

Community Report 2016



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CEO Message



At Husky, we believe in accountability — to our employees, to our shareholders and to the broader community. We hold ourselves responsible every day, at every level of the organization.

We demonstrate that commitment throughout this report. Our focus on keeping our people, the public and the environment safe is reflected in lower rates in 2016 for both critical and serious incidents and total recordable injuries.

The impacts of our operations, the actions taken to mitigate them and the progress we make are tracked and measured. For environmental, social and governance data, we are increasing the number of financial quality metrics we report.

Technology is key to progress and we are always looking for innovative ways to reduce our environmental footprint. We have captured carbon dioxide at our Lloydminster Ethanol Plant since 2012, using it as part of enhanced oil recovery efforts in nearby heavy oil fields. We are now evaluating CO₂ capture technology at our Lloyd thermal projects. While still in the early stages, this technology could feasibly turn these projects into a lower carbon source of energy.

It's important to note where we're making progress. It is even more critical to acknowledge when our high standards are not met.

In 2016 we had a pipeline incident in Saskatchewan that affected the North Saskatchewan River, and had an associated impact on communities and First Nations downstream. This should not have happened and from the beginning we took full responsibility. We have worked from day one to make things right and are using what we've learned to further improve our operations.

Our pipeline incident rate continues to show a steady improvement. In 2015 we recorded our lowest ever rate with 2.39 incidents per 1,000 kilometres of operated pipeline. In 2016 we reduced it further to 1.36. This shows we're making good progress.

We work every day to build a sustainable and resilient company, for the people we employ, our shareholders and the communities where we operate. We strive to deliver essential products to the world in a safe and responsible manner, and we're doing just that.

Rob Peabody

Corporate Profile



Lloydminster Upgrader

Husky is a Canadian-based integrated energy company. Its head office is in Calgary, Alberta and its common shares are publicly traded on the Toronto Stock Exchange under the symbol HSE.

Husky operates in Western and Atlantic Canada, the United States and the Asia Pacific region, employing more than 5,000 people. Along its Integrated Corridor, thermal production is integrated with the Downstream business and supported by Resource Plays in Western Canada. Its Offshore production is focused in the Asia Pacific and Atlantic regions.

Husky's business strategy is to focus on returns from investments in a deep portfolio of opportunities that can generate increased funds from operations and free cash flow.

2016 Operational Highlights

Thermal

- First oil achieved at three Lloyd thermal bitumen projects: Edam East and Vawn, both 10,000 bbls/day, and Edam West, 4,500 bbls/day.
- Three new 10,000 bbls/day Lloyd thermal bitumen projects sanctioned at Dee Valley, Spruce Lake North and Spruce Lake Central.
- First bitumen production achieved from the Colony formation at the Tucker Thermal Project.
- The Sunrise Energy Project continued to ramp up, averaging gross production of 33,800 bbls/day (16,900 net to Husky) by the end of 2016.

2016 Operational Highlights

Downstream

- Initial stage of the crude oil flexibility project completed at the Lima Refinery, providing for the processing of up to 10,000 bbls/day of heavy crude. The project is expected to increase heavy crude processing capacity to 40,000 bbls/day around the end of 2018.
- Increased capacity to process high-TAN crude feedstock at the partner-operated Toledo Refinery, supporting bitumen production from Sunrise.
- Engineering work began on a project to double asphalt capacity to 60,000 bbls/day.

Resource Plays

- Disposition of about 32,000 boe/day of legacy production in Western Canada, including royalty interests, for \$1.3 billion, further increasing capital efficiency.
- Portfolio is 70 percent gas-weighted, providing a supply and natural hedge for energy used at Husky's thermal projects and refineries.

2016 Operational Highlights

Asia Pacific

- Work continued to advance at four natural gas fields in the Madura Strait, offshore Indonesia.
- BD Gas Project continued towards first production and is expected to ramp up towards full sales gas rates throughout 2017.
- A deal was reached with partners on a new pricing arrangement for sales gas from the Liwan Gas Project, with gross take-or-pay volumes remaining unchanged.

Atlantic

- First oil was achieved at a Hibernia formation well at North Amethyst.
- An infill well at South White Rose achieved first production.
- Two new oil discoveries were made in the Flemish Pass Basin, at Bay de Verde and Baccalieu.

Delivering Results

Husky lowered its break-even oil price and maintained a strong balance sheet, while continuing to invest in its deep portfolio of projects.

Corporate Performance



Sunrise Energy Project

Highlights

- Annual production averaged 321,000 barrels of oil equivalent per day, reflecting dispositions of 32,000 boe/day.
- Downstream throughputs averaged 310,000 barrels per day, reflecting turnarounds at several facilities.

Husky met its three primary 2016 business objectives: further strengthening its balance sheet, lowering its cost structure and advancing its deep portfolio of projects and investment opportunities. Each new dollar invested in production further improves Husky's cost structure, margin capture and ability to generate free cash flow.

Earnings and Funds from Operations

In 2016, WTI prices averaged about \$43 US a barrel, compared to about \$49 US a barrel the year before. Net earnings were approximately \$922 million, compared to a loss of about \$3.9 billion in 2015, which included an approximate impact of \$4 billion related to the write down of legacy Western Canada assets. Funds from operations were approximately \$2.2 billion.



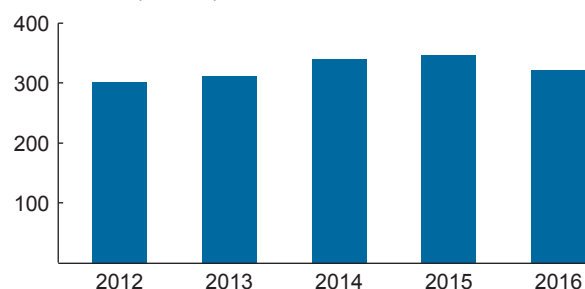
Hardisty Terminal

Production and Throughputs

Production averaged 321,000 barrels of oil equivalent per day (boe/day), including the disposition of about 32,000 boe/day in Western Canada. Dispositions were largely offset by growing thermal bitumen production and increased volumes from the Liwan Gas Project.

Downstream throughputs averaged 310,000 barrels per day, with planned turnarounds completed at several facilities.

Production (mboe/d)



Ansell Gas Plant

Reserves Replacement

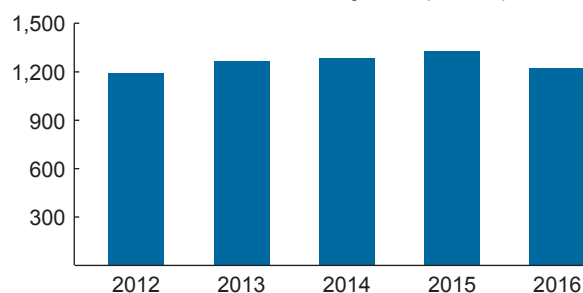
Husky's total proved reserves before royalties at the end of 2016 were 1.2 billion barrels of oil equivalent (boe) and probable reserves were 1.6 billion boe. The average five-year proved reserves replacement ratio, including acquisitions and dispositions, was 121 percent, excluding economic factors and 109 percent including economic factors.

The 2016 proved reserves replacement ratio was 92 percent, not including economic factors or acquisitions or dispositions. Including economic factors, the ratio was 88 percent.

Taking acquisitions and dispositions into account, the proved reserves replacement ratio for 2016 was 19 percent, excluding economic factors. Including economic factors it was 15 percent.

Additions and revisions of 104 million boe reflected additions from Lloyd thermal projects, the Tucker Thermal Project and the Liwan Gas Project. Dispositions net of acquisitions totaled a reduction of 86 million boe of proved reserves in Western Canada.

Total Proved Reserves before Royalties (mmboe)



Safety Performance

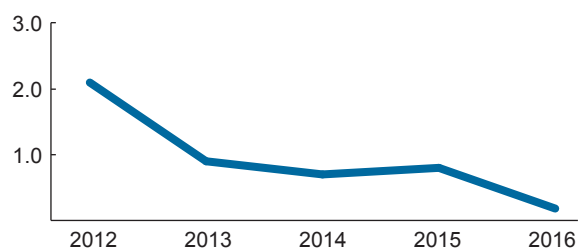


SeaRose FPSO

Husky focuses on maintaining safe and reliable operations, and employs rigorous occupational safety programs, as well as ongoing process safety improvements to further strengthen its safety record.

Husky communicates the risks most associated with potential serious injuries and fatalities to employees and contractors so mitigating actions can be taken. The rate of critical and serious incidents per hours worked in 2016 continues to show steady improvement.

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



Safety Case

A safety case confirms a facility has appropriate mitigations in place to manage its potential major accident hazards. Husky's process safety engineers and site staff analyze a facility's highest process safety hazards and affirm safeguards are in place to mitigate these risks. Once the safety case is complete, the facility's leaders and senior management sign off to support alignment and accountability.



Lloydminster Refinery

Process Safety Events

Tier 1, 2 and 3 process safety event definitions are used to assess releases and other loss of primary containment outcomes. Incidents are investigated to determine how to improve equipment reliability and related operating integrity practices, and to identify barriers aimed at managing and mitigating major accident hazards.

The definitions align with those of the American Petroleum Institute, the American Institute of Chemical Engineers' Center for Chemical Process Safety and the International Association of Oil and Gas Producers (IOGP).

Based on the IOGP's 2016 recommendation, Husky classifies Tier 1 events as those involving any major release of hazardous materials with the potential for serious consequences resulting in injuries, harm to the environment and/or asset damage.

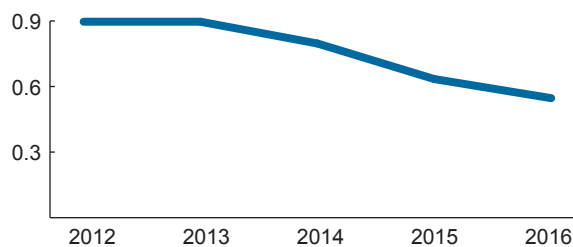
Total Recordable Injury Rate

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

Employees and contractors using clear procedures and processes to mitigate risks resulted in a lower TRIR rate in 2016. This rate has declined over the past six years. Husky employs the IOGP's Life Saving Rules to enhance its existing training. These rules use consistent icons, with descriptive guidance, to reinforce simple actions that can mitigate high risk activities.

In 2016, Husky achieved a TRIR of 0.55, down from 0.64 the year before and below its 2016 target.

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

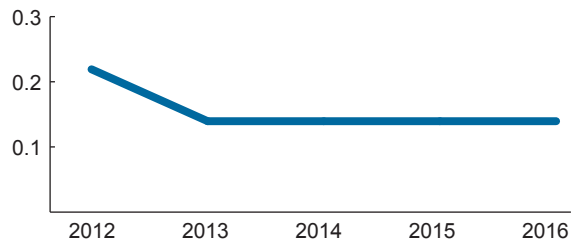


Lost Time Injuries

In 2016, Husky maintained a Lost Time Injury Rate of 0.14 per 200,000 exposure hours. Employees and contractors receive ongoing training in safety processes and procedures to continuously drive this trend. In 2016, Husky recorded 17 lost time incidents, below its target.

The safety culture at worksites is strengthened by applying the Husky Operational Integrity Management System (HOIMS), a consistent, enterprise-wide approach to managing operations.

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



Driving

Husky's corporate driving standard includes mandatory driver training and vehicle monitoring devices that provide drivers with reports on their speed, seatbelt use and driving practices, helping to improve performance.

In 2016, there were 18 motor vehicle accidents involving employees, compared to 48 the previous year. There were 25 accidents involving employees and contractors, below the 2016 target. The Company's fleet of approximately 1,300 vehicles covered about 45 million kilometres.

Offshore

Husky's well management programs offshore Newfoundland and Labrador and at the Liwan Gas Project offshore China start at the planning stage and continue through construction, commission and operation.

Wellbore monitoring, inspection of subsea trees, testing of subsurface safety equipment, plans for blowout mitigation and an inventory of relief well materials are part of the programs. During operations, at least two independent and tested well barriers are in place.

Husky, with other area operators, participates in mutual emergency aid partnerships and a number of international safety initiatives.

Incident Tracking

A comprehensive incident tracking tool allows Husky to learn from the ongoing monitoring and assessment of reported events and to better prepare for and prevent potential operational incidents.

All "loss" and "no loss" (near-miss) events are tracked. Investigation results, action items and lessons learned are used for safety alerts, statistics reports, risk analysis, management reporting and training development.

Integrating the reporting and review of events such as injuries, equipment failures and complaints from the public can proactively reduce the probability of repeat events.



SeaRose FPSO

Industrial Hygiene

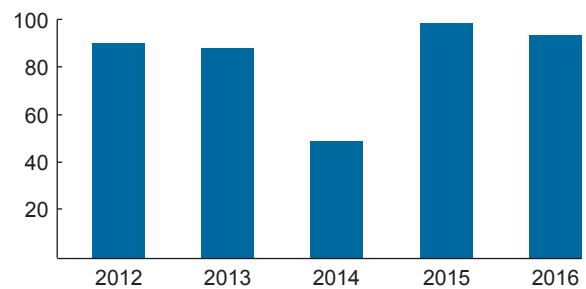
Husky's industrial hygiene program protects workers by identifying, assessing and controlling occupational health hazards. Understanding potential exposures leads to the ability to prevent the development of occupational illnesses.

In 2016, 93 assessment surveys were completed, including samples from more than 1,360 employee or areas to assess exposure to potentially hazardous materials or environments. The results identified exposure scenarios and provided short-term exposure data that can be used to determine the proper application of controls.



Lloyminster Safety Equipment

Industrial Hygiene Assessment Surveys



Husky has revised its Safety Data Sheets to align with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), providing companies and workers with a single set of rules and label formats that are recognized by numerous jurisdictions.

Delivering Results

Husky continues to improve its safety performance, resulting in a decrease in its critical and serious incident rate and its total recordable injury rate.

Operational Integrity



Vawn Lloyd Thermal Project



Safe and reliable operations are guided by the Husky Operational Integrity Management System (HOIMS).

Each HOIMS element has a specific aim and a clear set of expectations to continuously improve operational integrity:

1. Leadership, Commitment and Accountability
2. Safe Operations
3. Risk Assessment and Management
4. Emergency, Business Continuity and Security Management
5. Reliability and Integrity
6. Personnel Competency and Training
7. Incident Management
8. Environmental Stewardship
9. Management of Change
10. Information, Documentation and Effective Communication
11. Compliance Assurance and Regulatory Advocacy
12. Design, Construction, Commissioning, Operating and Decommissioning
13. Contracted Services and Materials
14. Performance Assessment and Continuous Improvement

Delivering Results

Husky continues to improve process safety and drive consistent performance.

Husky sets operational integrity targets as part of its annual objectives.

To protect the public, minimize potential risks to the environment, safeguard the health and wellbeing of employees and contractors and shelter assets from damage or loss, potential hazards and risks are identified and then eliminated or mitigated.

Activities are performed safely and reliably to provide for efficient and consistent performance.



Lima Refinery

Managing Risk



Pikes Peak South Lloyd Thermal Project

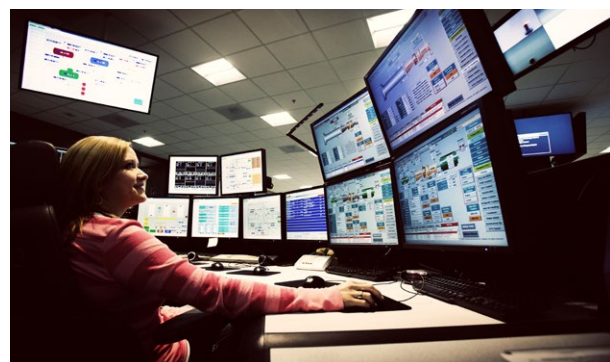
Risk management and mitigation are embedded in Husky's strategic planning and operational processes. Identifying risks, measuring competency, training personnel and purchasing equipment are guided by policies, standards, processes and best practices.

Enterprise Risk Management

The Corporate Risk Management Standard outlines Husky's approach to assessing and managing risks.

The Enterprise Risk Management program employs a risk matrix with seven probability factors and a scale of the severity of events to identify and assess potential hazards and risks that could impact the health and safety of people, property and the environment. This analysis provides greater certainty for shareholders, customers and suppliers that risks are well managed, and leads to increased confidence in the communities where Husky operates.

At least twice a year, the Corporate Risk Management group undertakes an internal assessment to better identify and manage risk, understand the risk drivers and promote a culture of risk awareness. The assessment determines who is accountable for the management and mitigation of each risk and identifies any emerging issues. The potential financial, health, safety, reputational and environmental impacts of each risk are assessed, with critical risks reported to the Board of Directors.



Lloydminster Control Room

Emergency Preparedness

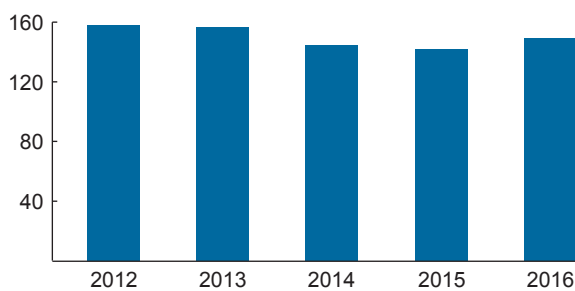
Husky's established processes, Emergency Response Plans (ERPs) and training exercises are designed to guide a consistent and effective response to any event which could affect employees, contractors, the community, the environment and/or the Company's assets and reputation.

A 24-hour emergency phone line provides members of the public, emergency responders and customers with immediate access to information, and allows staff to promptly initiate a response. The number is posted on www.huskyenergy.com, on signs at all facilities and is part of all public notification material.

Preparedness

Regular cross-departmental exercises, and consistent, repeatable processes are an integral part of being prepared for, and improving the response to, an emergency. Where appropriate, coordination with third-party emergency responders is tested in major exercises.

Emergency Response Planning Exercises



Fort McMurray Wildfire

In May 2016, the Horse River wildfire forced the evacuation of Fort McMurray, Alberta and saw a number of facilities in the region, including Husky's Sunrise Energy Project, shut in production and keep only essential personnel on site as a precaution. Husky supported its on-site team at Sunrise, as well as its retail stations in the area that were providing fuel and water to residents fleeing the fire. The Company worked closely with the Regional Emergency Operations Centre in Fort McMurray and the Provincial Operations Centre in Edmonton, seconding staff to both organizations to assist with a coordinated response.



Sunrise Team

Site-specific hazard identification and planning, equipment sourcing and training enhance readiness at facilities where there is the potential for a higher-consequence event.

Husky participates in additional training as an active member of spill cooperatives and preparedness programs.

Response

Emergency response programs are tailored using area-specific hazard and risk assessments, evaluating local response requirements to determine the training and equipment needed for individual emergency response teams. These teams are supported by local management and a multi-discipline corporate emergency response team.

The Company bases its plans and procedures on the Incident Command System, a standard emergency response model used in Canada and internationally to provide an effective response across all operations. It focuses the response so that the most important actions are addressed in priority and under clear accountabilities.

Husky reviews and tests all ERPs at least once a year. In 2016, 45 emergency response plans were being managed.

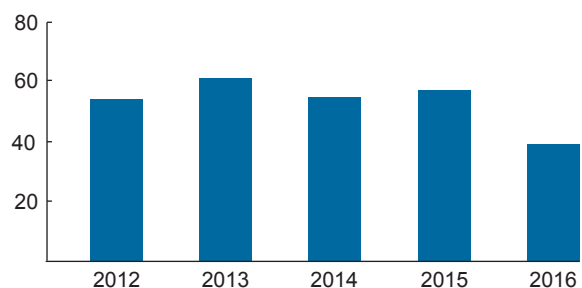
Business Continuity

Husky develops business continuity plans to mitigate impacts should a business-interrupting event occur. Critical processes are identified for each business unit.

Plans for individual departments are updated and tested to validate information, confirm contingency strategies and prepare staff. Areas with more critical processes are tested every year, those with less critical processes every two years. Exercises are often conducted with multiple departments to improve efficiencies and identify any gaps in the process.

The business continuity program is re-evaluated regularly based on the criticality of business activities and potential consequences, and compared to industry best practices.

Business Continuity Plans Exercised



HSE Policy

Husky is committed to operational integrity. Operational integrity at Husky means conducting all activities safely and reliably so that the public is protected, impact to the environment is minimized, the health and well-being of employees is safeguarded, contractors and customers are safe, and physical assets (such as facilities and equipment) are protected from damage or loss.

The Company conducts its business so as to maximize positive impacts on current and future generations in accordance with Husky's values. In particular, Husky will:

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

Code of Business Conduct

In accordance with Husky's Code of Business Conduct, employees are expected to conduct themselves in an ethical manner, with a high degree of personal integrity. Employees take mandatory training so that they are aware of their responsibilities.

Delivering Results

The Company conducted about 150 exercises to better prepare for emergencies, while multi-department business continuity exercises confirmed contingency strategies and ensured staff are prepared.

Ethics Help Line

Husky has a confidential and anonymous Ethics Help Line where employees, contractors and other stakeholders can report perceived breaches of the Code of Business Conduct.

The Ethics Help Line is managed by EthicsPoint, an independent service provider. Callers can choose to provide information anonymously. The information provided is submitted to the Ethics Help Line Committee, which includes representatives from the legal, audit, security, health, safety, environment and human resources departments.

People



Aboriginal Community Network

Supporting a Diverse and Inclusive Workplace

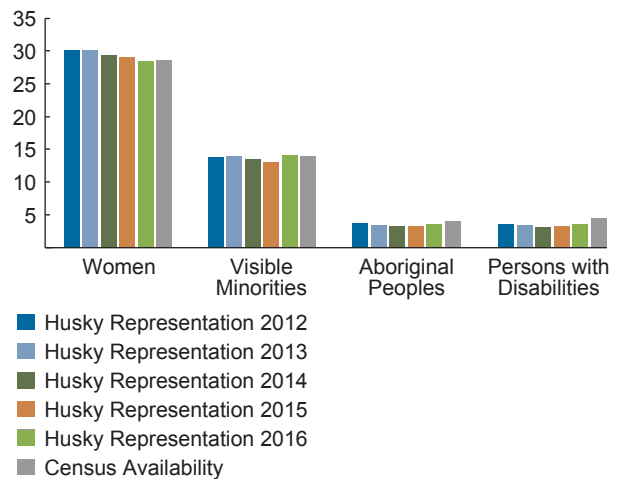
Husky encourages a culture of inclusion, respecting differences of thought and perspective throughout the organization. The Company supports an environment that is free of harassment, where individuals are treated with dignity and respect.

Its Diversity and Respectful Workplace Council provides local representation in all areas of operations and organizes employee events to increase awareness and understanding. Training and education programs continue to increase employee knowledge and encourage a respectful work environment.

Employee resource groups assist with career and personal goals, as well as with corporate and community objectives. These include the Aboriginal Community Network, the Asian Network, the Lesbian, Gay, Bisexual, Transgender, Ally Network and the Women's Leadership Network, which has chapters in Calgary and St. John's.

The Company's Employment Equity Plan is designed to ensure appropriate representation of women, visible minorities, Aboriginal peoples and persons with disabilities in its workforce, while eliminating barriers to employment and advancement.

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



Professional Development

Husky offers training, mentoring and professional development programs and resources to its employees. Qualified candidates are eligible for tuition reimbursement and a subsidized master's degree program.

Total Rewards

Husky's fully-funded, comprehensive benefits package is designed to help employees and their families maintain physical and emotional health, including supplementary medical and dental care, income protection (life and accident insurance, short and long-term disability coverage), registered retirement programs, a savings plan, vacation and paid time off. A fitness allowance, service awards, dependent scholarships and summer camp reimbursement are also offered.

Employees are able to take advantage of a financial literacy program, including financial education opportunities, access to financial planning resources and one-on-one retirement planning sessions, while retiring employees may qualify for a comprehensive retiree health benefit program.

Husky continues to expand its health and wellness programs. It offers "The Working Mind" program to employees, which is designed to address and promote mental health in the workplace (developed by the Mental Health Commission of Canada). The myHealth website provides health and wellness information, highlighting resources that include services available, and physical and mental health tips.

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

Husky Has Heart

Husky's Calgary employees raised \$330,000 for 10 local charities as part of the Husky Has Heart campaign. As well, about 2,700 pounds of food were donated, along with more than 200 backpacks containing school supplies, 150 care packages of socks, gloves, hats and hygiene supplies, and toys for children at three local shelters at Christmas.



Employees Stuff Backpacks with School Supplies



Husky's Wellness Fair

Delivering Results

Husky continues to offer training, mentoring and professional development programs to help employees further develop their skills.

Aboriginal Engagement



National Indigenous Day Celebration

Husky respects the inherent constitutional rights of Canada's Aboriginal peoples. Husky's relationships with Aboriginal communities are built on cooperation, transparency and consultation to further mutual interests.

Formal community-based agreements are in place to ensure Husky has the processes and resources to facilitate business development, employment and community investment. Early consultation takes place in the first stages of project planning to acknowledge Aboriginal rights, and may include traditional land use studies and interviews with Elders.

Education

Husky has a program to enhance the educational opportunities available to Aboriginal students, believing academic options can lead to additional career choices.

Scholarships are awarded to Aboriginal students pursuing post-secondary education related to careers in the oil and gas sector. Scholarships are based on academic achievement, work experience and community involvement. Students awarded scholarships are able to gain work experience through summer employment and co-op positions. They are provided with social support through Husky's Aboriginal Community Network.

In 2016, to assist with classroom learning, Husky donated laptop and desktop computers, as well as printers, to several First Nations schools in Saskatchewan and the Calgary area.

Economic Development

Husky is focused on building capacity in Aboriginal businesses that establishes competitiveness and develops entrepreneurs. Opportunities are created for goods and services to be provided on a competitive basis, with the contracts awarded based on technical and safety criteria, as well as pricing.

Husky's procurement strategy provides for the participation of Aboriginal businesses with capacity to bid on work for operations located near their communities. In 2016, contracts worth almost \$21 million were signed with Aboriginal vendors. More than 45 businesses provided services, including camp and catering services, road construction and maintenance, and janitorial services. The total contracts are lower than in 2015, in part due to the Sunrise Energy Project starting production and planned decreases in capital spending.

To further support its efforts to foster economic development with Aboriginal partners, Husky is a member of the Circle for Aboriginal Relations (CFAR) Society.

Environmental Training Program

Husky worked with a third-party expert to provide a mentorship and environmental training program to 20 participants from five First Nations communities in Saskatchewan. Program training included soil and water sampling, wildlife mitigation and environmental regulation, along with safety tickets for First Aid and other training.



Water Sampling

Delivering Results

Husky continues to seek business and employment opportunities with First Nations in the areas where it operates.

Community Investment



STARS Air Ambulance, Calgary

Husky's Community Investment program supports charitable organizations in the regions where the Company operates, building and strengthening relationships with its neighbours. Priority funding areas include education and training, health and wellness, and community-building initiatives.

Husky works with municipal, Aboriginal and business leaders to identify community needs, and with charitable organizations.

Employees are involved with local organizations and groups in their communities, helping to improve the quality of life for their neighbours.

Health and Wellness

Highlights include:

- Support for the Distress Centre in Calgary's Basic Needs program, which provides counselling and emergency support for immediate needs, such as buying groceries.
- A donation to STARS Air Ambulance, which provides emergency medical evacuations in British Columbia, Alberta, Saskatchewan and Manitoba.
- Support for the Meals 'til Monday program in Lima, Ohio, which provides weekend meals to children whose primary source of food is the school cafeteria.

Supporting Education

Highlights include:

- Continued support of power engineering education with scholarships at Lakeland College in Lloydminster, Alberta.
- Continued support of the Earth Rangers' Bring Back the Wild program, helping more than 180,000 students in Western Canada and Newfoundland and Labrador learn about biodiversity, ecology and the impacts of human activity. School visits included nine on Saskatchewan First Nations, two in Lloydminster and 10 in Newfoundland and Labrador.
- Continued support of bituminous research at the University of Calgary, including an endowed chair.

Community Building

Highlights include:

- A donation to MADD Canada to produce a video depicting the consequences of impaired driving, shown at 1,600 schools across Canada.
- A donation to Rainbow Riders, a therapeutic equestrian program in Newfoundland and Labrador that works with children who have physical, cognitive or emotional disabilities.
- Provided the Calgary Emergency Women's Shelter with furniture and cell phones.

Supporting Recovery After Fort McMurray Fire

Husky employees raised \$100,000, an amount matched by the Company, for those impacted by the Horse River wildfire that forced the evacuation of Fort McMurray, Alberta and destroyed neighbourhoods. Donated through the Red Cross, the money was used to support families forced from their homes, community groups and to aid small businesses in their recovery.



Horse River Wildfire

Delivering Results

Through corporate donations, employee giving campaigns and volunteer efforts, Husky and its employees support charitable organizations in Canada, the United States and the Asia Pacific region.

Environment



Near the Prince George Refinery

Husky is committed to minimizing its impact on land and habitat, air and water, in line with efforts to achieve continuous improvement across all segments of its business.

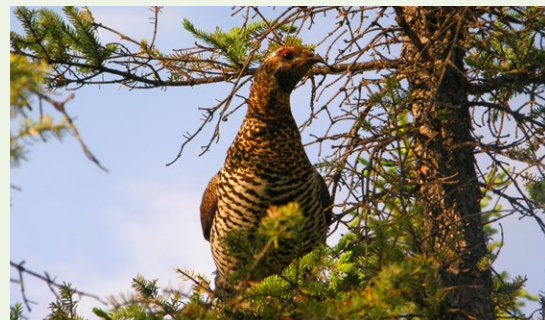
Husky closely monitors the impact of its operations and actively seeks ways to mitigate and further reduce its environmental footprint in a number of operational areas.

Delivering Results

Husky continues to make progress in its efforts to minimize impacts to land and habitat, air and water.

Husky Included on Jantzi Social Index

Husky is now included on the Jantzi Social Index, which lists 50 Canadian companies it determines has met a broad set of environmental, social and governance criteria. It is a socially screened, market capitalization-weighted common stock index.



Spruce Grouse

Sustainability Groups and Industry Organizations

Husky participates in a number of sustainability groups and industry associations to better understand environmental, safety and social issues while benefitting from, and contributing to, industry innovation and best practices.

- Alberta Industrial Fire Protection Association (AIFPA)
- Allen County Environmental Citizens Advisory Committee (ECAC)
- Allen County Local Emergency Planning Committee (LEPC)
- American Fuel and Petrochemical Manufacturers (AFPM)
- Calgary Region Airshed Zone (CRAZ)
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Brownfields Network (CBN)
- Canadian Fuels Association (CFA)
- Canadian Land Reclamation Association (CLRA)
- CDP
- China Offshore Environmental Services (COES)
- China Offshore Oil Operation Safety Office (COOOSO)
- China's State Oceanic Administration (SOA)
- China's Marine Safety Administration (MSA)
- Clearwater Mutual Aid CO-OP
- Conference Board of Canada
– Council on Emergency Management
- Devonian Aquifer Working Group (DAWG)
– COSIA joint industry project
- Earth Rangers
- Eastern Canada Response Corporation (ECRC)
- Edson Mutual Aid Committee (EMAC)
- Emergency Response Assistance Canada (ERAC)
- Environmental Services Association of Alberta (ESAA)
- Environmental Studies Research Funds (ESRF)
- Faster Forests – COSIA joint industry project
- Foothills Research Institute – Grizzly Bear Program
- Foothills Restoration Forum – Southwest Alberta Sustainable Community Initiative (SASCI)
- Grasslands Air Zone
- Hardisty Mutual Aid Plan (HMAP)
- Indonesian Petroleum Association (IPA)
- Industry Footprint Reduction Operations Group (iFROG)
- International Emissions Trading Association (IETA)
- International Oil & Gas Producers Association (IOGP)
- IPIECA
- Lakeland Industry and Community Association (LICA)
- Land Spill Emergency Program (LSEP)
- Lima Area Security and Emergency Response Task Force (LASER)
- Lloydminster Emergency Preparedness Stakeholder Group
- Mackenzie Delta Spill Response Corporation (MDSRC)
- Marine Pollution Control
- Monitoring Avian Productivity and Survivorship (MAPS)
- Mutual Aid Alberta
- North Saskatchewan Watershed Alliance
- Ohio Chemistry Technology Council (OCTC)
- Ohio Manufacturers' Association (OMA)
- Oil Sands Monitoring (OSM)
- Oil Spill Response Limited (OSRL)
- One Ocean
- Orphan Well Association
- Ottawa River Coalition (ORC)
- Parkland Airshed Management Zone (PAMZ)
- Petroleum Research Newfoundland and Labrador (PRNL)
- Petroleum Technology Alliance Canada (PTAC)
- Plains CO₂ Reduction (PCOR) Partnership
- Prince George Air Improvement Roundtable (PGAIR)
- Saskatchewan Petroleum Industry/Government Environmental Committee (SPIGEC)
- Saskatchewan Prairie Conservation Action Plan (SK – PCAP)
- Shawnee Industrial Neighbors Group (SING)
- Southeast Saskatchewan Airshed Association (SESAA)
- Transportation Community Awareness and Emergency Response (TRANSCAER)
- Upstream Saskatchewan Spill Response Co-op Area 2, 3 & 4 Spill Response Cooperatives
- Water Technology Development Centre (WTDC)
– COSIA joint industry project
- Western Canada Marine Response Corporation
- Western Canadian Spill Services (WCSS)
- Western Yellowhead Air Management Zone (WYAMZ)
- Wood Buffalo Environmental Association (WBEA)

Land and Habitat



Husky stewards the land in its care, from a project's planning stage through to the asset's retirement. Potential impacts are identified so they can be avoided, minimized or mitigated, and the land is ultimately remediated and reclaimed.

Project Planning

Husky manages the location of its construction and development activities to maintain healthy, functioning ecosystems, and the wildlife and habitat they support. Sensitive wildlife areas are identified, using a desktop analysis which is confirmed through field surveys, so that features such as mineral licks, raptor nests and active dens can be avoided. Planning takes into account sensitive wildlife areas such as amphibian ranges, riparian complexes and known rare plant colonies.

These steps reduce the impact to wildlife movement, prevent them from being displaced to less suitable habitat and maintain vegetation cover which is important for safety and temperature regulation.

Protecting Wetlands

Wetlands are crucial ecosystems. Husky looks to avoid any wetlands in an area or minimize potential disturbance by assessing them in the planning phase before a project begins. At the Sunrise Energy Project, Husky has reclaimed two acres of land, returning it to a wetland ecosystem.



Sunrise Energy Project

During Operations

Husky times its activities – including vegetation clearance and ground preparation – to reduce the risk of disturbing or disrupting an area during sensitive periods for wildlife, including migratory and breeding windows. If activities are conducted at these times, mitigation measures such as nest surveys, setback distances from active nests and changes to the construction schedule are implemented.

Workers observe and record the movements of local wildlife to better understand habitat use and assess any impact from operations so that mitigation measures can be put in place. In some areas, regional wildlife biodiversity monitoring programs observe trends, tracking the presence and movement of animals using wildlife cameras, winter tracking studies, point counts and nest surveys.

Surface water on a lease is managed, including the use of containment systems to prevent soil erosion and to help prevent a release from migrating off-site. Vegetation control inhibits the spread of weeds and minimizes fire hazards. Husky's waste tracking system monitors and verifies the type and volume of waste generated, how it is handled and how it is disposed of, treated or recycled.

To accelerate the reclamation timetable, work is undertaken on lands no longer required for operations, even if the project is ongoing. Progressive reclamation allows for work to begin sooner to return land to its pre-disturbance condition and reduce maintenance costs.

End of Life and Asset Retirement

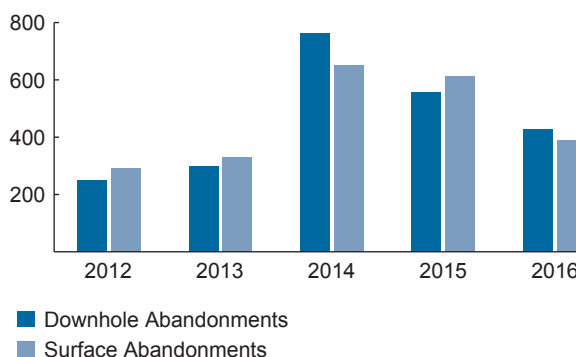
Husky prioritizes its inventory of inactive assets to determine which have future production potential and which should be retired.

This includes pipelines associated with inactive wells or lines with no flow, which are identified, assessed for future potential and prioritized for abandonment. In 2016, 708 pipelines were abandoned in Western Canada.

The process of retiring a well begins with properly abandoning both the downhole and surface components. Husky's long-term, proactive abandonment program works towards the timely and effective retirement of inactive sites that have no future potential. Candidates for abandonment are ranked and grouped by geography so that resources are used more efficiently.

A decrease in well abandonments in 2016 was primarily due to the disposition of legacy assets in Western Canada.

Well Abandonments



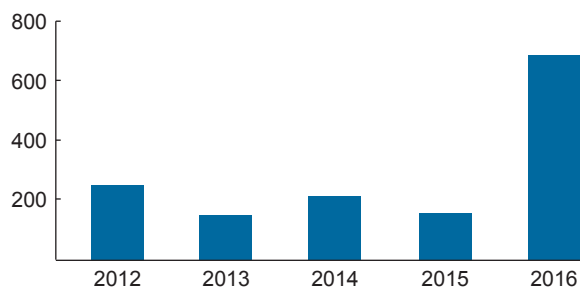
Land on the site is reclaimed so it can support similar ecological functions to those that existed before any disturbance. This could include addressing potential contamination, re-contouring sites, replacing soil layers and re-establishing appropriate vegetation.

This process takes approximately three to five years to complete, from initial re-contouring to verification the site meets regulatory criteria. All reclaimed sites are submitted for regulatory approval and review by the land owner and/or occupant. Husky has achieved an average 99 percent approval rate on its submissions. Over the past five years Husky has certified 1,425 sites and associated facilities, such as access roads and log decks, reclaiming almost 5,000 acres of land.

Asset retirement obligations and their status are tracked in Husky's Environmental Performance Reporting System. They are calculated and disclosed on a quarterly basis, complying with financial reporting regulations. This allows Husky to better estimate its obligations and account for appropriate financial resources related to abandonment, reclamation and remediation activities.

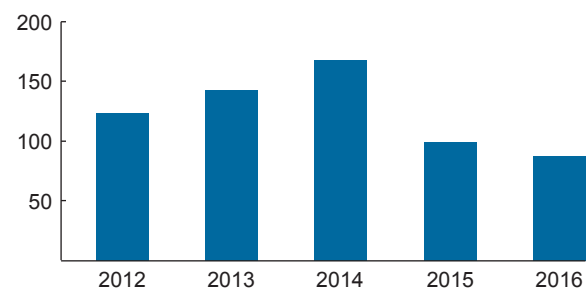
In 2016 the focus was on executing condensed, more efficient programs, while continuing to address high priority sites. With the sale of legacy assets in Saskatchewan and Alberta, Husky reduced its inventory of wells in 2016 by more than 10,000, and its pipeline licence inventory by more than 13,000, reducing its future asset retirement obligations.

Reclamation Certificates



In 2016 Husky received 679 reclamation certificates. This is higher than the five-year average due to Alberta streamlining how it assesses certificate applications. All of Husky's legacy applications awaiting regulatory approval were processed in 2016. The number of reclamation certificates received in 2017 is expected to be similar to the five-year average.

Asset Retirement Spend (\$ millions)



Pipeline Integrity



Husky monitors and manages 23,300 kilometres of pipelines from the design and construction phase through to operation, maintenance and ultimately suspension and abandonment.

Its Pipeline Integrity Management Program focuses on the lifecycle of all Husky pipelines. The program uses a proactive approach to operations and maintenance, factoring in the diverse profile of the Company's pipelines.

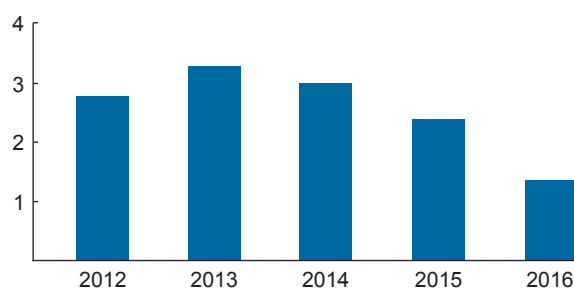
With the goal of improved integrity and a reduced incident rate, the program includes risk assessments, mitigation and monitoring activities, with accelerated levels of response. The risk assessment range includes an annual assessment based on the level of potential consequence, those conducted on an as-needed basis, determined by considering the baseline assessment and the potential consequences, and assessments based on specific, high-risk issues.

In 2016, Husky had a pipeline release at a river crossing in Saskatchewan. The Company took full responsibility for the incident and worked closely with downstream communities, First Nations and regulatory authorities on the response. A full and thorough investigation was undertaken and Husky is committed to using what it learned from the incident to further improve its operations.

Pipeline Incidents

In 2016, Husky recorded a pipeline incident rate of 1.36 incidents per 1,000 kilometres, coming in under its 2016 target. This rate uses the reduced total length of pipeline Husky operated in 2016 following dispositions in Western Canada.

Pipeline Incidents (per 1,000 kilometres)



Spill Management

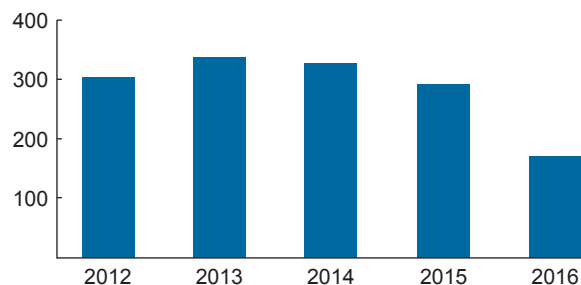
Husky's overall integrity management system uses a number of programs across its operations to minimize the impact of releases and spills. The pipeline integrity management program evaluates pipeline infrastructure to identify risks and allow appropriate mitigation. Husky's environmental management system mandates that environmental risks, including the potential for spills, are evaluated and mitigated appropriately.

In addition to prevention programs, Husky assesses spill risks and identifies any gaps in preparedness so they can be addressed to improve spill response capabilities. In the event of a spill, response is immediate, implementing containment and recovery plans while safeguarding workers, the public and the environment.

Husky is a member of several industry spill response organizations and mutual aid agreements, onshore and offshore.

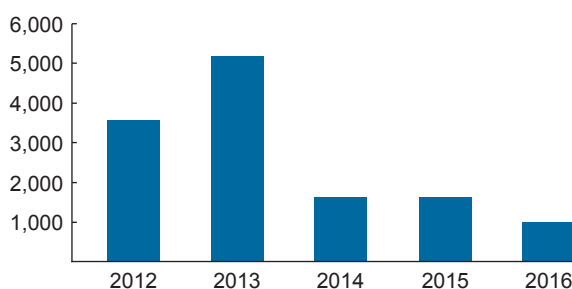
Husky had a total recovered volume for reportable hydrocarbons of 97 percent, above its 2016 target.

Reportable Release Incidents



In 2016, the number of reportable release incidents and the volume of other fluids released declined from the previous year due in part to the disposition of legacy assets, and to improvements in integrity management and spill prevention programs.

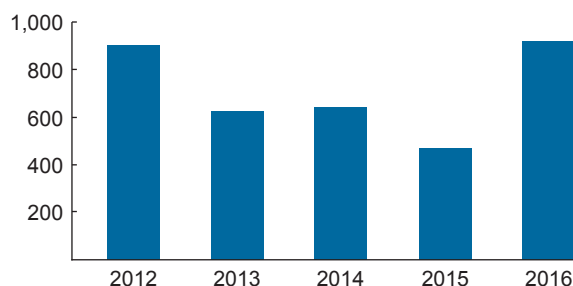
Other Volumes (m³)



Includes fluids such as refined products, produced/process water, process chemicals and other substances used in operations or generated as waste materials.

The volume of hydrocarbons released in 2016 increased from the previous year. This is due to the pipeline incident in Saskatchewan, and to a tank release which was fully contained within the secondary containment berm and fully recovered. The increase from these two events was partially offset by a decrease attributable to the disposition of legacy assets in Western Canada.

Hydrocarbons (m³)



Includes unrefined hydrocarbons (crude oil and natural gas liquids).

Air Quality



Husky addresses local and regional air quality where it operates, assessing equipment and facilities in order to mitigate the impacts of its operations.

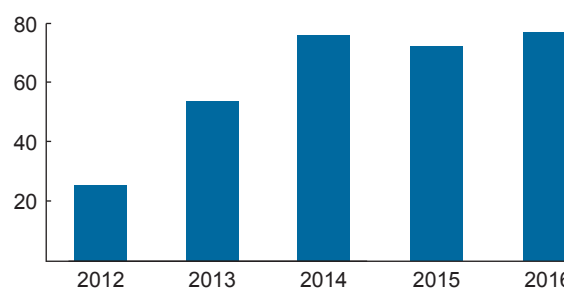
Husky's air quality and carbon management programs achieve regulatory compliance and are supported by Husky's Environmental Performance Reporting System, providing for transparency and consistent data. The Company details its GHG emissions risk management approach and metrics in annual submissions to the CDP Climate Response.

Emissions

With a focus on emission reduction activities, Husky is capturing carbon dioxide (CO₂), minimizing fugitive emissions, managing flaring and venting activities and reducing energy consumption.

Carbon dioxide is captured at the Lloydminster Ethanol Plant to aid in enhanced oil recovery (EOR), which involves CO₂ being injected into reservoirs to increase oil production. The plant captures up to 250 tonnes a day of CO₂. Additional CO₂ is captured through two pilot projects at the Pikes Peak South Lloyd Thermal Project for use in EOR. The Company continues to evaluate additional technologies.

Lloydminster Ethanol Plant CO₂ Captured
(thousand tonnes)

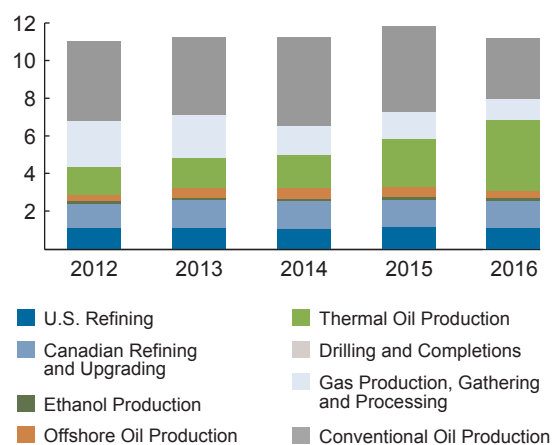


Husky measures and reports emissions of greenhouse gases (GHGs), and criteria air contaminants, such as sulphur dioxide (SO₂), nitrogen oxides (NO_x as NO₂ equivalent), particulate matter and others. This provides an opportunity to evaluate and manage emissions at the corporate and individual facility level, as well as forecast emissions associated with future operations.

Husky seeks to reduce emissions at its facilities through improved energy and emissions management, and offsets the balance of compliance obligations through the purchase of project-based carbon offsets and Climate Change Emissions Management Fund credits, and through the use of emissions performance credits. It continues to assess opportunities for

internal carbon offset projects, including the conversion of pneumatic devices, managing engine fuel, capturing vent gas and conserving solution gas.

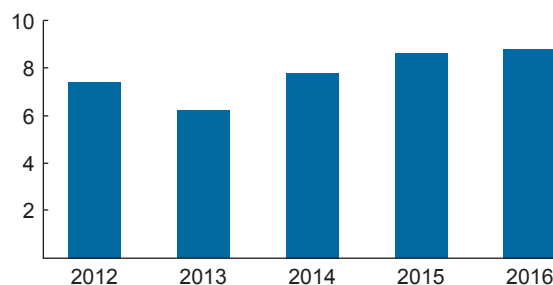
Scope 1 GHG Emissions (million tonnes of CO₂e)



Scope 1 GHG emissions include all direct GHG emissions from assets operated by Husky in Canada and the U.S. as at December 31. Activities in the Asia Pacific region are not operated by Husky and not included. Scope 1 GHG emissions include CO₂, methane (CH₄) and nitrous oxide (N₂O), reported as CO₂ equivalent (CO₂e). Scope 1 GHG emissions do not include emissions from biological sources, such as fermentation process emissions at Husky's ethanol plants, and emissions from on-site transportation, which are not material. Fugitive emissions and drilling and completions emissions are estimated and reported as required by jurisdictions.

The decrease in Scope 1 GHG emissions can be attributed to reduced flaring at the Lloydminster Upgrader, emission reductions at heavy oil wellsites due to compressor installation, a metering correction and, primarily, the disposition of legacy assets in Western Canada, offset by increased production at the Company's thermal projects.

Sulphur Dioxide Emissions (thousand tonnes)



Increases in SO₂ emissions were due to increases from the Company's thermal projects, as well as a process upset at the Lloydminster Upgrader sulphur plant which resulted in additional flaring, partially offset by a decrease in emissions at the Ram River Gas Plant.

Canada is a signatory to the Paris Climate Change Agreement, which commits to keeping the global temperature rise this century below 2 degrees Celsius. Policies such as the Pan-Canadian Framework on Clean Growth and Climate Change are designed to bring Canada into alignment with the Nationally Determined Contributions under this agreement. Husky models various pricing scenarios possible under full implementation of the Pan-Canadian Framework. The Company assesses the risks and opportunities for its business as a result of proposed regulation and demand changes. Husky actively evaluates technology options to improve the emission intensity of its business.

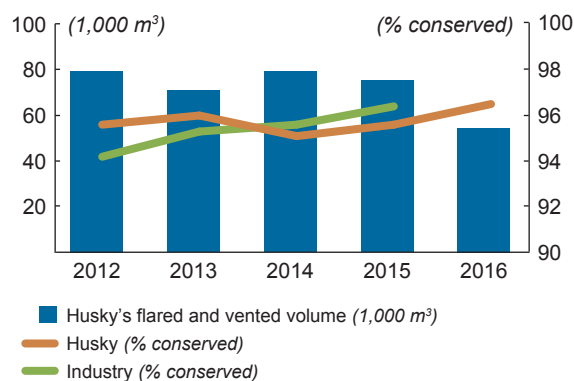
Carbon Intensity of Transportation Fuels

Blending renewable fuels with gasoline reduces transportation emissions. Husky is Western Canada's largest producer of ethanol and the region's largest distributor of ethanol for gasoline blending. In 2016, the use of ethanol blended fuel helped prevent the emission of 61,000 tonnes of CO₂e. Husky also captures CO₂ at its Lloydminster Ethanol Plant.

Gas Conservation

Husky estimates overall solution gas conservation at its Alberta operations in 2016 was 96.6 percent. Husky's total volume of flared and vented gas in Alberta has declined by 34.1 percent since 2012. Its oil production in the province decreased by nearly 45 percent over the same period. The reduction in flaring and venting can be attributed to the disposition of legacy assets and the decline in non-thermal heavy oil operations. Data from the annual Alberta Energy Regulator's Upstream Petroleum Industry Flaring and Venting Report shows Husky's gas conservation remains comparable to the industry average.

Alberta Gas Conservation



All data up to and including 2015 from the Alberta Energy Regulator, 2016 estimated by Husky. Conservation % = $[\text{Volume of gas produced} - (\text{volume of gas flared} + \text{volume of gas vented})] \div [\text{volume of gas produced}]$.

All reported flared volumes include gas that was incinerated.

Venting = the non-combusted release of gas to the atmosphere.

Fugitive Emissions Management Program

The Fugitive Emission Management Program detects and ensures the timely repair of leaking equipment to reduce emissions. It improves the Company's operating efficiency by tracking where and when leaks occur and minimizing the release of greenhouse gases and volatile organic compounds (VOCs).

Fugitive emissions are hydrocarbon leaks, including methane and VOCs, from valves, piping connections, pumps and compressor seals, and other piping system components that occur as part of the normal operation of a plant. Husky uses a number of techniques to detect a leaking component, including highly specialized infrared cameras that provide a view of normally inaccessible locations such as tank seals and overhead piping from a distance, and ultrasonic detection, which identifies leaking components using sound. Vapour analyzers and ultrasonic measurements can be used to quantify an emission.

Data on fugitive emissions is stored in a central system, allowing for timely notification of surveys and repairs, and the tracking of components and reporting.

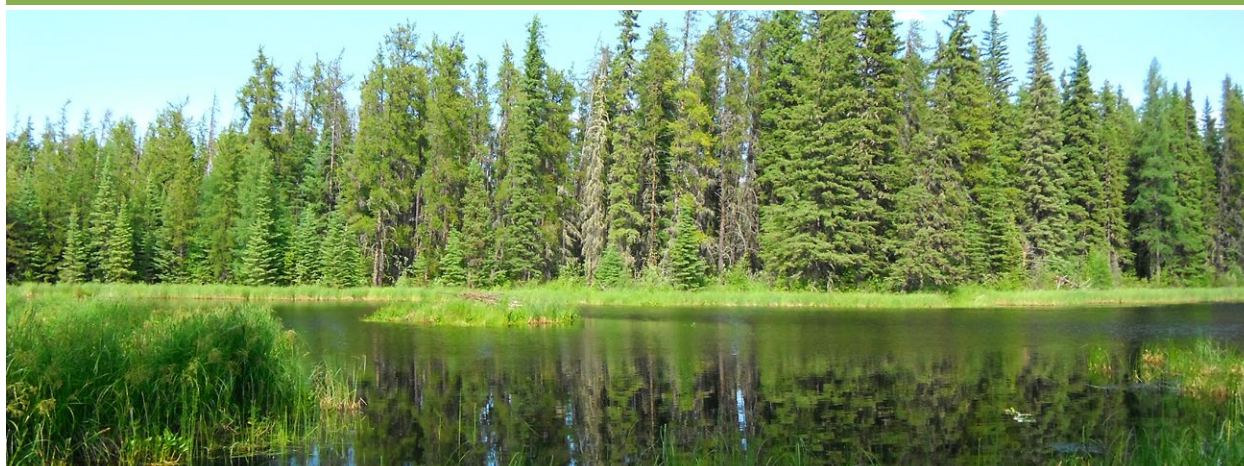
CO₂ Capture and Injection for Enhanced Oil Recovery

Husky has captured more than 300,000 tonnes of carbon dioxide at its Lloydminster Ethanol Plant between 2012 and 2016. The CO₂ is transported to a heavy oil field, used for enhanced oil recovery and stored in the reservoir when it's fully depleted.



Lloydminster Ethanol Plant

Water



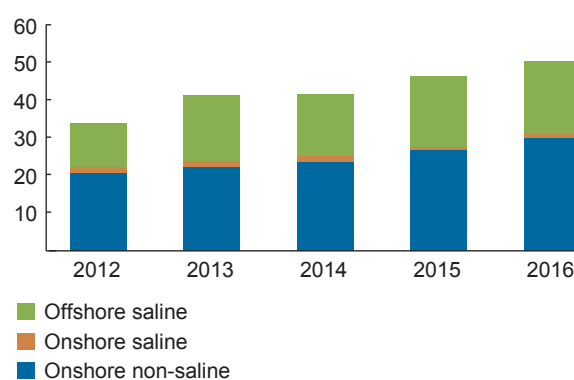
Husky's internal Water Standard provides for responsible water use. Its water risk management approach and metrics are detailed in annual submissions to the CDP Water Program. It enhances responsible water use through the use of technology and collaborative management strategies.

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

Water Withdrawals

Husky tracks water metrics across all business units using its Environmental Performance Reporting System. It participates in a number of national and international programs to help drive better measurement and transparency across the industry of water use and issues.

Water Withdrawals (millions m³)



Water withdrawals are for industrial use. Data from before 2014 excludes water used for construction and drilling and completion purposes. Non-saline (fresh) water is defined as having a total dissolved solids concentration of less than 4,000 mg/L.

Husky withdraws water for industrial use, drawing on saline and non-saline sources, including non-saline industrial wastewater.

Non-saline water withdrawal increased in 2016, due in part to the Edam East, Edam West and Vawn Lloyd thermal projects starting production and the Rush Lake Lloyd thermal project having ramped up to full production.

The approximately 6.6 million cubic metres (m³) of non-saline water withdrawn for use in Husky's refineries was offset by the 4.4 million m³ returned to the surface hydrologic cycle after being treated in multiple stages, including separating oil from the water and applying biological treatments. The water is tested before being discharged to ensure regulatory compliance.

The withdrawal of 19.5 million m³ of offshore saline water in 2016 was offset by the discharge back to the sea of 13.4 million m³ of cooling water.

Non-Saline Water Withdrawal by Watershed

Husky assesses ways to conserve and recycle water, including options to reuse produced water or other industrial wastewater.

In 2016, about 99 percent of non-saline water withdrawals occurred in areas considered not water short or low intensity, as defined by provincial regulatory bodies. Approximately one percent of the withdrawals occurred in areas considered potentially water short or moderate intensity. Less than 0.1 percent of the withdrawals were in areas considered water short or high intensity.

Recycling Produced Water at Wainwright

Husky recycles all produced water at its Wainwright waterflood project, re-injecting it into the formation. The Company also uses produced water from other operations in the area as makeup water, reducing the amount of non-saline groundwater required for operations. In 2016, a saline groundwater aquifer was identified as a source to further reduce the need for non-saline groundwater.

About 60 percent of Husky's onshore non-saline withdrawals were from the North Saskatchewan River watershed in Alberta and Saskatchewan and used primarily in thermal production and upgrading operations. Water is withdrawn from along the river in areas that aren't considered water short.

Approximately 21 percent of onshore non-saline withdrawals were from the Maumee River watershed in Ohio, for use at the Lima Refinery. Approximately 70 percent was returned to the surface hydrological cycle after being treated.

Water Collaboration

Husky:

- is taking part in the Devonian Aquifer Working Group, to better understand and manage this hydrogeological system in the oil sands region. It is a joint industry project of Canada's Oil Sands Innovation Alliance (COSIA), an alliance of oil sands producers focused on improving environmental performance through the development and sharing of innovative approaches.
- participates in the Water Technology Development Centre, which will test technologies and practices to reduce water use and improve energy efficiency for thermal operations in Alberta's oil sands.

Key Numbers

This table provides a summary of key numbers related to the Company's operations and performance.

	Indicator	2016	2015	2014
Business	Production (thousands of barrels of oil equivalent per day)	321.2	346.0	340.1
	Net Earnings (Canadian \$ millions)	922	(3,850)	1,258
	Funds from Operations ¹ (Canadian \$ millions)	2,198	3,333	5,368
	Capital Investment ² (Canadian \$ millions)	1,705	3,005	5,023
	Reserves (proved and probable millions boe, before royalties)	2,815	2,912	3,149
	Reserves (proved millions boe, before royalties)	1,224	1,324	1,279
Safety	Total Recordable Injury Rate (recordable injuries per 200,000 exposure hours)	0.5	0.64	0.80
	Lost-time Injury Frequency (number of lost-time injuries per 200,000 exposure hours)	0.14	0.14	0.14
	Fatalities (employees and contractors)	0	0	0
Environment	Total Energy Use ^{3,4,5} (gigajoules)	151,324,000 ⁶	162,790,000	133,590,000
	Scope 1 GHG Emissions ^{4,7} (tonnes of CO ₂ e)	11,242,000 ⁶	11,900,000	11,260,000
	Scope 2 GHG Emissions ^{4,5} (tonnes of CO ₂ e)	2,128,000 ⁶	2,430,000	2,300,000
	Sulphur Dioxide (SO ₂) Emissions ^{4,8} (tonnes)	8,847	8,611	7,795
	Nitrogen Oxides (NO _x expressed as NO ₂) Emissions ^{4,8} (tonnes)	9,773	9,546	9,024
	Volatile Organic Compounds (VOC) Emissions ^{4,8} (tonnes)	3,864	3,703	2,351
	Filterable Fine Particulate Matter Emissions (PM _{2.5}) ^{4,8} (tonnes)	626	NPR ⁹	NPR ⁹
	Fresh Water Withdrawal ¹⁰ (million cubic metres)	29.1 ⁶	24.2	23.4
	Number of Spills	170	291	327
	Volume of Spills – Hydrocarbons (cubic metres)	913	469	644
	Volume of Hydrocarbons Recovered ¹¹ (percentage)	97	80	NPR ⁹
	Volume of Spills – Other (produced/process water, refined products, other) (cubic metres)	1,016	1,656	1,634
People	Number of Employees (permanent)	5,150	5,552	5,774
	Employee Turnover (percentage, voluntary and retirements)	3.3	4.0	6.8
	Senior Executive Diversity (percentage of women, Canada)	12.5	12.5	17.65
Community	Community Contributions (\$ millions)	2.2	3.0	5.0
Governance	Independent Board Members (percent)	60	60	60
	Independent Audit Committee Members (percent)	100	100	100
	Board Diversity (percentage of women)	13.3	13.3	13.3

All data as of December 31, unless otherwise stated.

¹ Refer to the "Non-GAAP Measures" advisory in this document.

² Excludes capitalized costs related to asset retirement obligations incurred during the period. Excludes amounts related to Husky-CNOOC Madura Ltd. Joint venture and, after the second quarter, Infrastructure and Marketing amounts related to the Husky Midstream Limited Partnership.

³ Excludes all gases flared, vented or incinerated as their energy content is not utilized. Minor discrepancies identified in 2015 data may make it difficult to compare year over year performance.

⁴ Reported for assets operated by Husky in Canada and the U.S. as at December 31. Activities in the Asia Pacific region are not operated by Husky and not included. For any year, assets divested during that year are not included.

⁵ Excludes purchased electricity associated with Husky retail stations and selected offices, based on assets operated as at December 31.

⁶ Independent, limited assurance provided by KPMG.

⁷ Scope 1 GHG emissions include all direct GHG emissions from assets operated by Husky in Canada and the U.S. as at December 31. Activities in the Asia Pacific region are not operated by Husky and not included. Scope 1 GHG emissions include CO₂, methane (CH₄) and nitrous oxide (N₂O), reported as CO₂ equivalent (CO₂e). Scope 1 GHG emissions do not include emissions from biological sources, such as fermentation process emissions at Husky's ethanol plants, and emissions from on-site transportation, which are not material. Fugitive emissions and drilling and completions emissions are estimated and reported as required by jurisdictions.

⁸ SO₂, NO_x, VOC and filterable fine PM_{2.5} emissions are reported as the total for all facilities where emissions have been reported to the regulator.

⁹ Not previously reported.

¹⁰ Does not include fresh industrial wastewater.

¹¹ Volumes recovered during initial response or within seven days, additional volumes are remediated over longer term.

About This Report

This report focuses on performance for the 12-month period ending December 31, 2016, unless otherwise noted.

All financial data is reported in Canadian dollars, and excludes discontinued operations. Please refer to the 2016 Annual Report and other reporting documents at www.huskyenergy.com for detailed information on financial and operational performance.

Financial information is presented on a net equity basis. Quantitative information is presented on a gross operated basis, unless otherwise stated.

Monitoring and Measurement

Asset retirement obligation data, emissions to air and water, groundwater quality and greenhouse gas data are calculated and recorded as per Husky's Environmental Performance Reporting System.

Quantifiable data for operations is presented to meet or exceed regional jurisdictional and reporting requirements. Excluded data is footnoted.

Internal Governance and Verification

Husky's health, safety and environment activities are guided by a committee of the Board of Directors and the Executive Health, Safety and Environment Committee.

The data in this report has been reported, reviewed and approved in accordance with internal measurement and verification practices, and reflects information relevant to Husky's business sustainability and its shareholders. KPMG provided independent limited assurance on select performance indicators disclosed in this report. See Key Numbers table and the KPMG Letter of Assurance.

Letter of Assurance

Independent Limited Assurance Report to Husky Energy Inc.

We have been engaged by the management of Husky Energy Inc. (Husky Energy) to undertake a limited assurance engagement, in respect of the year ended December 31, 2016, on certain quantitative performance information disclosed in Husky Energy's 2016 Community Report (the Report) as described below.

Selected Indicators and Applicable Criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following performance information (the Selected Indicators):

- Total Energy Use (gigajoules)
- Scope 1 GHG Emissions (tonnes of CO₂e)
- Scope 2 GHG Emissions (tonnes of CO₂e)
- Fresh Water Withdrawal (millions of cubic metres)

The Selected Indicators, contained within the Report in the Key Numbers section, have been determined by management on the basis of Husky Energy's assessment of the material issues contributing to Husky Energy's sustainability performance and most relevant to their stakeholders.

There are no mandatory requirements for the preparation, publication or review of sustainability performance metrics. As such, Husky Energy applies its own internal reporting guidelines and definitions for sustainability reporting in preparing the Selected Indicators which can be found in the About this Report section and relevant footnotes in the Report.

Management's Responsibilities

Management is responsible for the preparation and presentation of the Selected Indicators in accordance with Husky Energy's internal reporting guidelines and definitions

for sustainability reporting, current as at the date of our report. Management is also responsible for determining Husky Energy's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our Responsibility

Our responsibility in relation to the Selected Indicators is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) and International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. ISAE 3000 and ISAE 3410 require that we comply with applicable professional standards, including International Standard on Quality Control 1.

We have not been engaged in respect of, and our conclusion does not cover, any periods prior to the year ended December 31, 2016.

Assurance Approach

We planned and performed our work to obtain all of the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Selected Indicators, and applying analytical and other evidence gathering procedures to the Selected Indicators, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of Husky Energy's processes for determining the material issues for Husky Energy's key stakeholder groups;
- Inquiries with relevant staff at the corporate and business unit level to understand the data collection and reporting processes for the Selected Indicators;
- Where relevant, performing walkthroughs of data collection and reporting processes for the Selected Indicators;
- Comparing the reported data for the Selected Indicators to underlying data sources;
- Inquiries of management regarding key assumptions and, where relevant, the re-performance of calculations; and,
- Reviewing the Selected Indicators presented in the Report to determine whether they are consistent with our overall knowledge of, and experience with, the sustainability performance of Husky Energy.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is obtained.

Our assurance report is provided solely to Husky Energy in accordance with the terms of our engagement. Our work has been undertaken so that we might report to Husky Energy on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than Husky Energy for our work, for this assurance report, or for the conclusions we have reached.

Inherent Limitations

Non-financial information, such as that supporting the Selected Indicators, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used

for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as well as the measurement criteria may change over time.

Independence and Competence

In conducting our engagement we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matter including environmental and greenhouse gas accounting.

Our Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that for the year ended December 31, 2016, the Selected Indicators, as described above and disclosed in the Report, have not been prepared and presented, in all material respects, in accordance with Husky Energy's internal reporting guidelines and definitions for sustainability reporting as at the date of our report.

Chartered Professional Accountants,
Licensed Public Accountants



August 2, 2017
Vancouver, Canada

Reader Advisories

Forward-Looking Statements and Information

Certain statements in this document are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of applicable Canadian securities legislation, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The forward-looking statements contained in this document are forward-looking and not historical facts.

Some of the forward-looking statements may be identified by statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "is targeting," "estimated," "intend," "plan," "projection," "forecast," "guidance," "could," "may," "would," "aim," "vision," "goals," "objective," "target," "schedules" and "outlook"). In particular, forward-looking statements in this document include, but are not limited to, references to: the Company's general strategic plans and growth strategies; design capacity of the Company's Edam East, Vawn and Edam West Lloyd thermal projects; anticipated design capacity of the Company's Dee Valley, Spruce Lake North and Spruce Lake Central Lloyd thermal projects; expected timing for completion of, and increase in processing capacity from, the crude oil flexibility project at the Lima Refinery; forecasted increase in asphalt capacity; and the expected timing of ramp-up to full gas sales rate at the BD Gas Project.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary from reserve and production estimates.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this document are reasonable, the Company's forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, 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, 2016 and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com and the EDGAR website www.sec.gov) describe risks, material assumptions and other factors that could influence actual results and are incorporated herein by reference.

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

Non-GAAP Measures

This document contains certain terms which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. None of these measurements are used to enhance the Company's reported financial performance or position. The non-GAAP measures included in this document are: funds from operations and free cash flow. These non-GAAP measures are considered to be useful as complementary measures in assessing Husky's financial performance, efficiency and liquidity. These terms include:

The term "funds from operations" is a non-GAAP measure which should not be considered an alternative to, or more meaningful than, "cash flow - operating activities" as determined in accordance with IFRS, as an indicator of financial performance. Funds from operations is presented in the Company's financial reports to assist management

and investors in analyzing operating performance of the Company in the stated period. Funds from operations equals cash flow - operating activities plus change in non-cash working capital.

Funds from Operations has been restated in order to be more comparable to similar non-GAAP measures presented by other companies. Changes from prior period presentation include the removal of adjustments for settlement of asset retirement obligations and deferred revenue. Prior periods have been restated to conform to current presentation.

The following table shows the reconciliation of net earnings (loss) to funds from operations for the years ended December 31:

(\$ millions)	2016	2015	2014
Net earnings (losses)	922	(3,850)	1,258
Items not affecting cash:			
Accretion	126	121	134
Depletion, depreciation, amortization and impairment	2,462	8,644	4,010
Inventory write-down to net realizable value	9	22	211
Exploration and evaluation expenses	86	242	6
Deferred income taxes (recoveries)	29	(1,827)	(191)
Foreign exchange (gain)	(4)	27	71
Stock-based compensation	33	(39)	(17)
Loss (gain) on sale of assets	(1,634)	(22)	(36)
Unrealized market to market (gain) loss	38	(14)	(7)
Share of equity investment loss (gain)	(15)	5	6
Other	24	20	90
Settlement of asset retirement obligations	(87)	(98)	(167)
Deferred revenue	209	102	-
Change in non-cash working capital	(227)	427	217
Cash flow - operating activities	1,971	3,760	5,585
Change in non-cash working capital	227	(427)	(217)
Funds from operations	2,198	3,333	5,368

The term "free cash flow" is a non-GAAP measure, which should not be considered an alternative to, or more meaningful than, "cash flow - operating activities" as determined in accordance with IFRS, as an indicator of financial performance. Free cash flow equals funds from operations less capital expenditures.

Disclosure of Oil and Gas Information

Unless otherwise indicated: (i) reserves and resources estimates in this document have been prepared by internal qualified reserves evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook, have an effective date of December 31, 2016 and represent the Company's working interest share before royalties; (ii) projected and historical production volumes provided represent the Company's working interest share before royalties; and (iii) historical production volumes provided are for the year ended December 31, 2016.

The Company uses the terms barrels of oil equivalent ("boe"), which is consistent with other oil and gas companies' disclosures, and is calculated on an energy equivalence basis applicable at the burner tip whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. The term boe is used to express the sum of the total company products in one unit that can be used for comparisons. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is used for consistency with other oil and gas companies but does not represent value equivalency at the wellhead.

The Company uses the term reserves replacement ratio, which is consistent with other oil and gas companies' disclosures. Reserves replacement ratios for a given period are determined by taking the Company's incremental proved reserves additions for that period divided by the Company's upstream production for the same period. The reserves replacement ratio measures the amount of reserves added to a company's reserves base during a given period relative to the amount of oil and gas produced during that same period. A company's reserves replacement ratio must be at least 100% for the company to maintain its reserves. The reserves replacement ratio only measures the amount of reserves added to a company's reserves base during a given period.

Note to U.S. Readers

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

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



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