

OUR JOURNEY

Sustainability Report 2011



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LETTER FROM THE CEO



Our Journey

At Husky, we believe sustainability is a key pillar of the financial well being of the company. A sound company has the right strategy, makes the right decisions, and has the wherewithal to make the right investments in the near- and long-term.

At the end of 2010, we presented the business strategy for the Company and set out a five-year plan with clearly defined financial goals and performance targets. Almost two years into that plan, we are meeting or exceeding our key performance indicators. While sustainability begins with a strong financial foundation, success is directly linked to how we conduct our business – whether it be in improving safety, enhancing environmental performance through innovative ways to protect the environment, or in delivering lasting benefits to the communities where we work.

Sustainability requires a strong commitment and I am proud of the improvements we are making. This report provides an account of our journey this year.

Asim Ghosh
President & Chief Executive Officer

HUSKY'S STATEMENT OF PRINCIPLES



From Code of Business Conduct

Husky believes that:

- We can make a positive difference within our sphere of influence
- The business sector should show ethical leadership, and take a leadership role through establishment of ethical business principles
- While reflecting cultural diversity and differences, we should do business throughout the world that respects the beliefs and values of this policy
- Open, honest and transparent relationships/practises are critical to our success
- The perspectives of local communities need to be considered in decision-making for issues that may affect them
- Multi-stakeholder processes need to be initiated to seek effective solutions.

Husky values:

- human rights and social justice
- wealth optimization for all stakeholders
- operation of a free market economy
- equal opportunity
- a defined code of ethics and business practice
- protection of environmental quality and sound environmental stewardship
- good relationships with all stakeholders
- stability and continuous improvement within our operating environment
- employees who endeavour to incorporate these values into their ongoing duties
- the health, safety and well being of our employees.

Concerning community participation and environmental protection, Husky will:

- strive within our sphere of influence to ensure a fair share of benefits to stakeholders impacted by our activities
- ensure meaningful and transparent consultation with all stakeholders and attempt to integrate our corporate activities with local communities as good corporate citizens
- ensure our activities are consistent with sound environmental management and conservation practises
- provide meaningful opportunities for technology transfer by training within the host nation.

Ethics Help Line

We have established an anonymous and confidential online reporting tool and toll-free telephone numbers for employees, contractors and other stakeholders to report perceived breaches of our Code of Business Conduct.

The Ethics Help Line is hosted by EthicsPoint, an independent service provider. Information from your submission will be captured and submitted anonymously to an Ethics Help Line Committee, made up of legal, audit, security, health safety and environment, and human resources personnel.

ABOUT THIS REPORT



This Sustainable Development Report provides data and information on Husky's business activities. By articulating its commitments to corporate responsibility and sustainability, by providing examples of these commitments in action, and by noting its performance and strategies for improvement, this report illustrates a focus on long-term viability and continuous improvement.

To advance its sustainability performance and reporting efforts, the Company is moving its sustainability reporting towards international best practices and reporting standards.

Reporting Conventions

This report focuses on performance for the 12-month period ending December 31, 2011, unless otherwise noted.

All financial data is reported in Canadian dollars and excludes discontinued operations. Please refer to the 2011 Annual Report and other reporting documents at www.huskyenergy.com for detailed information on financial performance.

The information in this report covers the activities of Husky's operating functions quantitatively (where data is available and/or collected), qualitatively or both. While every effort has been made to provide relevant data, not all quantitative data is currently available for all operations due to differing regulations and reporting requirements.

A Coordinated Approach to Reporting & Performance Improvement

This report outlines Husky's commitments, processes, operating practices and performance. The Company believes that reporting on these activities is one of the best ways to demonstrate performance. Corporate sustainability objectives are aligned with business operations and strategy, and incorporated into its planning processes.

Governance

Health, safety and environment activities are guided by a committee of the Board of Directors and an operations committee formerly called the Corporate Health, Safety and Environment Committee (CHSEC). In early 2012, the CHSEC became the Executive Health, Safety and Environment (HSE) Committee, a six-member committee of Senior Vice Presidents chaired by the Chief Operating Officer. The Committee has nine associate members at the Senior Vice President and Vice President level to provide input and expertise on decisions.

Management Systems, Policies, Guidelines and Practises

Husky has several initiatives to manage its commitment to sustainability, including a Code of Business Conduct, which are detailed on www.huskyenergy.com.

Environmental Performance Reporting

The Environmental Performance Reporting System (EPRS), introduced in late 2007, is becoming an effective management system tool for systematically monitoring, gathering, consolidating, calculating and reporting data. Currently, asset retirement obligation data, emissions to air and water, groundwater quantity and greenhouse gas data are calculated and recorded using EPRS.

COMPANY OVERVIEW



Corporate Profile

Headquartered in Calgary, Alberta, Husky Energy Inc. is one of Canada's oldest and largest integrated energy companies. It explores for and produces oil and natural gas in Western Canada, offshore Canada's East Coast, in the United States, and offshore China, Indonesia and Greenland. Husky employs more than 5,400 and is listed on the Toronto Stock Exchange under the symbols HSE and HSE.PR.A.

Operations include:

- In the Upstream segment, the Company explores for, develops and produces crude oil, bitumen, natural gas and natural gas liquids.
- In the Midstream segment, the Company markets and operates storage facilities for crude oil and natural gas and processes and transports heavy crude oil through pipelines (infrastructure and marketing).
- In the Downstream segment, the Company upgrades heavy crude oil feedstock into synthetic oil (upgrading), distributes motor fuel and ancillary and convenience products, manufactures and markets asphalt products, produces ethanol and operates two regional refineries in Canada (Canadian refined products), refines crude oil through interests in two refineries in Ohio and markets refined products in the U.S. Midwest (U.S. refining and marketing).

Corporate Strategy

Husky's strategy includes the maintenance of production volumes from its foundation of Western Canada and Heavy Oil through the repositioning of these portfolios to oil and liquids-rich resource plays and long-life heavy oil thermal development. The strategy also calls for the development of three major growth pillars – the Asia Pacific Region, the Atlantic Region and Oil Sands. Husky operates and maintains Midstream and Downstream assets to provide specialized

support and value to its Upstream heavy oil and bitumen production. Maximizing the efficiency of Midstream and Downstream operations supports the capture of the greatest value from production.

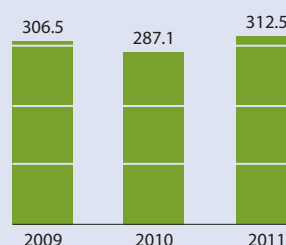
On Course with Strategy and Targets

Sustainability begins with a financially sound company. Husky has set clear financial targets for the business and is executing against those targets. It is building on recent achievements to deliver future growth and long-term sustainable value to shareholders.

In 2010, Husky instituted a business plan to deliver value to shareholders through the five-year period ending 2016. The plan contains milestones for achieving near-, mid-, and long-term growth targets, and includes well-defined operational and financial metrics.

Corporate Performance

Production (mmbbl per year)



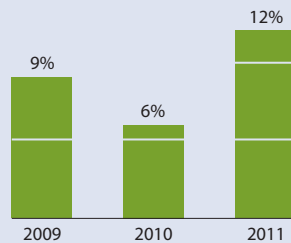
In 2011, Husky set a target to grow production three to five percent on a compound annual growth basis through the five-year plan period ending 2016, recognizing that actual annual growth may be variable. In 2011, average annual



production reached 312,500 barrels of oil equivalent a day, a nine percent increase over 2010. The gains were led by offshore fields in the Atlantic Region and acquisitions in Alberta and northeast British Columbia.

The Company replaced 180 percent of proven reserves in 2011, up from 174 percent in 2010 and ahead of its target of 140 percent annual replacement.

ROCE



Husky has a target of increasing return on capital employed (ROCE) by five percentage points over the plan period.

The Company exceeded the ROCE target, which rose to 11.8 percent in 2011 from 6.4 percent in 2010.

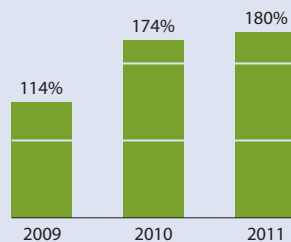
Netbacks



Growing production in conjunction with increasing netbacks (operating cash margin received for each barrel or equivalent barrel sold) from oil and gas production is an equally important goal. In 2011, netbacks rose to approximately \$39 per barrel, from approximately \$31 per barrel in 2010, a 23 percent increase. Stronger crude oil prices were a significant factor in the improved performance. Increased production from offshore oil facilities, discipline in controlling operating costs, and solid execution enabled the Company to capture the value of increased pricing conditions.

For more information on the Husky's performance in 2011, see the 2011 Annual Report at www.huskyenergy.com.

Reserve Replacement



OPERATIONAL INTEGRITY



Strategy and Approach

Operational integrity – safe and reliable operations – is integral to business operations. In 2011, Husky undertook several new initiatives to strengthen its commitment to operational integrity.

Organizational Change

Introduced in 2007, Husky's Operational Integrity Management System (HOIMS)⁽¹⁾ integrates process safety, occupational safety and operational integrity into all aspects of operations.

In 2011, the Company created a new position, Vice President, Process & Occupational Safety, demonstrating its increased focus on safety and advancing HOIMS – which outlines rigorous standards and processes company wide. By ensuring all business units are aligned, Husky is able to share best practices and make timely improvements. Considerable progress was made in 2011 and the Vice President's focus is to increase the internal awareness of HOIMS and bring operational integrity to the forefront across all business units.

OmniSafe

The OmniSafe incident management software program is a company-wide tracking system for all types of operational incidents including injuries, spills, and public complaints. The more incidents or near-misses are reported and corrected, the greater number of learnings that can be shared throughout the company results in less probability of serious or repeat events.

Review Sets New Benchmark

Husky set a new benchmark in liquefied propane gas (LPG) fracture stimulation operability when it took the proactive step of shutting down operations in order to undertake a comprehensive review of systems and procedures. For seven months, every facet was reviewed for operational integrity, worker safety procedures, environmental impact and asset protection.

Following the review, reports were issued, equipment was redesigned and recommendations were implemented and shared with industry. The improvements made in process safety around LPG operations have wide-ranging impacts that will have long-term benefits to Husky and the greater industry.

Enterprise Risk Management

Husky has elevated its risk assessment and mitigation practices corporate-wide. Through Enterprise Risk Management (ERM), the Company builds risk management and mitigation into the strategic planning for business units through the adoption of best practices. Applying the assessment and mitigation of risk will reduce the likelihood of injury and equipment failure. Progress to date includes: the appointment of an enterprise-wide risk manager; adoption of risk analysis and aggregation into business planning processes; and developing a corporate risk management department and its tools.

⁽¹⁾ For more information on HOIMS, please go to www.huskyenergy.com/healthandsafety/safety.asp



CEO's Safety Awards

To reinforce the importance of safety across the Company and share best practices, the inaugural CEO's Awards of Excellence for Process and Occupational Safety were presented for accomplishments in 2011. The awards were presented in three divisions – large group (business unit or function), small group (team) and individual.

Husky Lima Refinery's Senior Rotary Equipment Engineer was the individual winner for his development of a Rotating

Equipment Reliability program which, through a combination of upgraded maintenance technology and defect elimination, increased pump reliability and decreased emissions.

Both the Atlantic Region's Drilling & Completions Team and China's Drilling and Logistics departments, received awards for the large group submission. The small group trophy was awarded to the Ansell Liquefied Propane Gas HAZOP (Hazard and Operability Analysis) Team and the Minnedosa Ethanol Plant.

Health, Safety & Environment (HSE) Policy

Husky is committed to operational integrity, conducting all activities safely and reliably so that the public is protected, impact to the environment is minimized, the health and wellbeing of employees is safeguarded, contractors and customers are safe, and physical assets (such as facilities and equipment) are protected from damage or loss. It conducts business to maximize positive impacts on current and future generations in accordance with Corporate values, while minimizing the use of non-renewable resources.

Husky will:

- Demonstrate leadership and commitment to operational integrity.
- Provide support to meet this HSE policy, as well as provide a culture where there is recognition for positive performance and disciplinary action, where appropriate, for breaches of this policy.
- Require every member of staff and those who work on Husky's behalf to be a leader in HSE; to exercise personal responsibility in preventing harm to themselves, to others, to the environment and to physical assets; and to stop any work that is or becomes unsafe.
- Require every member of staff and those who work on Husky's behalf to report all incidents regardless of severity. Incidents will be investigated to determine the root cause, lessons learned will be shared and corrective actions will be taken. Husky aims to sustain an incident-free workplace.
- Identify and mitigate risk to as low as reasonably practicable during design, construction, commissioning, operation and decommissioning of all assets.
- Prepare for and respond to emergencies efficiently and effectively.
- Comply with relevant laws, regulations and industry standards and take any additional measures considered necessary to meet the intent of this policy.
- Demonstrate continuous improvement by establishing leading and lagging key performance indicators and measurable performance goals, monitoring and reporting on the progress of Husky's performance, and conducting risk-based audits.

Safety Performance Metrics

Safety is a core value and any deviation from target is quickly investigated and acted upon. Learnings from the investigation are shared throughout the organization.

Annually at its Leaders' HSE Summit, Husky sets an annual target for its Total Recordable Injury Rate (TRIR). In 2011, the Company set a combined TRIR target of 1.0 and ended the year with a TRIR of 1.18.

Total Recordable Injury Rate



TRIR is a calculated value based on lost-time, restricted work and medical aid incidents normalized against 200,000 working hours. It allows Husky to compare itself to other oil and gas companies.

TRIR equals Fatalities + Lost Time Incidents + Medical Aid Incidents + Restricted Work Cases X 200,000 divided by the number of Exposure Hours. Husky employees worked approximately 12 million hours in 2011 while contractors worked approximately 20 million hours.

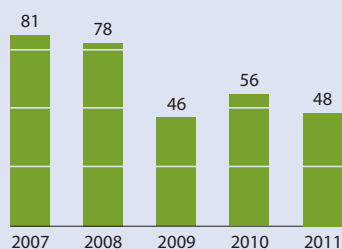
For 2012, the Company set a TRIR target of 1.0 with a stretch target of .085.

Lost Time Injuries



Although employee LTI's remain low, contractor LTI's require addressing. Plans have been activated to address this issue.

Employee Motor Vehicle Accidents



Employee Motor Vehicle Accidents are trending downwards, partly attributable to a new Corporate Driving Standard including driver training and in-vehicle (chip) monitoring.

West Hercules Team Achieves Three Years Without a Lost Time Incident

In 2011, the Asia Pacific *West Hercules* team set a safety milestone by achieving three years without a lost time incident. The West Hercules deep water semi-submersible rig has operated in the deepwater Block 29/26 drilling 27 wells, testing six wells and installing seven frac pack completions.

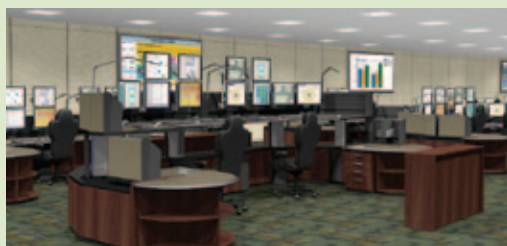
With between 160 and 180 people working on the rig daily, an unwavering commitment to safety, championed and put into action by a strong leadership team, has been key to the achievement.



New Lima Central Control Facility Increases Safety

Construction of the new Central Control Facility and Laboratory at the Lima, Ohio Refinery was completed in 2011. The two-storey building houses a centralized process control suite where all process control rooms of the Refinery are located. The cooperative building houses all Refinery management, supervisors, and employees, allowing for better communication, optimization of staff and better time management. Previously, employees were situated in more than 20 plus buildings across the complex.

The collaborative space will further reduce traffic and the number of vehicles used within the plant, therefore increasing safety and security.



Training Leads to Driver Safety

Husky introduced a new Corporate Vehicle Safety Standard setting out the minimum requirements for the safe operation of all company vehicles. The standard outlines the expectations, roles and responsibilities for drivers, supervisors and safety advisors. The standard also deals with driver qualifications and training, in-vehicle monitoring devices and driver performance. The results began to show almost immediately. In-vehicle monitoring is paying dividends to operations by keeping drivers safe and reducing motor vehicle related incidents.

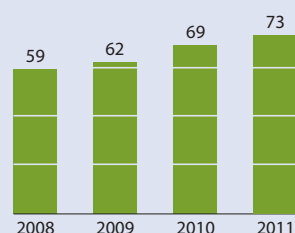
Emergency Preparedness

In 2011, Husky restructured its emergency response procedures, in accordance with the Incident Command System (ICS). ICS encompasses emergency response, including business continuity, incident management and security management. The Corporate Response Management Team was expanded to include specialized support teams. ICS utilizes on-call teams rather than the traditional call-out system and ICS is scope based, meaning the response is backed up by appropriate support and attention to management and business issues.

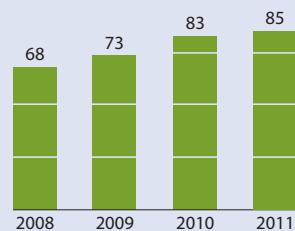
Husky conducts regular emergency preparedness exercises across all business units as well as participating in industry-wide initiatives. It reviews and updates emergency plans every year as part of its commitment to continuous improvement. Husky had 73 Emergency Response Plans validated and in place, four more than the previous year.

Husky conducted or participated in more than 85 internal and external exercises in 2011, up from 83 in 2010. Twenty-two of these included external stakeholders such as first responders, contractors and government agencies.

Total Emergency Response Plans in Place



Exercises



Business Continuity Planning (BCP)

The Business Continuity Team develops and supports the contingency plans and measures necessary to mitigate the impacts of a business interrupting event on people, the environment, assets and reputation. The plans incorporate and document strategies and procedures to assist in continuing business in the face of a disruption. As it nears project completion, Husky completed 13 BCPs in 2011, for a total of 66 since 2008.

Industrial Hygiene

In industry, employee work-related sickness accounts for more lost time than accidents. The industrial hygiene program has focused on understanding workplace exposures and applying a recognized strategy of hazard assessment. In 2011, the program assessed 85 industrial hygiene situations in 60 facilities or locations in its Canadian-based operations, looking for exposure to potentially hazardous materials or environments.

ENVIRONMENTAL PERFORMANCE



Strategy & Approach

Husky is taking a step-wise approach to enhancing environmental performance and improving reporting systems. It is committed to reducing impact on land and habitat, air and water. Husky complies with and, where appropriate, exceeds regulatory requirements, in line with its efforts for continuous improvement across all of its operations.

To progress efforts in this area, Husky recently created and appointed a Vice President of Corporate Responsibility.

Environmental Performance Monitoring & Assessment

Husky gathers data and information to minimize its environmental footprint. Before development of major projects, the Company conducts baseline studies to determine appropriate mitigation.

At its major facilities, Husky has established protocols for monitoring and reporting emissions to air and water, groundwater quality and soil quality within and in the vicinity of the facility. At certain sites, the Company conducts wildlife studies to monitor the impact of development on animals.

The Company undertakes environmental audits at all facilities. Issues identified during the audits are recorded and addressed in an efficient and effective manner.

Land

Land & Habitat

Committed to biodiversity, the Company takes a comprehensive approach to the responsible planning and management of land and habitat.

Land Management During Project Pre-Planning

When carrying out its business, Husky is committed to keeping disturbance of the natural environment to a minimum and to mitigate impact where it occurs.

The Company carries out environmental impact assessments on major projects as part of the regulatory approval process. Husky accesses information centres such as the Alberta Conservation Information Management System, Species at Risk Act (SARA) registry, and the Committee on the Status of Endangered Wildlife in Canada (COSEWIC) for available environmental data to avoid rare or endangered species or historical artifacts in the area of the planned development.

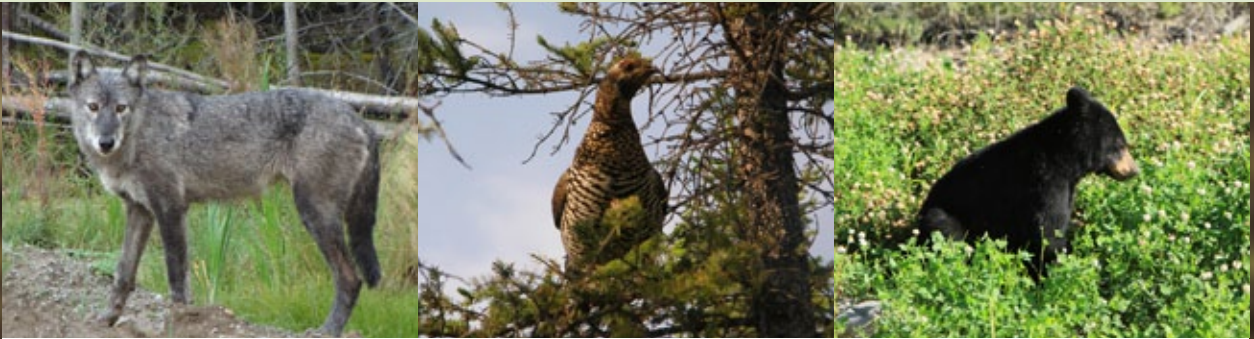
The Company submits information to HEIGIS, a geographical information mapping system, to provide users with access to information on where well sites, pipelines and facility sites can be routed and planned to avoid or reduce impact.

Remediation and Reclamation

The Company has successfully restored development areas to pre-disturbance conditions. Husky is committed to remediation, the removing of contaminants from abandoned sites, as well as reclamation, the return of the landscape to a condition similar to pre-disturbance.

Husky has received an average of 350 site closure certificates per year over the past five years.

The Company strives to average 300 reclamation certificates a year, placing it among the industry leaders. Over the past 10 years, Husky has certified 3,874 sites and returned more than 15,000 acres of land to its former capability. Husky continues to proactively reclaim inactive commercial and industrial sites.



Reclamation Certificates



Asset Retirement Obligation

Husky tracks and discloses end-of-life asset retirement obligations on a quarterly basis in compliance with financial reporting regulations. The Environmental Performance Reporting System keeps track of the Company's liabilities for each specific site and adjusts estimates as new information becomes available. Husky tallies the amounts spent on reducing liability, referred to as Liabilities Settled. Husky is committed to managing this liability relative to the end life of its assets.

Remediation Research

Husky is actively working on new techniques to improve remediation results. The Company is participating in a technology project that injects nutrients to enhance bio-degradation of hydrocarbons. This technology adds oxygen to the soil, enhancing microbial activity.

Specialized Wildlife Monitoring

Worker and Wildlife Safety at Sunrise

Because working outdoors means increased potential for wildlife encounters, Husky has developed specialized wildlife monitoring programs to lower the risks.

At the Sunrise Energy Project this winter, Husky hired an oil industry consultant who monitors all types of wildlife in the area including bears. In mid-December, the consultant and his dog Blue located a den with two hibernating bears inside. The location was plotted on hazard maps and a 50-metre "no entry buffer zone" was implemented to ensure that both bears and workers are protected. All of the wildlife data collected will be integrated with ongoing wildlife monitoring programs at Sunrise.



Endangered Species Reintroduction Program

For almost 10 years, Husky has been a supporter of the Husky Energy Endangered Species Reintroduction Program (HEESP) at the Calgary Zoo's Centre for Conservation Research. HEESP scientists study the habitats and behaviours of endangered species and achievements include::

- The reintroduction of the black-footed ferret to Canadian soil in 2009 after a 70-year absence.
- The reintroduction of more than 800 burrowing owls into the grasslands of B.C.
- The advancement of the breeding program for the endangered whooping crane.
- The recommended reclassification of the once-extirpated swift fox from a status of endangered to threatened (COSEWIC).
- Nine years of northern leopard frog research in Alberta focusing on reintroduction and wild populations.
- Research improving the breeding success of captive Vancouver Island marmots for reintroduction to the wild; the wild population had dropped to fewer than 40 wild animals globally and now has grown to approximately 300.

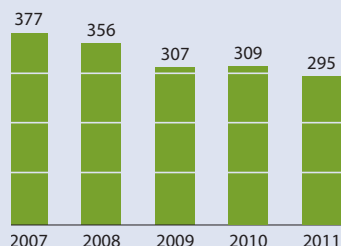
Emerald Award

In June 2012, the Husky Energy Endangered Species Program was presented with an Emerald Award by the Alberta Emerald Foundation for the role it plays in recovering some of Western Canada's most endangered species and ecosystems. The awards represent environmental leadership, scientific progress as well as youth engagement in saving species. The Husky program provides solutions to some of Alberta's and the nation's most pressing conservation challenges.



Reportable Spills

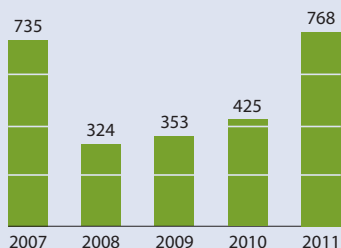
Reportable Spill Events



While the number of reportable environmental incidents decreased in 2011 to 295 from 309 in 2010, the volume of hydrocarbons spilled actually increased.

Spills continue to be a challenge that Husky is addressing. Contributing factors include aging, corrosion and legacy infrastructure. Husky assesses risk through the pipeline integrity program; and has targeted programs such as chemical inhibition, increased inspection frequency and pipeline replacement to address potential problems.

Hydrocarbon Spill Volume (m³)



The volume of hydrocarbons spilled rose by 342 cubic metres to 767.6 cubic metres.

Pipeline Incidents (per 1,000 kilometres)



Husky's pipelines span almost 30,000 kilometres. The overall failure rate per 1,000 kilometres of pipeline was 3.92 in 2011, from 3.88 in 2010. The industry average in 2011 was 1.91.

Pipeline Integrity Management

To reduce the possibility of pipeline leaks and emissions, Husky is implementing a new Pipeline Integrity Management System program that includes a prioritized action plan. The program has a life-cycle approach starting from design and moving through construction, installation, completion, operations and maintenance to discontinuation and abandonment. It includes a risk assessment, records, training, site-specific operating procedures and an integrity assessment process for acquisitions.

This year, Husky will determine the gaps between the program's requirements and current practices with plans being put in place to address the gaps in a timely manner. The Company is strengthening the processes that support the program.

Air

GHG Management

Mitigating the impact of climate change is an integral part of its business strategy. In the absence of regulatory clarity on climate change, the Climate Change Management Framework, established in 2011, is Management's main tool in reviewing and approving emissions compliance and emissions reduction strategies as well as allocating the appropriate resources to ensure emissions are managed according to compliance and reduction objectives.

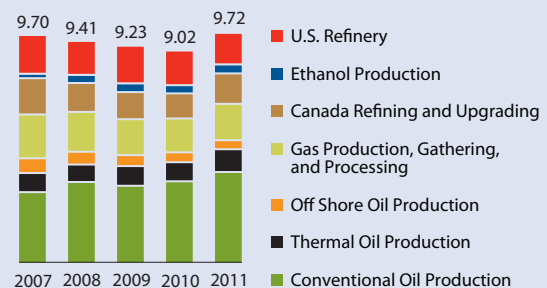
Husky's North American overall GHG emissions rose 9.2 percent in 2011 to the equivalent of 9.72 million tonnes of CO₂E, up from 9.02 million tonnes in 2010. Most of the increase is attributable to the increase in production and the start up of new facilities.

GHG Policy & Regulations

Husky cooperates with provincial and federal governments on the development of GHG and climate change regulations and advocates the introduction of a national climate change action plan. Many Canadian provinces have spearheaded their own climate change regulations ahead of yet-to-be drafted national and international agreements.

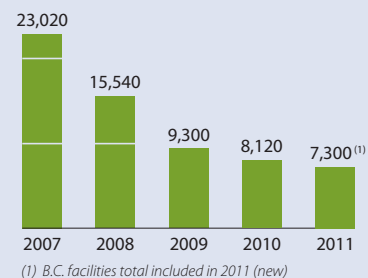
GHG Emissions

(millions of tonnes carbon dioxide equivalent per year)



Sulphur Dioxide Emissions

(tonnes per year)



(1) B.C. facilities total included in 2011 (new)

Major Emitters

Facility	Tonnes CO ₂ E per year
Lima (Ohio) Refinery	1,205,955
Lloydminster Upgrader	1,024,450
Ram River Gas Plant	452,740
Tucker Thermal Oil	417,600
SeaRose FPSO	391,340
Bolney Thermal Oil	324,650
Pikes Peak Thermal Oil	246,700
Minnedosa Ethanol Plant	192,845
Total B.C. Upstream Facility	153,900 ⁽¹⁾
Prince George Refinery	124,380
Lloydminster Ethanol Plant	119,440
Lloydminster Refinery	94,410
Rainbow Lake Gas Plant	62,470

(1) includes drilling and completions

Emissions Inventory, Reporting and Verification

The Climate Change Management Framework guides the process of integrating climate change into the business strategy.

- Emission Inventory: the Environmental Performance Reporting System is used to calculate and report GHG emissions in an accurate, timely, repeatable and auditable manner. This enables the Company to accurately report emissions to stakeholders, and guides decisions related to climate change.
- Monitor Regulation and Advocate Policy: monitors emerging regulations, advise management and lead officers of any developments, and advocate Husky's position directly with the regulators, enabling business strategy development based on emerging requirements.
- Compliance and Emission Reduction Opportunities: develop a number of compliance options, including emission reductions through efficiency improvements, low emission technology and technology advancements, management of fugitive emissions, CO₂ capture and sequestration, carbon trading and offset credit generation.
- Governance: Executive Health, Safety and Environment Committee reviews and approves compliance and emission reduction strategies, establishes performance targets, and allocates resources as appropriate to achieve strategic and regulatory aspects of climate change.

Carbon Capture

During the process of producing 130 million litres of the gasoline additive ethanol, the Lloydminster Ethanol Plant produces 250 tonnes per day of fermentation carbon dioxide (CO₂). Husky cools and compresses CO₂ to a liquid state and transports it by tanker trucks to heavy oil fields where it is vapourized and injected into reservoirs to facilitate oil extraction. When the reservoirs are fully depleted, the CO₂ remains there in storage. The process improves oil production and captures CO₂ which would otherwise be vented to the atmosphere. One 20-tonne truckload of CO₂ more than offsets the amount of CO₂ the truck produces in a year.

Carbon Disclosure Project

Husky is a contributor to the Carbon Disclosure Project, the world's largest database of corporate climate change strategies and greenhouse gas emission information. The project releases an annual voluntary survey called the Investor CDP for corporations, governments and organizations. Husky's 2011 ranking is consistent with the international average.

Emissions Reductions Initiatives

In 2011, Husky had nine major emission reduction initiatives in stages varying from "under active study" to "implemented." The total estimated annual carbon dioxide equivalent savings from the implemented initiatives is 216,400 tonnes.

Innovative Solution to Odour Abatement

The Cadotte (Seal Lake) facility in North Central Alberta is an example of the Company's commitment to its neighbours to minimize emissions and odours to as low as reasonably practicable. Examples of measures to reduce emissions and odours in the Cadotte (Seal Lake) area are:

- Installation of H₂S scrubbers
- Installation of ambient air monitor
- Thermal imaging infrared camera to detect leaks
- Minimizing casing gas venting and installation of flare stack
- Installing waste gas to power generators.

Husky also engaged Genalta Power, a company that specializes in waste power conversion, to create a system to capture odours, conserve gas and generate electricity. The waste fuel to power project will generate three megawatts of power: enough for nearly every home in the nearby town of Peace River while reducing flaring on site by more than 80 percent. Graham Illingworth, Genalta CEO, said, *"We are very excited to be developing a model for environmental performance and sustainable development that can be adopted across the industry."* The success of the emission and odour reduction projects was verified by an ERCB inspector who determined that there were no longer any off-site odours.

Water

Water Stewardship

Water stewardship is a fundamental component of sustainable development at Husky. The Company continues to undertake efforts to conserve and recycle water and to find alternative water sources to meet operational water requirements.

Waterflood

Many of Husky's operations are pursuing their own initiatives to lower the use of potable water. At the Wainwright waterflood enhanced oil recovery (EOR) project, all produced water from the project is re-injected. In 2011, 84 percent of the required make-up water was obtained from other produced water sources (other operators and other Husky projects). This water would otherwise have been injected into disposal wells.

Alternatives to Water Use

Where appropriate, Husky is working on alternatives to using drinking water for its production.

The Company aims to use saline, or non-potable, water for its EOR operations. Husky continues to apply innovative technologies to lower the amount of potable water it consumes or to use water more efficiently in conventional EOR operation, for example:

- At the Tucker Oil Sands Project more than 80 percent of the water produced with the bitumen is recycled. Saline water is used as a source of make-up water. A warm lime process removes silica and bulk hardness from the produced water, which is again softened and supplied as feed water to the boilers to generate steam.
- Husky has a number of fields in Alberta and Saskatchewan that use alkali surfactant polymer (ASP) to increase water efficiency in EOR.
- In the Lloydminster area, Husky uses CO₂ instead of water to dilute and mobilize heavy oil in some reservoirs.

Overall non-saline water use for steam-assisted gravity drainage (SAGD) operations is increasing due primarily to thermal projects in Saskatchewan that draw water from the North Saskatchewan River. Husky is drilling into deeper formations to investigate saline alternatives for new projects.

Carbon Disclosure Project (CDP) Water Module

Husky participated in the CDP Water Module in 2011 and in 2010, providing critical water-related data. The CDP drives better measurement and transparency of water issues by sending a questionnaire to some of the world's largest water-sensitive companies each year.



IHS Award

In 2011, the Environmental Performance Reporting System (EPRS) team won the IHS SPECTRUM Excellence Award for the development of a software application that tracks environmental data. Software developer IHS gives the award each year to companies that have developed and implemented novel applications of the software. EPRS is a multi-year, multi-million dollar environmental monitoring system designed to deliver environmental information in much the same way that an accounting department can report on finances. By providing greater transparency and accuracy on environmental performance, Husky is well positioned for the growing requirements for third-party verification, particularly greenhouse gas emissions and water use.

Industry and Regulatory Initiatives

Husky is working with industry on several regulatory initiatives, most recently on increasing transparency around hydraulic fracturing procedures.

Husky participates in Industry reporting through the Canadian Association of Petroleum Producers (CAPP); water use numbers are included in the CAPP Responsible Canadian Energy Reporting.

As a member of several CAPP Water Groups and Committees, Husky is committed to adhering to the Guiding Principles for Hydraulic Fracturing and Hydraulic Fracturing Operating Practices for shale and tight gas development. For more information on these guidelines, see CAPP's web site at www.capp.ca.

Husky joined IPIECA, the global oil and gas industry association for environmental and social issues, in early 2012, and is participating in its Water Task Force.

Industry Conservation

Industry has prepared water Conservation, Efficiency and Productivity (CEP) Plans, as recommended by the Alberta Water Council. Separate plans were prepared for Upstream Oil and Gas Sector in 2011 and Downstream Oil and Gas Sector in 2012.

The Industry CEP plans identify goals and targets for improving water use efficiency in Alberta, with the intention that CEP improvement result in additional fresh water being available to support social, economic, and environmental needs.

Waste Management

Husky strives to continuously improve its record on minimizing the waste that is created as part of its business activities. The Company aims to achieve this by practising the 4Rs – reduce, reuse, recycle and recover. Husky uses a comprehensive waste tracking system to meet provincial regulatory compliance on waste management.

Alberta, British Columbia and Saskatchewan have requirements for handling, storing, disposing or recycling waste and any hazardous materials. Husky documents and tracks all waste, even after it leaves the worksite, regardless of regulatory requirements.

Oil Sands

Oil Sands Environmental Approach

The Company's oil sands operations are a microcosm of its overall approach to business operations as well as the integration of social, environmental, and economic considerations into its decisions.

Oil sands development addresses aspects like surface disturbance, community changes and energy demand, while furthering both environmental and socioeconomic facets of the projects.

The key environmental objectives of improving environmental performance include the implementation of monitoring programs that:

- evaluate and measure the impacts of projects
- minimize the need for water and energy
- reduce greenhouse gas emissions, and
- minimize land disturbance.

Drilling Fluid Recycling

Husky's Sunrise Energy Project is using a recyclable drilling fluid system. Onsite solids control/dewatering technologies allowed for the reuse of drilling fluids from well to well throughout Phase 1 of the drilling program. The total drilling fluid transported to the disposal facility was less than 500 cubic metres for the entire project.

Onsite centrifuge/solids control technology allows drilling fluid to be conditioned during drilling and reused on subsequent wells throughout the project. Stripped water that cannot be reused at the rig is stored at the remote sump for reuse at a future date or discharged through surface (land) application.

PEOPLE



Strategy and Approach

As Husky advances its business activities, it is committed to building trust, transparency and understanding through dialogue with all stakeholders, particularly its employees. The Company invests in the skills and experience of employees and contractors alike to successfully manage its operations.

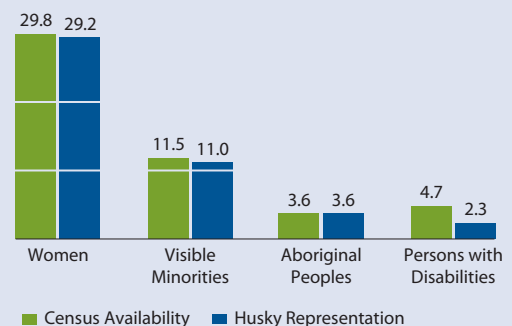
Employee Engagement and Safety Survey

In late 2011, employees were surveyed to assess workplace practices and the general work environment with the goal of making Husky an even better employer. More than 80 percent of employees participated in the survey. The high participation rate is testament to the level of commitment and involvement and the strong sense of identification which employees have toward the company.

Employees answered questions on topics ranging from corporate culture to safety standards to career development. The survey results revealed that employees have a clear understanding of the Company's business strategy and support an environment conducive to teamwork and collaboration. Progress is being made on the areas where there are opportunities for improvement and enhancing communications around those opportunities.

Demographics

Husky Demographics Compared to Canadian Workforce (%)



Demographics are in line with trends in the overall Canadian workforce, based on 2006 census data. The Company employs a similar percentage of women, visible minorities and aboriginal people compared to the respective groups of workers employed Canada-wide.

The Company's employment equity plan has developed initiatives and programs to help increase our representation of persons with disabilities.

Diversity and Respectful Workplace

Husky actively promotes diversity and a respectful workplace as essential. The Company recruits employees from all backgrounds and this diversity contributes to business effectiveness and advantage by increasing innovation, engagement and retention. The Company values, recognizes and promotes the differences and worth of individual employees. This encourages employees to achieve their full potential, creating a healthy and productive work environment and contributing to business success.

Husky's Diversity and Respectful Workplace team completed a review of the employment systems and processes. The review assessed the workplace as an inclusive environment for all employees including designated groups (women, Aboriginal peoples, persons with disabilities and members of visible minorities). The following employment processes were evaluated:

- recruitment, selection and hiring
- training and development
- promotion
- retention and termination, and
- reasonable accommodation.

Opportunities to improve access were identified and specific recommendations made into the development of an employment equity plan.

Recruitment

With competition for talent growing in the industry, Husky continues to refine its approach to people management. The Company aims to provide opportunities for challenging work and a rich learning environment for all employees.

By offering year-round co-op, internship and summer employment opportunities, the Company is committed to supporting the next generation of industry employees while at the same time increasing the talent pool.

In 2011, the Company employed more than 300 new graduates, co-op students and summer students in fields ranging from engineering, geosciences, accounting and information technology to field operations. Experienced professionals provide mentorship and guidance for new entrants to the energy industry, facilitating a successful start to their careers.

Engagement

Results of the 2011 Employee Engagement & Safety Survey showed employees are strongly aware of the Company's business aims and goals. Regular and transparent communication with employees contributes to an open, informed workplace where creativity and ideas are valued at all levels and volunteerism is nurtured. Employee forums are regularly organized to review business objectives and progress. The Company maintains a corporate intranet and printed newsletter, reflecting company-wide news and information. Employees are invited to submit information on events and activities, while useful information on topics such as child and elder care, financial management and health and wellness is regularly presented.

Compensation & Benefits

Husky's compensation program is competitive. Employees are eligible for a comprehensive benefits package amounting to approximately 25 percent of base pay. This includes supplementary health and dental coverage, protection of income in case of inability to work as well as financial assistance for employees and their families in the event of accident or loss of life.

Husky strives to compensate employees fairly and equitably and achieves this through annual external and internal reviews and evaluating progress made on individual and team-based goals.

Unions

The Company recognizes and respects employees' choices for representation and is committed to cooperation, collaborative problem solving and communication. Husky is committed to communicating openly and honestly with its approximately 350 unionized employees and their union representatives.

Training and Leadership

Employees have access to customized training and development programs. Such programs are designed to enhance individual and team performance and career development as well as contributing to the overall success of the organization.

Programs include leadership development courses and numerous topical courses, from effective communication to coaching, strategic thinking, presentation skills, project management and leading diverse teams.

Health & Wellness

Husky conducts an annual Wellness Fair giving staff the opportunity to gain first hand information from health care professionals and participate in screening tests for potential health issues such as:

- Sun damage awareness
- Blood glucose screening
- Bone fracture risk assessment
- Diet
- Healthy weight assessment
- Heart attack assessment, and
- PSA Testing for prostate cancer

Social Clubs

Husky supports employee-run social clubs that organize events such as family Christmas parties. These enable employees to engage in a social setting and promote identification with the corporate community.

ABORIGINAL ENGAGEMENT



Strategy and Approach

The Company is dedicated to building strong relationships with Aboriginal communities through effective consultation and focus on areas of engagement, which include:

- promoting educational excellence,
- supporting community wellness initiatives, and
- fostering economic development.

In 2011, Husky engaged 33 Aboriginal communities regarding anticipated resource development activities in Western Canada.

Supporting Aboriginal Education

Husky supports improved access to education in Aboriginal communities and believes that academic success leads to greater career opportunities for Aboriginal youth. The Aboriginal Education Awards Program continues to provide bursaries each year to Aboriginal students pursuing high school upgrading and post-secondary education. Since the program's inception, Husky has contributed almost \$1.1 million.



Mentorship student and civil engineer, Joshua Bouvier with Dave Lawrence, Manager Aboriginal and Community Relations.

In 2011, Husky initiated the pilot of the Aboriginal Mentorship Program which, through its partnership with Keyano College in Fort McMurray, provided a scholarship recipient with the opportunity to gain experience as a power engineer at its Bolney North Facility. This program was expanded in 2012, placing five students from different programs at facilities throughout Alberta, Manitoba and Saskatchewan.

Strengthening Aboriginal Culture and Wellness

Husky is committed to encouraging programs that promote Aboriginal culture and wellness within the Company and in the communities where Husky has working relationships.

Cultural awareness information sessions for employees are coordinated by the Aboriginal and Community Relations team on a regular basis, and opportunities for cross-cultural exchange are regularly sought out. For example, in 2011, employees participated in a cultural awareness session at Bigstone Cree Nation's Kapaskwatinak Cultural Education Centre.

As part of this cultural exchange, Aboriginal and Community Relations staff gave a presentation to Bigstone Cree Nation's Government and Industry Relations office, introducing these members of the Aboriginal community to the "culture" of the oil and gas industry.

Milestones in Aboriginal Affairs

- Access and Benefits Agreement with the Tulita Dene and Métis to help foster a strong relationship during the development of the Slater River Project in the Northwest Territories.
- Active Memoranda of Understanding, cooperation protocols and impact-benefit agreements Husky has with Aboriginal communities totals 19.
- Launch of the Aboriginal Mentorship Program.
- Aboriginal vendor spend increased from \$20.2 million in 2010 to \$35.5 million in 2011.

COMMUNITY INVESTMENT



Strategy and Approach

Through its Community Investment program, Husky supports the communities where our employees live and in which we operate. It does this through the promotion of health, education and community initiatives.

- A \$250,000 donation to the Shock Trauma Air Rescue Society (STARS), to support of the establishment of the air ambulance program in Saskatchewan. This brings Husky's cumulative giving to STARS to more than \$1 million.
- Husky donated \$750,000 to the Dr. H. Bliss Murphy Cancer Care Foundation in Newfoundland & Labrador to support leading-edge treatment equipment.
- Celebrating the 125th anniversary of the Lima Refinery, Husky made a \$30,000 commitment to the YMCA Leaders

Club's Youth Mentoring Center to tutor students in literacy and comprehension skills. The Company also donated \$30,000 to Ohio Northern University to assist under-served students from Lima Senior High School prepare for college and be successful in their post-secondary education.

- The Company donated \$250,000 to Edmonton's Stollery Children's Hospital's Emergency Department Expansion project, providing specialized equipment and technology.
- Husky donated \$250,000 to the Northern Lights Health Foundation to supply critically needed medical equipment for the people of the Wood Buffalo region of Alberta.
- Husky continued its support of the award-winning Husky Energy Endangered Species Program with a \$1.25 million gift to the Calgary Zoo's Centre for Conservation Research in support of the Husky Energy Endangered Species Program. This is the largest program donation ever received by the Calgary Zoo.

ASSOCIATION PARTICIPATION

Husky pursues memberships in sustainability focused groups including:

Oil Spill Response (OSRL)
China Offshore Oil Operation Safety Office (COOSO)
IPEICA – International Petroleum Industry Environmental Conservation Association
Wood Buffalo Environmental Association (WBEA)
Parkland Air Management Zone (PAMZ)
Calgary Regional Airshed zone (CRAZ)
Lakeland Industry and Community Association (LICA)
Southeast Saskatchewan Airshed Association (SESAA)
Regional Aquatics Monitoring Program (RAMP)
Alberta Biodiversity Monitoring Institute (ABMI)
Carbon Disclosure Project

Integrated CO₂ Network (ICO₂N)
Orphan Well Association
Cumulative Effects management Association (CEMA)
Canadian Land Reclamation Association (CLRA)
Environmental Services Association of Alberta (ESAA)
North Saskatchewan Watershed Alliance
Beaver River Watershed Alliance
Clearwater Mutual Aid CO-OP
Western Canadian Spill Services
One Ocean
Eastern Canada Response Corporation (ECRC)
Ottawa River Coalition (ORC)
Ohio Chemistry Trade Council (OCTC)
Environmental Citizens Action Committee

Forward-Looking Statements and Information

Certain statements in this document are forward looking statements within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and forward-looking information within the meaning of applicable Canadian securities legislation (collectively “forward-looking statements”). The Company hereby provides cautionary statements identifying important factors that could cause actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely,” “are expected to,” “will continue,” “is anticipated,” “is targeting,” “estimated,” “intend,” “plan,” “projection,” “could,” “aim,” “vision,” “goals,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond the Company’s control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In particular, forward-looking statements in this document include, but are not limited to, references to: the Company’s general strategic plans; targets for compound annual production growth; return on capital employed and reserves replacement through the five-year plan period ending 2015, and the Company’s expectations of meeting such targets; implementation of programs that achieve the Company’s health, safety and environment objectives; anticipated timing of completion of review of the Company’s Pipeline Integrity Management System; annual targets for reclamation certificates and total estimated annual carbon dioxide equivalent savings from the Company’s emission reduction initiatives.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this document are reasonable, the Company’s forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors

should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Some of these risks, uncertainties and other factors are similar to those faced by other oil and gas companies and some are unique to Husky.

The Company’s Annual Information Form for the year ended December 31, 2011, and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com and the EDGAR website www.sec.gov) describe the risks, material assumptions and other factors that could influence actual results and are incorporated herein by reference.

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

Additional Measures

This document contains the term return on capital employed (“ROCE”). Husky’s determination of this measure does not have any standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. ROCE measures the return earned on long-term capital sources such as long term liabilities and shareholder equity. ROCE is presented in Husky’s financial reports to assist management in analyzing shareholder value. ROCE equals net earnings plus after-tax finance expense divided by the two-year average of long term debt including long term debt due within one year plus total shareholders’ equity.

The 2011 reserve replacement ratio was determined by taking the Company’s 2011 incremental proved reserve additions divided by expected 2011 upstream gross production. The 2011 netback was determined by taking 2011 upstream netback (sales less operating costs less royalties) divided by 2011 upstream gross production.



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