and reiterate our commitment to providing a safe working environment for all our employees and contractors.

Canadian Natural has an extensive integrity management system that is continually monitored and improved upon. In 2010, we continued to implement intensive exercises to audit our asset integrity and processes across all our operations. Our team conducted proactive inspections and repairs in our extensive pipeline system and continues to work closely with operations and management.

Our commitment to the environment is also at the forefront of how we operate and demonstrates how we are "doing it right". Continuing on our path to achieve Environmental Excellence, we focus on effective and efficient operations that minimize our environmental footprint. We also work with our stakeholders to better understand the surroundings and our impact in the areas where we live and operate.

We recognize that our activities have a significant effect at local, regional and national levels. Because of this, we strongly support working together with stakeholders to understand their concerns and ensure that opportunities and benefits are realized by the communities. Canadian Natural's employees work closely with Aboriginal groups on a daily basis and information on these vitally important relationships are included in this report.

Our processes and core values are complemented by a strong commitment by all our staff. Some of our employees participated in oil sands advertising campaigns to help Canadians understand the industry's responsible approach to development. In 2010, Canadian Natural continued to pursue improved energy literacy. The great public interest around resource management reminds us of how important it is to communicate our performance and broaden the discussion on energy in Canada and elsewhere.

It is important for our stakeholders and the public to know how industry is contributing to economic growth, employment creation, environmental solutions and technology initiatives. In this 2010 Stewardship Report to Stakeholders, we include a special feature contributed by Mr. David Emerson, Chair of the Energy Policy Institute of Canada, which discusses development of an Energy Strategy for Canada.

The 2010 Stewardship Report to Stakeholders demonstrates our commitment to comprehensively managing our responsibilities in health and safety, asset integrity, environment and community investment. Our focus on excellence propels us on our path towards continuous improvement with the goal of becoming industry leaders.



Allan P. Markin

Allan P. Markin
CHAIRMAN OF THE BOARD



Steve W. Laut

Steve W. Laut
PRESIDENT



Tim S. McKay

Tim S. McKay
CHIEF OPERATING OFFICER

ACHIEVEMENTS IN 2010

Health and Safety

- **Record low Injury Frequency.** Injury frequency improved significantly during 2010 and, as a result, the Total Recordable Injury Frequency in our Conventional operations was the lowest recorded in the last eight years.
- **Certification of Recognition Maintenance Audit.** Canadian Natural received this industry-wide recognition to employers with health and safety management systems again in 2010.
- **Successfully implemented Worksite Safety Observation.** This inspection form provides a documented process to evaluate and improve safety performance of service providers and consultants.
- **Emergency response.** CNR International passed a major full-day oil spill response exercise that took place in June 2010. This is a legal requirement, undertaken every five years, that tests our ability to manage a potentially major oil spill.



Asset Integrity

- **Completed major pipeline risk assessment.** 34,000 pipelines were assessed to ensure we have appropriate integrity management strategies in place.
- **Proactive pipeline integrity initiatives.** Pipeline failures were reduced by 7% in 2010 from 2009, and we continued to execute proactive inspections.
- **Pressure Equipment Re-Certification.** Canadian Natural received the Certification of Authorization Permit for the Pressure Equipment Integrity Management System of the Alberta Boiler Safety Association. This authorizes our Horizon Oil Sands operations to manage our pressure equipment program in-house.
- **Diving safety management.** Our International subsea and safety teams improved our diving systems to ensure we deliver a consistent approach across all our operations.



Environment

- **Reducing GHG emissions.** In the past five years, over 8.3 million tonnes of carbon dioxide equivalent emissions were avoided through gas conservation projects in our North American operations. We continue developing and employing strategies to reduce our emission intensity.
- **Managing water efficiently.** We continued to optimize the use of fresh and brackish water in our North American operations. All our International installations operated within regulatory discharge limits for oil to sea.
- **Promoting sustainable development.** We successfully established fish and aquatic vegetation in Wāpan Sākahikan.
- **Implemented a long-term liability reduction plan.** We have improved our management processes for abandonment and reclamation work. There was a significant increase in the number of well abandonments completed in 2010 (1,251) versus 2009 (655). Additionally, we reclaimed 957 hectares of land in 2010.
- **Spills reduction.** There was a significant decrease in the volume of spills and leaks in 2010 over 2009.



Community

- **Increased community investment.** Our 2010 community investment totaled \$5.7 million. This includes corporate donations, sponsorships and matching programs, employee giving and community economic development projects.
- **Big contributor.** Canadian Natural was honoured by the United Way for our continued support and for contributing over \$1,000,000 nationally to their campaign in 2010.
- **Working together.** In 2010, Canadian Natural spent over \$164 million on goods and services from Aboriginal businesses in Canada.
- **Long-term commitments.** We are committed to multi-year sustainable support of organizations including the Alberta Children's Hospital Foundation, university and technology institutions, Kids Help Phone, addictions treatment centres, college foundations and stay in school programs.



Safety is a core value at Canadian Natural and is paramount in all our activities. Our ultimate goal is no harm to people and no safety incidents.

HEALTH AND SAFETY

We conduct all of our operations in a way that identifies, avoids and mitigates harm to the health and safety of employees, contractors, the public and the environment.

To provide a safe and accident-free workplace, we are committed to maintaining and enhancing safety throughout all our operations. We strive to implement a high standard of health and safety, and comply with regulations through continuous improvement. In order to do so, we set targets and measure our performance against those targets.

Doing it right

Our Safety Teams concentrate on working with, developing and helping people to identify hazards and develop safe work procedures. They promote and implement our safety culture, where everyone can contribute to a safer work place by conducting our work in a safe manner and ensuring that the people we work with and communities we operate in are also safe.

Proper training of field employees and management is fundamental to our strategy of increasing safety awareness and helping minimize risks and injuries.

Our Safety Management System (SMS) is a key tool we use to achieve safety excellence and deliver effective and efficient operations. Our Safety and Integrity teams work together with all our operating divisions to implement and effectively execute our Safety and Integrity Management Systems.

10 years of Behavioural Safety Program in our International Division

It has been ten years since Behavioural Safety was introduced to our offshore installations. The first platform to implement the program was Murchison, in the North Sea, and it is now known as the “Murchsafer” program. We recognized this milestone with anniversary awards for the original team members and a celebration for the crew onboard Murchison.

Behavioural Safety encourages people to take responsibility for their own safety and the safety of others around them. This program points out aspects of the environment that can have an impact on safety behaviors in order to reduce the risks of accidents.

All our UK installations have active Behavioral Safety Teams consisting of offshore trained personnel. The program receives continuous support and additional training courses are anticipated for new participants.



Murchison's Behavioural Safety Team members receive their 10 year awards

More about our Safety Management System is available on our website.

We all share the responsibility of working in a safe manner, ensuring that the people we work with and communities we operate in are also safe.

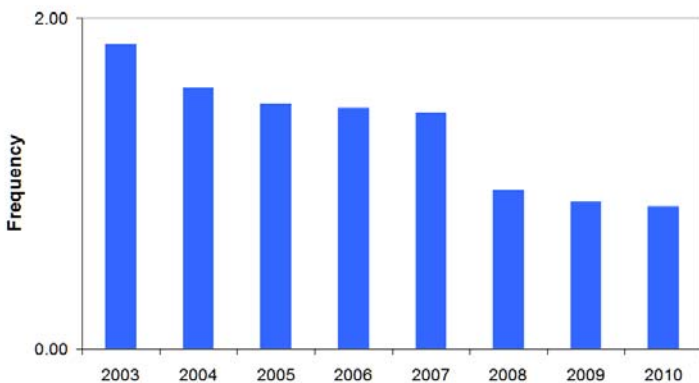


Continuous improvement

Every year, we implement new initiatives and strengthen existing components of our Management System. In 2010 we launched the Safety Excellence Initiative, with a focus on improving our systems company-wide. We are placing a strong emphasis on improving contractor management and safety communications.

The Total Recordable Injury Frequency (TRIF) in our Conventional operations demonstrates continuous improvement over the past eight years, with a downward trend from 1.84 in 2003 to 0.86 in 2010.

Recordable Injury Frequency per 200,000 exposure hours



Employee health and wellness

Canadian Natural cares about its employees. Our Health and Wellness Program has a long term vision for creating a healthy workforce. We believe that healthy employees using their creativity in a positive work environment enhances job satisfaction and fosters employee loyalty which, in turn, helps us attract and retain skilled people. In 2010, we offered employees group fitness programs, nutrition information sessions and a variety of health and wellness assessments.

In addition, over 4,000 of our employees, contractors and their families are benefitting from The Pure North S'Energy program, an initiative led and funded by Allan Markin, Chairman. This leading edge corporate health program has been helping our employees to live longer and healthier lives. Each participant is followed by the medical team and is given information and tools to improve their health. The program focuses on the improvement of heart and respiratory health and the elimination of diabetes. Those participating in the program have seen their health improve and their risk for future disease significantly reduced.

Check our website for more detailed information on our ongoing commitment to Health and Safety.



Combat Challenge Team

2010 was another remarkable year for the Horizon Canadian Natural's firefighter team during the Combat Challenge Championships. At the national event in Brampton, Ontario, they won their second National bronze medal in the Industrial Team Relay with a time of one minute 17 seconds, cutting over four seconds off their previous best time. The Challenge tests firefighters' skill, strength and endurance in six tasks that simulate the duties commonly performed during an emergency situation.



Canadian Natural focuses on the integrity of our process equipment and structures across all of our operations to maintain a reliable infrastructure.

ASSET INTEGRITY

Directly linked to the safety of our operations is the integrity of our equipment as an integral part of ensuring safe operations for our people and the environment.

Asset Integrity programs are developed by specialized and highly qualified teams that conduct regular reviews of our equipment and how it is operated. Preventive and proactive work is key in safely maintaining one of the largest upstream facility inventories in Canada.

Maintaining integrity in a challenging environment

The North Sea oil and gas reserves are located in one of the harshest environments in the world. Subject to intense waves, highly corrosive elements and extreme operating conditions, it presents significant challenges to managing infrastructure integrity on mature assets.

To maintain asset integrity while safeguarding lives and the environment, CNR International operates a robust Integrity Management System. This system helps us keep current processes and resources fit for purpose over the lifetime of our assets.

The UK's goal-setting legislative regime is one of the most stringent in the world. Our risk management approach incorporates key performance indicators into all aspects of our business to ensure that our performance is measurable and continuously improved upon.

We strive to ensure our infrastructure integrity programs are continuously enhanced, optimized and maintained in all our operations. Our 2010 performance shows pipeline failures have been reduced by 27% from 2008 values.

Read more about our safety and integrity initiatives and performance results online.

Proactive Pipeline Integrity Initiatives

Our team develops and implements risk-based mitigation and monitoring programs to ensure the reliability of our pressure equipment. In 2010, we undertook a major corrosion monitoring initiative to reassess our 34,000 pipelines.

Each pipeline was reviewed and results were captured in our database. This risk assessment initiative will continue in 2011 with a more detailed evaluation to confirm that the appropriate strategies are in place.



Environmental protection is a fundamental value of Canadian Natural and we strive to continually address and improve our environmental performance.



ENVIRONMENT

At Canadian Natural, we are committed to environmental responsibility and stewardship. Our operations have an impact on the environment and our goal is to develop resources in a sustainable and responsible way. To reach high standards of environmental performance we adhere to the principles of efficient operations, sustainable development and technological innovation.

Our environmental management programs are based on performance and continuous improvement. An Environmental Excellence program has been initiated to enhance our performance, improve internal communications and manage potential impacts to water, air and land.

Our teams work together with management and all operating divisions to ensure environmental stewardship is factored into our decision-making process.

Water

At Canadian Natural, we maintain our commitment to minimizing fresh water use and to making use of this resource in an efficient way. We continue to significantly reduce fresh water consumption, increase recycling and where possible, use brackish (saline) water.

At our thermal oil sands operations we recycle more than 98% of produced water. We have had significant success at our Primrose and Wolf Lake operations, where the relative proportion of fresh water to brackish water use continues to decrease.

Canadian Natural has established stringent operating standards to minimize produced water volumes and optimize water discharge quality in offshore operations. During 2010, all CNR International installations were operated within internal targets and regulatory discharge limits for oil to sea.

Air

Canadian Natural is committed to ongoing development of innovative and economically effective solutions to reduce and manage air emissions. Our actions focus on technology development and continuous improvement in operational performance to improve energy conservation and efficiency.

Canadian Natural manages air emissions through an integrated emissions reduction strategy. This ensures that we meet internal performance indicators and comply with requirements for greenhouse gas (GHG) emissions and air pollutants, such as sulphur dioxide (SO₂) and oxides of nitrogen (NO_x).

Our strategy for managing GHG emissions includes efficiency initiatives, natural gas conservation, and carbon capture and storage projects, as well as research.

Learn more about our environmental programs and performance on our website.



Finding innovative ways to limit environmental impacts plays a big role in meeting our energy needs responsibly.

Gas conservation projects

In 2010, we completed over 170 gas conservation projects in our primary heavy oil operations in the Lloydminster and Bonnyville areas, resulting in avoidance of 1.35 million tonnes of carbon dioxide (CO₂) emissions.

Over the past five years, Canadian Natural has spent \$61.9 million in its primary heavy crude oil and in situ oil sands operations to conserve the equivalent of over 8.3 million tonnes of CO₂ equivalent emissions.

Horizon is incorporating advancements in technology to further reduce GHG emissions through maximizing heat integration and the use of cogeneration to meet steam and electricity demands. *The full story is available online.*

New SO₂ monitoring project

In 2009, we started a sulphur dioxide monitoring program at each of our North, South and East Primrose steam plants. We installed Continuous Emissions Monitoring System (CEMS) units to accurately monitor emissions in real time. In the past, we relied on manual sampling.

As a result, we can now better manage our SO₂ emissions to ensure that we meet our targets and are in compliance with Alberta Environment standards. In 2010, we completed our first CEMS program at Primrose North, resulting in only one exceedance of a daily emission limit in 2010 (our daily SO₂ limit at Primrose North and East is two tonnes/day).

Biodiversity and stakeholder engagement at Horizon Lake

Canadian Natural has created the first compensation lake in the oil sands region. Horizon Lake, also known by its Cree name Wāpan Sākahikan, represents a unique alternative to address environmental impacts.

Horizon Lake was developed in close consultation with local people and incorporates traditional knowledge in many aspects of its design and development. Aboriginal stakeholders provided key advice on fish assemblage, suitable locations for the planting of medicinal plants and wildlife usage in the area.

Today, Horizon Lake is a self-sustaining ecosystem that creates value for our stakeholders. Native fish species are growing and populating the ecosystem. In 2010, arctic grayling and burbot were caught in the lake. The lake supports 10 species of fish, 13 aquatic plant species and is frequented by numerous waterfowl species. The lake and surrounding area are proving to be excellent habitat for wildlife species such as black bear, moose, white tail deer, wolf, fox and coyote.

“The success of Horizon Lake is due in large part to the input Canadian Natural has received from those most familiar with the land,” says Calvin Duane, Manager of Environment for Canadian Natural.



Horizon Lake is a 2009 CAPP Steward of Excellence Award winner

When we begin a project, we always have a vision and a plan for the landscape after our work is complete.



Land

At Canadian Natural, we strive to minimize our impact and make a priority of progressively reclaiming the land that has been disturbed.

We work closely with landowners and communities to understand their land use activities and ensure any site-specific requirements are met. We incorporate their concerns in our reclamation process, for instance by replanting local species or seeding crops.

In our Conventional operations we manage our environmental footprint by using minimal disturbance drilling techniques, such as multi-well pads, and by reducing topsoil removal.

In our North American conventional operations, we reclaimed and certified 880 hectares of land in 2010, for a total of 4,526 hectares since 2007. At Horizon, we successfully reclaimed 77 hectares last year, for a total of 154 hectares of progressive reclamation that involved site reconstruction and topsoil salvage operations and placement.

Biodiversity monitoring is an important component for effective conservation strategies during development and restoration work after our projects come to an end. Protecting and reducing disturbance on the habitats where we operate help maintain the regional characteristics and biodiversity of each ecosystem.

During 2010, we followed Alberta Biodiversity Monitoring Institute (ABMI) protocols to incorporate our data in a regional information database.

Innovations in tailings management

Canadian Natural is using and researching new processes that will reduce the footprint of our tailings pond at Horizon and reduce the amount of fresh water required for bitumen processing. These innovative methods will

also accelerate the process of reclamation and reduce carbon dioxide emissions.

We have been employing a new process that adds carbon dioxide into the hot tailings stream. The injected CO₂ creates a chemical reaction that allows the solids to settle more quickly and enables the quick release of clear and warm process water for recycling into our operations.

In the next phase of development, Horizon Oil Sands is expected to capture waste CO₂ from its own upgrader for sequestration in tailings.

In addition to our carbon dioxide injection program, Canadian Natural is currently testing and commercializing other tailings technologies that will help produce trafficable tailings while accelerating the process of reclamation.





The knowledge and experience we receive from local Aboriginal communities enhance our understanding of the areas where we operate.

COMMUNITY

Aboriginal Relations

In our North American operations we work on, or in close proximity to traditional Aboriginal land. Our teams work together with the communities on a daily basis to build mutual understanding, respect and cooperation. Our efforts focus on environmental issues, education and training, economic opportunities, and other initiatives that improve the quality of life in the areas where we operate.

In 2010, Canadian Natural spent over \$164 million on goods and services from Aboriginal businesses in Canada.

Aboriginal business development

We continue to identify and establish opportunities for the communities where we operate. Within the communities where we are more active we have Community Liaison personnel involved in consultation and other activities. These representatives help community members understand our business and how developments can benefit their community.

With Horizon since day one

The Bouchier Group is one of the largest First Nations companies in Fort McKay, Alberta, providing construction, maintenance and general site services to many of the major oil sands sites in the Athabasca Region. The company is owned by David Bouchier, from Fort McKay First Nations, and his wife Nicole Bourque-Bouchier, from Mikisew Cree First Nations.

Bouchier started working with Canadian Natural during the Horizon Oil Sand project construction stage. Since then, the company grew from three people and one piece of equipment to 420 staff and more than 100 pieces of equipment. Aboriginal employees represent 70% of their workforce at any given time.

“Canadian Natural has given us the opportunity to grow and expand our business,” says Mr. Bouchier. “Safety is very impressive at Canadian Natural, and also the respect they show for the environment. Being a resident of Fort McKay this is very important to me and my family. They have a great working relationship with the community and work hard to keep communication open”.



Our operations can act as a catalyst for local business development. We have been working with Aboriginal businesses on our pre-qualification process as part of our contracting practices. We meet regularly with communities to outline the type of developments we have planned, upcoming contracting opportunities and how to submit bid applications.

We maintain strong relationships with local businesses to ensure positive growth and a solid future by investing into the local economies.

Find more community development stories on our website.

Canadian Natural is proud to support initiatives that help develop the quality of life and economic health of the communities where we operate.



Community Investment

Our community investment benefits people living in Western Canada, the United Kingdom, Ivory Coast and Gabon by providing financial and volunteer support for the projects and organizations that meet their vision for the future.

In 2010, Canadian Natural's total community investment totaled \$5.7 million, including our corporate donations, sponsorships and matching programs, employee giving and community economic development projects. Some highlights of our 2010 corporate programs and employee giving are:

- Health, social initiatives, education, youth development programs and Aboriginal business development continue to be our priorities.
- Our employees in Canada ran another successful United Way campaign, showing a consistent increase in employee giving and volunteer hours. This year's efforts helped raise a total of \$1.7 million of combined donations and corporate matching.

- We have long-term commitments with organizations such as the Alberta Children's Hospital Foundation, universities and technology institutions, Kids Help Phone, addictions recovery centres, college foundations, stay in school programs, among others.
- We continue to award scholarships to students in Alberta, British Columbia and Saskatchewan, including many in Aboriginal communities, through our corporate Building Futures Scholarship Program. Since 2002, this program has been helping finance students enrolled in trades and technical programs related to the oil and gas industry.
- Our corporate Field Matching Donation program recognizes the local organizations supported by field employees through their donations and volunteer efforts, and aligns corporate giving with those priorities. We are supportive of our employees donating valuable time to assist with projects that improve their communities' well-being.

Visit our website to learn more about our Community Investment programs.

Making a difference in Gabon, Africa

Centre de Espérance et Mission d'Insertion is located in Port Gentil, Gabon. This centre seeks to reintegrate abandoned children between 8 and 16 years old into society through a combination of education, training and residential care.



One of the older classrooms

Over 2009 and 2010, CNR International has provided both financial and voluntary project management support to help build and furnish new classrooms. We will provide ongoing support in 2011 as the centre keeps growing. It currently provides care for 31 children and youth.



New classroom built by Canadian Natural

SPECIAL FEATURE:

Working towards Canadian global energy leadership



By the Honourable David Emerson, Chair, Energy Policy Institute of Canada (EPIC), and a former Member of Parliament and Minister of Foreign Affairs and International Trade. EPIC is a federally registered, non-profit corporation. EPIC's mission and sole purpose is to develop a comprehensive, pan-Canadian energy strategy.

This feature highlights the importance of energy development for Canada and how companies like Canadian Natural are leading the way in providing a stable and safe supply of energy for years to come.

The Honourable David Emerson advocates for a framework for collaboration with government on all levels in order to ensure the continued success of Canada's energy sector.

Mr. Emerson discusses how the oil and natural gas industry is contributing to each of these components through its use of innovative technology, stakeholder engagement and job creation across Canada.

Canada is blessed with an abundance of natural energy resources and, as the world continues its quest for energy, we are positioned to become a global energy leader. But it won't happen without a focused effort. We will need infrastructure that enables movement of product along supply chains and to emerging new markets.

Carbon based energy will continue to be a prime source of energy. For Canada this means continued development of conventional and unconventional oil and natural gas, including offshore and in the Arctic.

For the energy sources we are familiar with, technology will play a key role in achieving a broad base of efficiencies in production, distribution and higher environmental standards.

Technology is also evolving to enable the technical and commercial viability of wind, solar, tidal, biomass and geothermal energy sources. While these energy sources have made great strides, significant time and money will be needed for more research, innovation and development of infrastructure to realize Canada's vast potential. These efforts will be critical if we are to round out our role as a global energy power.

The need to develop a strategy to guide our nation has never been greater. This plan will address three critical components: economics, environment and social demands.

First and foremost, we believe that a framework for collaboration that ensures consistency and alignment between Federal, Provincial and Municipal government is essential. A collaborative approach towards energy will provide the foundation that will eliminate unhelpful conflict within the

country as we advance our competitive position in the global marketplace.

Such a regulatory environment will be necessary to support the growth of Canadian energy capacity. This growth will be of particular importance as Canada's energy future depends on maintaining and growing our delivery system. Companies like Canadian Natural will be essential contributors in this area. With 632,000 boepd (barrel of oil equivalent per day) produced in 2010, the company is already making a substantial contribution.

Beyond our borders, solidifying our relationship with our largest trading partner, the United States, will be vital. But it will have to be done in tandem with finding new international markets for Canadian energy, energy products and technology.

For a national strategy to succeed, individual Canadians will also have to play a part. We believe that there should be increasing emphasis on energy literacy among Canadians so that consumers understand the consequences of energy choices and use across the full energy value chain. Canadian Natural is an excellent example of how industry can contribute to improving consumer literacy through their partnership with Inside Education.

Energy is one of the world's largest, most dynamic industries. Canada is blessed by nature and we can choose to become an important global leader. It will take leadership and collaboration among government, industry and individual Canadians, and it will take a commitment to a focused strategy to achieve a gold standard of economic, environmental and societal performance.

2011 PRIORITIES

Safety

- Fully implement the Safety Excellence Initiative to strive for higher levels of safety performance and ensure continuous improvement.
- Implement Contractor Management System into Production and Development Operations.
- Maintain an aggressive Safety and Compliance audit program.
- Continue with Emergency Response training and exercises throughout field and all applicable offices, and deliver a Safety Leadership program for managers and supervisors both offshore and onshore.



- Achieve a 50% reduction in reportable hydrocarbon releases in the North Sea over the next three years, as per the joint target agreed upon by the oil and gas industry.

Integrity

- Establish the Safety and Asset Integrity Management Committee to ensure our systems are enhanced, implementation optimized and maintained in all operating divisions.
- Continue with our internal auditing of high risk pipelines and ensure that high risk pipelines are appropriately mitigated and monitored.
- Maintain our Pressure Equipment Integrity Management System and ABSA approval status.
- Continue to work closely with Operations to execute plant turnarounds and equipment inspections in accordance with Integrity Management Program requirements.
- Establish a monthly process integrity report and review system for International Operations.

2011 PRIORITIES

Environment

- Fully implement the Environmental Excellence Initiative across all our operations.
- Continue to develop our long-term liability reduction plan to proactively manage our liabilities through well abandonment, decommissioning, remediation and reclamation procedures.
- Continue to enhance and implement our Environmental Management System across all our operations, as well as our audit programs.
- Ensure appropriate risk management by reviewing our existing operational controls and procedures.
- Continue working with the provincial regulators on the implementation of the Alberta Land Use Framework and other regulatory change initiatives.
- Develop and maintain consultation strategies to meet community and stakeholder goals, as well as regulatory requirements.
- Continue to work with industry to develop short-term and long-term communications strategies to assist in informing and educating the public about the importance of the oil sands and the oil and gas industry for North America and around the world.
- Continue to work with government representatives to ensure that they have a full appreciation of the Company's operations and plans and address their concerns about key issues.

Community

- Continue to develop community initiatives that support training, education, wellness programs and strategic Aboriginal business development in the areas where we operate.
- Continue with our community investment program and ensure we create value for our communities in the areas where we operate.



Canadian Natural made a donation toward the purchase of the Carnduff ambulance for the Sun Country Health Region in Saskatchewan.

PERFORMANCE

SAFETY

Recordable injury frequency¹ (Employees and contractors)	2007	2008	2009	2010
North American Conventional Operations	1.43	0.96	0.88	0.86
Horizon Oil Sands	0.72	0.59	1.17	1.20
International Operations	0.60	0.34	0.69	0.92

(1) Per 200,000 hours worked.

FATALITIES

Employees	2007	2008	2009	2010
North American Conventional Operations	0	0	0	0
Horizon Oil Sands	0	0	0	0
International Operations	0	0	0	0
Contractors				
North American Conventional Operations	2	0	0	1
Horizon Oil Sands	2	1	0	0
International Operations	0	0	0	0

ENVIRONMENT

LAND

Well abandonment and reclamation	2007	2008	2009	2010
Number of active operated wells	22,638	23,098	23,193	27,879
Number of inactive operated wells	9,264	10,127	10,495	10,652
Number of wells abandoned	669	116	655	1,251
Number of Reclamation Certificates submitted	275	200	200	245

SPILLS

Number of reportable spills¹	2007	2008	2009	2010
North American Conventional Operations	292	284	260	273
Horizon Oil Sands	10	8	21	15
International Operations	6	10	7	11

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

Volume spilled (m³)¹	2007	2008	2009	2010
North American Conventional Operations	4,235	5,725	3,766	2,415
Horizon Oil Sands	211	27	2,021	1,077
International Operations	1	3	5	8

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

Number of spills and leaks / production (MMBOE)	2007	2008	2009	2010
North American Conventional Operations	2.09	2.22	2.11	1.57
Horizon Oil Sands ¹	–	–	1.14	0.45

(1) Prior to 2009, Horizon did not have any marketable products to calculate intensity-based spills.

PERFORMANCE

Volume spilled or leaked / production (m ³ /MMBOE)	2007	2008	2009	2010
North American Conventional Operations	22.3	32.0	23.0	13.9
Horizon Oil Sands ¹	–	–	23.6	32.5

(1) Prior to 2009, Horizon did not have any marketable products to calculate intensity-based spills.

Number of leaks / 1,000 km pipeline	2007	2008	2009	2010
North American Conventional Operations	2.5	2.3	1.8	1.7

WASTE

Waste type (Tonnes)	2007	2008	2009	2010
Dangerous oil field waste	228,960	242,700	247,880	159,300

AIR AND GHG EMISSIONS

The company's GHG emission estimates are prepared internally using reported production volumes and generic emission factors. Only a portion of the estimated emissions have been verified externally. Information for Horizon Oil Sands is not reported for 2005 – 2007 as it became operational in 2008.

Direct GHG Emissions from Fuel Consumption (Million tonnes CO ₂ e)	2007	2008	2009	2010
North American Conventional Operations	6.16	6.67	6.51	6.66
Horizon Oil Sands	0	0.39	1.69	1.91
International Operations	1.46	1.39	1.34	1.47

Indirect GHG Emissions (Million tonnes CO ₂ e)	2007	2008	2009	2010
North American Conventional Operations				
Electricity Consumption (TWh)	1.40	1.57	1.40	1.50
Indirect GHG emissions ¹	1.22	1.37	1.20	1.25
Horizon Oil Sands				
Electricity Consumption (TWh)	0.014	0.133	0.035	0.079
Indirect GHG emissions ¹	0.012	0.117	0.031	0.070

(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	2007	2008	2009	2010
North American Conventional Operations	10.97	11.02	11.05	11.74
Horizon Oil Sands	–	0.44	2.59	2.99
International Operations	1.95	1.81	1.79	2.16

(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	2007	2008	2009	2010
North American Conventional Operations	0.0577	0.0616	0.0674	0.0677
Horizon Oil Sands ²	–	0.43	0.1410	0.0901
International Operations	0.0462	0.0467	0.0465	0.0631

(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)	2007	2008	2009	2010
North American Conventional Operations	69,432	57,190	78,863	76,006
Horizon Oil Sands	–	4,014	44,641	80,725
International Operations ¹	173,297	180,250	216,432	301,494

(1) Gas flared for 2007 - 2009 has been amended from previous reports to rectify numbers according to a more accurate gas composition-based calculation.

Total Gas Vented (10 ³ m ³)	2007	2008	2009	2010
North American Conventional Operations	243,216	217,435	234,417	262,222
Horizon Oil Sands	–	–	–	–
International Operations	–	–	–	–

NOx Emissions (tonnes)	2007	2008	2009	2010
North American Conventional Operations	46,081	40,114	35,515	28,602
Horizon Oil Sands	–	–	1,760	1,923
International Operations ¹	–	2,949	1,935	2,060

(1) Data for United Kingdom starting 2008 when the Combustion Regulations came into force.

SOx Emissions (Tonnes)	2007	2008	2009	2010
North American Conventional Operations	9,941	6,601	6,242	5,290
Horizon Oil Sands	–	–	10,571	2,453
International Operations ¹	–	157	249	263

(1) Data for United Kingdom starting 2008 when the Combustion Regulations came into force.

EMPLOYMENT

DISTRIBUTION OF CANADIAN NATURAL EMPLOYEES

Number of Employees	2007	2008	2009	2010
North American Conventional Operations	2,487	2,495	2,536	2,708
Horizon Oil Sands	919	1,232	1,198	1,492
International Operations	334	344	344	373
TOTAL	3,740	4,071	4,078	4,573

Exposure hours (Millions)	2007	2008	2009	2010
North American Conventional Operations	27.75	33.02	31.01	35.14
Horizon Oil Sands	19.93	23.15	7.01	8.98
International Operations	7.62	8.74	8.37	9.14
TOTAL	55.30	64.91	46.39	53.26

Global Reporting Initiative (GRI) index 2010

GRI INDICATOR	DESCRIPTION	WHERE TO FIND IT
STRATEGY AND ANALYSIS		
1.1	Statement from the most senior decision-maker of the organization	SR / AR
ORGANIZATIONAL PROFILE		
2.1	Name of the organization	SR
2.2	Primary brands, products, and/or services	AR
2.3	Operational structure	AIF
2.4	Location of organization's headquarters	AIF
2.5	Countries where Canadian Natural operates	SR
2.6	Nature of ownership and legal form	AIF
2.7	Markets served	AIF
2.8	Scale of the company	AR / AIF
2.9	Significant changes regarding size, structure or ownership	AR / AIF
REPORT PARAMETERS		
3.1	Reporting period	SR
3.2	Date of most recent previous report	Website
3.3	Reporting cycle (annual, biennial, etc.)	SR
3.4	Contact point for questions regarding the report or its contents	SR
3.5	Process for defining report content	Website
3.6	Boundary of the report	SR
3.9	Data measurement techniques and the bases of calculations	SR
3.10	Explanation of information re-statements	SR
3.11	Significant changes from previous reporting periods	SR
3.12	GRI content index	SR
GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1	Governance structure, including major Board committees	MIC
4.2	Independence of Board chair	MIC
4.3	Independent, non-executive directors on Board	SR / Website
4.4	Mechanism for shareholder and employee participation	SR / MIC
4.5	Link between Board compensation and company's performance	MIC
4.6	Processes in place for the Board to avoid conflicts of interest	MIC
4.7	Process for determining qualifications and expertise of Board members	MIC
4.8	Mission and value statements, code of conduct and principles	SR / Website
4.9	Board procedures for sustainability management	MIC
4.10	Process for evaluating Board performance	MIC
4.12	Externally developed economic, environmental and social principles or other initiatives endorsed by Canadian Natural	RS / Website

GRI INDICATOR	DESCRIPTION	WHERE TO FIND IT
4.13	Associations memberships	Website
4.14	Stakeholder groups engaged	SR / Website
4.15	Basis for identification and selection of stakeholders with whom to engage	SR / Website
4.16	Approaches to stakeholder engagement	SR / Website
4.17	Key topics raised through stakeholder engagement and response to them	SR / Website
ECONOMIC PERFORMANCE		
EC1	Direct economic value generated (revenues)	AR
EC2	Financial implications and risks and opportunities due to climate change	AIR
EC6	Policy and practices for spending on locally-based suppliers	SR / Website
EC7	Procedures for local hiring	SR / Website
EC8	Investments for public benefit	SR / Website
EC9	Significant indirect economic impacts	SR / Website
ENVIRONMENTAL PERFORMANCE		
EN3	Direct energy use by primary source	Website
EN4	Indirect energy use by primary source	SR
EN5	Energy saved due to conservation	Website
EN6	Initiatives to provide energy-efficient or renewable energy	SR / Website
EN9	Water sources significantly affected by water withdrawal	Website
EN10	Percentage and total volume of water recycled and reused	Website
EN12	Significant impacts of activities on biodiversity in protected areas	SR / Website
EN13	Habitats protected or restored	SR / Website
EN14	Strategies for managing impacts on biodiversity	SR / Website
EN16	Total direct GHG emissions	SR
EN18	Initiatives to reduce GHG emission and reductions achieved	SR / Website
EN20	NOx, SOx, and other significant air emissions	SR
EN23	Total number and volume of significant spills	SR
EN24	Weight of hazardous waste transported	SR
EN28	Monetary value of significant fines for non-compliance with environmental laws	Website
LABOR PRACTICES AND DECENT WORK		
LA1	Breakdown of workforce	SR
LA7	Standard injury and lost day rates and fatalities	SR
LA8	Education programs regarding serious diseases	SR / Website
SOCIETY		
SO1	Programs to manage impacts on communities	SR / Website

AIR = Annual Information Form

AR = Annual Report

SR = Stewardship Report to Stakeholders

Glossary

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.

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 the bitumen.

BOE: Barrels 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 (CCS): 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 equivalents. 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.

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

This is a summary report of our 2010 Stewardship Report to Stakeholders. To find our complete information on stewardship and performance indicators we invite you to go to our website and visit our Corporate Responsibility section.

Canadian Natural produces a separate Annual Report which is also available online.

We welcome your comments and suggestions on this report.

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