



## Compensation Recoupment and Clawback Policy

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This Compensation Recoupment and Clawback Policy (this "**Policy**") has been adopted by the Board of Directors (the "**Board**") of California Resources Corporation, a Delaware corporation (the "**Company**"), effective as of November 4, 2015 (the "**Effective Date**"). This Policy will be administered by the Board or a committee of the Board designated to act for the Board on any matter that the Board or such committee determines is or may be covered by this Policy (the "**Administrator**").

In the event the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws (a "**Restatement**"), the Administrator shall have the right, as to any Covered Employee, to cause the Company to require the reimbursement by the Covered Employee, to the extent permitted by applicable law, of all or a portion of any Incentive Compensation.

The Administrator shall determine whether an accounting restatement constitutes a Restatement and when a Restatement has occurred; provided, however, that, among other changes that the Administrator may determine do not constitute a Restatement, the following changes to the Company's financial statements shall not be considered a Restatement: (a) retrospective application of a change in accounting principle or a change required or permitted under generally accepted accounting principles in connection with the adoption or implementation of a new accounting standard or interpretation; (b) retrospective revision to reportable segment information due to a change in the structure of the Company's internal organization; (c) retrospective reclassification due to a discontinued operation; (d) retrospective application of a change in reporting entity; (e) retrospective adjustment to provisional amounts in connection with a prior business combination; (f) retrospective revision for stock splits; and (g) retrospective application of a change caused by the Company's decision to modify its accounting practice as permitted by applicable law.

The maximum amount of Incentive Compensation subject to being recouped from a Covered Employee with respect to a Restatement is the incremental amount of Incentive Compensation, net of taxes paid, that the Administrator determines was received by such Covered Employee in excess of the amount that would have been received based upon the Restatement.

For purposes of this Policy, the following terms will have the meanings set forth below:

**“Covered Employee”** means, with respect to each Restatement, each individual (whether a current or former employee or officer of the Company or any of its subsidiaries) (a) who was a named executive officer (as determined pursuant to Item 402(a)(3) of Regulation S-K promulgated by the Securities and Exchange Commission) at any time during the performance period relating to Incentive Compensation with respect to such Restatement and (b) whose fraud or misconduct either caused or contributed to the need for such Restatement.

**“Incentive Compensation”** means, with respect to each Restatement, any cash, equity, equity-based or other award under the LTIP (including, except as provided in clause (b) of the following sentence, awards subject to service-based, performance-based or other conditions or any combination of the foregoing) or any annual bonus or annual incentive plan of the Company or its affiliates that is determined by the Administrator to be earned by the Covered Employee in whole or in part with respect to the fiscal period(s) affected or covered by the Restatement. However, this Policy will not be applicable to the following: (a) with respect to any Restatement, any Incentive Compensation earned with respect to a fiscal year preceding the three full fiscal years immediately prior to the fiscal year in which the Administrator determines that such Restatement has been required by the Board (or a committee thereof); or (b) any Incentive Compensation that is not based in whole or in part upon the attainment of a financial reporting measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (or derived wholly or in part from such measures). Incentive Compensation may include awards described in the preceding two sentences that were granted prior to the Effective Date, and fiscal periods affected or covered by a Restatement may include fiscal periods beginning prior to the Effective Date.

**“LTIP”** means the Company's Long Term Incentive Plan as amended from time to time.

The Administrator shall have sole discretion to make all determinations under this Policy, including but not limited to (a) whether or not to cause the Company to pursue reimbursement under this Policy, (b) whether a Covered Employee's conduct met or did not meet any particular standard of conduct under law or this Policy and at what point in time it will make that determination, which may be after the conclusion of any pending internal investigation or any pending or threatened investigation or proceeding brought by third parties, including law enforcement agencies, regulators or other authorities, or private plaintiffs, and (c) what Incentive Compensation is subject to reimbursement and the timing, amount and form of any reimbursement, subject to applicable law and the terms of this Policy, which may include, without limitation, the recoupment of previously paid cash amounts, previously awarded equity or equity-based awards (whether vested or unvested), or proceeds realized from the sale of shares, in each case, net of taxes or any brokers' commissions paid. In determining whether or not to cause the Company to pursue reimbursement under this Policy, the Administrator shall not be required to cause the Company to seek reimbursement if the Administrator determines that it would not be in the best interest of the Company to seek reimbursement or the Administrator determines that such reimbursement cannot be accomplished with reasonable efforts.

In making such determinations, the Administrator may take into account all relevant facts and circumstances, including but not limited to:

- The extent to which the Covered Employee's conduct was responsible for (or contributed to the need for) the Restatement;
- The materiality of the Restatement and any effect on prior or future accounting periods;
- The effect and availability of all remedies, including adjustment of future compensation and termination of employment;
- The findings or holdings of any court, arbitrator or similar authority, although the Administrator shall not be bound thereby;
- Any penalties or punishments imposed or asserted by third parties, such as law enforcement agencies, regulators or other authorities, or private plaintiffs;
- Whether the assertion of a claim against a Covered Employee may violate applicable law or adversely impact the interests of the Company in any related proceeding or investigation or in any other way;
- The cost and likely outcome of any potential litigation in connection with the Company's attempts to recoup compensation;
- The passage of time since the occurrence of any act in respect of the applicable fraud or misconduct; and
- Whether the amount subject to clawback is de minimis.

Nothing in this Policy is intended to limit any right of recovery of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or other applicable law. If a Covered Employee reimburses the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or other applicable law, then the amount of such reimbursement shall be a relevant fact and circumstance to be considered by the Administrator pursuant to the preceding paragraph.

If the Administrator determines to seek reimbursement pursuant to this Policy, it shall provide the Covered Employee written notice and the opportunity to be heard at a meeting of the Administrator.

Each Covered Employee will be required to agree to be bound by this Policy (as amended from time to time, including amendments with retroactive effect) and not to seek indemnification or contribution from the Company or any of its affiliates for any amounts reimbursed or clawed back. Without limiting the form in which such agreement shall be evidenced, each Covered Employee who has accepted an award under the LTIP (whether before or after the Effective Date) that is conditioned on the Grantee's agreement to any compensation recoupment or clawback policies or procedures adopted by the Company will be deemed to have agreed to be bound by this Policy (as amended from time to time, including amendments with retroactive effect) and not to seek such indemnification or contribution from the Company or any of its affiliates.

No person who is a member of the Administrator shall have any right to vote or decide upon any matter relating solely to himself or herself under this Policy or to vote or decide with respect to any matter in which such person's individual right to

compensation or benefits is particularly involved. In any matter in which a person who is a member of the Administrator is so disqualified to act, the remaining members of the Administrator shall vote or decide upon such matter.

The Board may amend this Policy from time to time, including to address the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and resulting rules and regulations issued by the Securities and Exchange Commission or any stock exchange, and any such amendment may be adopted with retroactive effect. The validity, construction, and effect of this Policy and any determinations relating to this Policy shall be construed in accordance with the laws of the State of Delaware without regard to its conflicts of laws principles. The Administrator (and each member thereof) shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or employee of the Company, legal counsel, independent auditors, consultants or any other agents assisting in the administration of this Policy.