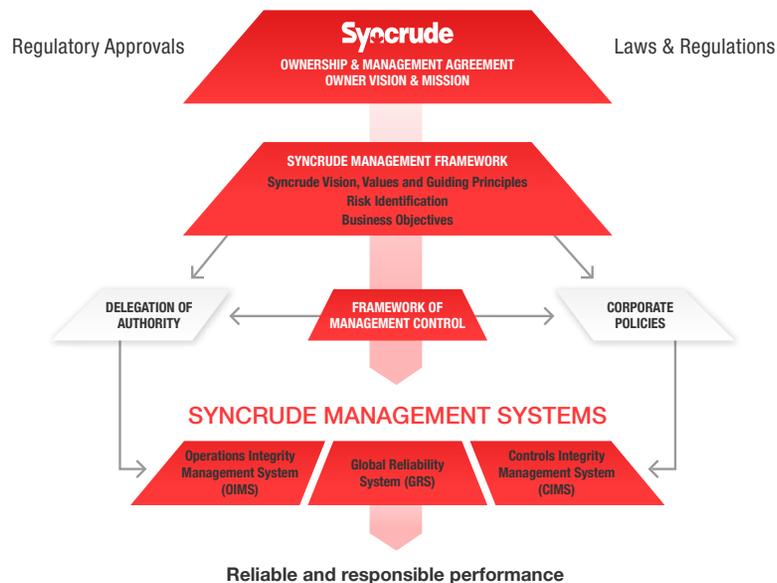


SUSTAINABILITY MANAGEMENT SYSTEMS

Syncrude's Sustainability Management Framework



Managing Toward Sustainability

The graphic above shows how Syncrude manages its business toward sustainable outcomes.

Internal inputs start with Syncrude's Joint Venture owners, who oversee and provide direction to Syncrude's sustainability work through the Board of Directors' Safety, Health, Environment & Corporate Sustainability Committee. At the operational level three key management systems provide the strategy, tools and discipline needed to focus on priority areas. A comprehensive Research and Development program enables innovation and continuous improvement (see [Research and Development](#) chapter). Some aspects of employee compensation are also tied to achievement of sustainability metrics.

External inputs include all applicable laws and regulations, and stakeholder expectations, which are formed in part by the findings of independent environmental monitoring programs. Industry best practices also feed into Syncrude's pursuit of continuous improvement in all aspects of our business. Of these, Syncrude participates in three formal stewardship programs: the

Toward Sustainable Mining program of the Mining Association of Canada; the Responsible Canadian Energy program of the Canadian Association of Petroleum Producers; and the Progressive Aboriginal Relations program of the Canadian Council for Aboriginal Business.

Our key SH&E sustainability policy states our expectations for safety, health and environmental performance. Our corporate code of ethics and business conduct policies guide employee actions.

Safety, Health and Environment Policy

At Syncrude we are committed to protecting and promoting the safety and well-being of our employees, our contractors, our communities and our environment.

We believe excellence and continuous improvement in safety, health and environmental performance are in the best interest of all of our stakeholders. Our corporate success depends upon it.

Our desired outcomes are a workplace where everyone upholds [Syncrude's Vision, Values and Guiding Principles](#), a workplace that fosters the emotional and physical well-being of employees, a workplace where incidents that could harm people or the environment do not occur, and a workplace where all employees and contractors demonstrate personal commitment to operational excellence. Toward this:

- **we aim for a safe and reliable operation** where all risks that could compromise the health and safety of workers, or the environment, are identified, understood and managed;
- **we meet all regulated standards** for safety, health and environmental performance as the minimum expectation;
- **we learn from best practices** applied elsewhere and endeavour to incorporate such lessons into our practices and procedures;
- **we integrate safety, health and environment** considerations, along with economic factors, into all business decisions; and
- **Syncrude management takes a leadership role** in advocating workplace health and safety, and environmental sustainability, in appropriate regional, provincial and national forums.

Through the efforts and collective experience of our employees and contractors, Syncrude will be an acknowledged leader in safety, health and environmental performance. We will continue to improve by working together and sharing responsibility for a healthy environment, as well as the safety and well-being of our co-workers, our families, our communities and ourselves.

Code of Ethics and Business Conduct

Syncrude's Code of Ethics and Business Conduct policies are designed to foster the high level of ethical conduct expected by our many internal and external stakeholders. We steward the application of these policies and report periodically to the Board of Directors' Audit and Business Controls Subcommittee and make representations to the Board to confirm compliance.

All employees are formally trained in these matters every four years, most recently in 2010. Training is also done at the time of hiring. All employees must sign a certification stating they understand the policies – Administrative, Professional and Technical employees certify annually based on their increased exposure to potential situations, while Occupational employees certify every four years. All employees receive an annual letter from the President and CEO as a reminder of these policies.

In addition to internal processes, Syncrude has an external system for the reporting of concerns about corporate conduct. Employees, contractors and members of the public may file their concerns anonymously and confidentially through [EthicsPoint](#), or 1-800-493-1866. This information is available internally to all staff and through Syncrude's external website at www.syncrude.com.

Management Systems

Operations Integrity Management System (OIMS)

Adoption of ExxonMobil's [Operations Integrity Management System \(OIMS\)](#) continues throughout the Syncrude organization. The new system is expected to be fully implemented by 2013. It aims to make the safety of people, facilities and the environment the centre of all decision making. It establishes expectations and requirements for addressing safety, security, health, environmental and social risk.

OIMS consists of 11 elements that address specific aspects of management common to all ExxonMobil operating facilities. From these, supplemental guidelines relevant to Syncrude's operations are being developed.

ExxonMobil reviews the overall effectiveness of OIMS every five years and makes enhancements accordingly. Lloyd's Register Quality Assurance, Inc2. (LRQA) attests that OIMS meets the requirements of the standard for environmental management systems (ISO 14001:2004) and the Occupational Health and Safety Assessment Series for health and safety management systems (OHSAS 18001:2007).

Global Reliability System

Syncrude has begun implementing ExxonMobil's Global Reliability System (GRS) to our operations. It is expected to be fully implemented by the end of 2013. GRS is based on the principles of reducing reliability incidents, reducing costs and improving safety. Its 20 elements provide a common framework for work practices and processes, and facilitate best practice sharing across our operations. This allows us to apply developed practices quickly and consistently.

Controls Integrity Management System

Syncrude's commitment to conducting business in a well-controlled manner includes establishing effective controls, monitoring and enforcing compliance continuously, and resolving control weaknesses promptly. The ExxonMobil Controls Integrity Management System (CIMS) provides a structured, common process for Syncrude to meet this commitment. It is based on the principles and standards in Syncrude's Framework of Management Control and provides the key attributes of an effective control system designed to meet certain regulatory requirements. These controls meet or exceed the requirements of the Sarbanes-Oxley Act in the United States and Bill C-198 in Canada.

Employee Compensation System

Variable incentive pay for Syncrude employees is tied to the achievement of certain corporate metrics, including sustainability factors. The Impact 21 program, for example, rewards employees for achieving targets in safety, production, net production costs and energy utilization. It reinforces to all employees how their contributions are critical to meeting overall sustainability goals. Senior leaders, managers and executives are rewarded based on a broader array of metrics including community relations, business controls, environmental performance and tailings management.

Regulatory Oversight

Syncrude is subject to federal and provincial regulation. These regulations require Syncrude to secure various approvals and provide for restrictions and prohibitions on releases or emissions of various substances produced or used in association with our operation. Legislation also requires that our facilities and sites be reclaimed to the satisfaction of provincial authorities. A breach may result in fines and penalties.

Environmental compliance is primarily governed by the [Alberta Environmental Protection and Enhancement Act](#). It imposes certain environmental responsibilities on Syncrude and, in certain instances, also imposes penalties for violations. Syncrude currently has all approvals required to operate.

Additional regulatory scrutiny is expected when the Lower Athabasca Regional Plan is implemented under the [Land-use Framework](#) by the Alberta government. It will be binding on provincial regulators and municipalities. The current draft plan, issued in 2011, includes proposed regulations and management frameworks for air, groundwater and surface water quality management. It considered input from an appointed advisory council, as well as from the public, municipalities, stakeholders and First Nations and Métis communities in the region. As with all such regulatory obligations, Syncrude will work to ensure compliance with the requirements of this Framework.

Environmental Monitoring Programs

Syncrude's sustainability efforts are informed by inputs from a variety of external environmental monitoring programs. These have been subject to much public scrutiny in recent years, with reviews by science leaders and some stakeholders suggesting that more integration, and more and better data, are needed in order to understand and manage ecosystem effects. Work toward this goal progressed during the reporting period.

The federal and Alberta governments both appointed expert advisory panels in late 2010 and early 2011, and then came together in February 2012 to announce a joint federal-provincial science-based oil sands emissions monitoring program. It is to be implemented over three years and the estimated \$50 million per year cost is to be borne by industry.

The program will more than double to 170 the number of monitoring sites in and downstream/downwind of the oil sands region, including sites in the Northwest Territories and Saskatchewan. It will examine hundreds of contaminants that are

not tested under existing programs, increase monitoring frequency and calculate cumulative effects. It is to be peer-reviewed and all data and reports are to be made public in a timely way. The Program began in the spring of 2012 and is co-managed by the federal and provincial governments with a view to becoming governed independently.

Syncrude understands stakeholders expect effective, credible monitoring of our industry and we welcome a new system that can instill public confidence in our efforts toward responsible development.

Industry Best Practices

Mining Association of Canada – Towards Sustainable Mining

As a member of the Mining Association of Canada (MAC), Syncrude benefits from the development and exchange of best practices regarding sustainable growth and development.

Participation in the Towards Sustainable Mining (TSM) initiative is a condition of membership in the association. TSM is a set of guiding principles and performance indicators that govern key activities of companies in the mining and mineral-processing industry. Developed in collaboration with communities of interest and key stakeholders, these principles are mandated across the industry and are embedded throughout Syncrude's management systems.

Specific measurement criteria in tailings management, energy and greenhouse gas emissions management, Aboriginal and community outreach and crisis management planning is reported annually, externally verified and issued publicly. Safety and health and biodiversity conservation will be reported starting in 2013. Indicators specific to mine closure are under development.

Syncrude was the only oil sands operator to receive a TSM Award for our 2010 performance, recognizing achievements in tailings management, external outreach and crisis planning. Our progress summary is available [here](#).

Canadian Association of Petroleum Producers – Responsible Canadian Energy Program

As a member of the Canadian Association of Petroleum Producers, Syncrude participates in the [Responsible Canadian Energy \(RCE\) program](#), which requires members to report their performance and progress in the areas of environment, health, safety and social stewardship.

RCE provides common metrics for performance measurement and reporting, supporting CAPP members in the design and implementation of their internal systems and processes. It also enables sharing of success stories and best practices to elevate overall industry performance.

An annual progress report updates stakeholders on issues and performance. It is reviewed by an external advisory group which provides feedback on the key performance indicators as well as overall structure and content.

Canadian Council for Aboriginal Business – Progressive Aboriginal Relations Program

The [Progressive Aboriginal Relations \(PAR\) Program](#) is Canada's only certification program with an exclusive focus on Aboriginal relations. It was developed as a framework for companies to measure progress on developing progressive Aboriginal relations and considers corporate efforts in Aboriginal employment, Aboriginal business development, building individual capacity and enhancing relations with Aboriginal communities. Certification includes independent verification and review by a jury composed of Aboriginal business people. Syncrude currently holds Gold Level PAR distinction, and has been accredited at this level five times.