

Suncor Energy Inc. is an integrated energy company headquartered in Alberta, Canada, with operations in Canada and the U.S. Suncor is strategically focused on developing one of the world's largest petroleum basins - the Canadian oil sands. Suncor's oil sands business, located near Fort McMurray, Alberta, extracts and upgrades oil sands and markets refinery feedstock and diesel fuel, while operations throughout Western Canada produce natural gas. Suncor operates a refining and marketing business in Ontario with retail distribution under the Sunoco brand. U.S.A. downstream assets include refining operations in Colorado.

## Governance

Suncor's CEO has led the organization's efforts on sustainability for many years. Internally, executive accountability for integration of sustainability rests with the Chief Operating Officer, supported by the Vice President of Sustainable Development, and a corporate-wide Sustainability Steering Committee. Until recently, integration of sustainability rested with the Chief Financial Officer.

Suncor's work on sustainability is built into its "Four Big Rocks":

Operations excellence	Profitable growth
High performance culture	Sustainability

This framework forms the basis of Suncor's planning activities as well as day-to-day actions, and Suncor reports on what it is doing in each of these four areas. The specific sustainability factors that are monitored by the Board of Directors and stewarded by the executive fall under the "Sustainability Rock", and may vary each year depending on what issues have been identified in the strategic and business planning process. Examples of triple-bottom-line metrics currently monitored under the "Sustainability Rock" include:

- Environment: Water use, CO2 intensity;
- Social: focus on the oil sands region around Fort McMurray – workplace engagement, investment in community (financial investment, community leadership); and
- Financial: overall capital efficiency, research and development investment.

The Vice President of Sustainable Development has three key areas of focus:

- Strategy – development of and input into strategy on a company-wide basis to ensure that social and environmental factors are being taken into account appropriately in a manner which adds value (top-down direction);
- Integration – to drive the social and environmental focus of sustainable development into the business units (bottom-up delivery and implementation); and
- Driving Change – engaging with stakeholders, communities of interest, and critics, to ensure Suncor is not complacent.

Suncor's Sustainability Steering Committee (SSC) is responsible for the development of company-wide strategies and operational goals, as well as assessing sustainability progress across all areas. Suncor uses the SSC to get broad input on key issues such as climate change facing the company. The mandate of the SSC includes:

- Strategy development (e.g. Environmental Excellence Strategy, Climate Change, water and land-use strategies);
- Issue management (typically those crossing business unit boundaries); and
- Occasional input into business unit strategies (e.g. VP Renewable Energy used SSC to test strategic thinking on renewable energy growth/policy).

The SSC meets quarterly and consists of Vice Presidents from key functional areas such as Human Resources, Corporate Planning, Supply Chain and Communications, as well as Vice Presidents from each business units' Management Committee. The Vice President of Sustainable Development

chairs the Committee. The SSC reports to two corporate management committees, which are the most senior level of management within Suncor and are chaired by the CEO (the senior management team and the executive team).

The SSC does not perform a stewardship role. Stewardship for sustainable development is the direct responsibility of senior management. Stewardship processes for EH&S are “hard-wired” to the Board-level EH&S Committee.

While there is no formalized approach for the stewardship of social performance, two key committees do address broader social issues around Suncor’s stakeholders. This includes the Stakeholder Relations Committee, designed to bring together the best collective thinking, sharing lessons learned and developing Suncor policies (e.g. Aboriginal Affairs Policy, and the Stakeholder Relations Policy). The second committee is the Government Relations Committee designed to appropriately address sustainability issues. Some elements of social performance are also systematically managed at the corporate level. For example, the Board Policy, Strategic Review and Governance Committee oversees key matters pertaining to Suncor’s values, beliefs and standards of ethical conduct. There is a process for employee sign-off on corporate policies, values and beliefs.

The EH&S function is also the responsibility of the Vice President of Sustainable Development. The Board-level EH&S Committee reviews the effectiveness with which Suncor meets its obligations on environment, health and safety, including the establishment of appropriate policies to meet legal, industry and community standards and related management systems, and for overseeing compliance. The EH&S Functional Leadership team consists of senior EH&S managers from across the company.

As a business unit example, the Vice President, Sustainability, Oil Sands sits on both of the Oil Sands’ management committees. One of the roles of this position is to communicate the outcome of EH&S audits and assessments to the business unit EVP, Corporate VP Sustainable Development and to the EHS Committee of the Board.

## Business Processes

### ***Strategic Planning & Business Planning:***

Suncor’s “Four Big Rocks” provide the framework in which Suncor’s strategic and business planning processes are conducted. Suncor implements an annual strategic and business planning process during which the ten-year rolling plan is updated. The process is outlined below:

- Annually, a two-day Board of Directors meeting to discuss business strategy; review performance improvements and challenges in each of the “Four Big Rocks” using the metrics reported on during the previous year; discuss the future direction of the business; and set corporate and business unit strategic objectives. Under the “Sustainability Rock”, the current focus is on quantifiable targets for energy, water, and land use (driven by the Environmental Excellence Strategy) as well as how community engagement and stakeholder relations are carried out;
- Annually, the Business Planning group develops guidance for the business units on new strategic objectives, including broad targets. The guidance is not overly prescriptive, but sets out expectations for the business units to start addressing;
- March – May: Business units examine their own business plans and explore how they can contribute to these broad targets;
- June-July: Business units present their long-range plans (LRPs), and the Business Planning Group integrates these plans into a long-term corporate plan;
- July: Board of Directors reviews the integrated long-term corporate plan and launches the budget planning process, which lasts until November;

- November: Metrics and targets in the company's scorecard are updated once the budget process is complete. Other than a select few at the corporate level, metrics and targets are generated at the business unit level.

Metrics get reported in the LRP and throughout the budget process. Bridging comparisons are done from year to year (e.g. not just previous years). The LRP plan then incorporates these findings and a multi-year view gets reported and ultimately gets rolled into future LRPs.

In addition to involvement in the ten-year strategic and business planning process, the Business Planning group looks at activities beyond 2012. For example, one of Suncor's corporate goals is to double shareholder value every five years, which requires vigorous, sustained growth. The Business Planning group is looking at how this goal can be achieved while still maintaining high performance under the "Sustainability Rock" (e.g. a zero CO<sub>2</sub> up-grader, no water-use mining, etc.). Meeting the shareholder value commitment while ensuring a high level of sustainability performance is seen to not only make the company more profitable but will also give it a competitive advantage through the implementation of innovative technologies.

There is also a stakeholder component to Suncor's strategic planning process. Engagement with key stakeholders helps Suncor decide which issues will be identified as strategic priorities, and may help identify new issues for Suncor to consider. This information is gathered through a formal stakeholder survey conducted every 18-24 months. Suncor also subscribes to a variety of polling organizations. Informally, Suncor participates in a variety of multi-stakeholder committees and meets with stakeholders regularly through the business units – through open houses, one-on-one and by forming public advisory committees. Stakeholders play a critical role in decision-making.

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**Business Development:** Suncor is developing Sustainability Investment Guidelines that are attempting to place a value on resources and externalities such as GHG, NO<sub>x</sub>, SO<sub>x</sub> and water.

Suncor is a major purchaser of supplies, contract services and materials. Suncor has developed a Policy, Guideline and Standard (PG&S), which helps to identify the Vendor Sustainability Assessment process. A number of sustainability questions are asked of vendors and decisions are made based on their alignment with Suncor's sustainability vision.

New technologies are also a key consideration and integrated into the business units. Suncor develops its own technologies and support other technologies designed to minimize the environmental footprint. Examples include investment in the SAM Equity Fund for Emerging Technologies for renewable energy and water and investment in renewable energies, biofuels and cellulosic ethanol.

The first two "gates" of the Suncor Project Implementation Model (SPIM) are related to business development – idea generation, and scoping. During these two steps, the company will take into consideration the impacts on all of the business' relevant sustainability metrics (e.g. CO<sub>2</sub>, energy intensity, water, air quality, by-products (full life cycle costs)) and consider the best possible options in light of their impact on these metrics.

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**Risk Management:** Suncor has an enterprise-wide risk assessment tool in place. Environmental risks and health and safety risks are included as specific criteria in the risk matrix. Social elements of risks are captured under the category of reputational risks. The risk management matrix is applied at all levels of the organization, and is designed to facilitate the communication of risk to senior

managers so the information can be used to inform decision making processes.

Suncor also uses corporate EH&S assessments to evaluate the company's effectiveness in managing risks that could potentially affect its ability to meet its business objectives. Suncor's stakeholder engagement processes also serve as a form of effective risk management.

**Project Management:** SPIM is the new Suncor Project Implementation Model, a gated system that requires projects to be audited and validated at six steps along their lifecycle. Sustainability factors are built into SPIM, including the requirement for Life Cycle Value Assessment. Specific requirements for stakeholder mapping and engagement are built into SPIM through early project approval processes, which include environmental and social impact assessments.

This staged approvals process includes an independent review of budgets, engineering, design specifications and of stakeholder relations plans. This helps ensure stakeholder concerns are addressed early in the design and planning stages of a project and throughout development.

Suncor identifies, evaluates and implements tools and practices that help incorporate environmental and social aspects into business decisions. One of these tools is Life Cycle Value Assessment, used to identify the full social, environmental and economic impacts across a project.

An additional management tool is "Project Cornerstone", which provides tools and processes that integrate economic, social and environmental decision-making into the business through life cycle assessment, greening of supply chain, and improvement of change management processes.

**Disclosure:** Suncor's Annual Report includes a page on how the company is "Growing Responsibly", which briefly discusses the company's sustainability efforts. The message to shareholders includes a discussion of the company's "Responsible Development", including Suncor's role in developing renewable energy sources and the resulting CO2 offsets. The report also discusses social issues such as the labour gap and the need to support community development.

The Annual Report provides an overview of Suncor's strategic priorities, two of which address environmental and social performance (managing environmental and social performance to reduce intensity of our water use, air and greenhouse gas emissions and our impact on the land while also earning continued stakeholder support for our ongoing operations and growth plans; and, maintaining a strong focus on worker, contractor and community health and safety). The Annual Report also refers to Suncor's Sustainability Report in a number of places.

Suncor's Annual Information Form discusses the environmental compliance of Suncor's operating units, and also identifies risks such as energy trading and environmental regulations.

**Assurance:** Suncor has an annual policy compliance review with results reported to its Board. Corporate EH&S audits are conducted on a regular basis with the assistance of qualified external parties, as well as the use of internal audits.

Suncor also has an assurance mechanism in place to ensure the credibility of the sustainability data and information contained within the Sustainability Report.

## Stakeholder Engagement

**Community Relations:** Suncor's Stakeholder Relations Policy guides its stakeholder engagement processes. At the heart of the Stakeholder Relations Policy is a commitment to collaboration, transparency and respect for all views.

- An internal Stakeholder Relations Committee, made up of stakeholder

relations practitioners from across the company, meets regularly to share experience and practices, discuss emerging issues, and ensure Suncor's commitment to stakeholder engagement is being met. The committee also develops tools and resources to help employees on the front lines deal more effectively with stakeholders.

- Every two years, Suncor engages an independent survey firm to ask opinion leaders, non-government organizations, government representatives and investors for their candid opinions about a wide range of issues, including how Suncor interacts with stakeholders and the company's commitment to social responsibility.

**Investor Relations:** Suncor has been integrating sustainability into investor briefings since 1999. Suncor's investor relations material includes a standard slide presentation that incorporates sustainability information. This information is adapted over time depending on what issues are of most relevance to investors.

Suncor also uses its Sustainability Report and brochure to communicate sustainability information to investors.

## Human Resources

**Recruitment and Orientation:** Suncor uses its website and Sustainability Report to communicate the company's sustainability message to prospective employees as well as in the orientation of new employees.

During the interview process, Suncor is clear about the company's sustainability values, and looks for people that share those values. The first day of new employee orientation includes a presentation from senior management on what sustainability means to Suncor, an overview of environmental and safety responsibilities, and what new employees can expect from the company with regard to the company's commitment to sustainability.

Suncor's employee survey incorporates sustainability elements. Though the sustainability emphasis of the survey changes over time (e.g. the most recent survey focused on environmental performance), there are consistent questions about how employees view sustainability as part of Suncor's culture.

**Training:** Suncor provides a number of sustainability-related training opportunities for its employees, including:

- A step-by-step "how to" guide for employees on stakeholder relations, and complementary employee training sessions;
- In-house Aboriginal awareness workshops;
- Environmental due diligence training for operations employees;
- Safety training; and
- Life-cycle value assessment training for people involved in project-type work.
- Suncor is developing a short (2 hour) and long (8 hour) course on sustainability that will be made available for all employees and contractors.
- Suncor's Leaders attend the Sustainability Enterprise Academy, facilitated by York University. The Academy is a week long intensive course is designed to assist business in the transformation to corporate sustainability by providing senior executives in business, government and civil society with the vision, education, tools and support necessary to champion sustainable development in their organizations.
- Individuals are also supported in post secondary courses and continuing education programs.

Part of the new role of the Vice President of Sustainability, Oil Sands, is to help raise employee competency levels to understand and act upon sustainability.

Suncor is opening the Suncor University for Leadership Development (housed at Duke University in North Carolina) where senior leaders and high potential employees will undergo leadership training. Sustainability will be built into the curriculum.

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***Performance Appraisal and Compensation:***

Part of Suncor's "high performance" culture is to collectively establish annual personal and operational goals. These goals align with Suncor's "Big Rocks", including the sustainability rock, and could include targets associated with environmental performance, safety, stakeholder engagement, community involvement, etc. For example, executives and line managers have targets and are held accountable for environmental and safety performance aspects relevant to their roles in the organization, and compensation is linked to these targets.

The appraisal of whether these goals have been met looks not only at performance against the goal, but also *how* the goal was achieved. For example, if a goal was met in a way that does not show alignment with Suncor's key values, the appraisal will reflect this.

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