The energy you need,
the benefits you want and
the responsibility
you expect

2008/09 SUSTAINABILITY REPORT
The Syncrude Backgrounder

Syncrude is a leader in Canada’s oil sands industry, with a production capacity equivalent to over 15 percent of the nation’s crude oil requirements. Located north of Fort McMurray, Alberta, we are also among the top 50 companies in Canada for investment in research and development.

Our mission is to create wealth for all of our stakeholders from Canada’s oil sands by producing high quality crude oil in an environmentally and socially responsible manner.

Syncrude was incorporated in 1964 and began producing crude oil in 1978. Today we are one of the world’s largest producers of light, sweet crude oil from the oil sands. Our cumulative production is over two billion barrels.

The Syncrude Project is a Joint Venture undertaking among Canadian Oil Sands Limited (36.74%), Imperial Oil Resources (25%), Mocal Energy Limited (5%), Murphy Oil Company Ltd. (5%), Nexen Oil Sands Partnership (7.23%), Sinopec Oil Sands Partnership (9.03%) and Suncor Energy Oil and Gas Partnership (12%).

Gordon Jaremko offers his views on why the crude oil energy produced at Syncrude’s oil sands operation is needed to fuel a world that is hungry for energy in all its forms.

Paul Marck comments on the economic, business and community benefits that accrue from Syncrude’s commitment to share wealth generated by our oil sands operation.

Neil McCrank observes that Syncrude must continue to focus on dealing with its environmental challenges, and make meaningful progress, if it is to earn the trust and support of Canadians.

See how Syncrude measures up

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We’re taking concrete action towards sustainable development because we expect it of ourselves, but more, Canadians expect it of us.

On the cover: Peat Pond is located in a reclaimed area, once part of our active mining operations.

This report is a comprehensive discussion about the social, economic and environmental impacts of Syncrude’s business activities. On the following pages we review our progress toward sustainable oil sands development, as well as our plans going forward. The majority of the data and this report are subject to either Syncrude’s controls, internal audit, external review or regulatory review. Some data also are subject to external benchmarking.
The Energy You Need
With one word and a single number it’s easy to tell why oil sands development will continue, including production growth planned for the 32-year-old Syncrude Canada operation: secure and $62.

The word is a political green light from the United States. The figure is an economic go-ahead signal from world energy markets to the Alberta industry.

Despite the worst global financial crisis and economic recession since the Second World War, the US$62-a-barrel annual average oil price for 2009 was the fourth highest on record after the $99 of 2008, $72 of 2007 and $66 of 2006. Although oil briefly slid towards $30, it recovered fast. International markets realized there could be no repetition of gluts that caused a development drought by holding the price down to an average of $19.79 for the 15-year period of 1986 through 2000. In the mid-1980s, world excess production capacity was about 14 million barrels a day or nearly 25 percent of consumption of 60 million barrels daily. At the mid-2009 bottom of the recession, the global surplus peaked at four million barrels per day or five percent of consumption of 80 million barrels daily.

At the same time as markets signalled that oil is still worth enough money to encourage development, Washington showed willingness to pay a political price for secure supplies. US leaders risked unpopularity by rejecting international protest campaigns that called for striking a blow against Canadian bitumen as a symbolic beginning of the end for the fossil fuel era. In the name of national security, the US Department of State approved construction of the American leg in the new Alberta Clipper Pipeline for oil sands exports of 450,000 barrels per day.

The US relies on imports for about half its supplies. The decision said the new Alberta connection “would serve the national interest, in a time of considerable political tension in other major oil producing regions and countries, by providing additional access to a proximate, stable, secure supply of crude oil.”

Most of the world’s oil is soaked in political risk or off limits to investor-owned enterprises that have predictable economic mandates.
Environmental complaints were examined and overruled. “Concerns have been raised about higher-than-average levels of greenhouse gas emissions associated with oil sands crude,” the state department acknowledged. “The Administration has considered these concerns and considers that on balance they do not outweigh the benefits to the national interest.”

Most of the world’s oil is soaked in political risk or off limits to investor-owned enterprises that have predictable economic mandates, reports the U.S. Energy Information Administration. State-controlled national oil companies, serving wider agendas from financing social programs to providing subsidized fuels for local use, have about 52 percent of global output and 88 percent of reserves. Investor-owned firms have open access to only six percent of world oil resources and limited entry to 10 percent in countries that just tolerate them as supporting partners for their national energy organizations.

With 175 billion barrels of recognized reserves, or the second-largest inventory after Saudi Arabia, Alberta’s oil sands stand out as the top source of the minority of global supplies available to private industry. Syncrude alone taps a 12-billion-barrel deposit, a motherlode double the total size forecast for the highly touted Bakken Formation of flowing light oil targeted by drilling innovations across North and South Dakota, Montana, and southern Manitoba, Saskatchewan and Alberta. The new Clipper line and a larger, two-stage export pipeline project called Keystone will eventually put an additional 1.5 million barrels per day from the oil sands on American markets from Illinois to Texas. Canada is already the top source of US imports, providing two million barrels per day followed by one million barrels daily each from Mexico and Nigeria, 886,000 from Saudi Arabia and 772,000 from Venezuela.

No Albertan calls oil sands development perfect and certainly not Syncrude. Industry nicknames the 140,200-square-kilometre Alberta bitumen belt its technology frontier. For 47 years, starting a decade and a half before it began production, Syncrude has operated one of Canada’s biggest industrial research centres, in Edmonton. Staff chemist Brenda Crickmore has described in a nutshell the oil sands production problem that makes the science establishment so durable: “It’s not just add water and stir.” Indeed, as soon as a solution to one problem is found, another issue is sure to follow. That’s why Syncrude’s pursuit of better ways continues apace.

Marathon research programs range from compressing and disposing of microscopic floating clay particles or “fines” that make waste tailings cleanup a notorious...
headache to improving the largest mining equipment on the planet. No stone is left unturned by a staff of about 120 that is studded with PhDs and has an annual budget of about $50 million for devising hardware and systems that cut costs, increase efficiency and fulfill rising safety and environmental standards. The mammoth dimensions of oil sands operations amplify demands on researchers. Bright ideas, which fill the research centre's library of patents, are only the first steps forward on the oil technology frontier. Laboratory breakthroughs must be super-sized to work reliably on a large scale in the plant's subarctic environment north of Fort McMurray.

When Syncrude was under construction in the 1970s, former premier Peter Lougheed famously dubbed the oil sands the ace up Alberta’s economic sleeve. The trump card will be played in full if operations like the Edmonton research centre keep on earning the acceptance shown by the Alberta Clipper approval. All the free-world oil that can be produced will be needed, says the International Energy Agency, a Paris arm of the Organization of Economic Co-operation and Development. Even if the tentative agreement reached on cutting carbon emissions by the United Nations climate change summit in Copenhagen late in 2009 leads to a binding treaty, the agency forecasts that economic and population growth in China, India and other developing countries will increase global oil requirements by 12 percent to 90 million barrels per day as of 2030. About two-thirds of today’s supplies will also have to be replaced due to depletion of aging wells. Unconventional production is forecast to take up much of the slack. The world expects the oil sands to shoulder as much of the load as Alberta and its industry can bear.

All the free-world oil that can be produced will be needed, says the International Energy Agency.

GORDON JAREMKO is editor of Alberta Oil magazine. Over his 38-year career as a journalist at newspapers, wire services and magazines, he has covered the energy industry, economics and government.
The Benefits You Want
Paul Marck comments on the economic, business and community benefits that accrue from Syncrude's commitment to share the wealth generated by our oil sands operation.

If numbers tell a story, then the quest to exploit Alberta's oil sands is truly the tale of a modern-day gold rush.

You simply cannot overstate the obvious, that with 173 billion barrels of recoverable bitumen in the oil sands—the world’s second-biggest cache of petroleum next to Saudi Arabia—there is a wealth of energy riches that benefits all of Canada.

Statistics Canada values the oil sands at $342.1 billion, or five percent of Canada’s total tangible wealth of $6.9 trillion.

The trickle-down of investment in the oil sands tells another story, and it too is substantial. For a company like Syncrude, the value of its efforts in the oil sands has accrued for more than 30 years, in terms of royalties and taxes paid, job creation, procurement, community support and the company’s pioneering advances in creating business opportunity in the Aboriginal community.

Syncrude’s commitment to sharing the wealth generated by its operation has been a guiding principle and become part of the company’s legacy.

When the provincial and federal governments reached accord in 1997 with long-time oil sands pioneers like Syncrude, it meant accelerating development to fully exploit the bitumen potential.

The company's economic impacts over the long term are manifold. In a typical year, Syncrude’s economic contributions total $5 billion, including more than $2 billion in procurement, from across Alberta and throughout Canada. Syncrude employs more than 5,500 staff in the Wood Buffalo region, and the company’s Joint Venture participants have paid more than $12 billion in taxes and royalties to government since 1978.

One of Syncrude’s boldest and most significant achievements lies in its record of Aboriginal hiring and relations. Given the more than $1.4 billion spent with Aboriginal suppliers since 1992, and with a robust hiring policy, Syncrude’s actions are a growing testament to a strong social and financial commitment to Canada’s First Nations and Métis communities. Contracts with Aboriginal firms average about $100 million a year, plus there are investments in education and social-support programs.

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business speaks to an enviable track record as well. It amounts to more than $4 million a year, with investments in medical equipment, preschool and community programs, classroom tools, infrastructure improvements and charitable contributions.

Underlying its importance to future generations, the resource play in Northern Alberta has been identified as the cornerstone of Alberta Premier Ed Stelmach’s Council for Economic Strategy. When this 12-member blue-chip panel of global experts convened in the spring of 2010, chairman David Emerson, former federal minister of international trade and a distinguished business executive, said the future could not be clearer. “We are evolving into a world of global values and global supply chains,” Emerson said, noting that environmental remediation, fuelled by technology innovation, will be the key to fully exploiting the oil sands resources.

“There will be diversification beyond natural resources in the context of leveraging our abilities and strengths ... we’re not going to be able to diversify our resource economy with existing technology.”

The result will see resource extraction taking on a whole new dimension as Syncrude and like-minded companies invest in new processes, innovation and emerging technologies to meet the expectations of environmental stewardship. The spinoff benefits, both ecologically and economically, will have a significant impact for businesses that share this goal of a responsible energy industry.

Emerson suggests the oil sands will contribute to Canada’s economic well-being for generations to come. “We’re going to be looking at areas where there can be further processing, further value added, and where conditions need to be put in place if we’re going to succeed in doing that,” he said.

The acceleration of oil sands development is without question, with industry having committed more than $100 billion of investments since 1997. Projections are for much more future investment. For instance, the Canadian Manufacturers and Exporters estimate that economic activity generated by the oil sands will top $1 trillion in the next decade.

The difference is that new investment in the oil sands will be coupled with developing the resource while creating a culture of innovation and technology to further the values of ecological stewardship. As an industry leader, Syncrude has made that commitment and is acting upon it vigorously.

Investments in environmental remediation will continue to grow in tandem with extracting the bitumen. Syncrude is a member of the Integrated CO₂ Network, formed to explore the viability of a carbon dioxide capture, transportation and storage network. Syncrude is a member of the Integrated CO₂ Network, formed to explore the viability of a carbon dioxide capture, transportation and storage network.
As well, Syncrude has long made investments in energy conservation and greenhouse gas abatement, achieving a 39 percent reduction in energy use per barrel over the last 28 years.

Moreover, the province of Alberta has also committed $4 billion towards climate change initiatives, including $2 billion for public transit and another $2 billion for carbon capture and storage (CCS). This is the largest CCS investment in the world, and another initiative that Syncrude supports.

Additionally, industry is committing $80 million a year towards Alberta’s Climate Change and Emissions Management Fund, to which Syncrude is a significant contributor.

In June 2010, the first funded projects were announced. While some are aimed at efficiency measures, many of the projects now and in future will focus on pilot programs and demonstration projects utilizing new technology to reduce greenhouse gas emissions.

Clearly, the new oil sands economy is intrinsically linked to the environmental industry, representing new avenues of business opportunity. So not only are the oil sands providing Canadians with sound value based on the worth of the resource itself, the growth of secondary industries in technology and climate change is a building block of emerging economic strength. That’s good news for Syncrude and for all of us who have a stake in the future.

**Industry is committing $80 million a year towards Alberta’s Climate Change and Emissions Management Fund.**

**PAUL MARCK** is editor of Alberta Venture magazine. He previously spent 20 years at the Edmonton Journal reporting on a diverse range of business issues and interests.
The Responsibility You Expect
The vast majority of Canadians accepts that for there to be a strong economy there may have to be some environmental impact. Responsible development will bridge the gap between a vibrant economy and a sustainable environment. This delicate balance between economic success and acceptable environmental impacts will drive public interest policy.

Neil McCrank observes that Syncrude must continue to focus on dealing with its environmental challenges, and make meaningful progress, if it is to earn the trust and support of Canadians.

It is fairly easy to define “economic success” as it generally relates to the bottom line—growth in GDP, profits or other similar indices.

It is not quite so easy to get a consensus on a definition of “acceptable environmental impacts.” We all know what are “unacceptable” environmental impacts when they are seen firsthand or are visually displayed on our televisions or in newspapers—examples being the recent explosion and oil leak from BP’s deep sea well in the Gulf of Mexico or the nuclear explosion at Chernobyl, Russia, or even on a much smaller scale, the tragic incident involving waterfowl at Syncrude in 2008.

However, we must attempt to define what is acceptable while achieving economic sustainability. This is where there needs to be a concerted effort by government, industry and the public to provide standards that attempt to predict what we think is an acceptable level of environmental impact.

The public expects our air, water and land to be protected in a manner that allows for economic activity but also ensures long-term sustainability. This is normally accomplished through standards set by government, through its departments like Alberta Environment or its administrative agencies like the Energy Resources Conservation Board.

These standards are usually established after full discussion with industry, the public and government to ensure they are practical standards that will be effective.

From that point, industry must cooperate and be good corporate citizens by meeting these standards and in fact working to exceed them.

**Air Quality**

Syncrude provides a good example through its efforts to reduce emissions from its processing facilities. It has invested $1.6 billion in an Emissions Reduction Project that is expected to reduce SO₂ emissions by approximately 60 percent from 2005 levels. While there will still be emissions, the oil sands industry is attempting to ensure that these are reduced.

The same effort is being made to reduce nitrogen oxide, volatile organic compounds, hydrogen sulphide and other...
emissions. These reductions are a result of investing in and embracing technological improvements. There is also a public expectation that good corporate citizens will participate in monitoring air quality and cooperating with other industry and community associations to ensure that leading-edge practices are employed. It is to Syncrude’s credit that it has participated in the Cumulative Environmental Management Association and the Wood Buffalo Environmental Association as an active member.

WATER USE AND QUALITY
Water use has become an issue of concern to the public. There is a limited amount of fresh water and its use must be carefully monitored and protected.

It is clear that what is desirable is not just regulatory compliance, but a genuine attempt on the part of the industry to minimize the environmental footprint and impact.

In the oil sands area, the Athabasca River is the main source of fresh water. Syncrude has been issued a water licence for use in its processing of bitumen and has not exceeded the limits.

About 15 percent of Syncrude’s total water needs come from the Athabasca River, with the remaining 85 percent from recycling.

The public expects to see technology advancing conservation principles. Syncrude has been able to reduce the water intensity of its processes by about 60 percent from levels in the early 1980s. This is a laudable record; however, with increasing production, the public expects the oil sands industry to continue to find new ways to conserve and protect this precious resource.

It is noted that Syncrude currently withdraws about 0.2 of one percent of the Athabasca River’s average annual flow.

The public also expects that no toxic substances are discharged into the rivers from industrial processing.

The oil sands industry funds a science-based multi-stakeholder program, the Regional Aquatic Monitoring Program, which conducts extensive monitoring upstream and downstream of oil sands operations.

LAND
The public understands that there will be some disturbances during resource extraction, but expects these lands to be returned to “a productive capability equivalent to that of the pre-disturbance landscape.”

The oil sands industry believes this is accomplished through its adherence to the land reclamation requirements set out in the Alberta Environmental Protection and Enhancement Act.

Oil sands mining is a long-term endeavour that may disturb an area of land for 20 years or more. To date, Syncrude has disturbed about 23,000 hectares and reclaimed close to 5,000 of those hectares, including the planting of almost six million tree and shrub seedlings.

These efforts have been taken in concert with an Aboriginal Reclamation Advisory Committee and partnering with four universities on a five-year, $3.8 million project to understand how to reclaim wetlands more quickly.

An example of Syncrude’s success is the introduction in 1992 of a herd of wood bison onto a
reclaimed area. The healthy herd has now grown to about 300 bison that graze on 700 hectares of land.

TAILINGS MANAGEMENT
The public’s expectation of “land reclamation” includes tailings management.

The public understands that tailing ponds are a necessary component in the processing of the oil sands.

The public understands that tailing ponds are regulated by the Energy Resources Conservation Board (Directive 074) and that attempts are being made to speed up the recovery of tailing ponds to reclaimed landscapes.

The frustration in meeting the public’s expectations is in the lack of technological advancements currently being made to improve recovery.

It is recognized that there are efforts being made in experimenting with water capping, composite tails and centrifuged tails—however, public expectations are not being met at this point in time.

In the meantime, the public expects that industry will ensure that the current regime of tailing ponds will not be a hazard to animals and waterfowl.

Syncrude and its oil sands partners must continue in their quest for new ways to protect our environment.

RESEARCH AND DEVELOPMENT
In attempting to outline public expectations on environmental impacts, it is clear that what is desirable is not just regulatory compliance, but a genuine attempt on the part of the industry to minimize the environmental footprint and impact.

This genuine attempt is not just the use of best practices but is also a concerted effort at making technological advancements.

Syncrude invests more than $50 million per year to improve knowledge and develop better ways through a Research and Development Centre. While new production technologies are patented and licensed, Syncrude technologies related to tailings management and reclamation are published and shared so that others may benefit from them.

SUMMARY
The oil sands industry has many challenges ahead to meet and continue to meet the public’s expectations regarding environmental responsibility. These expectations are clearly connected to the benefit of technological advancements, and Syncrude and its oil sands partners must continue in their quest for new ways to protect our environment.

Syncrude will maintain an acceptable level of sustainability by continuing to meet the public’s expectations of its environmental responsibility.

Neil McCrank is the former Chairman of the Alberta Energy and Utilities Board, where he was responsible for directing and coordinating the Board’s regulatory mandate governing energy resource development and utility matters in Alberta. He is currently Counsel with the Calgary office of Borden Ladner Gervais LLP.
In the two years since Syncrude last reported on our sustainability performance—to align with most other reporters, we are now on a biennial cycle—the oil sands industry has gained global prominence.

Indeed, the effects of what we do and the value of our work have never been so widely discussed or so closely scrutinized. Hence the need for increased transparency from Syncrude, which is well established as one of the oil sands industry’s largest and most experienced producers. In this report, we provide information on key performance indicators for 2008 and 2009.

We have also, for the first time, included external perspectives from three respected commentators, who weigh in with their thoughts on our performance.

So let us begin by describing our purpose, which is to create wealth for our stakeholders from Canada’s oil sands through the safe, reliable and profitable production of quality crude oil (and potentially other related products) in an environmentally and socially responsible manner. In short, we are producing the energy you need, with the benefits you want and the environmental responsibility you expect.

In a world that is increasingly hungry for energy in all its forms, our oil sands leases, which contain recoverable resources of 12 billion barrels of crude oil, represent tremendous opportunity to feed that demand. And, over our 31-year operating history, we have demonstrated in countless ways that we can deliver on those three aims.

In fact, Syncrude has now produced more than two billion barrels of Syncrude Crude Oil.

We have consistently generated competitive returns for our Joint Venture owners, most of which are publicly traded companies. We have paid more than $12 billion in royalties and taxes to various levels of government, dollars that in turn have been used to fund public programs and services.

Compared to 1982, we have reduced energy use by 39 percent per barrel of oil produced and are targeting an 11 percent improvement over 2009 performance by 2013.
We procure billions of dollars in goods and services each year. And we have provided employment opportunities for many thousands of Canadians.

Compared to 1982, we have reduced energy use by 39 percent per barrel of oil produced and are targeting an 11 percent improvement over 2009 performance by 2013. Air emissions are also being reduced. Sulphur emissions per barrel have fallen by 54 percent since 1983. When our $1.6 billion Syncrude Emissions Reduction Project is operating to specification after 2011, we expect total $SO_2$ emissions to be reduced by 60 percent from 2005 levels.

Some 4,500 hectares of land disturbed by Syncrude—22 percent of our lease area—have now been reclaimed, including the first parcel of oil sands land to receive government certification. With reclamation of our former East and West mines now well under way, more land will be returned to nature in coming years. With reclamation of our former East and West mines now well under way, more land will be returned to nature in coming years.

Water, essential to our production processes, is being used efficiently to create a high-value product; even so, we continue to focus on improving water conservation throughout our operation.

Tailings management is also a priority. Toward this, we have committed to three key technologies to reduce tailings storage needs and incorporate mature fine tailings into reclaimed landscapes. We are also working cooperatively with other oil sands operators to research additional processes. To protect waterfowl from being harmed by tailings—as happened in a very regrettable incident on our site in 2008—we
have made significant improvements to our bird deterrent systems.

While these indicators show that progress is being made, we understand that even more responsible environmental performance is required in order to earn our stakeholders’ confidence and support. That is why we invest heavily in research and development and operate the industry’s first and only dedicated research and development centre; we have learned that the pursuit of knowledge, combined with lessons learned from operating experience, leads to better ways.

More than 1,900 new employees joined our organization over the last two years, representing a major recapitalization of our workforce.

In our business, people get us results. To attract the best and brightest, we strive to create a workplace where people can thrive and contribute meaningfully to the sustainability advancements we seek. More than 1,900 new employees joined our organization over the last two years, offsetting retirements and attrition. These people came from across Canada to Syncrude not just for the job opportunity, but also for the opportunity to usher in a new era of oil sands development—one that builds on Syncrude’s long record of overcoming challenge through hard work, innovation and the application of leading-edge technology.

In the community, we continue our efforts to support quality-of-life initiatives, most notably for learning and health. We are engaging with neighbours and others to share our plans for improvement and growth and to seek input. In fact, we saw a significant increase in personal contact between Syncrude leaders and leaders of First Nations and Métis communities. We also continue to learn from Aboriginal Elders, whose observations and advice are helping shape our reclamation programs.

Similarly, our participation in the sustainability initiatives of various
We understand more responsible environmental performance is required in order to earn stakeholder confidence.

industry groups—such as the Mining Association of Canada’s Towards Sustainable Mining (TSM) program—is allowing us to learn from the experience of others as they learn from ours. Readers should know we are strongly committed to these programs—they provide both proof of performance and the motivation toward continued performance improvement at Syncrude.

As we pursue our mandate to create wealth for our stakeholders from the Syncrude operation, we will continue to ensure this wealth is widely shared in the form of employment, procurement and payments to governments.

Our key communities will thrive thanks to a high level of community involvement and investment. And the environment upon which we all depend will be respected through continued efforts to use resources efficiently and reduce negative impacts.

Clearly, we believe that much good is generated by the Syncrude operation and that our challenges, while significant, can be overcome. We will do our utmost to ensure these outcomes are achieved.

We understand more responsible environmental performance is required in order to earn stakeholder confidence.

Marcel Coutu
Chairman

Tom Katina
President and Chief Executive Officer
**Sustainable growth remains a key objective for Syncrude.**

We understand that we have many stakeholders who wish to stay informed about our operation. In this section, we discuss some of our current and forward-looking plans. Further information on the work undertaken in 2008/09 and planned for beyond is discussed throughout the balance of this report.

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<td>Increase production to current capacity limit of 350,000 barrels per day</td>
<td>Sustained production at higher levels through increased upgrading capacity, long-life mines and reliable operations</td>
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<td>Develop debottleneck plans that further increase production capacity to 425,000 barrels per day by 2020</td>
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<th><strong>EMPLOYMENT</strong></th>
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<td>Create and support strategic education and training programs</td>
<td>Workforce sustainability through education and training initiatives that create qualified new employees and retain current employees</td>
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<tr>
<td>Implement workforce attraction and retention strategies</td>
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<td>Provide supportive work environment</td>
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<td>Continued work with regional associations and support governments to create public infrastructure and services needed for a growing local community</td>
<td>Governments have information needed for appropriate infrastructure planning</td>
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<td>Ongoing investments in community infrastructure and activities, including $5 million in 2010</td>
<td>Improved quality of life in the Wood Buffalo region</td>
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<td>Approval from stakeholders and regulators to expand operations</td>
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<td>Continued focus on six key commitment areas of our Aboriginal Relations program:</td>
<td>Strong relationships with local Aboriginal communities</td>
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<td>• Corporate Leadership</td>
<td>Increased Aboriginal representation in the workforce</td>
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<td>• Employment</td>
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<td>• Business Development</td>
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<td>• Education</td>
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<td>• Community Development</td>
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<td>• Environment</td>
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<td>Continued dialogue and cooperation on operations, environmental stewardship and development plans</td>
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<td>Continued investment in training, awareness activities, incentives and other initiatives to facilitate further improvements in workplace safety</td>
<td>Progress toward our objective of an injury-free workplace</td>
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<td>Continued land reclamation progress</td>
<td>Safety performance that continues to lead Alberta industry</td>
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<td>Continued research collaboration with other oil sands operators, government and academia</td>
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<td>Ongoing guidance from and dialogue with Aboriginal Elders</td>
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<tr>
<td>Manage volumes of mature fine tailings by using new technologies, including centrifuging, by 2012</td>
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<td>LAND RECLAMATION</td>
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<td>Successful reclamation of East Mine area with composite tailings as the landform foundation; full-scale planting expected to begin in three years</td>
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<td>Successful reclamation of West Mine area into a lake through water capping of mature fine tailings; water capping expected to begin around 2012</td>
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<td>Investment in technology that will reduce energy consumption and improve bitumen recovery and upgrading yields</td>
<td>Reduction in energy intensity of 11% by 2013 from 2009 levels</td>
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<td>Dedicated team that will oversee a 10-year plan of energy conservation initiatives throughout the operation</td>
<td>Further reductions in emissions of CO₂ per barrel of production</td>
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<td>Continued assessment of the viability for large-scale carbon capture and storage</td>
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<tr>
<td>AIR QUALITY</td>
<td></td>
</tr>
<tr>
<td>$1.6 billion investment in emissions reduction technology</td>
<td>Reduction in total SO₂ emissions by 60% from current approved levels and reduction in particulate matter by 50% despite increasing production rates, once the Syncrude Emissions Reduction Project is operating to specification after 2011</td>
</tr>
<tr>
<td>WATER</td>
<td></td>
</tr>
<tr>
<td>Technology development and process improvements to reduce fresh water consumption and increase recycled water use</td>
<td>Optimized and responsible use of fresh water resources</td>
</tr>
</tbody>
</table>
By investing in research and development, we are advancing oil sands science and progressing innovative technologies in mining, extraction, upgrading and the environment.

$50 Million Annually in R&D Expenditures

ECONOMIC SUSTAINABILITY

Through our work to produce the crude oil needed to supply continental energy demands, Syncrude generates significant economic benefits for Canadians.

OPERATOR CARE PROGRAM IMPROVES MOBILE EQUIPMENT RELIABILITY

The introduction of sensor technology on Syncrude's mobile mine equipment is providing real-time information that operators can use to reduce wear and tear and equipment failure caused by overloading and other undesirable practices. The sensors provide readings for such indicators as payload weight, tire pressure and engine temperature, and even warn operators when to expect bumps in haul roads so they can take corrective action.

The technology is helping operators understand how their behaviour can improve equipment reliability and run lengths, and therefore reduce maintenance costs. The program is being rolled out across all mobile equipment at Syncrude. It is a first in the global mining industry and complements a Syncrude program called Maintenance Decision Support, which uses sensors to provide technicians with data so they can determine the cause of equipment failures.
## Operational Highlights

### Financial and Operating Summary

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Crude Oil Production</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of barrels per year</td>
<td>115.0</td>
<td>102.2</td>
<td>105.8</td>
<td>111.3</td>
<td>94.3</td>
<td>78.1</td>
</tr>
<tr>
<td>Thousands of barrels per day</td>
<td>337</td>
<td>280</td>
<td>289</td>
<td>305</td>
<td>258</td>
<td>214</td>
</tr>
<tr>
<td><strong>Benchmark WTI Price at Cushing—Annual Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(US$ per barrel)</td>
<td>62.09</td>
<td>99.7</td>
<td>472</td>
<td>65.97</td>
<td>56.70</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of dollars</td>
<td>4,294.1</td>
<td>3,645.8</td>
<td>3,749.6</td>
<td>2,743.8</td>
<td>2,439.6</td>
<td>2,076.7</td>
</tr>
<tr>
<td>$ per barrel of production</td>
<td>34.91</td>
<td>35.69</td>
<td>35.44</td>
<td>24.64</td>
<td>26.46</td>
<td>26.59</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong>&lt;sup&gt;3&lt;/sup&gt; (millions of dollars)</td>
<td>1,473.3</td>
<td>1,198.1</td>
<td>765.9</td>
<td>499.8</td>
<td>845.9</td>
<td>2,293.7</td>
</tr>
<tr>
<td><strong>Revenues</strong>&lt;sup&gt;4&lt;/sup&gt; (millions of dollars)</td>
<td>3,029</td>
<td>2,615</td>
<td>4,169</td>
<td>3,250</td>
<td>2,432</td>
<td>1,967</td>
</tr>
<tr>
<td><strong>Retained Earnings</strong>&lt;sup&gt;5&lt;/sup&gt;</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Bitumen Recovery (%)</strong></td>
<td>91.2</td>
<td>90.8</td>
<td>90.3</td>
<td>91.8</td>
<td>90.3</td>
<td>89.1</td>
</tr>
<tr>
<td><strong>Upgrading Yield (%)</strong></td>
<td>88.5</td>
<td>86.9</td>
<td>85.9</td>
<td>84.3</td>
<td>84.9</td>
<td>85.3</td>
</tr>
<tr>
<td><strong>Environmental Fines</strong> (millions of dollars)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Environmental Protection Orders</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Production is Syncrude Crude Oil shipped.
2. Operating costs are costs related to the mining of oil sands, the extraction and upgrading of bitumen into Syncrude Crude Oil and maintenance of facilities. They also include administration costs, start-up costs, research and purchased energy. There is no generally accepted accounting definition as to what constitutes “Operating Costs.” The accounting treatment of certain costs may vary significantly between different producers; some producers may elect to capitalize or defer and amortize certain expenditures that are recorded as an expense by other producers and may segment “Corporate” costs.
3. Capital expenditures include development expense related to sustaining capital and growth capital projects.
4. Production of Syncrude Crude Oil becomes the property of Syncrude’s Joint Venture owners at point of departure from the Syncrude plant. As the operator, Syncrude does not collect revenue from the sale of crude oil or other products. Revenue reported here reflects only that of Canadian Oil Sands Trust, whose subsidiary Canadian Oil Sands Limited is a 36.74% owner, and is solely meant to provide an indication of performance.
5. Syncrude’s annual operating and capital expenditures are funded pro-rata by Syncrude’s Joint Venture owners.

Note: These figures may differ from those reported by any of the Joint Venture participants due to differences in reporting conventions and methodology.
One artifact unearthed in Syncrude mine, another gets a name

In 2009, a 100-million-year-old piece of cedar was uncovered at Syncrude’s Aurora Mine, one of the most important geological discoveries to date at the site. Unlike many discoveries this old, the rare metre-long piece of wood is preserved but not petrified. Syncrude intends to pass the artifact along to the Royal Tyrrell Museum, in Drumheller, for further study and possible display.

In a related story, a prehistoric marine reptile known as a plesiosaur discovered in 1994 in a Syncrude mine now has a name: Nichollisia borealis. It was named in honour of the late Dr. Elizabeth Nicholls, the former curator of Marine Reptiles at the Royal Tyrrell Museum. One of the most complete plesiosaurs ever recovered in North America, it’s also one of the oldest yet found from the Cretaceous period, about 142 to 65 million years ago. The skull of the specimen is displayed at the museum, and a replica is displayed at the Oil Sands Discovery Centre, in Fort McMurray.

Through the years, several notable finds have come from Syncrude’s mines. Syncrude aims to be a responsible steward of its obligation to protect and preserve any fossils discovered during the earth-moving process.

OPERATOR VIGILANCE INCREASES TIRE LIFE

A concerted effort to educate mobile equipment operators about the cost and benefits of improving tire life helped Syncrude avoid production impacts related to a sustained global shortage of large off-the-road tires that began in 2003. The operators’ vigilance has led to significant improvements. The 2009 record of 10,409 hours for one tire marks a 206 percent improvement over the 2003 benchmark of 3,405 hours. Improved maintenance of haul roads also contributed to the achievement.

206% IMPROVEMENT

IntelaTrac data gathering improves utilities reliability

The introduction of handheld devices that capture electronic readings from Syncrude’s utilities equipment has eliminated the inefficient practice of recording such readings on paper. The devices allow operators to conveniently view current and historical information so they can determine performance trends and make maintenance decisions. They also alert operators immediately if equipment is not operating as it should. Called IntelaTrac, the devices have the potential to save up to $700,000 annually in maintenance costs through the timely identification of problems before they worsen.

2BILLION BARREL MILESTONE REACHED

Cumulative production at Syncrude crossed the two billion barrel threshold on September 20, 2009. The milestone was reached 11 years after the first billion barrels had been produced, an achievement that took 20 years.
innovation enabled by research and development is key to Syncrude's sustainability efforts.

For more than 40 years, we have been a technology leader in the oil sands industry, developing and implementing many innovations that have lowered costs, improved reliability and reduced environmental impact.

Syncrude operates the oil sands industry’s only dedicated research and development centre and invests more than $50 million per year to improve knowledge and develop better ways. We are among Canada’s top 50 R & D spenders. About 100 scientists and technologists work at the R & D Centre, including a growing team of experts dedicated to improving environmental performance;

their efforts are supplemented by a rotating complement of more than 20 graduate students, who become the next generation of oil sands scientists.

While new production technologies are patented and licensed, Syncrude technologies related to tailings management and reclamation are published and shared so that others may benefit from them.

Syncrude stewards an annual Technology Development Plan. This plan is the base for maintaining an appropriate level of investment in R & D for continual improvement in plant operations as well as progressing new and emerging technologies in the mining, extraction, utilities, upgrading and environmental areas. Syncrude is continually challenged to develop new technology to solve current and future operating problems.

Canadian Oil Sands Network for Research and Development

Syncrude is a founding member of the Canadian Oil Sands Network for Research and Development (CONRAD), a network of companies, universities and government agencies that facilitates collaborative, pre-competitive oil sands research. Among CONRAD’s working groups is the Environmental Reclamation Research Group, which comprises representatives from seven oil sands mining companies (operating and planned) and works cooperatively to advance research and development in reclamation and environmental sciences. Its priorities are determined by input from regional stakeholder groups such as the Cumulative Effects Management Association and the Wood Buffalo Environmental Association. Syncrude’s Manager of Research and Development is the current CONRAD Chair.
**WETLAND PROJECT AN INDUSTRY FIRST**

A reclamation research pilot project to create the first constructed fen—a groundwater-fed wetland—is under way at Syncrude. The project is located in a former oil sands mine pit, over a base of sand and consolidated tailings. To create the top layer, we will remove large peat mats from areas being cleared for mining and place them into the study area. Several thicknesses of peat mat cover will be placed, and we will study their ability to support plant root systems. When complete, we will monitor the fen and study water flow and quality. It is hoped the fen will produce peat and sequester carbon, just like a natural fen. The pilot project is expected to be fully commissioned by the end of 2012.

Syncrude is also collaborating with 25 researchers—five scientists and 20 graduate students—from four Canadian universities on a five-year, $3.8 million research program focusing on 16 different wetlands restoration projects in areas affected by oil sands mining. The studies will examine how re-vegetation strategies affect the rate at which wetlands mature and how the re-vegetation process changes the development of plant and animal life. See further discussion in Ongoing Reclamation on page 50.

**Coker pilot commissioned**

A hot coker pilot plant was commissioned at Syncrude’s Edmonton Research and Development Centre in February 2008. The unit is being used to test the latest third-generation of feed nozzles and other technologies. The Gen3 nozzle is hoped to improve dispersion of bitumen feed within the coker and allow the coker to operate at a cooler temperature. A 10°C reduction in temperature would increase liquid product yield by about one percent, and the targeted 18°C reduction would increase yield by two to three percent. The nozzles were installed in Syncrude’s Coker 8-3 during a 2009 maintenance turnaround. Attrition nozzles that inject steam are also being tested. Better attrition nozzles will lead to reduced steam usage and allow more bitumen to be processed in the cokers.
Adapted technology promises improved tailings oil recovery

Adapting technology developed for Australian coal mines holds the promise of a 0.8 percent increase in overall bitumen extraction recovery at Syncrude, and less bitumen in tailings ponds. The gain would come by enhancing a secondary recovery system known as tailings oil recovery via the installation of “downcomers,” which aerate bitumen. Testing on the downcomers and their application in tailings oil recovery has been ongoing since 2005. Promising tests at the pilot scale led to the creation of a full-scale prototype on one of Syncrude’s four tailings oil recovery vessels in 2009; testing on the prototype began in early 2010.

Syncrude leadership has led to the creation of an oil sands industry-directed consortium that aims to tackle the maintenance and reliability issues caused by premature material wear. The group is called MARIOS, for Materials and Reliability in Oil Sands. Oil sand is highly abrasive, and processing it quickly causes wear on such equipment as pipelines and valves. The resulting maintenance shutdowns are costly and impede productivity. Three new laboratories opened in 2009 will support the consortium’s research studies; they are located at the Alberta Research Council’s Devon facility.

Role of microbes being studied

Syncrude is among several industry partners in a Government of Alberta research project that is examining the role of microorganisms in energy production. Microbes exist naturally in oil sands, and these living organisms cause the natural breakdown of hydrocarbons. The project will examine how microbial processes could be used, for example, to increase the tailings settling rate so water can be recycled sooner. Microbial processes also can help remediate water affected by oil sands development. Through the project, a database that describes and harnesses the genetic potential of microorganisms, genes and biological processes will be created. The project is called Metagenomics for Greener Production and Extraction of Hydrocarbon Energy: Creating Opportunities for Enhanced Recovery with Reduced Environmental Impact.

CO₂ slurry pipeline

Syncrude is participating in a research project exploring the possibility of compressing captured carbon dioxide (CO₂) into a liquid that can be used as a pipeline slurry agent to efficiently transport materials over large distances. The proposed CO₂ Slurry Pipeline Project, led by Enbridge, would transport sulphur, petroleum coke and limestone from the Fort McMurray area to local and international markets. The CO₂ would then be stored underground. The pipeline would use CO₂ that would otherwise be emitted into the atmosphere and could offset some costs associated with carbon capture and storage initiatives. Liquefied CO₂ has been shown to be a more efficient pipeline carrier fluid than water.
ECONOMY

Syncrude’s total 2009 procurement was $3.5 billion. Of this, 95 percent, or $3.3 billion, went to companies in Canada. Of the Canadian total, 91 percent went to Alberta companies and nearly eight percent went to Ontario companies. Firms in the Wood Buffalo region accounted for 43 percent of spending in Alberta. Firms in the Edmonton area accounted for 30 percent, and Calgary companies for 28 percent. Procurement from Aboriginal firms in the Wood Buffalo area totalled $143 million.

Syncrude recognizes that its procurement strategy must benefit all Canadians. While Alberta will remain Syncrude’s primary supply hub, supply chain studies indicate substantial indirect flow-through to other provinces via subcontracting.

The most recent study, done by the Canadian Energy Research Institute, found that more than 465,000 jobs across Canada are linked to the oil sands. For more information, visit www.ceri.ca.

### Geographic Distribution of Economic Contribution (2009)

- Aboriginal Community: 2%
- Municipality of Wood Buffalo: 37%
- Edmonton Area: 23%
- Rest of Alberta: 24%
- Rest of Canada: 11%
- International: 3%

### ANNUAL PROCUREMENT OF GOODS AND SERVICES ($ millions)

- 2005: 3,391.7
- 2006: 2,229.1
- 2007: 2,005.5
- 2008: 2,746.0
- 2009: 3,535.0

### ANNUAL ECONOMIC CONTRIBUTIONS ($ millions)

- 2005: 4,721
- 2006: 4,216
- 2007: 4,872
- 2008: 6,424
- 2009: 6,100

---

**TOTAL EXPENDITURES BY CATEGORY ($ millions)**

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalties, Payroll &amp; Municipal Taxes</td>
<td>1,026</td>
<td>1,988</td>
</tr>
<tr>
<td>Purchased Energy</td>
<td>432</td>
<td>878</td>
</tr>
<tr>
<td>Payroll (net of taxes)</td>
<td>937</td>
<td>684</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>1,026</td>
<td>817</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>2,509</td>
<td>1,929</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>170</td>
<td>128</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>6,100</td>
<td>6,424</td>
</tr>
</tbody>
</table>

In lieu of transitioning to the rates under the New Royalty Framework prior to 2016, Syncrude will pay additional royalties totalling $975 million over the five years 2010 to 2015. Commencing January 1, 2016, rates under the government’s New Royalty Framework will apply to Syncrude.

Syncrude’s Joint Venture owners also exercised their option to pay royalties on bitumen rather than synthetic crude oil effective January 1, 2009. This means that, for royalty purposes, Syncrude’s upgrader is no longer considered part of its oil sands project. As a result, Syncrude agreed to pay additional royalties of about $1.25 billion over 25 years (with interest) to account for deductions for previously allowed costs.

Syncrude paid $1.6 billion in royalties to the Alberta government in 2008, and $612 million in 2009. The drop was due mainly to lower oil prices and lower Syncrude production.

Syncrude and Alberta government agree on royalties

CUMULATIVE PAYMENTS TO GOVERNMENTS
($ royalties, payroll and municipal taxes)

<table>
<thead>
<tr>
<th>Annual $ millions</th>
<th>Cumulative $ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>1,000</td>
<td>1,500</td>
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<tr>
<td>1,500</td>
<td>3,000</td>
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<td>2,000</td>
<td>5,000</td>
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<td>13,500</td>
</tr>
<tr>
<td>4,000</td>
<td>17,000</td>
</tr>
<tr>
<td>4,500</td>
<td>20,500</td>
</tr>
</tbody>
</table>

Syncrude and Alberta government agree on royalties

FUTURE GROWTH POTENTIAL

Syncrude continues to make progress toward realizing the full production potential of its Stage 3 expansion, completed in 2006. Future plans call for further production growth.

In early 2010, Canadian Oil Sands Trust outlined expansion plans for the Syncrude operation. This includes a series of debottleneck projects that could allow production of synthetic crude oil to grow to 425,000 barrels per day by 2020.

Bitumen for the upgrader is envisioned to come from Syncrude’s Aurora South Mine, which is yet to be developed and received regulatory approval in 1998. Syncrude plans to begin construction of a mining train at this site around 2012, with first production expected by the end of 2016. Construction of a second mining train is planned to begin around 2014, with first production near the end of the decade. Each mining train is designed for capacity of about 100,000 barrels per day of bitumen. This could bring Syncrude’s total bitumen production capacity to 600,000 barrels per day by 2020.

As bitumen volume will exceed the processing capacity of Syncrude’s upgrader, about 115,000 barrels of excess bitumen supply will be created.

Syncrude is also considering new technology at Aurora South to improve bitumen recovery rates, energy efficiency and product quality. The latter could also allow for pipeline transport and sales of surplus bitumen.

The above plans envision Syncrude broadening production from its current light, sweet crude oil to include heavy and sour blends. Costs have yet to be estimated. It is expected that this scenario could realize production growth with less project execution risk and better economics than constructing greenfield upgrading facilities.

Decisions regarding further upgrading capacity will be considered later, in the context of evolving heavy/light crude oil price differentials. Syncrude has remaining recoverable resources of 12.7 billion barrels.

Expansion projects and changes in product types require unanimous approval by the Syncrude Joint Venture participants. More information about Syncrude’s growth plans is available from Canadian Oil Sands Trust at www.cos-trust.com.
Syncrude receives first-ever TSM Award

Syncrude received the first-ever Towards Sustainable Mining (TSM) Award from the Mining Association of Canada (MAC), for meeting performance standards in all categories of the TSM program. The program is the major sustainability stewardship effort of Canada’s mining industry; Canadian Business for Corporate Social Responsibility found that TSM meets or exceeds best practice on key sustainability benchmarks. The TSM Award recognizes Syncrude’s performance for the 2007 reporting year and confirms Syncrude’s belief that industry associations such as MAC have an important role to play in the promotion and measurement of corporate sustainability efforts.

We work closely with Aboriginal business owners to identify opportunities for supplying goods and services to our operations.

$1.4 BILLION in spending with Aboriginal businesses since 1992

Syncrude is responsible to our people and the communities affected by what we do. Together, they help shape our plans and benefit from the outcomes.
**STAKEHOLDER RELATIONS**

**MAC Strengthens Towards Sustainable Mining**

As a member of the Mining Association of Canada, Syncrude stewards to the protocols set out in the association’s Towards Sustainable Mining (TSM) program, introduced in 2004. TSM is a corporate social responsibility initiative based on a set of guiding principles that are in turn supported by performance elements and indicators. In 2009, two new protocols were adopted. The Biodiversity Protocol assesses performance in managing conservation and biodiversity. The Aboriginal and Community Outreach Protocol will replace the External Outreach Protocol. As well, agreement in principle was reached on a Safety and Health Framework and protocol. Protocols also exist for tailings management, energy use and greenhouse gas emissions management, and crisis management planning. TSM has a three-step verification system comprising external verification of company self-assessments, CEO letters of assurance and post-verification review by an external advisory panel representing labour, Aboriginal organizations and communities, non-governmental organizations, mining communities and the investment sector. For more information, visit www.mining.ca.

Syncrude is committed to encouraging and sustaining the growth and well-being of the communities in which we do business and in which our employees live.

**OUR COMMUNICATIONS AND STAKEHOLDER RELATIONS POLICY**

Attaining objectives in social, economic and environmental performance from current operations and potential growth opportunities can be achieved only by earning and maintaining our stakeholders’ consent and support.

Syncrude will actively seek to establish long-term relationships with our stakeholders through consultation, collaboration and the provision of information and will manage these processes with honesty and integrity.

Syncrude will foster an environment that actively seeks stakeholder ideas, input and feedback in order to develop mutual trust and cooperation. We will participate in collaborative stakeholder processes to promote sustainable development and manage the cumulative impacts of industrial development. In addition, stakeholders will be encouraged to define the manner in which they wish to be consulted. Those acting on behalf of Syncrude will be receptive to stakeholder input and, where appropriate, will act on it, even if it necessitates changing our plans. When disagreements occur and remain unresolved, Syncrude and its employees will always demonstrate respect for the views presented.

Syncrude will engage with employees, contractors and the public, including governments and media, on a professional level and be responsive to issues and provide information and insight as appropriate. Syncrude will also take a proactive approach to these relationships, as required, to ensure necessary information is shared and understanding fostered with our stakeholders.

Employees are a key stakeholder group for Syncrude. As such, we are committed to fully communicating business-related information that provides employees with an understanding of goals, plans and performance that enables them to function effectively in their roles.

Syncrude is committed to encouraging and sustaining the growth and well-being of the communities in which we do business and in which our employees live. As such, Syncrude will make contributions to projects that enhance the quality of life, primarily within the Regional Municipality of Wood Buffalo and northeastern Alberta.

A key element to Syncrude’s ongoing relationship with stakeholders is a focus on relationships with local Aboriginal communities. Syncrude will work with Aboriginal communities to foster a positive working relationship and to ensure effective consultation occurs.

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**Stakeholder Engagement Cycle**

- **Issues Identification and Clarification**
- **Resolutions and Key Actions**
- **Outcomes and Dialogue**
- **Engagement and Interaction**
### CEMA to Review Governance Structure

The Cumulative Environmental Management Association (CEMA), of which Syncrude is a member, began a review of its vision, mission, goals and organizational structure in 2009. The association studies the environmental impact of industrial development in the Wood Buffalo region and provides management recommendations and guidelines for that development. Some of the group’s members left CEMA in 2008, expressing difficulty with its consensus decision-making model. CEMA currently has 44 members representing a cross-section of government, industry, Aboriginal communities and environmental organizations. The governance review committee comprises four CEMA representatives, two provincial government regulators and two federal government regulators. The desired outcome is an environment where all parties can work together on equal footing to address the cumulative environmental issues regarding the development of Alberta’s oil sands.

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### Advisory Council Established for Lower Athabasca Region

In late 2008, the Government of Alberta established the first Regional Advisory Council for the Lower Athabasca Region with a mandate to advise the government on the development of a land-use plan consistent with the vision and outcomes of the Alberta Land-use Framework. A plan is expected to be submitted to Cabinet for review and approval in late 2010. The Council represents a cross-section of interests, including governments, industry, Aboriginal groups and environmental groups. Syncrude is participating in this effort.

The Athabasca region is home to the growing oil sands industry, and the Council is to advise on the following matters:
- trade-off decisions regarding land uses;
- thresholds to address cumulative effects;
- strategies to achieve the vision and outcomes;
- the identification of land information, monitoring, evaluation and assessment procedures; and
- the process to gather and consider input from the public, stakeholders and Aboriginal people in the development of the regional plan.

For more information, visit www.landuse.alberta.ca.

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### Infrastructure Issues Addressed

At the urging of Syncrude and other industry and community leaders, the Alberta government spent more than $2 billion between 2006 and 2009 to address infrastructure issues in the Wood Buffalo region. New roads, bridges, schools and other infrastructure were started or completed. The spending supports the 20-year strategic plan called for in the government-commissioned Radke Report of 2007.

In addition, a task force struck in 2008 by the Oil Sands Developers Group, of which Syncrude is a member, is helping deal with chronic traffic congestion on Highway 63 in the oil sands region. Syncrude’s Facilities manager serves on the task force, which is focusing on short- and medium-term solutions.

Advocacy by Syncrude and other stakeholders also led to the release of two parcels of Crown land, 1,700 hectares in total, for residential and commercial development. The land could eventually accommodate 44,000 residents. Development is expected to commence in 2012.

### Syncrude commits to CAPP oil sands principles

As a member of the Canadian Association of Petroleum Producers (CAPP), Syncrude has agreed to steward to the Guiding Principles for Oil Sands Development introduced by CAPP in September 2009. These principles encompass matters related to employees and community members, air quality and climate change, water use and quality, biodiversity, land use and reclamation. For more information, visit www.capp.ca.
ABORIGINAL RELATIONS

Consultation Highlights

- A significant increase in face-to-face dialogue between Syncrude executives and leaders of First Nations and Métis communities was achieved in 2008/09.
- A three-year strategic plan for Syncrude’s Aboriginal Relations team was developed.
- Syncrude continued to be an active participant in the Athabasca Tribal Council’s executive group and management committee.
- Syncrude continued to be an active participant on the Aboriginal Relations sub-committee of the Oil Sands Developers Group.
- A Syncrude vice president served as Executive Advisor to the Northeastern Alberta Aboriginal Business Association (NAABA), and our Aboriginal business coordinator served on NAABA’s industry committee.
- Elders advisory tours of reclamation projects were held in both 2008 and 2009, with First Nations participants from Fort McKay and Fort Chipewyan.
- Advisory Committee meetings and open houses were held with Mikisew Cree First Nation and Athabasca Chipewyan First Nation of Fort Chipewyan, and the Fort McKay First Nation.
- Formal work plans were established with three First Nations, and regular stewardship meetings were held.
- Regular consultation meetings were held with all five of the region’s First Nations, with a total of 319 consultation activities in 2008/09.
- Work commenced toward the establishment of bilateral agreements with three First Nations. A five-year agreement with Chipewyan Prairie First Nation was signed in April 2009.
- A new Aboriginal Employee Advisory Committee was established to provide insight and feedback on Syncrude’s stewardship of its Aboriginal Relations program.

ABORIGINAL RELATIONS POLICY, PROGRAM & GOVERNANCE

Syncrude’s policies pertaining to our relationships with Aboriginal stakeholders are incorporated into our overarching Communications and Stakeholder Relations Policy and Stakeholder Consultation Guidelines. See page 29 for the policy guideline statement.

The goals of our Aboriginal Relations Program are to:
- meet Syncrude’s regulatory consultation requirements;
- develop relationships that support effective consultation;
- attract and retain qualified employees;
- ensure our Aboriginal business development program provides value to all parties;
- gain support for Syncrude among local Aboriginal communities;
- target Aboriginal community investment to areas that support Syncrude’s business objectives;
- ensure Aboriginal communities have adequate capacity to engage in all areas of oil sands development; and
- consider traditional land uses and traditional environmental knowledge in our environmental program.

Progress toward these goals is stewarded by Syncrude’s Aboriginal Relations Steering Committee, whose mandate is to ensure that Syncrude delivers on its six key commitment areas for Aboriginal Relations: Corporate Leadership, Employment, Business Development, Education, Community Development and the Environment. The Committee includes senior managers and advisors from throughout Syncrude who meet monthly to guide and champion strategies to ensure positive outcomes for Aboriginal stakeholders. An Aboriginal Relations team of five professionals supports the Committee, managing the day-to-day interactions and relationships with local stakeholders.
Our Aboriginal Workforce

Syncrude was successful in attracting 161 new Aboriginal employees in 2008 and 2009. Attrition among Aboriginal employees was generally consistent with overall workforce attrition, at 11.9 percent in 2008 and 9.4 percent in 2009. As at year-end 2009, our 479 Aboriginal employees comprised 8.4 percent of our total workforce.

New recruitment initiatives, such as the expansion of Syncrude’s rotational employment program in the region’s southern communities and Syncrude’s participation in the Aboriginal Human Resource Council’s new Inclusion Works National Career Fair, will help maintain strong levels of Aboriginal hiring. Workforce development initiatives, such as our work to support education and trades training programs, also play an important role in developing the next generation of Aboriginal employees.

INVESTING IN ABORIGINAL COMMUNITIES

Syncrude invested more than $2.2 million in Aboriginal community projects during 2008/09. These projects include:

- **The Archie Simpson Arena, in Fort Chipewyan** The arena was recently rebuilt and expanded after its roof collapsed in the winter of 2005. Syncrude sponsored the new Syncrude Youth Centre.

- **The Syncrude Aboriginal Trades Preparation Program at Keyano College** This program comprises scholastic upgrading, trades exploration and work placements at Syncrude. It is offered at the college’s main Fort McMurray campus and also in the region’s Aboriginal communities of Fort Chipewyan, Fort McKay, Janvier and Conklin. Syncrude will offer permanent jobs to all qualified students upon successful completion of the program. Twenty-one students graduated from the program’s first intake.

- **The Fort McKay Student Teacher Placement Program** This program provides teaching placements at Fort McKay School for education students from the University of Alberta.

- **The Janvier Elder Home Support Program** This program helps Elders who need assistance remain in their home community and pass along knowledge and traditions to younger generations.

- **The Conklin Summer Student Employment Program** This program helps young community members develop life and employability skills while earning an income. Students also receive guidance in their work placements and learn about safe work practices.

- **A Bison Edu-kit curriculum tool for Fort McKay School** The kit will help students in Grades 1 to 9 learn about the historical and cultural importance of bison to Aboriginal people. Contemporary lessons about species conservation efforts and bison husbandry will also be taught.
**SociaL SuStainaBility**

**SYNCRUDE RE-EARNS PROGRESSIVE ABORIGINAL RELATIONS CERTIFICATION**

Syncrude earned Gold Level accreditation in the Progressive Aboriginal Relations (PAR) program in 2008. It marked the fourth time that Syncrude has been recognized for excellence in increasing Aboriginal employment, assisting in Aboriginal business development, building individual capacity and enhancing relations with Aboriginal communities. The program was developed and is adjudicated by the Canadian Council for Aboriginal Business as a framework for companies to measure progress on developing progressive Aboriginal relations. Syncrude is one of only 11 Canadian companies to hold Gold Level PAR distinction. The current accreditation was earned for a term of three years.

**SYNCRUDE ABORIGINAL REVIEW**

Syncrude’s Aboriginal Review, published annually, provides a comprehensive overview of our Aboriginal Relations work and our progress in stewarding to our key commitment areas of corporate leadership, employment, business development, education, community development and the environment. To read the report, visit www.syncrude.ca.

**Recognition for Aboriginal Apprenticeships**

The Alberta Apprenticeship and Industry Training Board recognized Syncrude in 2008 as Alberta’s Top Employer of Aboriginal Apprentices. Syncrude helped establish the Alberta Aboriginal Apprenticeship Program in 1992 and has been a longtime supporter of other apprenticeship programs that also provide opportunity to young Aboriginal people.

**Over the last two years, we have conducted $251 million in business with Aboriginal-owned companies.**

**Aboriginal Business Development**

Syncrude recorded strong performance for Aboriginal procurement in 2008 and 2009, with a total business volume of $251 million with companies owned by Aboriginal entrepreneurs and First Nations in the Wood Buffalo region. This brought to $1.4 billion the total cumulative procurement since 1992, when Syncrude established a minimum annual target of $30 million.

**Syncrude Leaders Appointed to National Boards**

Two Syncrude leaders were appointed to the governing boards of national Aboriginal organizations during the 2008/09 reporting period. Dan Brown, manager of process control and automation, joined the Aboriginal Human Resource Council, and Kara Flynn, manager of public affairs and stakeholder relations, joined the Canadian Council for Aboriginal Business.

**Alberta Chambers Recognize Syncrude Excellence**

The Alberta Chambers of Commerce recognized Syncrude in February 2010 with a provincial award of distinction for best practices in Aboriginal Relations. Syncrude was cited for its Aboriginal Relations program’s expressed commitments and successes toward those commitments.
Community Investment Highlights

Syncrude’s investments in the community amounted to nearly $7.5 million for 2008 and 2009. A variety of projects were supported.

- $250,000 went to the Northern Alberta Institute of Technology (NAIT) as part of a four-year, $1 million commitment to support expansion of its instrumentation technology program. NAIT is one of Alberta’s major centres for trades and technology training and has been pressed to keep up with demand for its programs. Syncrude’s support will help build, expand, renovate and equip laboratories and classrooms. Syncrude representatives will also serve on advisory committees that help NAIT develop and deliver its technical and apprenticeship programs.

- $100,000 went to Compassion House, in Edmonton, for the 2008 and 2009 Fashion with Compassion fundraisers. The facility provides homelike accommodation and support for northern Alberta women with breast cancer who must travel to Edmonton for treatment.

- $95,000 went to the YMCA of Fort McMurray to build a new indoor playground. The playground provides a year-round recreational outlet for young people in the northern community.

- $62,000 was distributed through Syncrude’s new Good Neighbours Busing Grant, which helps youth groups in the Wood Buffalo region offset the cost of travel to out-of-town events such as sports tournaments. During the first six months of the program, 32 grants of up to $2,000 each were awarded.

- $180,000 was distributed through Syncrude’s Good Neighbours Program, which provides grants to the not-for-profit organizations for which Syncrude employees volunteer. In 2008 and 2009, 359 grants were awarded to recognize volunteer service by employees.
Five Years of Support to Local Food Bank

A December 2009 contribution of $50,000 to the Fort McMurray Food Bank brought to $250,000 the five-year total of Syncrude support for the community agency. The funds go to the annual Syncrude Food Bank Drive, which is the Food Bank’s major annual collection campaign. About 80 Syncrude employees volunteered their time to the effort.

Community Investment by Category
(2009 – % of Total)

- Arts and Culture: 1%
- Education: 46%
- Safety, Health and Environment: 19%
- Civic and Community: 20%
- Sponsorships: 10%
- Good Neighbours Grants: 4%

Community Funding Invested in Education

46% of community funding was invested in education.

Contributing to the United Way

At $1.47 million, a new record was set by Syncrude and its employees for their contributions to the United Way of Fort McMurray in 2009. Syncrude’s corporate share was $220,000. The workplace campaign also reached new records for employee participation and the average value of pledges. In total, the community agency surpassed its $5 million goal, and Fort McMurray once again earned status as the most giving community per capita in Canada.

Corporate Contributions to the United Way

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>1,474,448</td>
<td>1,312,000</td>
<td>1,027,165</td>
<td>894,590</td>
<td>796,000</td>
<td>5,000,000</td>
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</tbody>
</table>

$250,000 for Childcare

Syncrude made a two-year, $250,000 commitment to community childcare in December 2009. The funds will help create new childcare spaces at two existing childcare centres operated by the YMCA of Fort McMurray and a new daycare facility at Greely Road School. In total, about 140 licensed spaces will be created.

Corporate Giving ($)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>5,000,000</td>
<td>4,245,650</td>
<td>4,234,724</td>
<td>3,162,053</td>
<td>4,309,555</td>
<td>5,000,000</td>
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</tbody>
</table>

1. Includes donations made under the Community Investment Program, Aboriginal Community Investment Program, sponsorships and gifts in kind.
2. Syncrude’s corporate giving program is governed by corporate policy and program guidelines to ensure the funds are administered and expended in keeping with Syncrude business objectives and community need.
$500,000 FOR PROSTATE HEALTH

Support for a Prostate Health Clinic and related research was the focus of a multi-year commitment made by Syncrude in 2009 to Edmonton’s Royal Alexandra Hospital Foundation. A total of $500,000 will help the hospital serve patients from across central and northern Alberta.

$5 Million for New Programs & Facilities at Keyano College

Syncrude made a five-year, $5 million commitment to Keyano College in September 2008. The funds will support the creation of the new Syncrude Aboriginal Trades Preparation Program, a new Power Engineering laboratory and student awards. The Aboriginal Trades Preparation Program will be offered at the college’s Fort McMurray campus and in the region’s outlying communities of Fort Chipewyan, Fort McKay, Janvier and Conklin.

CHILD HEALTH CARE SUPPORTED

In December 2009, Syncrude announced a three-year, $150,000 commitment to the Stollery Children’s Hospital in Edmonton to sponsor its annual Snowflake Gala fundraising event. The funds will support children’s health through equipment, education, research and special services. The Stollery provides medical care to children from across Alberta, including specialized services not available in smaller centres such as Fort McMurray.

21 GRADUATES FROM THE FIRST YEAR OF THE ABORIGINAL TRADERS PROGRAM

SPONSORSHIP FOR FORT MCMURRAY MINOR BASEBALL

A June 2009 agreement saw Fort McMurray Minor Baseball secure Syncrude as its title sponsor for 2009 to 2011. The sponsorship is valued at $50,000 per year and will support youth recreation in the oil sands city.

The first graduates from the Syncrude Aboriginal Trades Preparation Program.
Labour Pool Initiatives

Syncrude has a multi-staged approach to address its workforce needs.

It begins by raising awareness of career opportunities in the oil sands by participating in such initiatives as school and campus presentations, career fairs and other special events, and trades development programs like those promoted by CAREERS: The Next Generation.

This is followed by support for initiatives that develop the available pool of skilled labour, through college, technical and university-based programs. This then provides the foundation for comprehensive recruitment plans to address our ongoing labour requirements.

Syncrude has a multi-staged approach to address its workforce needs.

To address a shortage of available workforce skills caused by changing workforce demographics and a robust local economy, Syncrude is continuing its longstanding work to build workforce capacity. We focus on collaborative partnerships with educational institutions, businesses, industry associations and governments.

PROCESS OPERATOR TRAINING (EXTERNAL)

Syncrude’s Entry-level Process Operator Trainee Program encourages candidates to consider careers as process operators. Developed by Syncrude in association with the British Columbia Institute of Technology, the program consists of two months of intensive training, six months of evaluation in field-training situations and two more months in the classroom. The experience rewards students by hiring them as paid casual employees during training.

OUR PEOPLE

Two Syncrude employees, fire chief Tom Nash and heavy trades leader Jim Coote (pictured), turned an adventure vacation into a charity fundraising drive when they successfully climbed to the summit of Mount Kilimanjaro, in Tanzania, in October 2009. Encouraging other employees to make pledges per thousand feet of mountain climbed, Tom and Jim raised more than $8,000 for the United Way of Fort McMurray.

OUR COMMITMENT

Syncrude’s 5,580 employees are key to our success and as such are our most valued asset. We encourage their achievement of high-quality results by creating an environment that fosters teamwork, mutual respect and measured risk-taking. We make every effort to acknowledge their contributions and celebrate successes through highly competitive compensation, recognition and development programs.
**APPRENTICESHIPS**

Apprenticeships in recognized trades and technologies can be accessed through Syncrude directly or via three widely available programs in which Syncrude participates.

The Apprenticeship and Industry Training Initiative links employers and Aboriginal apprentices and offers additional assistance to help them build successful working and learning relationships.

The Community Cooperative Apprenticeship Program is an industry-driven education partnership providing training through annual rotating work placements.

The Registered Apprenticeship Program is offered to high school students in the form of work experience courses, Career and Technology Studies courses and part-time employment.

The Syncrude Aboriginal Trades Preparation Program, launched in 2009 and offered at Keyano College, is a partnership between industry and educators to prepare eligible Aboriginal participants so they can pursue trades apprenticeship training and direct employment opportunities at Syncrude. The program includes academic upgrading and work experience placements at Syncrude.

**CO-OP STUDENTS**

Every year, Syncrude provides work terms of varying lengths for about 200 co-op students, who come to Syncrude from post-secondary schools across Canada. About 60 students are on-site at any given time. During their time with Syncrude, the students gain valuable work experience in their field of study and work alongside knowledgeable experts. In addition to competitive wages, the students receive paid transportation to and from Fort McMurray, paid accommodation and Internet and cable.

**SYNCRUDE HIGHER EDUCATION AWARDS PROGRAM**

Children of Syncrude employees can qualify for up to $2,400 for each year of their post-secondary degree or diploma education. A total of about $2 million in program scholarships was granted to 871 applicants (returning and new) in 2008/09.

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**WORKFORCE BY THE NUMBERS**

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<tr>
<th></th>
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<tbody>
<tr>
<td>% under age 20</td>
<td>5.80</td>
<td>5.24</td>
<td>4.73</td>
<td>4.52</td>
<td>4.37</td>
</tr>
<tr>
<td>% age 20-24</td>
<td>0.2</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
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<tr>
<td>% age 25-29</td>
<td>7.6</td>
<td>8.0</td>
<td>6.2</td>
<td>5.0</td>
<td>4.0</td>
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<tr>
<td>% age 30-34</td>
<td>13.9</td>
<td>13.1</td>
<td>12.9</td>
<td>11.4</td>
<td>10.3</td>
</tr>
<tr>
<td>% age 35-39</td>
<td>13.9</td>
<td>12.2</td>
<td>11.8</td>
<td>11.2</td>
<td>10.4</td>
</tr>
<tr>
<td>% age 40-44</td>
<td>11.5</td>
<td>11.6</td>
<td>10.6</td>
<td>10.8</td>
<td>10.7</td>
</tr>
<tr>
<td>% age 45-49</td>
<td>12.1</td>
<td>12.3</td>
<td>13.4</td>
<td>13.8</td>
<td>14.0</td>
</tr>
<tr>
<td>% age 50-54</td>
<td>14.1</td>
<td>14.3</td>
<td>15.4</td>
<td>17.0</td>
<td>18.7</td>
</tr>
<tr>
<td>% age 55-59</td>
<td>15.2</td>
<td>16.4</td>
<td>18.3</td>
<td>19.5</td>
<td>19.5</td>
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<tr>
<td>% over age 60</td>
<td>9.1</td>
<td>9.4</td>
<td>8.9</td>
<td>8.9</td>
<td>10.4</td>
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<td>New Permanent Employees—All Categories</td>
<td>805</td>
<td>1,102</td>
<td>761</td>
<td>744</td>
<td>557</td>
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<tr>
<td>Trades and operators</td>
<td>539</td>
<td>817</td>
<td>529</td>
<td>492</td>
<td>384</td>
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<tr>
<td>Administrative, technical and professional</td>
<td>266</td>
<td>285</td>
<td>232</td>
<td>252</td>
<td>173</td>
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<tr>
<td>New Employees—Diversity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aboriginal</td>
<td>87</td>
<td>74</td>
<td>35</td>
<td>54</td>
<td>50</td>
</tr>
<tr>
<td>Female</td>
<td>164</td>
<td>225</td>
<td>172</td>
<td>172</td>
<td>129</td>
</tr>
<tr>
<td>Recruiting Effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>% of job offers accepted</td>
<td>88</td>
<td>80</td>
<td>77</td>
<td>78</td>
<td>78</td>
</tr>
<tr>
<td>Local hires (% of all new hires)</td>
<td>68</td>
<td>68</td>
<td>70</td>
<td>64</td>
<td>70</td>
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<tr>
<td>Job Applications Received</td>
<td>47,302</td>
<td>70,257</td>
<td>54,996</td>
<td>44,815</td>
<td>30,302</td>
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WORKPLACE DEVELOPMENT AND RETENTION INITIATIVES

Syncrude offers a variety of education and training opportunities, and incentive programs to our employees. These encourage people to commit to Syncrude and develop the specific skills Syncrude needs to run its operation.

INITIAL PROFESSIONAL DEVELOPMENT PROGRAM (IPDP)

IPDP is a core Syncrude workforce strategy and opportunity for new employees to grow. It provides a better career development experience for the approximately 120 new graduates who join Syncrude each year. IPDP comprises networking opportunities with management and leaders as well as mentoring, orientation and development assignments.

PROCESS OPERATOR AND HEAVY EQUIPMENT OPERATOR TRAINING (INTERNAL)

Syncrude engages in process operator and heavy equipment operator training in its upgrading and mining areas. The training is a student-like experience and involves commitments by employees to learn specific skills and qualifications by a set date. It also includes interim skills assessments and a final exam. The aim is to develop employees in their chosen careers, foster a greater sense of job and facility ownership and increase reliability and safety performance.

EDUCATION TUITION REFUND PROGRAM

This program supports professional development for regular employees who desire learning opportunities in fields of study relevant to Syncrude’s business. It provides a 100 percent refund on tuition, textbooks and materials, and mandatory fees for approved post-secondary courses.

LEADERSHIP DEVELOPMENT PROGRAM

A new Leadership Excellence Training program was launched at Syncrude in 2009. This program is delivered in seven days over five months and aims to provide leaders with the skills needed to lead their departments effectively, model best practices and attitudes, inspire and communicate shared goals, challenge and improve processes, enable team members by delegating effectively and offer timely encouragement and recognition. The program uses both real and hypothetical situations as learning tools.

HOUSING SUPPORT PROGRAM FOR FORT MCMURRAY EMPLOYEES

Syncrude launched a housing support program in June 2009 to help improve its ability to attract and retain employees in Fort McMurray, where the labour market is competitive and accommodation costs are comparatively high. The five-year program provides up to $60,000 to eligible employees to offset the cost of mortgage interest. Eligible employees who rent accommodation may receive up to $30,000 in rental cost offsets.

To earn the maximum benefit, employees commit to stay with Syncrude for 10 years.

IMPACT 21 INCENTIVE PROGRAM

Syncrude’s Impact 21 program motivates all employees to reach business goals by paying financial rewards to them when targets in safety, reliability, production, costs, energy efficiency and environmental performance are achieved or surpassed.

RETENTION PROGRAM FOR FORT MCMURRAY EMPLOYEES

To help secure and retain the skilled workforce required to sustain its operation, and to reward existing and future employees for their commitment and contributions to Syncrude, Syncrude has extended the Retention Program for Fort McMurray employees introduced in April 2006 and completed in March 2009. It provides financial incentives to employees to join or stay with Syncrude. A new three-year term commenced in April 2009. It will end in March 2012. In addition, all Fort McMurray–based employees receive a salary uplift of 14 percent over employees working in other locations.
**Employee Attraction and Retention**

Syncrude's workforce increased by 847 positions over 2008 and 2009, bringing the total to 5,580 people. Our workforce is non-unionized and the 1,907 new permanent employees hired during this time continued a multi-year trend of significant recruitment. More than two-thirds of the new hires were recruited into trades and operating positions. Total employee attrition averaged 9.8 percent for the two years. Syncrude will continue to refine its attraction and retention strategies in support of our overall workforce needs. This effort includes an annual review of our compensation and benefits packages to ensure that we are competitively positioned.

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**Diversity**

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<tr>
<td>Aboriginal representation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Aboriginal employees¹</td>
<td>487</td>
<td>447</td>
<td>415</td>
<td>418</td>
<td>410</td>
</tr>
<tr>
<td>Aboriginal employees as (%) of employees¹</td>
<td>8.6</td>
<td>8.1</td>
<td>8.5</td>
<td>9.0</td>
<td>9.2</td>
</tr>
<tr>
<td>Aboriginal representation in leadership (%)¹</td>
<td>5.9</td>
<td>5.6</td>
<td>6.0</td>
<td>6.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Female representation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Number of female employees</td>
<td>1,036</td>
<td>991</td>
<td>880</td>
<td>853</td>
<td>778</td>
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<tr>
<td>Female employees as (%) of employees</td>
<td>19.2</td>
<td>19.3</td>
<td>19.6</td>
<td>19.4</td>
<td>18.6</td>
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<tr>
<td>Female representation in leadership (%)</td>
<td>9.8</td>
<td>10.6</td>
<td>10.1</td>
<td>11.0</td>
<td>9.7</td>
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**Leadership Development**

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<tbody>
<tr>
<td>Leaders completed Diversity Workshop (%)</td>
<td>74</td>
<td>78</td>
<td>84</td>
<td>84</td>
<td>84</td>
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<tr>
<td>Leaders completed Harassment &amp; Discrimination Workshop (%)</td>
<td>61</td>
<td>55</td>
<td>70</td>
<td>88</td>
<td>84</td>
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<tr>
<td>Leaders completed Leadership Training (%)</td>
<td>76</td>
<td>53</td>
<td>79</td>
<td>89</td>
<td>89</td>
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**Attrition (% of Syncrude Workforce)**

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</thead>
<tbody>
<tr>
<td>All employees, including retirements</td>
<td>9.0</td>
<td>10.6</td>
<td>11.7</td>
<td>11.0</td>
<td>8.6</td>
</tr>
<tr>
<td>Employee-initiated termination</td>
<td>4.2</td>
<td>7.2</td>
<td>7.4</td>
<td>6.4</td>
<td>4.5</td>
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<tr>
<td>Retirements</td>
<td>3.5</td>
<td>2.1</td>
<td>3.2</td>
<td>3.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Aboriginal</td>
<td>9.8</td>
<td>11.9</td>
<td>9.8</td>
<td>9.8</td>
<td>8.0</td>
</tr>
<tr>
<td>Female</td>
<td>10.2</td>
<td>12.6</td>
<td>13.1</td>
<td>10.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Trades and operators</td>
<td>9.1</td>
<td>10.0</td>
<td>11.3</td>
<td>12.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Administrative, professional and technical</td>
<td>8.9</td>
<td>11.3</td>
<td>13.5</td>
<td>11.9</td>
<td>8.7</td>
</tr>
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**Employee & Family Assistance Program (EFAP) Utilization**

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</thead>
<tbody>
<tr>
<td># of clients as (%) of Syncrude workforce</td>
<td>13.7</td>
<td>7.3</td>
<td>11.2</td>
<td>13.0</td>
<td>13.4</td>
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</table>

**Training**

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</tr>
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<tbody>
<tr>
<td>(%) hours in training per employee per year</td>
<td>2.7</td>
<td>2.9</td>
<td>2.5</td>
<td>2.9</td>
<td>2.4</td>
</tr>
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</table>

**Employee Productivity**

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<tr>
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</thead>
<tbody>
<tr>
<td>Thousand barrels of Syncrude Crude Oil per employee</td>
<td>18,315</td>
<td>20,022</td>
<td>23,516</td>
<td>20,831</td>
<td>18,049</td>
</tr>
<tr>
<td>Average employee service (years)</td>
<td>9.4</td>
<td>10.1</td>
<td>11.3</td>
<td>12.2</td>
<td>13.2</td>
</tr>
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</table>

**Employee Recognition**

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td># of recognitions to employees²</td>
<td>12,143</td>
<td>10,902</td>
<td>9,971</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

¹ Aboriginal employees voluntarily declare their status.
² New metric established in 2007; includes service and safety awards.
A quiet room opened in 2008 at Syncrude’s Mildred Lake site is providing a place employees can use for peaceful introspection, meditation and prayer. The room is steadily used, and reflective of Syncrude’s commitment to diversity and employee well-being. Employees of Islamic faith, for example, pray five times daily, and the room provides them with a proper place for their observances.

**Business Conduct**

To guide employee behaviour, Syncrude stewards to a suite of policies that cover ethics, business conduct and treatment of people. The Treatment of Employees policy, for example, complies with the Alberta Human Rights, Citizenship and Multiculturalism Act and the Alberta Occupational Safety and Health Act. It calls for employees to refrain from acts of discrimination, harassment or violence, and to treat one another and all business contacts with respect and dignity. All reported incidents are assessed and investigated, and appropriate action is taken for confirmed policy violations. Syncrude provides training on these subjects on a four-year cycle and at new-employee orientations.

### Scholarships and Bursaries

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</thead>
<tbody>
<tr>
<td>Annual Contributions ($)</td>
<td>978,000</td>
<td>1,018,000</td>
<td>930,000</td>
<td>858,000</td>
<td>961,200</td>
</tr>
<tr>
<td>Employee Student Scholarships (#)</td>
<td>428</td>
<td>443</td>
<td>395</td>
<td>369</td>
<td>409</td>
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<tr>
<td>Tuition Refunds to Syncrude Employees (#)</td>
<td>82</td>
<td>155</td>
<td>53</td>
<td>122</td>
<td>136</td>
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</tbody>
</table>

**SynCrude Sponsors Apprentice Competition**

In 2006, Syncrude entered into a three-year sponsorship agreement with Skills Canada for its annual competition for trades apprentices and renewed its sponsorship for 2009. Skills Canada is a non-profit organization that works with employers, educators, labour groups and governments to promote skilled trades and technology careers among Canadian youth. The annual competition brings together the country’s best apprentices. Syncrude’s presence at the 2008 event was enhanced by heavy equipment technician Patricia Nelson, who served as a role model for women in the trades by sharing stories about her chosen career and the opportunities a trades ticket can lead to.

Syncrude welder Murna MacKinnon is finding a new use for her talents by filling a teaching void at Father Patrick Mercredi High School in Fort McMurray. She’s been instructing students in welding since 2009, as an employee on loan. As part of its commitment to supporting education in the community, Syncrude is providing her services free of charge.
Employee and Corporate Awards

Syncrude salutes the employees whose work received external recognition during 2008/09. We are also proud to have received several corporate awards that reinforce our efforts to be a responsible oil sands producer.

*Oilweek* magazine named Syncrude Environmental Research Team Leader Ron Lewko a 2009 Rising Star. The magazine cited Lewko for “making a vital contribution to the development of land reclamation, and for his leadership in helping Syncrude earn the first land reclamation certificate in the oil sands.”

The Royal Canadian Humane Association honoured employee Mike Sharpe and contractor Chelsea McPhee (of Golosky Trucking) with Lifesaving Awards for coming to the aid of the driver of an overturned tanker truck whose tanker was filled with jet fuel. The two were travelling together when they saw the truck lose control, hit the ditch and catch fire. The driver was trapped inside, and Mike suffered second-degree burns as he worked to pull the uninjured driver to safety. Mike is also to receive the Stanhope Gold Medal of Bravery.

The Institute for the Advancement of Aboriginal Women honoured employee Lana Hill with an Esquao Award as 2009 Aspiring Young Woman. Lana was recognized for her volunteer work with Girls Inc., a non-profit organization that inspires girls to be strong, smart and bold. Lana also volunteers as a photographer of newborn babies at the Northern Lights Regional Health Centre and at the Traditional Celebration of Achievement, which honours Aboriginal high school graduates in the Wood Buffalo region.

The Canadian Institute of Mining, Metallurgy and Petroleum (CIM) recognized senior mining specialist Ken Chekerda with the CIM Coal Award for outstanding contributions to the industry. It cited his work in the wider community, such as participating in the Fort McMurray Public Library’s reading incentive program.

The Government of Canada and the City of Calgary honoured project development engineer Justyna Kos with the Friends of Canada Award. Justyna was recognized for her work with students and for developing an innovative approach to address industry skills shortages by facilitating the Student/Engineer-in-Training Travel Scholarship.

The Alberta Apprenticeship and Industry Training Board recognized Syncrude apprentice Kevin Sweetman as the Top Apprentice in the Heavy Duty Technician—Heavy Duty (Off-Road) trade. The award recognized Kevin for achieving the highest combined mark in the final period of apprenticeship training.

External recognition reinforces our efforts to be a responsible oil sands operator.
SAFETY AND HEALTH

OUR 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 continual improvement in environment, safety and health performance are in the best interest of all our stakeholders. Our corporate success depends on 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 safety and health of workers, or the environment, are identified, understood and managed.
- We meet all regulated standards for environment, safety and health 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 environment, safety and health considerations, along with economic factors, into all business decisions.
- Syncrude management takes a leadership role in advocating workplace safety and health, 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 environment, safety and health 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.

2008/09 Safety Performance

Syncrude’s safety performance improved in all main categories during the two-year reporting period, with the notable exception of two employee fatalities. Prior to these two sad occurrences, Syncrude had not recorded an employee death since 1995.

The total recordable injury frequency rate for both Syncrude and contractors was 0.59 in 2008 and 0.36 in 2009; the latter was our best-ever performance for this metric. This performance is markedly better than the average for the oil sands industry (3.22 in 2008), the average for the mining and petroleum industry (2.92 in 2008) and the construction and construction trade services industry (4.65 in 2008).

The number of lost-time injuries was nine in 2008 and five in 2009. Employee injury severity was 0.20 lost workdays per 100 person-years worked in 2008 and 4.20 in 2009.

The equivalent Alberta average rate for 2008 was 41 lost workdays per 100 person-years worked; the oil sands industry average for 2008 was five lost workdays per 100 person-years worked.

In 2009, the number of recordable injuries sustained by Syncrude employees and contractors declined over previous years, even as workforce hours increased.

Syncrude consistently records fewer lost-time injuries than other Alberta employers.
CONTRACTORS IMPROVE SAFETY

Contractors on Syncrude’s sites experienced a significant reduction in recordable injury frequency in 2009, with a rate of 0.37 injuries per 100 person-years worked. This is less than half the 2005 frequency rate of 0.77. Toward the improvements, a concerted effort was made to encourage contractors to implement more effective safety policies and procedures. For example, a Contractor Safety Network was established to promote two-way communication about safety, health and environment matters, share best practices and improve safety performance. Contractors with more worker exposure hours were also assigned “buddy” managers from Syncrude to help them understand our safety standards, and improve and ensure accountability for safety performance.

Alberta Partnership for Safety and Health

In 2009, Syncrude renewed its agreement with the Government of Alberta, through Alberta Employment and Immigration, as a Partner in Safety and Health. The agreement calls for Syncrude to establish, implement and communicate outcomes of measurable annual goals and objectives, contribute to periodic reviews of Partnership standards, assist other organizations in dealing proactively with safety and health issues, encourage more widespread stakeholder participation in the Partnerships program and maintain a meaningful and effective safety and health management system at Syncrude.

Alberta Government Recognizes Syncrude Safety and Health System

In 2009, Syncrude’s safety and health management system was evaluated by an external auditor and found to meet established government and Workers’ Compensation Board (WCB) standards. Accordingly, Alberta Employment and Immigration issued Syncrude a Certificate of Recognition. The certificate allows Syncrude to earn a financial incentive through the Workers’ Compensation Board Partnerships in Injury Reduction program; in fact, Syncrude earned a 20 percent rebate on WCB premiums paid for 2008.
COMMUNITY HEALTH CONCERNS

Ongoing concern among residents of Fort Chipewyan regarding cancer rates in their community led the Alberta Cancer Board to conduct a community study of a rare cancer known as cholangiocarcinoma. The results of the study, released in 2009, found that levels of the rare cancer were not higher than expected, but that the cancer rate overall was higher than expected, and that more long-term analysis needs to be conducted to understand the reasons for the higher rates. Fort Chipewyan residents believe that industrial development such as oil sands operations, uranium mining and pulp mills may be a factor. Syncrude is working with the local Medical Officer of Health through the Oil Sands Developers Group to fully understand the health issues in Fort Chipewyan. We take seriously the health concerns of surrounding communities and support the people of Fort Chipewyan in their request for further studies by local, provincial and federal authorities.

H1N1 FLU PANDEMIC

To promote worker health and guard against the potential for widespread absenteeism due to the 2009 H1N1 flu pandemic, Syncrude engaged in a comprehensive workplace awareness and vaccination program. The program involved extensive employee communications focused on prevention through personal hygiene and vaccinations. The effort was successful in making people think and take action to prevent infection. Ninety-nine percent of respondents to a post-campaign survey saw the campaign, while 85 percent said they learned useful tips to avoid getting the flu. The campaign supplemented Syncrude’s annual vaccination clinics to prevent seasonal flu.

CREATING AND SHARING SAFETY BEST PRACTICES

Toward sustained excellence in safety performance, Syncrude continues to draw on the experience and expertise of others through its participation in a wide variety of external groups. These groups create and share safety best practices, develop training standards and advocate for enhanced workplace safety regulations. They include:

- Alberta Construction Safety Association
- Alberta Mine Safety Association
- American Petroleum Institute
- Canadian Association of Process Safety and Loss Management
- Canadian Society of Registered Safety Professionals
- Canadian Standards Association
- Canadian Society of Registered Professional Engineers
- Canadian Society of Hazardous Materials Managers
- Canadian Standards Association
- Centre for Chemical Process Safety
- Centre for Chemical Process Safety
- Construction Owners Association of Alberta
- Construction Owners Association of Alberta
- Centre for Chemical Process Safety
- North American Association of Crane and Rigging Professionals
- Oil Sands Safety Association
- Oil Sands Developers Group, Health Committee
- Rapid Site Access Program Administrative Committee
- Surface Mining Association for Research and Technology
- University of Alberta, Industry Safety and Loss Management Committee
- University of Alberta, Industry Safety and Loss Management Committee
- Wood Buffalo Safe and Healthy Community Network
- Work Safe Alberta Drug and Alcohol Risk Reduction Pilot Project Committee
- Work Safe Alberta Minister’s Advisory Committee, 2009–12 Strategic Plan
## Safety and Health

### Lost-time Injury Frequency

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<tr>
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</thead>
<tbody>
<tr>
<td>Syncrude</td>
<td>0.05</td>
<td>0.04</td>
<td>0.06</td>
<td>0.17</td>
<td>0.07</td>
</tr>
<tr>
<td>Contractors</td>
<td>0.03</td>
<td>0.10</td>
<td>0.04</td>
<td>0.14</td>
<td>0.04</td>
</tr>
<tr>
<td>Combined</td>
<td>0.04</td>
<td>0.07</td>
<td>0.05</td>
<td>0.15</td>
<td>0.05</td>
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### Number of Lost-time Injuries

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<thead>
<tr>
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<tbody>
<tr>
<td>Syncrude</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Contractors</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Combined</td>
<td>5</td>
<td>9</td>
<td>5</td>
<td>17</td>
<td>9</td>
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### Recordable Injury Frequency

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<tbody>
<tr>
<td>Syncrude</td>
<td>0.35</td>
<td>0.49</td>
<td>0.69</td>
<td>0.62</td>
<td>0.68</td>
</tr>
<tr>
<td>Contractors</td>
<td>0.37</td>
<td>0.63</td>
<td>0.71</td>
<td>1.01</td>
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<tr>
<td>Combined</td>
<td>0.36</td>
<td>0.59</td>
<td>0.70</td>
<td>0.85</td>
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### Number of Recordable Injuries

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<tbody>
<tr>
<td>Syncrude</td>
<td>20</td>
<td>26</td>
<td>33</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Contractors</td>
<td>29</td>
<td>44</td>
<td>33</td>
<td>67</td>
<td>106</td>
</tr>
<tr>
<td>Combined</td>
<td>49</td>
<td>70</td>
<td>66</td>
<td>96</td>
<td>136</td>
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### Employee Fatalities

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<tr>
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<tbody>
<tr>
<td>Syncrude</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Contractors</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Combined</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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### Injury Severity Rate

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</thead>
<tbody>
<tr>
<td>Syncrude</td>
<td>4.20</td>
<td>0.20</td>
<td>2.33</td>
<td>5.17</td>
<td>4.41</td>
</tr>
<tr>
<td>Contractors</td>
<td>0.95</td>
<td>6.26</td>
<td>1.97</td>
<td>6.62</td>
<td>3.36</td>
</tr>
<tr>
<td>Combined</td>
<td>2.32</td>
<td>3.63</td>
<td>2.15</td>
<td>6.10</td>
<td>3.66</td>
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</table>

### Injury-free Performance

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</thead>
<tbody>
<tr>
<td>Maximum hours between lost-time injuries (millions of hours)</td>
<td>14.3</td>
<td>11.7</td>
<td>9.7</td>
<td>5.2</td>
<td>14.1</td>
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### Employee Health

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</thead>
<tbody>
<tr>
<td>Temporary disability absenteeism (% of Syncrude workforce)</td>
<td>4.3</td>
<td>3.9</td>
<td>3.8</td>
<td>4.0</td>
<td>3.9</td>
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<tr>
<td>New long-term disability cases</td>
<td>14</td>
<td>21</td>
<td>21</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Health centre visits 2</td>
<td>27,871</td>
<td>28,923</td>
<td>25,904</td>
<td>25,049</td>
<td>37,209</td>
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### Safety and Health Convictions

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<tr>
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<tbody>
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<td>Syncrude</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Contractors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Combined</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</table>

### Workforce Representation in Joint Management-Worker Safety and Health Committees

(Safe Operating Committees)

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<tbody>
<tr>
<td>(% of total workforce)</td>
<td>45</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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### Emergency Services Responses

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</tr>
</thead>
<tbody>
<tr>
<td>On-site</td>
<td>2,117</td>
<td>2,312</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Off-site (Mutual Aid Response)</td>
<td>104</td>
<td>123</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
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### Safety, Health and Environment Staff Complement

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<tbody>
<tr>
<td>Syncrude</td>
<td>136</td>
<td>137</td>
<td>124</td>
<td>106</td>
<td>101</td>
</tr>
</tbody>
</table>

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1 A lost-time injury is an injury that requires medical attention and results in the worker being absent from work; lost-time injury statistics include all lost-time injuries and fatalities. Recordable injury frequency is a rate that includes all injuries requiring medical attention or that resulted in a worker being absent from work (recordable injury statistics include all non-first aid injuries); it is expressed as injuries per 100 person-years of work. Injury severity is the average rate of lost workdays per lost-time injury; only lost-time injuries have days lost.

2 Includes visits by Syncrude employees and contractors for occupational, non-occupational and other reasons. Visits are recorded as in-person visits or chart documentation for surveillance or administrative purposes.
EMERGENCY PREPARATION AND RESPONSE

Syncrude's emergency response teams train constantly so they can be prepared in the event of an emergency. In addition to in-house exercises, they participated in several regional and national events in 2008 and 2009 that tested their mettle in competitive situations. Syncrude teams regularly place among the top performers at these events, giving all stakeholders confidence in their abilities should a real emergency arise. Syncrude's ER teams responded to more than 4,000 calls for on-site assistance during the reporting period and more than 200 off-site calls as participants in the regional Mutual Aid Agreement. More than 300 employee volunteers and regular members of Syncrude emergency response teams were recognized for their efforts at the company's annual appreciation banquet in 2009.

Workplace training pays off on the ice

Two Syncrude employees credit training they received at Syncrude for their successful efforts to save the life of a man who suffered cardiac arrest while playing a recreational hockey game. Ron Siman and Kevin Pollitt learned how to operate a device known as an automated external defibrillator (AED) as part of their training as members of the Emergency Control Team at Syncrude's Edmonton Research and Development Centre. Coincidentally, the AED had been recently placed in the hockey arena as part of the Edmonton Heart-Safe Program.

SYNCRUDE EARNs SAFETY AWARD

Safety performance by Syncrude contractors in 2007 earned Syncrude recognition from the Alberta Petro-Chemical Safety Council. The Contractor Safety Award was presented for top performance among member companies with more than two million annual contractor exposure hours. In 2007, Syncrude contractors logged more than nine million work hours with just two lost-time injuries.

300+ employees on emergency response teams
Syncrude is working to increase the diversity of shrub species on reclaimed sites. As part of this effort, we have begun to collect seeds from native plants for future propagation on our reclaimed sites. Seeds are collected from plants found in areas adjacent to our operation and include pin cherry, dogwood, blueberry, fireweed, Labrador tea and dwarf birch. The focus is on species that have been traditionally used by local Aboriginal people and that will create more diverse reclaimed habitat.
OUR POLICY

Syncrude’s policy is to adhere to the land reclamation requirements set out in our approval under the Alberta Environmental Protection and Enhancement Act. The approval obliges Syncrude to return the land we use to “a productive capability equivalent to that of the pre-disturbance landscape.” For Syncrude, this means ensuring that the land disturbed by our operation is returned to a stable, safe condition capable of supporting biologically self-sustaining communities of plants and animals. Our long-term vision is to create a landscape that sustains an integrated mosaic of land uses that meet stakeholder expectations.

To ensure a regional approach to reclamation, and to foster the use of reclamation best practices, Syncrude regularly consults with other operators and openly shares the results of our environmental research. In addition, we support the Government of Alberta’s Land-use Framework, which will provide a roadmap for future land-use planning in the area.

Our Plan

Syncrude has plans in place for closure and reclamation of its Mildred Lake and Aurora sites that meet the conditions and expectations contained in our operating approvals. Thorough monitoring of all reclamation areas allows Syncrude to track and compare performance to design intent and also provides the database for reclamation certification, which is the formal recognition of reclamation success in meeting government standards.

continued on next page
Oil sands mining is a long-term endeavour that may disturb an area of land for 20 years or more. However, rather than wait for all operations in an area to be complete, our practice is to reclaim land as soon as it is available. To date, we have reclaimed about 4,600 hectares of land and planted over five million tree and shrub seedlings.

Toward excellence in reclamation practices, Syncrude's ongoing reclamation research has evolved to emphasize integrated programs within watersheds that are intensively instrumented and monitored, and several such watersheds have been established. This approach leads to cross-coordination between research disciplines as well as better, more integrated insights from research findings. As part of these efforts, Syncrude routinely collects information on soil and vegetation development, drainage feature performance and wildlife habitat development.

ONGOING RECLAMATION

Work continues to reclaim our former East Mine, an area approximately 11.5 square kilometres, or 1,100 hectares, bordered by Highway 63 south of our main plant site. In 2008 and 2009, we continued to fill the mined-out pit with composite tails (CT); the filling should be complete in 2011. CT is the foundation upon which reclamation material will be placed. It is expected that full-scale planting will begin within three years.

At the north end of the East Mine area, we are constructing a 52-hectare wetland, including the first reclaimed fen in the industry. Landscape construction began in 2009, and peat vegetation placement is slated for 2010. For more information, see Wetland Project An Industry First on page 24.

Reclamation work on Syncrude's former West Mine also continues. This area is currently being filled with mature fine tailings and is planned to be capped with water around 2012 to form a lake. The lake is the first commercial-scale demonstration of water capping as a reclamation technology. For more information, see Water Capping on page 58.

In support of Syncrude’s reclamation goals, we stockpile soil material as land is being disturbed, reserving it for future use. Reclaimed landforms are constructed mainly over the winter period, while planting activities occur from spring through fall. Initial planting includes barley and a mixture of native grasses in order to add nutrients to the soil and promote stability. In later years, trees and shrubs indigenous to the region are planted. Species include white spruce, trembling aspen, green alder, wild rose and Saskatoon.

WETLAND RESEARCH

Syncrude is partnering with four universities on a five-year, $3.8 million project to understand how to reclaim wetlands more quickly. The 25 researchers—five scientists and 20 graduate students—are focusing on 16 different wetlands, measuring isotopes of carbon, nitrogen and other characteristics of the organisms living in reclaimed wetlands. This will determine food sources and provide an indicator of the area’s overall health. Participants include the Universities of Windsor, Waterloo, Saskatchewan and Alberta.
### LAND RECLAMATION

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<thead>
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<tr>
<td><strong>Total Land Disturbed</strong></td>
<td>22,932</td>
<td>21,937</td>
<td>21,079</td>
<td>20,565</td>
<td>19,973</td>
<td>19,160</td>
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<td>0</td>
<td>0</td>
<td>5</td>
<td>69</td>
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<td>0</td>
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<tr>
<td>(hectares per year)</td>
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<tr>
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<td>898</td>
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<tr>
<td><strong>Permanent Land Reclaimed</strong></td>
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<td>97</td>
<td>104</td>
<td>85</td>
<td>315</td>
<td>304</td>
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<tr>
<td>(hectares per year)</td>
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<tr>
<td><strong>Permanent Land Reclaimed</strong></td>
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<td></td>
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<tr>
<td><strong>Reclamation Expenditures</strong></td>
<td>180.5</td>
<td>97.0</td>
<td>52.9</td>
<td>31.3</td>
<td>33.5</td>
<td>16.5</td>
</tr>
<tr>
<td>($ millions per year)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Tree and Shrub Seedlings Planted</strong></td>
<td>380,000</td>
<td>142,970</td>
<td>161,780</td>
<td>459,075</td>
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<td>(annual)</td>
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<tr>
<td><strong>Tree and Shrub Seedlings Planted</strong></td>
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<td>4,024,916</td>
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<tr>
<td>(cumulative)</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

1. Syncrude has total land lease holdings of 101,061 hectares, which includes hectares of potential development and that approved for development.
2. Temporary reclamation is typically conducted in areas where future re-disturbance is expected. Activities typically include placing a shallow depth of reclamation soils followed by grass seeding. This is often performed in areas where erosion and/or blowing sand may be a concern. Reclamation materials are salvaged prior to re-disturbance of the area.
3. Permanent reclamation is conducted in areas where future disturbance is not expected. Permanent reclamation activities include placing the legislated depth of reclamation soils followed by grass seeding and tree and shrub planting.
4. Includes research and operations expenditures.
5. Cumulative reclamation losses originated primarily from gully repairs at the South West Sand Storage site, coke deposition activities in the Mildred Lake Settling Basin, construction of a mature fine tailings (MFT) research pond and construction of a drainage swale on the W1 overburden structure.
In 2008, Syncrude received government reclamation certification for the 104-hectare Gateway Hill area. This area was used primarily to store overburden from operations, and reclamation activities commenced in the early 1980s. As part of the certification process, wildlife surveys were conducted in 2000 and 2007; they revealed the presence of a number of species, including snowshoe hare, marten/fisher, deer, red squirrel, beaver, coyote and various songbirds, raptors, grouse and migratory birds.

Government certification takes many years from the time that reclamation activities are complete, as the subject area must demonstrate a self-sustaining ecosystem and habitat capability. Syncrude has not sought certification for some reclaimed areas, as these are adjacent to land where there is industrial activity, restricting our ability to release the land back to the Crown.

**GATEWAY HILL RECEIVES CERTIFICATION**

A 4.5-kilometre trail system invites visitors to explore the Gateway Hill area and see first-hand the results of oil sands reclamation.

**CARBON CYCLING**

Syncrude has partnered with the Alberta Research Council to study the effectiveness of carbon cycling in a reclaimed forest as compared to a natural site. Research was conducted on a forest reclaimed with pine, aspen and spruce on the western slope of a tailings settling basin. The landscape has demonstrated very positive trends, with trees showing the same productivity as a natural forest. In fact, a diverse natural plant community has taken hold, with such native species as strawberry, gooseberry and feather moss growing throughout the area. The study concluded that carbon cycling is occurring at the same rate as it does in a natural forest.

**Aboriginal Reclamation Advisory Committees**

As part of its commitment to Aboriginal community engagement, Syncrude meets every year with members of the region’s Aboriginal communities to discuss reclamation progress, challenges and concerns. In 2009, Syncrude convened a two-day meeting that included Elders, adults and youth from Fort McKay and Fort Chipewyan. The event included a tour of various Syncrude reclamation sites and an information exchange where participants asked questions of Syncrude’s reclamation and environmental experts. Participants felt the gathering helped enable a greater understanding of the expectations of First Nations people for land reclaimed from oil sands development and also Syncrude’s ability to meet these desires.
Biodiversity

**OUR COMMITMENT**

Syncrude’s commitment to environmental stewardship encompasses specific programs aimed at ensuring our operations do not have a long-term, permanent impact on local ecosystems and, upon project completion, re-establishing a diversity of wildlife and fish habitats similar to those that existed prior to disturbance of the area.

**MINING INDUSTRY BIODIVERSITY PROTOCOL**

As a member of the Mining Association of Canada and participant in its Towards Sustainable Mining initiative, Syncrude assisted in the development of the group’s biodiversity conservation standards. These will be formally implemented at our operation in 2010. Standards include monitoring and evaluation of biodiversity, avoidance or mitigation of significant adverse biodiversity effects and reclaiming mine sites to viable and diverse ecosystems. [For more information, visit www.mining.ca.](http://www.mining.ca)

**Regulatory Compliance**

Syncrude operations must adhere to environmental regulations, including the Alberta Environmental Protection and Enhancement Act and Alberta Wildlife Act. As well, every 10 years, Syncrude must obtain operating approval by submitting a detailed plan outlining how the organization will steward to government requirements regarding environmental protection and mine closure. Syncrude also must submit an updated detailed reclamation plan to Alberta Environment every three years.

**Wildlife Movement and Crossing Structures**

Along with five other oil sands companies, Syncrude is participating in a program that will examine wildlife corridors in the region. The program will monitor riparian zones and townships adjacent to the mines, focusing on actual movement, genetic connectivity and habitat effectiveness. Wildlife that will be monitored includes wolves, deer, moose, coyote, lynx and red fox. Information collected will be used to enhance reclamation plans and ensure an effective regional approach to reclamation.
Wildlife Protection

Syncrude operates within a large tract of wilderness in northern Alberta’s boreal forest and employs a number of strategies to deter wildlife from our sites. These include our waterfowl protection plan (see sidebar) and restrictions on the handling of food and food waste to avoid wildlife habituation. As well, no vegetation is cleared during the migratory songbird nesting and rearing season unless survey and field checking indicate an absence of nesting activity.

Syncrude is required by law to report monthly to the Alberta government any wildlife incidents that occur on our sites or adjacent roadways, regardless of cause. In the last nine years, wildlife mortality counts have averaged about 10 incidents per year, excluding waterfowl mortalities at our settling basins. Most mortalities occur when animals are injured or killed by vehicles on our sites or on surrounding roads and highways. They also include natural occurrences, such as the case when a wolf killed a deer on our site. There have been only two incidents— involving a beaver and a muskrat—in which the mortalities were due to oiling.

WILDLIFE MONITORING

From 1973 to 1985, Syncrude conducted environmental baseline studies to help ensure that reclaimed land is as ecologically productive as it was prior to disturbance. Studies continue and we regularly monitor wildlife that inhabits both undisturbed and reclaimed areas in and around our leases. This includes aerial moose surveys. Plans are under way to incorporate amphibian call and songbird point-count surveys and to expand monitoring to include all local wildlife species of concern, as identified by the 2005 General Status of Alberta Wild Species. For more information, visit www.srd.alberta.ca.

We also monitor the wildlife that has returned to our reclaimed areas to ensure our restoration practices are creating attractive habitat for species to return to. Regulators require this data as part of the government certification process for these areas.

Syncrude has improved the deterrent system we use to prevent waterfowl from landing on our tailings ponds. The changes follow an unfortunate event in 2008 when over 1,600 birds landed on a settling basin during spring migration and died after becoming coated in bitumen. The improved system incorporates ideas from wildlife scientists, Aboriginal advisors, regulators and deterrent equipment specialists.

The enhanced deterrent system focuses on things that can be controlled, versus historical weather and bird migration patterns, which cannot.

The system includes:

- year-round deployment of deterrents on areas that are not frozen;
- year-round staffing;
- monitoring for open water on settling basins, recycled water ponds and other water bodies on site, and responding to any risks;
- deployment of shore-based noise cannons before spring break-up;
- around 200 noise cannons;
- scarecrows that have wind motion features and reflective ribbons; and
- flare and noise devices.

In addition, we have installed a radar monitoring system similar to those used at many airports. It enables better observation of bird flight patterns and behaviours. Syncrude is currently studying how best to deploy this technology within the bird deterrent program.

We seek to minimize losses of water birds and to improve upon historical losses, which averaged about 35 bird mortalities annually across our entire Mildred Lake and Aurora sites.

Further research is also being conducted on improving bitumen recovery rates. This would reduce the amount of bitumen on the surface of tailings ponds, which is the main risk to waterfowl.
PROTECTING WATERFOWL

1. Shore-based noise cannon
2. Radar-based migration tracking
3. Scarecrows
4. Year-round observation and maintenance

SETTLING BASIN

Mobile pond maintenance crew
REGIONAL INVOLVEMENT AND BIODIVERSITY INITIATIVES

Several programs and research initiatives have been established in northeastern Alberta to assess and monitor the cumulative environmental effects of industrial development at a regional scale. This work is undertaken by government and stakeholders such as Aboriginal communities, industry, environmental advocacy groups and health organizations. Syncrude funds and provides staff expertise to the following:

Regional Aquatics Monitoring Program (RAMP) is an environmental monitoring program established in 1997 to assess the health of rivers and lakes in the oil sands region. RAMP collects and analyzes data from aquatic environments to better understand the oil sands area and to identify and address the potential impacts of development. www.ramp-alberta.org

Canadian Oil Sands Network for Research and Development (CONRAD) supports a broad range of research projects in environmental and reclamation science through its Environmental and Reclamation Research Group (ERRG). Research focuses on a variety of disciplines, from wildlife biology to hydrogeology and toxicology. Grants are typically used to fund university and research organizations aimed at improving existing practices. www.conrad.ab.ca

Wood Buffalo Environmental Association (WBEA) is a multi-stakeholder environmental monitoring program that operates similar to and works jointly with RAMP. WBEA monitors and reports on air quality in the region and the effects of air quality changes and deposition on terrestrial resources. The association operates 15 air-monitoring stations throughout the region. www.wbea.org

Cumulative Environmental Management Association (CEMA) assesses cumulative environmental effects from industrial development and provides recommendations to regulators on how to best manage these issues. CEMA ensures long-term monitoring of selected status species and species of concern and quantifies cumulative impacts on wildlife and fish populations in the region. www.cemaonline.ca

These regional initiatives, research projects and biodiversity monitoring programs all use multi-stakeholder and interdisciplinary strategies to monitor the environment and provide recommendations to government for environmental sustainability. The objectives of each regional program include understanding the natural condition of wildlife habitat, reclaiming wildlife habitat and maintaining biodiversity in the region.

WOOD BISON

In 1993, Syncrude introduced a herd of wood bison into a reclaimed area to assess the capability of the landscape to support large mammals such as ungulates. Today, approximately 300 wood bison graze on 700 hectares of land. The herd is managed cooperatively with the Fort McKay First Nation and has been recognized with several livestock awards at national competitions. Due to its excellent health and disease-free status, the herd is also contributing to a genetic preservation project headed by scientists from the Universities of Calgary and Saskatchewan, the Canadian Food Inspection Agency, Parks Canada, the Government of the Northwest Territories and the Calgary Zoo.

Alberta Biodiversity Monitoring Institute

Syncrude has committed to funding the Alberta Biodiversity Monitoring Institute (ABMI) in 2010. This institute measures and reports on the health of ecosystems in the province and operates at arm’s length from government, industry and environmental groups. It provides peer-reviewed data that will be used to improve resource management through the provincial government’s Land-use Framework. For more information, visit www.abmi.ca
Tailings Composition and Storage

At Syncrude, tailings are a byproduct of our process to extract bitumen from oil sand. Tailings are composed of a mixture of water, sand, clay, fine solids, residual hydrocarbon and salts—all of which are naturally found in oil sands deposits. Tailings are stored in mined-out areas and large above-ground containment structures commonly referred to as settling basins or tailings ponds.

The primary tailings management challenge is the long period of time it takes for the fine clay components to settle. While the sand settles rapidly, clay and fine solids (together called mature fine tailings or MFT) can take several decades to do so.

During the settling process, water released from the tailings is reused in the bitumen extraction process. Over 85 percent of the water we use is recycled from our settling basins, thereby minimizing fresh water use. The Mildred Lake Settling Basin and Aurora Settling Basin are the main source of recycled water for our operation.

Tailings contain residual bitumen that is not recovered in the extraction process. As the bitumen is released, it floats temporarily to the top of the settling basin and can appear as an oily slick on the water surface. Bird deterrents are in place year-round to discourage waterfowl from landing on settling basins (see Protecting Waterfowl on page 54). Bitumen is a valuable natural resource, and, while recovery is about 90 percent, we are studying new technologies and processes to increase this even further. This will reduce the amount of bitumen lost to tailings (see Adapted Technology Promises Improved Tailings Oil Recovery on page 25).
Tailings dam safety

Settling basins are contained within licensed dam structures and are designed to ensure geotechnical stability as per Canadian Dam Safety Association and Alberta Dam Safety Branch standards. Extensive monitoring occurs through frequent instrumentation and visual inspections. External dam safety and geotechnical reviews also occur regularly.

Syncrude’s settling basins have interceptor ditches and sumps to ensure seepage and precipitation runoff are collected and pumped back into the pond. We also maintain a network of surface water sampling points and groundwater monitoring wells to ensure tailings water does not impact local watercourses. For example, there are 81 monitoring wells throughout the area east of the Mildred Lake Settling Basin alone. Monitoring of the Athabasca River by government regulators shows oil sands development has had no impact on water quality.

We recognize there is growing public concern about tailings ponds and are vigorously pursuing strategies to reduce tailings volumes and incorporate tailings into our reclaimed landscapes.

What Is Mature Fine Tailings?

Mature fine tailings (MFT) is a mixture of silt, clay and water that has the consistency of yogurt. Left on its own, MFT takes decades or more to fully settle, prompting work to accelerate the process and enable reclamation.

Regulatory compliance

Syncrude is implementing a multi-pronged approach to manage tailings and comply with government regulations as specified in the Energy Resources and Conservation Board (ERCB) Directive 074. The ERCB has approved our plan, which, after 2015, is expected to exceed the requirements of the directive.

Toward this, we are developing and deploying three technologies: water capping, composite tails and centrifuging.

Further information on Directive 074 and our detailed plan can be found at www.ercb.ca.

WATER CAPPING

Water capping involves the placement of a layer of water over a deposit of fine tails to form a lake. Syncrude has demonstrated this technology on a pilot scale through 20 years of research, including 11 test ponds of various sizes—the largest being four hectares in area. Results have shown these lakes successfully evolve into natural ecosystems and, over time, support healthy communities of aquatic plants, animals and fish. We are planning to commission the industry’s first commercial-scale water-capped lake around 2012.

Water capping of tailings has been successfully demonstrated on a pilot scale through test ponds at the Syncrude site.
2 **Composite Tails**

Composite tails (CT) combines fine tails with gypsum and sand as tailings are deposited in a mined-out area. This mixture causes the tailings to settle more quickly and release water. CT is then capped with sand and soil, enabling the development of landscapes that support grass, trees and wetlands. We are using this technology to reclaim our former East Mine. CT placement began in 2000, and we expect to begin planting vegetation by 2014.

At the north end of this area, we are building a 52-hectare wetland area, including a pilot 17-hectare fen. Fens are an important type of peat land found in the boreal forest. This large-scale reconstruction effort, the first of its kind in the region, underscores our commitment to return the land we disturb to a condition similar to that prior to disturbance (see Wetland Project An Industry First on page 24).

3 **Centrifuged Tails**

We have successfully piloted the use of centrifuges to remove the water in fine tails. This technology produces a soft, clay-rich soil that can be used as a landform foundation in oil sands reclamation areas. We plan to implement this technology in three stages: a commercial-scale demonstration to begin in 2012, the first phase of a commercial plant in 2015 and a further increase in conversion capacity in 2018.

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**Other Management Technologies**

We are researching a number of additional technologies, which could potentially be used to supplement existing remediation methods for mature fine tailings (MFT):

**Accelerated Dewatering:** This process is based on methods used in the Florida phosphate industry. It involves depositing fine tailings in a shallow containment structure and removing the water from the surface as it is released. Initial tests have shown a reduction in MFT volume by 50 percent in three to five years; further study is under way on a larger scale.

**Thin-lift Drying:** This remediation technique involves placing a thin layer of MFT into a reclamation area. The MFT dries quickly through dewatering and natural evaporation. This process is repeated with consecutive layers. The resulting dry material is capped with sand and soil for upland reclamation activities.

**CO₂ Addition:** Microbes living in our tailings ponds have reduced MFT volume by more than 25 percent over the past 15 years through bio-densification. Syncrude researchers are now studying how to mimic microbial activity and replicate this process through the direct addition of CO₂ into MFT.

We are currently working with other oil sands operators to implement a collaborative agreement that allows broad research and development cooperation and helps facilitate faster implementation of tailings management technologies. Further work is also being done through the Canadian Oil Sands Network for Research and Development (CONRAD). For more information on CONRAD, see page 23.
Energy use at Syncrude
Syncrude's operations were built during the energy crisis of the 1970s. To shield the project against possible rising energy costs, extensive cogeneration processes were incorporated into the operation to recover waste heat for reuse. In fact, Syncrude is one of the most thermally integrated industrial facilities in Canada.

Power is produced through six steam generators and four gas turbine generators. Steam is also produced from the waste heat of the gas turbine generators. Bitumen conversion units such as our cokers also produce waste heat, and this heat is then used in bitumen extraction processes. In 2009, around 10 percent of the total energy used at Syncrude was produced from waste heat.

While our gas turbine generators require natural gas to produce electricity, most of the natural gas we use is for the production of hydrogen, which assists in removing sulphur and nitrogen from our crude oil product. This increases the quality of our crude oil and helps downstream refineries meet increasingly stringent fuel emission standards.

In February 2010, the Government of Canada announced its target to reduce GHG emissions by 17 percent from 2005 levels by 2020. The federal government has released proposed regulations to reduce GHG emissions from new vehicles by approximately 25 percent from 2008 levels by 2016 and has announced that it will be moving forward with regulations to require an average renewable fuel content of five percent in gasoline by September 2010. The federal government has also recently announced that it will develop proposed regulations to reduce GHG emissions from model year 2014 to 2018 heavy-duty vehicles. As the regulations have not yet been finalized and implemented, we do not know the extent to which our current and future operations will be impacted. However, we believe reductions must be shared across all sectors of the economy, with no preference given to any particular industry or business.

The Syncrude Joint Venture participants actively monitor the evolution of climate change policy in Canada and the United States and report on developments through the Syncrude Management Committee.

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<th>GHGs 1,2,3 (millions of tonnes)</th>
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<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
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<tr>
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<td>0.093</td>
<td>0.097</td>
<td>0.103</td>
<td>0.100</td>
</tr>
</tbody>
</table>

1 CO₂ equivalent emissions reported in this table include all Syncrude sources as reported to the Government of Alberta under the Specified Gas Emitters Regulation (SGER). These estimates have been restated from previous years based on improvements to GHG estimation methodology. Emission calculations for the purpose of federal regulatory reporting will differ, as certain sources of emissions are excluded.

2 Syncrude's GHG emission estimates were subject to two independent audits in 2009, the first by the Alberta Auditor General and the second to satisfy the third-party review required by the SGER.

3 As a large producer of electricity, Syncrude exports excess energy to the Alberta electrical grid. In 2009, 260,290 megawatt hours of electricity were exported to the grid. Emissions from electrical power generation are included in the Syncrude total and are part of the intensity calculated on a per-barrel basis.

Global perspective on GHGs
The oil sands account for approximately five percent of Canada’s total GHG emissions and 0.1 percent—or 1/1000—of global emissions. Total GHG emissions from oil sands in 2007 were 38 megatonnes—equivalent to one percent of emissions from the United States power generation sector.
ENERGY CONSERVATION

Since 1982, Syncrude has reduced energy use per barrel by 39 percent. This represents a 1.4 percent annual improvement, on average, over the last 28 years. Moving forward, our goal is to increase our energy efficiency by 11 percent to a target of, or better than, 1.125 million BTUs per barrel by 2013.

A significant conservation breakthrough occurred in the 1990s, when Syncrude developed and implemented a low-energy extraction process that, when combined with hydrotransport technology, enabled a major reduction in bitumen extraction process temperatures. Subsequent improvements reduced operating temperatures even further. In total, these actions reduced greenhouse gas emissions from our original process, which operated at 80°C.

To ensure energy conservation remains a top priority, a new team dedicated to the identification and implementation of site-wide energy conservation initiatives was established in 2007. The team is rolling out an Energy Management Program based on a system developed by ExxonMobil. The team also conducted a major energy audit in 2008 on upgrader and utilities operations and another audit in 2009 on the extraction process.

Syncrude began implementing the team’s 10-year energy plan in 2009; it includes specific commitments from each operating area within the organization. Endorsed by the President/CEO and Vice-President of Production, the plan is a key business deliverable for senior management. Total energy savings to date are estimated at about $32 million. Initiatives have included optimizing furnace operations, reducing flaring and repairing steam leaks.

Energy management is also stewarded through our Impact 21 program, in which employees are financially rewarded for achieving goals in a number of operational performance areas. For more information, see page 39.

Specified Gas Emitters Regulation

The Alberta Specified Gas Emitters Regulation, established in 2007, set aggressive intensity targets for Large Final Emitters of carbon. It requires Syncrude to reduce its per-barrel emissions of greenhouse gases by 12 percent from the average of its per-barrel emissions between 2003 and 2005. If Syncrude does not meet this target in any reporting year, it must pay $15 per tonne of CO₂ that is in excess of reduction targets into a government fund dedicated to the development of emissions reduction technology, purchase Alberta-based offset credits, or purchase emission performance credits from a different Alberta facility.

In 2009, Syncrude did not meet the reduction target and offset the remainder by purchasing 302,734 Government of Alberta Technology Fund Units at a cost of $4,541,010. Although good progress has been made, Syncrude forecasts that it will continue to produce GHG emissions that exceed the government’s reduction targets in the near term.
Creating and Sharing Best Practices

Toward sustained progress in energy conservation and reduced GHG emissions, Syncrude draws on the experience and expertise of others through its participation in the following external groups:

**Integrated CO₂ Network (ICO₂N)**
This industry association represents a cross-section of western Canada’s industrial CO₂ emitters; Syncrude is a Tier 2 member. ICO₂N provides input to government policy about carbon capture and storage (CCS) and advocates for CCS as a part of Canada’s climate change plans. The group is also helping shape a regulatory framework for CCS. A study commissioned by ICO₂N to examine various GHG reduction options in Canada indicates that CCS has the most significant potential for annual CO₂ reductions, followed by adoption of nuclear and wind power and improvements in vehicle fuel efficiency. The study also notes that CCS will be expensive in its early stages but cost-competitive with other reduction options, such as solar power and vehicle efficiency.

**CO₂ Slurry Pipeline Research Project**
Syncrude is participating in a research project exploring the possibility of compressing captured CO₂ into a liquid that can be used as a pipeline slurry agent to efficiently transport materials such as sulphur, petroleum coke and limestone over long distances. The project, being led by Enbridge, would transport these materials from the Fort McMurray area to market. The CO₂ would then be stored underground. The pipeline would use CO₂ that would otherwise be emitted into the atmosphere.

### OIL SANDS EMISSIONS COMPARABLE TO OTHER CRUDE OILS

Two independent studies commissioned by the Alberta Energy Research Institute showed in 2009 that the direct emissions that stem from the production, transportation and refining of crude oil from the oil sands are in the same range as those of the other crude oil products refined in the United States. In fact, the studies found that direct greenhouse gas emissions from the oil sands are lower than direct emissions from other types of crude oil, including those from Nigeria and California.

<table>
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<tr>
<td>Nigeria Country Average</td>
<td></td>
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</tr>
<tr>
<td>Middle East Heavy Oil</td>
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</table>

About 20 percent of GHG emissions from a barrel of oil are created during the production, refining and transportation to market of the product, while 80 percent comes from consumption of the oil, mostly through the tailpipes of vehicles.
Syncrude is committed to managing and monitoring air emissions to protect the residents and ecological health of the region. Syncrude appreciates that the Wood Buffalo region enjoys good air quality, and we will responsibly manage our operations toward maintaining this in the years ahead.

**REGIONAL AIR QUALITY**

A 2010 study by the University of Alberta Department of Public Health Sciences concluded that industrial development has not had a negative impact on air quality in the Wood Buffalo region. In fact, the region enjoys better air quality than that found in many major cities, including Edmonton, Toronto and Vancouver. Trends in air quality were examined between 1998 and 2007 in the Fort McMurray, Fort McKay and Fort Chipewyan areas. For more information, visit www.phs.ualberta.ca/reports.cfm.

The study was based on monitoring carried out by the Wood Buffalo Environmental Association (WBEA). WBEA operates 15 continuous air-monitoring stations and 20 passive monitoring stations. The region has 10 times the number of air-monitoring stations per capita than the United States.

Construction is under way on the $1.6 billion Syncrude Emissions Reduction Project.
Sulphur dioxide (SO₂) emissions

Emissions from Syncrude of sulphur dioxide (SO₂) originate mainly from two fluid cokers built in the 1970s as part of our original plant. A third coker brought on-line in 2006 has emissions-reduction processes built into its operation.

SO₂ emissions increased in 2009 compared to the average of the previous four years. This is due mainly to the increased number of operating days for the two original cokers, which had experienced maintenance outages in previous years.

We understand that stakeholders expect good air quality and are committed to reducing emissions from our operation. Our $1.6 billion Emissions Reduction Project is expected to reduce SO₂ emissions to an annual average of less than 100 tonnes per day by capturing emissions from the two original cokers. This will constitute an approximate 60 percent reduction from 2005 levels. Emissions of particulate matter will also decline considerably. The new facilities are expected to be operating to specification after 2011.

Nitrogen oxide (NOₓ) Emissions

Nitrogen oxide (NOₓ) emissions are created as a result of combustion required to provide power, heat and steam for process units, as well as from mining fleet vehicle emissions.

We have reduced our NOₓ emissions per litre of diesel fuel used by 17 percent over the last decade. Overall emissions from the mining fleet have risen, however, due primarily to increased crude oil production in recent years, which required more material to be hauled by the mining fleet.

Our primary goals with respect to minimizing emissions from the mining fleet are to move the maximum volume of material while consuming the least amount of fuel and to have engines that continue to reduce NOₓ emissions on a litre-of-fuel-consumed basis. To achieve these, we focus on the following activities: fuel quality, engine selection, operating and maintenance practices and mine plan efficiency. We also focus on knowledge-sharing activities such as participation in the Surface Mining Association for Research and Technology. One of the association’s objectives is to work with manufacturers of mobile mining equipment to encourage development of engines that produce fewer emissions.

The installation of higher-tier engines (Tier 2 and Tier 4) and NOₓ/particular matter after-treatment devices on the “light duty” on-road category engines is occurring as capital stock is replaced about every 10 years. As the technology becomes available and proven for heavy haulers, we will incorporate newer higher-tier engines into the mining fleet as part of normal end-of-life fleet replacement.

Odours

Syncrude encourages local stakeholders to report the presence of any odours to the 24-hour Alberta Environment hotline at 1-800-222-6514. Government authorities then notify local industrial operators of the complaint and require them to assess their operations for possible sources of odours and take remediating action.

In addition, we use the Wood Buffalo Air Information Line to update the public on operational upsets or scheduled maintenance that could cause odours or affect air quality. The line also provides the Alberta Environment hotline and Health Link Alberta telephone numbers for residents who have further environmental or health-related concerns. This information line, developed by the Wood Buffalo Environmental Association and members such as Syncrude, is accessed by calling 1-866-685-3699.

Since 2008, odours have become more pronounced in Fort McMurray and Fort McKay. The Wood Buffalo Environmental Association (WBEA) is currently evaluating new odour-related measurement technology with the intention to expand its air quality information.
### Atmospheric Emissions

#### Key Air Indicators

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</thead>
<tbody>
<tr>
<td><strong>Ozone-depleting Substances</strong></td>
<td>Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(kilograms per year)</td>
<td></td>
<td></td>
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<tr>
<td>Sulphur Dioxide</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(thousand tonnes per year)</td>
<td>81.31</td>
<td>70.14</td>
<td>82.65</td>
<td>79.64</td>
<td>82.96</td>
</tr>
<tr>
<td>Sulphur Dioxide Emission Intensity</td>
<td>(tonnes per KBbls Syncrude Crude Oil)</td>
<td>0.78</td>
<td>0.66</td>
<td>0.74</td>
<td>0.83</td>
</tr>
<tr>
<td>Nitrogen Oxides</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(thousand tonnes per year)</td>
<td>28.41</td>
<td>26.11</td>
<td>25.39</td>
<td>23.95</td>
<td>19.82</td>
</tr>
<tr>
<td>Nitrogen Oxides Emission Intensity</td>
<td>(tonnes per KBbls Syncrude Crude Oil)</td>
<td>0.28</td>
<td>0.24</td>
<td>0.23</td>
<td>0.25</td>
</tr>
<tr>
<td>Volatile Organic Compounds (VOCs)</td>
<td>(thousand tonnes per year)</td>
<td>13.90</td>
<td>28.16</td>
<td>28.27</td>
<td>28.75</td>
</tr>
<tr>
<td>VOC Emission Intensity</td>
<td>(tonnes per KBbls Syncrude Crude Oil)</td>
<td>–</td>
<td>0.13</td>
<td>0.25</td>
<td>0.30</td>
</tr>
<tr>
<td>NPRI On-site Releases</td>
<td>(thousand tonnes per year)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sour Gas Flaring/Diverting</td>
<td>(tonnes per day SO2)</td>
<td>5.2</td>
<td>7.9</td>
<td>6.1</td>
<td>11.4</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Actual</th>
<th>Target</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Stack Sulphur Dioxide</strong></td>
<td>Hours greater than 16.4 tonnes per hour</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>90-day rolling average &gt; 245 tonnes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Main Stack Nitrogen Oxides</strong></td>
<td>(# of hours &gt; 1.5 tonnes per hour)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Diverter Stack Usage</strong></td>
<td>(hours per year)</td>
<td>&lt; 292</td>
<td>266</td>
<td>&lt; 292</td>
<td>129</td>
<td>261</td>
</tr>
<tr>
<td><strong>Main Stack Opacity</strong></td>
<td>(# of hours &gt; 40%)</td>
<td>&lt; 5</td>
<td>22</td>
<td>&lt; 5</td>
<td>84</td>
<td>27</td>
</tr>
<tr>
<td><strong>Ambient Air Exceedances</strong></td>
<td>(H2S hourly)</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>55</td>
<td>17</td>
</tr>
<tr>
<td><strong>Ambient Air Exceedances</strong></td>
<td>(H2S 24-hour period)</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td><strong>Ambient Air Exceedances</strong></td>
<td>(SO2 hourly)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Ambient Air Exceedances</strong></td>
<td>(SO2 24-hour period)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Odour Incidents</strong></td>
<td># attributable</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>(# of total incidents)</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>16</td>
<td>67</td>
<td>87</td>
</tr>
</tbody>
</table>

2. Due to reporting schedule, numbers will be available at NPRI website: www.ec.gc.ca/pdb.
3. VOC values are based on site-wide fugitive emissions surveys conducted by Clearstone Engineering, with the most recent completed in 2008.

To ensure data accuracy, stack emissions from major sources are determined from stack surveys conducted per Alberta Environment Stack Sampling Code and from Continuous Emissions Monitoring Systems (CEMS), which are operated per Alberta Environment CEMS code. All data is provided to the regulator per our government operating approval.

Information relating to off-site air quality is measured, collected and validated by an independent third party, the Wood Buffalo Environmental Association. During 2009, there were six ambient air exceedances attributable to Syncrude operations; in two of these, there were also other regional contributors. Exceedances include five instances where the one-hour H2S Alberta Ambient Air Quality Guideline was exceeded and attributable to Syncrude operations and one instance where the 24-hour H2S Alberta Ambient Air Quality Guideline was exceeded and attributable to Syncrude operations. Ambient air exceedances can be categorized based on plant status (i.e., normal operation or process unit upset) and prevailing weather conditions (wind speed and direction) at each station. Exceedances occurring during normal plant operation, and when wind speed and direction preclude Syncrude as the source of the contaminant, are not attributed to Syncrude.
ASSESSMENT OF ECOSYSTEM IMPACTS

Syncrude is a member of the Wood Buffalo Environmental Association and participates in its Terrestrial Environmental Effects Monitoring (TEEM) Program. TEEM assesses the impact of air emissions on terrestrial ecosystems and traditional land resources.

Syncrude is also a member of the Cumulative Environmental Management Association and participated in a three-day workshop on the state of sulphur and nitrogen deposition, and its ecosystem impacts, in western Canada. Workshop attendees included industry, regulators, environmental groups and Aboriginal stakeholders, as well as academics and scientists from across Canada, the United States and Europe. The outcomes are helping shape recommendations to government on how emissions can be effectively managed in the local region.

MONITORING AIR QUALITY

The Wood Buffalo Environmental Association operates 15 continuous air-monitoring stations and 20 passive monitoring stations throughout the region.

OTHER AIR EMISSIONS

Volatile organic compounds (VOCs) can contribute to poor air quality. Sources of VOCs at Syncrude include naphtha losses to our Mildred Lake Settling Basin and hydrocarbon vapours from storage tanks.

To reduce naphtha losses, waste water streams are directed through two Naphtha Recovery Units (NRUs), a technology developed by Syncrude in the mid-1980s. We remain within government regulations for naphtha losses and continue to examine how we can improve recovery in the future.

A leak detection and repair program has been in place at Syncrude since 1992. As required by our government operating approval, this program was modelled to comply with the Canadian Council of Ministers of the Environment Code of Practice. The system enables the identification and repair of vapour leaks, which minimizes VOC releases.

Significant efforts are also being made to reduce hydrogen sulphide (H\textsubscript{2}S) emissions through a focus on improving plant reliability and minimizing operational upsets.
WATER MANAGEMENT

OUR COMMITMENT
Water is essential to Syncrude’s operation and plays a key role in our production processes. We recognize that water is a limited resource that must be managed carefully. Our commitment is to take prudent steps to manage and conserve the water we use and to protect the health of regional water bodies.

CONSERVATION EFFORTS
We have taken concerted efforts to increase our water efficiency. Over the last decade, we have reduced water intake by an average seven million cubic metres annually through:

- converting systems to use recycled water instead of fresh water. In many cases, recycled water was not being used because it contains sediment that causes plugging and equipment malfunctions. We found that by increasing our maintenance and cleaning frequency, we could use recycled water;
- increased maintenance to ensure water equipment operates at peak efficiency; and
- improved operation of our cooling towers. We operate five cooling towers, which provide chemically treated water to cool equipment in our upgrader. First, we installed new booster pumps to improve the flow of cooling water. And secondly, we introduced a special organic agent that reduced plugging caused by sediment and chemical ions.
Additional projects are being explored that could further reduce water import.

Syncrude does not discharge process-affected water, waste water or any industrial runoff into local water bodies.

RELEASES TO THE ENVIRONMENT
Syncrude does not discharge process-affected water, waste water or any industrial runoff into local water bodies. The only discharge from Syncrude to the Athabasca River is treated sanitary sewage, similar to that discharged by municipalities, as well as clean surface water/surficial aquifer water, which has been diverted around the Aurora site.

We have not had any spills or releases to any water body over the reporting period. We conduct groundwater monitoring throughout our operating area to ensure any seepage of tailings water does not impact the local ecosystem. For more information, see Tailings Dam Safety on page 58.
**Syncrude water use**

The Athabasca River is our main source of fresh water. It provides about 15 percent of our total water needs. Water imported from this river is used to cool process water and generate steam and as potable water. The remaining 85 percent of water used is recycled from our settling basins, also known as tailings ponds, and used in bitumen extraction processes.

We currently withdraw about one-fifth of one percent of the river's average annual flow. At the river’s lowest flow—during the winter—our withdrawal is about 0.5 percent. With production growth, we anticipate withdrawals will increase to one-third of one percent during average flow and about one percent during low flow periods.

Our water licence, granted to Syncrude in the 1970s, permits us to withdraw 61.7 million cubic metres annually. In 31 years of operation, we have always operated well within these limits.

Syncrude is committed to water conservation and has reduced the water intensity of its processes by about 60 percent from levels in the early 1980s. Today, we require only about two cubic metres of water to produce a cubic metre of crude oil, or about 0.3 cubic metres to produce a barrel of bitumen.

**LOCAL WATER QUALITY**

The Athabasca River courses through the oil sands deposit. As a result, local water bodies have detectable levels of naturally occurring hydrocarbons. However, the Regional Aquatics Monitoring Program (RAMP) conducts extensive monitoring upstream and downstream of oil sands operations and has detected no impacts to the Athabasca River ecosystem related to development when compared to baseline data.

RAMP is a science-based, multi-stakeholder program funded by Syncrude and other industry operators. It oversees environmental monitoring of regional water bodies, including the Athabasca River, the Athabasca River delta, 11 tributaries and 50 acid-sensitive lakes. Areas of study include climate and hydrology, water and sediment quality, fish populations and health, and benthic invertebrate communities. For more information, visit www.ramp-alberta.org.

Syncrude is also a member of the multi-stakeholder Athabasca Watershed Council, which held its initial general meeting in 2009 and elected its first board of directors. An initiative under the Government of Alberta’s Water for Life strategy, the council will assess the condition of the Athabasca watershed and advise the government on plans and activities to address issues. For more information, visit www.waterforlife.alberta.ca.
Industry water use

The Athabasca River is the least utilized river basin in Alberta. Currently, the oil sands industry uses about 0.6 percent of the average flow and five percent of the lowest weekly winter flows.

In 2007, Alberta Environment and the federal Department of Fisheries and Oceans introduced the Water Management Framework for the Lower Athabasca River. It set maximum water withdrawals for oil sands operators. Syncrude, as a member of the Cumulative Environmental Management Association (CEMA), participated in a committee to develop recommendations for the second phase of the framework.

This committee included industry, government, municipal and Aboriginal stakeholders and environmental groups. If approved by government, regulations will be implemented in 2011 to further stipulate when, and how much, water can be withdrawn from the river.

The committee’s report proposes that, in order to protect the river’s ecosystem, the base flow rate should be established at 87 cubic metres per second. As a senior water licence holder, Syncrude has agreed to reduce our licensed maximum withdrawal from four cubic metres per second to two when requested by regulators during low flow periods.

### ALLOCATIONS COMPARED TO NATURAL FLOWS IN THE ATHABASCA, NORTH SASKATCHEWAN AND SOUTH SASKATCHEWAN RIVER BASINS

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<tbody>
<tr>
<td><strong>Imported from Athabasca River</strong> (millions of cubic metres per year)</td>
<td>37.5</td>
<td>41.2</td>
<td>36.0</td>
<td>33.9</td>
<td>28.24</td>
</tr>
<tr>
<td><strong>Imported from Athabasca River</strong> (cubic metres per cubic metre Syncrude Crude Oil produced)</td>
<td>2.31</td>
<td>2.45</td>
<td>2.03</td>
<td>2.26</td>
<td>2.28</td>
</tr>
<tr>
<td><strong>Treated Waste Water Discharged to Athabasca River</strong> (thousands of cubic metres)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sanitary</td>
<td>270.3</td>
<td>232.7</td>
<td>261</td>
<td>314.5</td>
<td>382.4</td>
</tr>
<tr>
<td>Other¹</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Process Water Recycled²</strong> (millions of cubic metres per year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycled as % of total water used</td>
<td>87</td>
<td>87</td>
<td>88</td>
<td>87</td>
<td>88</td>
</tr>
<tr>
<td><strong>Water Diversion/Return³</strong> (millions of cubic metres)</td>
<td>4.96</td>
<td>2.53</td>
<td>1.99</td>
<td>2.54</td>
<td>4.35</td>
</tr>
<tr>
<td><strong>Water Discharge Quality Exceedances</strong> (# of incidents)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treated sanitary</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Industrial process¹</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Reportable Spills to Natural Water Bodies</strong> (cubic metres)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,150.0⁴</td>
<td>0</td>
</tr>
</tbody>
</table>

1 Syncrude does not discharge any process-affected water to local water bodies or river systems.
2 Recycled water volumes reflect the combined volumes for Syncrude’s Mildred Lake and Aurora facilities.
3 Includes licensed diversion/interception of clean water from the environment, muskeg dewatering and surficial aquifer dewatering.
4 The spill related to a leak of recycle water from a pipeline connecting the Mildred Lake and Aurora sites.
Syncrude is committed to the proper handling and disposal of waste materials created as part of our operations. The objectives of our waste management program are to continually reduce the quantity of waste generated and to critically examine each waste stream with a view to reducing, reusing or recycling. Syncrude also aims to ensure compliance with all applicable legislation regarding the disposal and recycling of waste materials.

We recognize that many waste materials contain substances that could contaminate the environment and pose risk to human health if they are not properly managed.

We REDUCE waste through proper inventory management that records and accounts for raw materials and process chemicals. Waste reduction is also achieved through process changes, operational changes and equipment modifications. Through these means we will, for example, use less hazardous substitutes for toxic materials, change procedures that generate waste and modify equipment so that hazardous wastes are captured.

We REUSE waste by finding new uses for it (for example, oily rags collected from Syncrude laboratories and shops are cleaned and reused). As well, our asset recovery program redistributes materials that no longer have a use in a particular area.

We RECYCLE waste by gathering used materials so they can be reclaimed and reprocessed by recyclers. Examples include paper, vehicle batteries, scrap metals, catalysts and beverage containers. Used lubricating oil is recycled on-site.
Syncrude’s **ANNUAL HAZARDOUS WASTE ROUNDUP** collects hazardous wastes on our site. The wastes are transported off-site and sent to approved recycling and disposal facilities.

**OIL FILTERS** are shipped off-site, and the used oil in the filters is recovered.

**USED MOTOR OIL** is recycled on-site and processed into Syncrude Crude Oil.

**OTHER WASTE HYDROCARBONS AND SOLVENTS** are recycled on-site and reprocessed into Syncrude Crude Oil.

**CARDBOARD AND PAPER** recycling bins are located throughout Syncrude to promote recycling.

**CELL PHONES**, cell phone batteries and chargers are collected on-site and sent for recycling.

**BEVERAGE CONTAINERS** are returned to a recycling depot, and all cash from container deposits is donated to community charities.

**PRINTER CARTRIDGES** are donated to the Edmonton Food Bank, which sells them for cash.

**FLUORESCENT TUBES** are crushed, and the glass is sent to a retort for mercury recovery; the aluminum end caps are separated and recycled.

**AEROSOLS** are disposed of or recycled appropriately, and the metal containers are recycled.

**ELECTRONICS**, including all discarded computers and related equipment, are sent for off-site recycling.

**PLASTIC AND STEEL DRUMS** are returned to the original suppliers for recovery of residual deposits and recycling of the drums.

**BY PRACTICING THE 3 R’S, SYNCRUDE:**

- saves on raw material and production costs;
- reduces waste disposal cost;
- assumes less risk of liability for future cleanup;
- reduces movement of waste on public roads;
- encourages resource conservation and recovery; and
- demonstrates environmental leadership.
SHAPING OUR PLANS

STAKEHOLDER CONSULTATION
Syncrude consults with a wide range of interested groups and individuals about our plans. The input and expectations of stakeholders are integral to the decisions we make today and how we plan for the future.

CUSTOMER CONSULTATION
Syncrude and its owners work continuously to understand present and future requirements for refinery customers that process our Syncrude Crude Oil blend. These requirements are influenced by regulators and by end-use customers.

RESEARCH AND DEVELOPMENT
Science and technology provide the keys to unlocking the potential of the oil sands resource. In this area, Syncrude leads the way with one of the few dedicated corporate R & D programs in the oil sands industry. We invest about $50 million annually in the pursuit of new and better ways and currently hold 21 active Canadian and US patents. More than 100 scientists and technologists work at our Research and Development Centre in Edmonton, and many more are engaged in research at a fundamental level through their work at universities and research institutes.

OPERATING WITH EXCELLENCE

MINING
Shovel and truck operations at Syncrude’s Mildred Lake and Aurora sites mine the oil sand from large surface mines. The oil sand is then mixed with warm water to create a slurry that is pumped using a patented hydrotransport technology to extraction facilities.

EXTRACTION
The bitumen slurry is fed into separation vessels, where the bitumen floats to the surface as froth. This froth is diluted with naphtha and then fed into centrifuges that further separate liquids and solids. Finally, the naphtha is removed, leaving only cleaned bitumen.

UPGRADING
Bitumen is fed into either a fluid coker or a hydrocracker. The bitumen is thermally cracked into hydrocarbon gases, naphtha and gas oil. The hydrocarbon gases are treated for use as a refinery fuel, and the naphtha and gas oils are treated and blended into a high-quality light, sweet crude oil. The oil is then transported via pipeline to refineries throughout North America.

UTILITIES
Syncrude’s utilities operations produce steam, electricity and air, and treat the water required to run plant operations. Syncrude is self-reliant in electrical power generation and is a net exporter of electricity to the Alberta power grid.
CREATING POSITIVE OUTCOMES

RESPONSIBLE RECLAMATION
After mining is complete, work commences to reclaim the land. Syncrude’s vision is to create a landscape that sustains an integrated mosaic of land uses that meet stakeholder expectations. To date, we have reclaimed about 22 percent of our Mildred Lake site, planted over five million tree and shrub seedlings and achieved the first-ever government reclamation certification in the oil sands. Ongoing research is directed at finding ways to incorporate tailings into reclaimed landscapes. We have also successfully developed wood bison habitat in cooperation with the Fort McKay First Nation.

THE ENERGY YOU NEED
Refineries process Syncrude Crude Oil to make high-quality gasoline and diesel fuels, jet fuels and chemical feedstocks.

BENEFITS TO PEOPLE
Through our work to produce Syncrude Crude Oil, we directly and indirectly employ many thousands of people. In fact, Syncrude is one of the largest industrial employers of Aboriginal people in Canada. Through our community investment activities, we help support programs and initiatives that are important to our stakeholders. In 2008/09, we contributed nearly $7.5 million to community projects and initiatives.

BENEFITS TO THE ECONOMY
Syncrude helps sustain local and regional economies through the purchase of goods and services. In 2008/09, non-energy procurement amounted to about $6.3 billion. Governments also benefit through Syncrude’s payment of taxes and royalties—$3 billion in 2008/09 and more than $12 billion since 1978.
Syncrude Canada Ltd. is a private company incorporated under the Business Corporations Act of Alberta.

Syncrude’s bylaws stipulate that shares in the corporation may be held only by the shareholders in proportion to their interest in the Syncrude Project, a joint venture, and that Syncrude Canada Ltd. may not carry on business or activities other than to act as operator of the Syncrude Project on behalf of the shareholders.

BOARD OF DIRECTORS
The Board of Directors of Syncrude is responsible for providing corporate oversight and direction. The Board takes seriously its duties and responsibilities, and it is the view of the Board that its approach in directing the business of Syncrude Canada Ltd. is comprehensive, effective and consistent with generally accepted standards of Canadian corporate governance. The whole Board meets at least annually and fulfills all statutory and other legal requirements that have not been delegated to the Committees of the Board.

There are four Committees of the Board, which meet on a more frequent basis: CEO Committee; Human Resources & Compensation Committee; Pension Committee; and Safety, Health & Environment Committee. The Board and its Committees are composed of Directors appointed by the shareholders of the Corporation.

CEO COMMITTEE
The CEO Committee assists the Board in providing corporate direction and oversight for the Corporation’s business and strategic plans and specific matters pertaining to its executive and senior management team, including:

• To review and endorse the long-term strategic plan of the Syncrude Project and the business plans of the Corporation;

• To review and approve the Corporation’s succession plans for its executive and senior management team;

• To conduct an annual performance review of the Chief Executive Officer of the Corporation; and

• To review and approve annual adjustments to the compensation of the Chief Executive Officer, as well as the other officers of the Corporation, as recommended by the Human Resources & Compensation Committee.

HUMAN RESOURCES & COMPENSATION COMMITTEE
The Human Resources & Compensation Committee assists the Board in providing corporate direction and oversight for the Corporation’s principal compensation and benefit programs and human resource policies and succession plans, including:

• To review and approve annual adjustments to the salaries and benefits of the Corporation’s employees;

• To review and approve principal human resource policies and programs of the Corporation and significant changes thereto and to provide advice and direction on major human resource issues;

• To approve changes in any benefit plan texts, including the Retirement Plan for the Employees of Syncrude Canada Ltd. and Member Corporations (“Retirement Plan”), that require Board approval;

• To approve any post-retirement pension payment adjustments and ad hoc increases, and to authorize the Corporation, as sponsor of the Retirement Plan, to make such payments; and

• To review and approve changes to management structure and senior management succession plans of the Corporation or to provide guidance on significant issues regarding those matters.

PENSION COMMITTEE
The Pension Committee assists the Board in providing corporate direction and oversight for the Corporation’s responsibilities as administrator of the Retirement Plan for Employees of Syncrude Canada Ltd. and Member Corporations (“Retirement Plan”) pursuant to the Employment Pension Plans Act (“Act”), including:

• To monitor the Retirement Plan assets and approve the appointment of the Actuary and the Trustee & Custodian of the Retirement Plan;

• To review and confirm or amend the Statement of Investment Policies and Procedures (“SIPP”) each year on behalf of the Board;

• To review and recommend to the Board that the Board approve the annual audited financial statement of the Retirement Plan; and

• To review and approve financial assumptions and actuarial valuations of the Fund when required by the Act or when the Committee deems that additional Fund valuations are necessary.

SAFETY, HEALTH & ENVIRONMENT COMMITTEE
The Safety, Health & Environment Committee assists the Board in fulfilling its corporate direction and oversight responsibilities for the Corporation’s safety, health and environmental requirements, policies, practices, compliance systems and performance, and in monitoring current and future trends in safety, health and environmental laws and practices, including:

• To review and approve the Corporation’s SH&E policy and significant revisions to that policy and the principal programs and processes supporting it;

• To monitor and assess the Corporation’s performance in complying with its SH&E policy, procedures, standards and related requirements by receiving and reviewing regular or special reports from the Corporation outlining such performance;

• To confirm that the Corporation has implemented and continues to maintain and audit appropriate policies, procedures, controls and due diligence systems with respect to safety, health and environmental requirements and issues including, without limitation, compliance with all applicable laws, appropriate plans or responses to deal with emerging issues, or trends, and procedures for notifying the Board and Management Committee of the
Syncrude Project of any significant or material incidents and, when necessary, to recommend to the Corporation revisions or amendments to such policies, procedures, controls and due diligence systems; and

• to review reclamation and closure plans and receive updates on reclamation activities, including tailings management.

MANAGEMENT COMMITTEE
Each of the Participants of the Syncrude Project, a joint venture, appoints two representatives to the Management Committee, which meets regularly and provides oversight and governance for the project on behalf of the Participants. The weight assigned to each Participant’s vote through the Management Committee is proportionate to its interest in the Syncrude Project.

The Management Committee reviews and approves the Syncrude Project’s strategic plans, business plans, annual budget and major capital appropriations. In addition, it reviews overall performance, both operationally and financially.

The Management Committee is chaired by one of its members. The current Chair is Marcel Coutu, Chief Executive Officer of Canadian Oil Sands Limited.

The Management Committee has created subcommittees and delegated the indicated powers and duties to support Syncrude and the Participants. Each Participant, as well as Syncrude, is entitled to nominate two representatives to each of the subcommittees. Each subcommittee reports to the Management Committee, which appoints the chair and secretary of each subcommittee.

OPERATIONS SUBCOMMITTEE
The Subcommittee assists the Management Committee of the Syncrude Project on operations matters, including:

• to monitor the performance of the Syncrude operations and provide advice and guidance to the Management Committee and Syncrude on plans designed to address improvement opportunities;

• to provide advice and guidance to the Management Committee and Syncrude on each Business Plan and Annual Budget for the Syncrude Project, including:
  - sustaining capital or significant changes to operating expenditures;
  - material regulatory matters, including those related to reclamation approvals and requirements;
  - procedures and controls for safety, health, environmental and security matters; and
  - the Pembina crude pipeline for the Syncrude Project.

GROWTH & DEVELOPMENT SUBCOMMITTEE
The Subcommittee assists the Management Committee of the Syncrude Project on capital growth and development opportunities, including:

• to identify and evaluate such opportunities and make recommendations concerning same;

• to provide advice and guidance to the Management Committee and Syncrude on each Business Plan and Annual Budget for the Syncrude Project with respect to growth and development opportunities and major capital projects in progress;

• to monitor the status and performance of all major capital projects in progress under its mandate, including cost and schedule relative to applicable work programs and budgets; and

• to establish appropriate business controls for major capital project spending and performance.

AUDIT & BUSINESS CONTROLS SUBCOMMITTEE
The Subcommittee oversees all aspects of Syncrude’s internal control systems and financial and related disclosures as required by law and good accounting practice, including:

• to review the adequacy of internal control systems and the scope and adequacy of the Corporation’s internal audit program and the results of their activities;

• to review the scope, timing and findings of the external audit;

• to review and approve the selection and application of accounting principles and practices applied to the Syncrude Project;

• to review and recommend to the Board and/or Management Committee for approval all annual financial statements and/or related information;

• to review the quarterly and annual representations made by Syncrude to the Participants, as well as changes to the form of those representations; and

• to review and recommend new or additional Syncrude reporting disclosures as a result of changes in and/or emerging reporting, accounting or internal control issues affecting Syncrude Canada Ltd. financial statements or Participants’ respective regulatory reporting requirements.

CODE OF ETHICS AND BUSINESS CONDUCT
Syncrude has a number of Code of Ethics and Business Conduct policies that are designed to foster the high level of ethical conduct expected by our many internal and external stakeholders. The Corporation stewards the application of these policies and reports periodically to the Audit and Business Controls Subcommittee and makes representations to the Board to confirm compliance.

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, at www.ethicspoint.com or 1-800-493-1866. This information is available internally and through Syncrude’s external website at www.syncrude.com.
BOARD OF DIRECTORS

Canadian Oil Sands Limited
Marcel Coutu¹, ², ³
Trevor Roberts³, ⁴
Trudy Curran²
Ryan Kubik⁵, ⁶

Imperial Oil Resources
Randy Broiles¹
Chris Ford
Oz Machado⁴

Mocal Energy Limited
Tad Ohmura¹
Steve Fly³

Murphy Oil Company Ltd.
Mike McFadyen¹
Cal Buchanan³, ⁴, ⁵

Nexen Oil Sands Partnership
Marvin Romanow¹
Gary Nieuwenburg², ³, ⁴

Sinopec Oil Sands Partnership
Zhang Lianhua
Yin Pengfei

Suncor Energy Oil and Gas Partnership
Steve Williams¹, ⁶
Kirk Bailey³, ⁴, ⁵
Ray Floyd
Mark Becker

OFFICERS OF SYNCRUDE CANADA LTD.

Marcel Coutu
Chair of the Board

Tom Katinas
President and Chief Executive Officer

Gord Ball
Vice President, Production Projects Development and Execution

Pasquale Papaluca
Chief Financial Officer and Vice President, Business Services

Ray Hansen
General Counsel and Corporate Secretary

EXTERNAL FINANCIAL AUDITORS
KPMG

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E-mail: info@syncrude.com
Website: www.syncrude.ca

1 CEO Committee
2 Human Resources & Compensation Committee
3 Management Committee
4 Safety, Health & Environment Committee
5 Pension Committee
6 Not a member of the Board of Directors
ADVISORY

In the interest of providing readers of this report with information regarding Syncrude, including management’s assessment of Syncrude’s future technologies, emissions and production levels and Syncrude operations, certain statements and graphs throughout this sustainability report contain “forward looking statements” under applicable securities law. Forward-looking statements in this report include, but are not limited to, statements and graphs with respect to: the expectation to grow production to 350,000 barrels per day (“bpd”) and eventually to 425,000 bpd by 2020; the expected emission reductions and costs relating to the sulphur emissions reduction project; the expectations with respect to reducing emissions such as nitrogen oxide and hydrogen sulphide; the expected improvement in energy efficiency; the expected reduction in emissions of carbon dioxide per barrel of production; the estimated value and amount of reserves recoverable; the expected production, operating costs, capital expenditures, revenues, retained earnings, bitumen recovery and upgrading yield in 2010; the anticipated cost savings from Intela Trac; the expectations regarding the proposed carbon dioxide slurry pipeline project; the anticipated benefits of carbon capture and storage; the level and timing of growth and production volumes expected from the debottleneck projects, the Aurora South development and other expansion projects; the ability to attract and retain employees with current and future retention policies and programs; the land reclamation plans and targets for Mildred Lake and the Aurora sites; Syncrude’s tailings management plans, including without limitation, the anticipated benefits resulting from the tailings management technologies and the expectation that Syncrude’s tailings management plan may exceed the requirements of ERCB Directive 074 after 2015; the expected regulations stipulating when, and how much, water can be withdrawn from the Athabasca River.

You are cautioned not to place undue reliance on forward looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although Syncrude believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements contained in this sustainability report include, but are not limited to: the impact of technology on operations and processes and how new complex technology may not perform as expected; risks inherent to the operation of any large, complex refinery units, especially the integration between mining operations and an upgrader facility; regulatory changes which may impact the penalties on greenhouse gas emitters, or the amount of Crown royalty or taxes paid to the government; changes in business strategy; imprecision of reserve and resource estimates; regulatory decisions; the effects of competition and pricing pressures; shifts in market demands; changes in laws and regulations including environmental and regulatory laws; potential increases in costs; timing of completion of capital or maintenance projects; various events which could disrupt operations including severe weather conditions; technological changes and management retention and development; skilled labour shortages and the productivity achieved from labour in the Fort McMurray area; the supply and demand metrics for oil and natural gas; the unanimous joint venture owner approval for major expansions and changes in product types; the impact of Syncrude being unable to meet the conditions of its approval for its tailings management plan under ERCB Directive 074; the impact of any decisions rendered by a court in relation to litigation including without limitation, any decision relating to the trial against Syncrude Canada Ltd. relating to the 2008 waterfowl incident; general economic, business and market conditions; and such other risks and uncertainties described from time to time in the reports and filings made with regulatory authorities by Syncrude.

You are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this report are made as of the date of this report and unless required by law, Syncrude does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars, all references to “dollars” or “$” are to Canadian dollars and all references to “US$” are to United States dollars.

JANTZI SOCIAL INDEX

The Index has included Joint Venture owner Canadian Oil Sands Trust since 2006, recognizing the performance of the Syncrude Project through a set of broadly based environmental, social and governance rating criteria. Jantzi Research is Canada’s leading provider of social and environmental research for institutional investors.

Further information about Syncrude’s business performance and investing in Syncrude can be obtained through the websites listed below.

Canadian Oil Sands Limited
(COS.UN – TSX)
www.cos-trust.com

Imperial Oil Resources
(IMO – TSX/AMEX)
www.imperialoil.com

Mocal Energy Limited
www.noex.co.jp

Murphy Oil Company Ltd.
(MUR – NYSE)
www.murphyoilcorp.com

Nexen Oil Sands Partnership
(NXY – TSX/NYSE)
www.nexeninc.com

Sinopec Oil Sands Partnership
(386. HK – HKEX, 600028 – SSE, SNP – NYSE/LSE)
http://english.sinopec.com

Suncor Energy Oil and Gas Partnership
(SU – TSX/NYSE)
www.suncor.ca
Syncrude has many partners in its sustainability journey. Together, we are working to address and improve the economic, environmental and social performance of Canada’s resource industry. In many cases, Syncrude is a leading contributor through the provision of staff expertise and funding. Readers are invited to learn more by visiting the websites listed below.

Aboriginal Human Resource Council
www.aboriginalhr.ca

Alberta Chamber of Resources
www.acr-alberta.com

Canadian Association of Petroleum Producers
www.capp.ca

Canadian Business for Social Responsibility
www.cbsr.ca

Canadian Council for Aboriginal Business
www.ccab.com

Canadian Oil Sands Network for Research and Development
www.conrad.ab.ca

Mining Association of Canada
www.mining.ca

Oil Sands Developers Group
www.oilsands.cc

Responsible Canadian Energy™ (RCE) is an industry performance program developed by the Canadian Association of Petroleum Producers (CAPP) with support and leadership from across the upstream oil and gas industry. The program is about performance and reflects industry’s ongoing commitment to responsible resource development and to continuous improvement in environment, safety and health, and social performance.

Syncrude is accredited at the Gold Level in the Progressive Aboriginal Relations (PAR) Program of the Canadian Council for Aboriginal Business. PAR measures corporate performance in Aboriginal employment, business development, capacity development and community relations.

Syncrude is a participant in the Towards Sustainable Mining (TSM) initiative of the Mining Association of Canada, which is a strategy for improving the sustainability performance of Canada’s mining industry.

Syncrude is a participant in the Integrated CO₂ Network, or ICO₂N, which is exploring the viability of large-scale carbon capture, transportation and storage for a cross-section of Canadian industry.

Syncrude is a member of Canadian Business for Social Responsibility (CBSR), a business-led, non-profit Corporate Social Responsibility consultancy and peer-to-peer learning organization. CBSR provides its members with candid counsel and customized advisory services to improve their social, environmental and financial performance.

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Bill’s Lake is found in an area reclaimed from mining operations in the early 1990s.
A SYNCRUDE NEWS AND COMMUNITY UPDATE

Stay informed about happenings at Syncrude by subscribing to our eNewsletter. Synergy is published several times a year to keep our stakeholders up-to-date with important news about our work in the community, environmental progress, initiatives with Aboriginal communities, employee achievements, major projects and more. Subscribe now at www.syncrude.ca