

OUR SUSTAINABILITY PATH

In 2011, Syncrude embarked on a strategic evaluation of our sustainability activities, performance and path forward. A significant governance outcome was the decision to expand the role of the Board Safety, Health & Environment Committee to include corporate sustainability. A community advisory panel was convened to review and provide feedback on Syncrude's 2008-09 sustainability report. As well, a sustainability risk analysis identified and ranked existing and emerging strategic issues to the company.

Work continues on a more thorough analysis of our material risks and opportunities and how they will be addressed at the corporate and operations levels. Progress and updates will be reflected in subsequent reports.

Board of Directors Sustainability Oversight

In 2011, the SH&E Committee broadened its mandate to incorporate safety, health, environment and corporate sustainability. This agenda now contains topics that will help the Committee understand Syncrude's existing framework for identifying and assessing all sustainability risks. As well, the Committee will ensure Syncrude is managing its risks and issues and will review performance and trends through the tracking of key performance indicators.

Community Advisory Panel

The Community Advisory Panel was convened in 2011 to help ensure our sustainability report reflects the priorities and interests of key stakeholders. The Panel reviewed and provided comment on the relevance, quality, usability and credibility of our 2008-09 report. Its 10 members had diverse interests and areas of expertise reflecting regional perspectives and the socio-economic and environmental issues we face. Panel members participated in two meetings – a conference call and an in-person meeting.

Panel Members included:

- **Allan Adam**, Chief, Athabasca Chipewyan First Nation
- **Julie Desjardins**, President, Desjardins and Associates
- **Ann Dort-McLean**, President, Fort McMurray Environmental Association
- **Kevin Nagel**, President and CEO, Keyano College
- **Nick Sanders**, 2nd Vice President, Fort McMurray Chamber of Commerce
- **Judith Sayers**, Associate Professor, Faculty of Business and the Faculty of Law, University of Victoria
- **Diane Shannon**, Executive Director, United Way of Fort McMurray
- **Todd Zimmerling**, President and CEO, Alberta Conservation Association (ACA)

Institutional investors were also represented.

Each participant received an honourarium, which s/he could decline or direct to a registered charity as a donation. Syncrude paid for all meeting-related travel expenses.

The meeting was also attended by three members of Syncrude's Executive team, and was facilitated by Stratos Inc., a sustainability consultant.

The Panel did not review, endorse or have direct input on the 2010-11 report.

In regards to the 2008-09 report, Panel members felt overall the report contained a wealth of information. The summary of issues, actions and expected results was viewed as a good feature, but the Panel recommended to more clearly define what sustainability means to Syncrude and to articulate a stronger vision and strategy. The Panel also felt the report should communicate material issues, problems and challenges more explicitly while demonstrating how Syncrude is responding.

Material Issues Analysis

Syncrude embarked on a structured analysis to identify material sustainability risks and opportunities, and assess issue priorities early in 2012. The analysis, which was done with the assistance of an external consultant, helped focus the mandate for an expanded Board SHE & Corporate Sustainability Committee and inform business decisions.

The materiality analysis was informed by desktop research on stakeholder interests and interviews with Syncrude senior management on the business consequences of various sustainability issues. Issues were then categorized and grouped, and ranked based on both stakeholder interest and business impact. The results were validated in a workshop with management. The high and medium priority issues are reflected in our sustainability path.

Analysis Ranking		Issue	Actions	Expected Results
High	Land use and Biodiversity: <i>Healthy ecosystems and productive landscapes</i>	<ul style="list-style-type: none"> Ability to meet evolving expectations, standards and regulations to protect against biodiversity loss and cumulative effects, and reclaim land successfully. 	<ul style="list-style-type: none"> Accelerate pace of land reclamation, including over 200 hectares and one million trees in 2012. Complete planting of vegetation at fen research project in 2012. Continue collaborative research on reclamation and biodiversity with other oil sands operators, government and academia. Seek ongoing guidance from Aboriginal Elders. Implement industry-leading waterfowl deterrent systems and research additional technologies. 	<ul style="list-style-type: none"> Land reclamation progress and productivity consistent with closure plans, and endorsed by stakeholders and regulators. Model established for reclamation of wetlands in oil sands region. Reduced impacts to indigenous and migrating wildlife. No long-term, permanent impacts on local ecosystems.
High	Water: <i>Protect & conserve water</i>	<ul style="list-style-type: none"> Continued access to water resources and protection of resource quality. 	<ul style="list-style-type: none"> Continue to identify opportunities to reuse and recycle more water. Research viable treatment technologies for re-use or potential discharge of process water. Support science-based water quality monitoring. 	<ul style="list-style-type: none"> Optimized and responsible use of fresh water resources. No impacts on local water systems or water-dependent communities.
High	Tailings: <i>Develop and implement solutions</i>	<ul style="list-style-type: none"> Ability to remediate tailings and address stakeholder concerns regarding long-term liabilities. 	<ul style="list-style-type: none"> Manage volumes of fluid fine tailings (FFT) by using new technologies, including start-up of commercial-scale centrifuge demonstration in 2012. Continue research of additional remediation technologies, including accelerated dewatering, and participate in industry collaboration. Commission industry's first commercial-scale demonstration of water capping technology in 2012. 	<ul style="list-style-type: none"> A multi-pronged approach to tailings management and reclamation which meets long-term intent of Directive 074 regulation. Successful reclamation of East Mine area with composite tailings as the landform foundation. Successful reclamation of West Mine area into a lake through water capping of fluid fine tailings (FFT).

Analysis Ranking		Issue	Actions	Expected Results
High	Aboriginal Relations: <i>Respectful and mutually beneficial relationships</i>	<ul style="list-style-type: none"> Relationship-building and effective understanding and management of concerns related to the impacts of our project. 	<ul style="list-style-type: none"> Continue focus on six key commitment areas of our Aboriginal Relations program: <ul style="list-style-type: none"> Corporate Leadership Employment Business Development Education Community Development Environment Continue dialogue and cooperation on operations, environmental stewardship and development plans. 	<ul style="list-style-type: none"> Increased secondary and post-secondary graduation rates. Increased Aboriginal representation in the workforce. Continued development of Aboriginal businesses. Traditional environmental knowledge incorporated into reclamation plans.
High	Regulatory and Government Relations: <i>Earning approval</i>	<ul style="list-style-type: none"> Impact of emerging and potential regulations on operations. 	<ul style="list-style-type: none"> Finalize regulatory strategies for reclamation plans, water return and possible future expansion projects. Monitor evolving regulations, such as those related to greenhouse gas emissions. 	<ul style="list-style-type: none"> Plans that meet with approval from regulators.
Medium	Employment and Labour: <i>Job opportunities and rewarding careers</i>	<ul style="list-style-type: none"> Quality and quantity of workforce needed to support ongoing operations and future growth. 	<ul style="list-style-type: none"> Create and support strategic awareness, education and training programs. Implement workforce attraction and retention strategies. Provide supportive work environment. Implement strategic workforce reorganization over 2012-14 timeframe. 	<ul style="list-style-type: none"> Workforce sustainability through awareness, education and training initiatives that create qualified new employees, retain current employees, and provide stable access to skilled labour.
Medium	Community: <i>Infrastructure that supports quality of life</i>	<ul style="list-style-type: none"> Ability of local community to build infrastructure and provide services and amenities for a growing population. 	<ul style="list-style-type: none"> Continued work with regional associations and governments to create public infrastructure and services needed to support a growing local community. Ongoing investments in our communities, including \$6 million in 2012. 	<ul style="list-style-type: none"> Appropriate infrastructure for health, education, roads and recreation. Enjoyable quality of life in the Wood Buffalo region.

Analysis Ranking		Issue	Actions	Expected Results
Medium	Air Quality: <i>Protecting the regional airshed</i>	<ul style="list-style-type: none"> Impacts of emissions on regional air shed and local communities. 	<ul style="list-style-type: none"> \$1.6 billion emissions reduction project operating by 2012. Minimize odours through reliable operations. Continue to support regional air quality monitoring. 	<ul style="list-style-type: none"> Reduction in total SO₂ emissions by 60% from current approved levels and reduction in particulate matter by 50% when Emissions Reduction Project is operating to specification. No odour complaints attributable to Syncrude operations. Increased stakeholder confidence in our ability to operate responsibly. Continued good regional air quality.
Medium	Energy and Climate Change: <i>Minimize growth in GHG emissions</i>	<ul style="list-style-type: none"> Balancing societal expectations and growing energy needs. 	<ul style="list-style-type: none"> Achieve 2012 energy efficiency target of 1.24 MBTU per barrel. Explore energy efficiency improvements at all levels of the operation. Research technology that will improve energy efficiency for future projects. Continue to monitor viability of large-scale carbon capture and storage. 	<ul style="list-style-type: none"> Continued reduction in energy use per barrel of production. Further reductions in emissions of CO₂e per barrel of production.
Medium	Safety and Health: <i>Injury-free workplace</i>	<ul style="list-style-type: none"> Minimizing worker and process safety incidents. 	<ul style="list-style-type: none"> Demonstrate year-over-year improvement in safety performance. Continue implementation of Operations Integrity Management System (OIMS) to manage safety. Continue to invest in training, awareness activities, incentives and other initiatives to further improve workplace safety. Recognize worker safety performance achievements. 	<ul style="list-style-type: none"> Workforce committed to a safety culture. Progress toward our long-term objective of an injury-free workplace. Safety performance that continues to lead Alberta industry.