



A partner in the community

2007
Corporate
Citizenship
Report

As a leading oil and natural gas company, Imperial's aim is to meet increasing consumer demand for energy. Doing this well is essential to improving quality of life, and we are committed to doing so in an environmentally, socially and economically responsible manner.

About this report

Imperial's 2007 Corporate Citizenship Report covers our policies, programs and performance in 2007 across a full range of environmental, social and economic issues. This report was produced using the American Petroleum Institute/International Petroleum Industry Environmental Conservation Association (API/IEPCA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting. We do not base our report on the Global Reporting Initiative (GRI) guidelines but have produced a GRI index to show which elements are covered in this report.

We also publish a Summary Corporate Citizenship Report which is available in print and online at www.imperialoil.ca

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Cover photo

Recently the company completed reclamation of former refinery lands on Burrard Inlet near Vancouver. The refinery ceased operation in 1995 and has since been largely demolished. Peter Nicholson, a project manager with Imperial's surplus property management division, helped to oversee the reclamation project.

Conventions used in this report

Most of this report focuses on activities in 2007. Where notable, we have added events in early 2008. Data is provided for all aspects of Imperial's business that are both owned and operated. Dollar figures are in Canadian dollars, except where noted.

About Imperial Oil

Imperial Oil is one of Canada's largest corporations and a leading member of the country's petroleum industry. We are one of Canada's largest producers of crude oil and natural gas, the country's largest petroleum refiner and a leading marketer of petroleum products. We supply energy to millions of people, providing fuels that generate heat, light and transportation and provide the building blocks for many essential daily products.

OUR APPROACH TO CORPORATE CITIZENSHIP

High standards of integrity, legal compliance, governance and management control systems are integral to our business model. How we achieve business results is as important as the results themselves.

Acting in a responsible manner allows us to:

- manage key risks to the business
- support our relationships with stakeholders
- improve our ability to attract and retain talented people
- build our reputation in the community

Our corporate citizenship commitments are governed by the Board of Directors and its various committees. We ensure that employees incorporate these commitments into their work-related activities and decision-making processes. We also actively encourage our employees to get involved in the communities where they work, and provide financial support for charitable causes in which they are involved.

Our Standards of Business Conduct provide each employee with guidelines on ethics, conflict of interest, non-discrimination, and harassment in the workplace. Our Operations Integrity Management System and other related systems form the framework by which we ensure safe, secure, reliable and environmentally sound operations.

2007 BUSINESS HIGHLIGHTS

Earnings
\$3.2 billion

Capital and exploration expenditures
\$1 billion

Gross crude oil and natural gas liquids production
275,000 barrels a day

Gross natural gas production
458 million cubic feet a day

Refinery throughput
442,000 barrels a day

Net petroleum product sales
71.2 million litres a day

Chemical sales volumes
3,100 tonnes a day

Business segments

- **Resources (Upstream business)** explores for and produces oil and natural gas. This division is a major developer of oil sands through the Cold Lake operation and a 25 percent interest in Syncrude Canada. Development opportunities are being pursued through the Kearl oil sands project in northern Alberta, the Mackenzie gas project in the Northwest Territories, and in offshore areas of Atlantic Canada. Recently, our exploration focus has expanded to include the Beaufort Sea and the Horn River Basin of northeastern British Columbia.
- **Refining and Marketing (Downstream business)** manufactures, distributes and markets petroleum products. This division operates refineries in Dartmouth, Nova Scotia; Sarnia and Nanticoke, Ontario; and in Strathcona County, near Edmonton, Alberta. These refineries convert crude oil into more than 700 petroleum products to meet consumer demand. These products are created with the support of world-class research and development facilities. Our fuels marketing business provides essential fuels to industrial, wholesale and retail customers through 27 primary distribution terminals, more than 90 secondary bulk terminals and more than 1,900 retail service stations.
- **Chemical business** produces a range of petrochemical products, including polyethylene and specialized solvents, at manufacturing facilities in Sarnia and Dartmouth.

Imperial Oil is a Canadian corporation whose ownership is divided between public shareholders (30.4 percent of common shares) and Exxon Mobil Corporation (69.6 percent). Imperial Oil shares (IMO) are listed on the Toronto Stock Exchange and the American Stock Exchange.

Q&A with the chairman

Bruce March was appointed president in late 2007 and chairman and CEO in early 2008. In this interview, he discusses achievements and challenges for corporate citizenship at Imperial.

How does your outlook on energy supply and demand fit with your perspectives on good corporate citizenship?

It's closely intertwined. The global energy outlook makes it clear that we need to increase energy supply and make it possible for millions of people around the world to improve the quality of their lives. But developing energy resources comes with a set of obligations that must be met. As producers, we not only must find ways to access, produce and deliver new sources of energy but must do so in a way that respects the environment, safety and health of our workforce, maintains good community relations and keeps our high ethical standards. These priorities are complementary to the extent that executing them at the same time enables us to build support from stakeholders and shareholders and so grow our business to meet future energy demand.

How important is good corporate citizenship to Imperial?

It fits hand in glove with our mission to safely provide reliable and affordable energy. Expectations for strong environmental and social performance are higher in the community, and rightly so. This is an area where we have a distinct advantage. Our culture – one that constantly seeks improvements in everything we do – is right for the times.

What did you think of Imperial's performance during 2007?

Overall, 2007 was a year of considerable progress.

We achieved our lowest number and volume of spills. Our air emissions went down. Our total greenhouse gas emissions decreased even though our production increased. And we sustained best-in-class performance for flaring.

Our safety performance was close to our previous best ever and also one of the best in the Canadian industry. We recorded a very low number of serious safety incidents.

We also made progress in identifying and eliminating process safety risks. We further strengthened risk management processes, and improved building and safety standards in our manufacturing sites.

What are some priorities for improving performance?

Safety remains a top priority. We won't be satisfied until we achieve our goal of Nobody Gets Hurt. Despite the gains made last year, 70 employees and contractors were injured, and that's 70 incidents too many. We've refocused our goals and strengthened our programs. And so far this year we're off to a strong start for safety results.

Process safety risks are better understood and we want to make consistent progress in reducing those risks. We know that reducing risks is key to sustained improvement in plant reliability.

On the environmental side, we're making significant investments in our refineries and chemical plants so as to continue to lower air quality emissions to best-in-class levels.

Another priority remains managing greenhouse gas emissions. Much of our near-term focus is on improving our energy efficiency so that we use less energy to run our equipment, thereby emitting lower greenhouse gas emissions. Our longer-term focus continues to be investing in the development of breakthrough lower emission technologies and exploring opportunities for carbon capture and storage.

What about other areas of performance?

An important issue over the long term is sustaining a strong workforce, representative of the diverse population in Canada. Many employees are nearing retirement age, so we're reviewing employment practices and working hard to recruit new people and to promote mentoring opportunities that encourage the transfer of knowledge. In Western and Northern Canada, where many opportunities for growth and new production growth exist, we're also increasing our focus on recruitment and development of local Aboriginal people.

Outside the company, we're pursuing new opportunities through industry associations to improve dialogue and communication with stakeholders. This is an increasing priority, especially given recent debate about oil sands development. In this debate, there's a remarkable degree of consensus around environmental and economic goals that should be adopted. The areas of difference tend to revolve around the pace of progress toward these goals. Industry and stakeholders alike need to have a balanced and effective dialogue if lasting progress is to be achieved. As a country, we need to develop this resource in a way that meets our environmental and economic needs – both at the same time.

Are you optimistic about the industry's prospects in Canada?

Absolutely. Canada has energy development opportunities of a global scale and is next door to one of the world's biggest energy markets. So it's an exciting place to be. As the global focus on Canadian energy development grows, more people in the world will be watching our performance. Our company and our industry must achieve very high standards of environmental and social performance. At Imperial, we're up for the challenge.

Energy outlook

Understanding and projecting energy supply and demand trends are important elements of Imperial’s strategic planning process.

By 2030, as populations grow and economies expand, global energy demand is expected to be about 40 percent higher than it was in 2005. Growth in energy use will continue in North America, but will be strongest in developing countries, where economies are growing most rapidly and where billions of people require access to increasing quantities of energy to improve their quality of life.

Meeting this demand will require us to use all economic forms of energy. Renewable energy is one option. The use of wind, solar and hydro power will increase. However, even with better than 10 percent annual growth rates, wind and solar combined are not likely to contribute more than 1 percent of the world’s energy needs in the next 25 years.

IMPORTANCE OF HYDROCARBONS

By comparison, more than 80 percent of future energy needs are expected to be met by oil, natural gas and coal. Oil and natural gas alone are expected to maintain close to a 60 percent share.

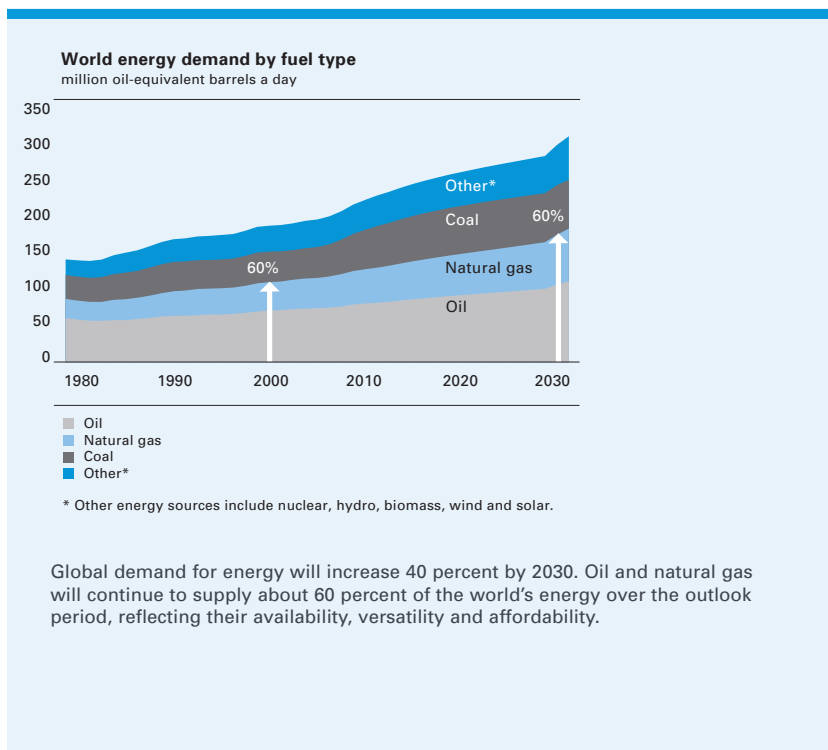
This energy outlook is positive for Canada. With abundant undeveloped hydrocarbon resources, Canada is the only G7 country with the resource base to support significant growth in oil and natural gas production. The oil sands of Western Canada represent about 13 percent of global known reserves, the second-largest source of oil in the world after Saudi Arabia. In addition, our country’s northern and offshore regions have the potential for significant future supply, particularly for natural gas. Global oil and gas markets will increasingly turn to Canada as a secure and accessible source of energy.

Imperial Oil is helping to meet future energy needs by continuing to make significant investments in energy development – about \$6.7 billion from 2003 to 2007 in capital and exploration expenditures. Today, for example, we are contributing to the development of Canada’s oil sands resources through our Cold Lake operation, our investment in Syncrude Canada, and our proposed Kearl oil sands project. We also are focused on future development of natural gas through the proposed Mackenzie gas project, which would bring 6 trillion cubic feet of discovered natural gas to market (with 3 trillion cubic feet being our share), and through exploration in our recently acquired natural gas-prone Horn River acreage in northeastern British Columbia.

INVESTMENTS BY IMPERIAL

Investing in new technologies that reduce the environmental impact of our national operations is also a priority. During the past five years, we have invested about \$976 million in environmental capital expenditures and about \$263 million in research and technology. Such investments have led to improvements that result in a smaller footprint on the land, increased energy efficiency, lower emission intensity, and cleaner fuels for Canadian consumers.

As demand for energy grows, so will the need for Canadian energy. We are committed to meeting these needs through continued investments in energy supplies and cleaner technologies that help create a strong energy future for Canadians.



How we did

These pages provide an overview of key performance highlights during 2007.

Area of activity	Priorities	Performance in 2007	Page	Future plans
How we manage the business				
Operating reliability	Maintain high standards of operating reliability to supply energy in a safe, efficient and environmentally responsible manner.	<ul style="list-style-type: none"> The number of major operating incidents (events that result in adverse impact to the environment or significant cost to our operations) decreased to eight from 14 in 2006. However, these included significant fires at Nanticoke and Strathcona refineries, which disrupted supply of petroleum products to markets. 	7	<ul style="list-style-type: none"> Improve the effectiveness of risk assessments and implement enhanced reliability systems.
Environmental performance				
Climate change	Invest in energy efficiency improvements while advancing breakthrough energy technologies that can significantly reduce emissions.	<ul style="list-style-type: none"> Total greenhouse gas emissions were 2 percent lower than 2006 levels. Energy efficiency in refineries has improved by 16 percent since 1990. Research at the Imperial Oil-Alberta Ingenuity Centre for Oil Sands Innovation (COSI) at the University of Alberta resulted in two patents. 	11 10 20	<ul style="list-style-type: none"> Target to improve energy efficiency across refining and chemical operations by 1 percent to 1.5 percent each year. Continue to sponsor long-term research through universities. Evaluate opportunities for carbon capture and storage.
Air quality	Implement cost-effective technologies and new operating practices to further reduce emissions.	<ul style="list-style-type: none"> Combined emissions of sulphur dioxide (SO₂), nitrogen oxides (NO_x) and volatile organic compounds (VOCs) were 12 percent lower than 2003 levels. 	13	<ul style="list-style-type: none"> Invest in emission controls at Cold Lake, Sarnia and Dartmouth to further reduce SO₂ and NO_x emissions. Modify equipment at Strathcona and Nanticoke refineries to further reduce sulphur content of off-road diesel fuels. Expand efforts in the Upstream business to identify and repair small leaks of fugitive emissions. Implement advanced optical imaging equipment to better detect fugitive emissions.
Spills	Equal or better our best-ever performance, with goal of achieving zero spills.	<ul style="list-style-type: none"> Number of oil and chemical spills greater than one barrel was reduced to 17 from 34 in 2006. 	9	<ul style="list-style-type: none"> Continue to strengthen spill prevention by providing additional training, improving tanks and equipment, and increasing surveillance of pipelines.
Water	Continually seek ways to reduce water use and preserve water quality.	<ul style="list-style-type: none"> Water intensity at the Cold Lake operation was maintained at low levels, with 0.44 units of fresh water needed to produce a unit of bitumen. Industry agreement was developed to preserve acceptable flow rates in the Athabasca River in northern Alberta. We continued a multi-year project at the Sarnia site to improve water protection. 	16 16 9	<ul style="list-style-type: none"> Maintain high levels of recycling produced water at the Cold Lake operation. Research non-aqueous resource recovery technologies. Work with industry to implement agreement to manage impacts on the Athabasca River.
Land	Manage potential impacts to land through all phases of our operations' lifespan, from design and construction to operation and decommissioning.	<ul style="list-style-type: none"> About 65,000 trees and shrubs were planted to reclaim land at the Cold Lake operation. A partnership was formed with Ducks Unlimited Canada to explore new ways to restore wetlands at the Cold Lake operation. We worked with industry and the Port of Montreal to complete a multi-year remediation project to address past industrial impacts on the St. Lawrence River. 	17 17 18	<ul style="list-style-type: none"> Continue to invest in research of advanced reclamation technologies. An ongoing focus is the reclamation of tailings (a mixture of clay, sand, bitumen, and water) from oil sands development.
Regulatory compliance	Apply rigorous processes to meet all regulatory requirements.	<ul style="list-style-type: none"> The number of incidents where government environmental regulations were temporarily exceeded rose from 22 in 2006 to 37 in 2007. Contributing to this increase was a series of incidents at the Quirk Creek gas plant. 	8	<ul style="list-style-type: none"> Increase investments at the Quirk Creek plant to improve long-term plant reliability and prevent future incidents. Continue to emphasize the importance of compliance through environmental leadership training.

Area of activity	Priorities	Performance in 2007	Page	Future plans
Workplace				
Safety	Create a work environment where Nobody Gets Hurt. Equal or better our best-ever performance, with goal of achieving zero incidents.	• Total recordable incident frequency rates for employees and contractors were 0.42 incidents and 0.80 incidents per 200,000 hours worked, respectively.	21	<ul style="list-style-type: none"> • Increase the use of behaviour-based safety tools and processes. • Expand safety leadership training. • Support contractors in development of safety tools and processes. • Deploy enhanced passenger vehicle safety guide across our organization.
		<ul style="list-style-type: none"> • The rate of lost-time due to workplace injuries and illnesses for employees decreased by a third from 2003. • Contractors recorded one of their lowest incident frequency rates, experiencing less than one-fifth the lost-time injuries and illnesses they recorded five years ago. 	21	
Community and social				
Community investment	Invest in programs that meet community needs and are aligned with business interests. Focus contributions on math, science and technology education; the environment; and civic and community programs.	• Funding and in-kind support to community initiatives totalled \$11.3 million, compared with \$12.4 million in 2006.	27	<ul style="list-style-type: none"> • Increase contributions to environmental initiatives. • Increase funding of programs that address Aboriginal people's needs, especially education.
United Way	Be a leading corporate contributor to United Way-Centraide campaigns.	• Contributions by the company, employees and retirees to United Way-Centraide campaigns totalled more than \$3 million, compared with \$2.9 million in 2006. We continued to be a leading corporate participant in Calgary and Toronto, and in smaller centres our contributions made up a significant share of total dollars raised.	28	<ul style="list-style-type: none"> • Continue to strongly support United Way-Centraide campaigns across the country.
Aboriginal relations	Build strong relationships with our Aboriginal neighbours through programs focused on employment, education and training, and business development.	• We contributed \$250,000 to sponsor a pre-technology program for Aboriginal students interested in attending the Northern Alberta Institute of Technology in Edmonton.	30	<ul style="list-style-type: none"> • Implement new guiding principles to reinforce the company's approach to Aboriginal relations and provide additional guidance in daily interactions with our Aboriginal neighbours.
		• We committed \$150,000 toward an elders program at Iniskim Centre, a new Aboriginal student facility at Calgary's Mount Royal College.	30	
		• The Cold Lake operation's Native Internship Program, which provides on-the-job training to Aboriginal workers, was recognized with the Rewarding Partnership Award from the Alberta government and the Alberta Chamber of Resources.	30	
Community engagement	Engage with a broad range of stakeholders to better understand their concerns, and build and maintain strong relationships.	• The federal government gave final approval through an Order-in-Council to the Kearl oil sands project.	29	<ul style="list-style-type: none"> • Consult with stakeholders on follow-up items related to the Kearl oil sands project. • Continue to engage community groups on the Mackenzie gas project. • Expand application of community engagement tools across the company.
		• An advisory committee was formed with the Athabasca Chipewyan First Nation to provide ongoing communication with Imperial on the Kearl project and its impacts.	29	
		• We continued to participate in an extensive regulatory process for the Mackenzie gas project. The Joint Review Panel hearings concluded in late 2007.	29	
		• We continued to develop our refinery outreach programs.	29	

How we manage the business

We have an unwavering commitment to high ethical standards and responsible operations everywhere we do business. This starts with our corporate governance practices and is rigorously carried out through our management systems and Standards of Business Conduct.

Corporate governance

BOARD OF DIRECTORS

The primary role of Imperial's Board of Directors is to appoint the officers of the company and to ensure they carry out the Board's direction. Of the eight directors on the Board, five are independent as defined by NYSE and AMEX guidelines.

In 2007, the Board met 10 times with an average attendance rate of 98 percent, while Board committees met between three and nine times. We schedule regular executive sessions (for independent directors only) after each regular Board meeting. These provide an opportunity to monitor and assess Board processes and discuss substantive issues in the absence of management.

CORPORATE CITIZENSHIP AND THE BOARD

The various committees of the Board oversee and routinely review corporate citizenship issues:

- **Environment, Health and Safety** reviews overall environment, health and safety performance and monitors compliance with regulatory and company standards
- **Audit** oversees the work of third-party auditors and reviews compliance with Imperial's Standards of Business Conduct
- **Executive Resources** reviews senior management remuneration and our company's executive development system
- **Nominations and Corporate Governance** considers the appointment of directors and develops Imperial's approach to corporate governance

Board members also sit on the Imperial Oil Foundation Board, which oversees our company's community investment strategy and approves corporate grants and donations.

EDUCATION

Ongoing education is provided to Board members on different aspects of our business. In 2007, the Board met with senior management at Syncrude Canada and visited the oil sands operation at Fort McMurray, Alberta, to update their understanding of this business. The Board also received briefings on various issues, including risk management, climate change, refinery operations and potential acquisitions.



Additional information about the role and operation of the Board is available at www.imperialoil.ca

Management systems

Our management systems provide a road map for ensuring our operations are conducted in a way consistent with policies. They consist of documented roles and responsibilities, processes and procedures, verification mechanisms and the means to ensure that opportunities for improvement are identified and implemented.

OPERATIONS INTEGRITY MANAGEMENT SYSTEM

The Operations Integrity Management System (OIMS) provides the framework for managing safety, health, environmental and security risks in our operations.

OIMS comprises 11 elements that address all aspects of safety, health, environmental and security management from project inception to the final shutting down of facilities.

The elements, together with supporting standards, provide guidance to ensure every operation has the required resources, skills, systems, procedures and tools to perform safely, securely and with environmental care.

The overall effectiveness of OIMS is reviewed every five years and adjusted accordingly. As a result, OIMS has been gradually upgraded to include behavioural safety, security, environmental aspects and enhanced community engagement.

In 2007, Lloyd's Register Quality Assurance (LRQA) confirmed that OIMS continues to meet the requirements of ISO 14001, the international standard for environmental management systems. LRQA attested that OIMS also meets the requirements of the OHSAS 18001 standard for occupational health and safety management systems.



Additional information about OIMS is available at www.imperialoil.ca

Operational integrity assessments

Under OIMS, every operating unit undergoes a regular cycle of improvement with self-assessments each year and external assessments every three to five years. External assessments are conducted by company experts outside the operating unit being assessed. In each case, opportunities for improvement are identified and addressed, and progress is monitored through regular management reviews. In 2007, assessments were conducted for 16 operating units. Six of these assessments were external.

Major operating incidents

One measure of the effectiveness of OIMS is the number of major operating incidents – events that result in adverse impact to the environment or significant cost to our operations (involving direct costs of US\$50,000 or greater). For each incident, we conduct formal incident investigations to understand root causes, assess the impact on operations, the environment, workers and neighbouring communities, and take corrective action.

In 2007, there were eight major operating incidents, compared with 14 in 2006. These included a fire at each of the Nanticoke and Strathcona refineries, which disrupted supply of petroleum products to markets. There were no injuries or adverse environmental impacts. Affected areas of the refineries were repaired and both incidents were fully investigated by Imperial and experts from outside the company. As a result, we improved the effectiveness of risk assessments and implemented enhanced reliability systems.

BEST PRACTICES IN EXTERNAL AFFAIRS

We use a company-developed tool called Best Practices in External Affairs to guide our approach to community engagement. This model provides practical tools to develop community outreach plans for our operations and make continuous improvements. We are working to expand application of this tool across the company.

PRODUCT STEWARDSHIP

We apply a rigorous and consistent approach to identify and evaluate risks associated with new and modified products and their manufacture, use and disposal. Similarly, new technologies are continually adapted to improve product performance. Product safety and health hazard information are also monitored, and any risks requiring specific management processes are communicated to customers, third parties and the public.

Our product safety policy reflects a commitment to high operational standards. To help meet this commitment, a Product Stewardship Information Management System (PSIMS) is in place. PSIMS outlines a set of roles and responsibilities that support the preparation of product material safety data sheets and labels for communicating information such as health hazards, first aid, safe handling, transport, use and disposal of our products.

CONTROL SYSTEMS

Business control systems are rigorously applied at our operations across Canada. Regular self-assessments and audits ensure that operating controls and standards are met by every operating unit. Our commitment to maintain a sound control environment is supported by our Controls Integrity Management System. This system provides a structured approach to:

- assessing financial and business control risks
- establishing procedures for mitigating identified risks
- monitoring compliance with standards
- reporting on these subjects to management

Financial controls

We take a transparent approach to financial management and reporting. We are committed to ensuring financial and operating results are clearly understood by shareholders and others with a stake in the company. We do not use special purpose entities, special adjustments or pro forma reporting, nor do we use derivatives to speculate or hedge on the future of commodity prices. We do not sell forward future production, and our revenues are recorded at fair value at the time of sale.

Ethics

Imperial complies with all applicable government laws, rules and regulations. Our Standards of Business Conduct outline policies and guidelines on such matters as ethics, conflict of interest, health and safety, environmental protection, equal employment opportunity and harassment in the workplace.

Employees and directors are required to fully comply with the Standards of Business Conduct. The standards are also reflected in contracts with suppliers and customers. Each year directors, officers and employees review the standards. In addition, employees in positions of higher risk of exposure to ethical or conflict-of-interest situations are required to sign a statement acknowledging they agree to abide by the standards and have done so in the prior period.

The standards are used to define how business should be conducted. Employees are encouraged to raise any issues, questions or concerns with their managers or human resources advisers. The company has also set up a confidential ethics hotline and mailbox for employees.

Human rights

Imperial condemns violations of human rights in any form. Our Standards of Business Conduct provide a framework for operating responsibly and are consistent with the spirit and intent of the Canadian Charter of Rights and Freedoms and the United Nations' Universal Declaration of Human Rights as it applies to private companies.

Political contributions

We adhere to strict guidelines and legal limits when making political contributions to registered political parties. Only the chief executive officer is authorized to make political contributions, and these must be within legal limits and approved by the Board.

In 2007, Imperial's political contributions to provincial parties totalled \$34,000 and were not limited to a single political party. We did not contribute to federal political parties, respecting government requirements that prohibit corporations from such contributions.



More information is available through Elections Canada at www.elections.ca

Environmental performance

Our customers, shareholders, the public and employees expect us to meet the demand for energy in an environmentally responsible manner. In such a world, our success as a business enterprise will only be as good as our record of delivering strong environmental performance. We sum up this commitment with our focus to “Protect Tomorrow. Today.”

Managing environmental performance

An important part of our approach to delivering on our environmental commitments is Environmental Business Planning (EBP), an activity that integrates environmental improvement into business plans and strategies.

Businesses use the process of EBP to identify key environmental priorities, set goals in focus areas and establish multi-year plans to achieve goals. Goals are updated each year, and progress is overseen by senior management through regular reviews.

EBP has focused on a number of goals. One is achieving zero regulatory non-compliance incidents. In addition, the Upstream business has focused on actions to reduce flaring and improve spill prevention. The Downstream and Chemical businesses also have goals to proactively prevent environmental incidents and continuously reduce environmental emissions and wastes.

EBP resulted in numerous project activities in 2007, including:

- installation of a new sulphur recovery unit at the Cold Lake operation
- design work and project implementation at Sarnia, Nanticoke and Dartmouth refineries to reduce emissions of smog-forming compounds
- a multi-year project at the Sarnia site to improve water protection
- implementation of best practices to reduce flaring

ENVIRONMENTAL LEADERSHIP TRAINING

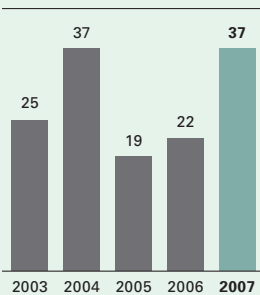
Another outcome of EBP was increased environmental leadership training. Our Upstream and Downstream businesses have established two-day courses to increase personal responsibility for the environment. Training materials are based on recognition that expectations for environmental performance are constantly increasing, and each course culminates in personal action plans to improve environmental performance and reduce our company’s environmental footprint.

In 2007, the Downstream and Chemical businesses trained 300 leaders through its Essentials of Environmental Excellence course. In the Upstream business, more than 200 leaders have been trained in a similar program called EMFORCE (ExxonMobil Fundamentals of Regulatory Compliance and Environment).

Environmental compliance

Our operations must comply with numerous licences, permits, regulatory approvals and legislated requirements that establish operating standards and emission limits. An important measure of compliance is the number of incidents where government environmental regulations were temporarily exceeded or other regulatory reporting requirements were not fully met. In 2007, we recorded 37 environmental regulatory incidents, compared with 22 in 2006.

Environmental regulatory incidents
number



ANALYSIS

Environmental regulatory incidents typically include short-duration exceedance of licence limits, unintentional errors in required documentation, and failures of monitoring equipment. “Short-duration” means a few hours or less. In 2007, the number of environmental regulatory incidents increased to 37 from 22 in 2006. Contributing to this increase was a series of incidents at the Quirk Creek gas plant south of Calgary. This operation recorded eight incidents in which it briefly exceeded SO₂ limits. Most of these air excursions were due to problems with a new control system, and none posed health or safety threats. In response, we held an open house to inform area residents about the issues and met with the regulator to obtain support for our action plan. Staff also completed a thorough review of all equipment and took corrective action. In 2008, we have made significant investments, including in new equipment, to improve long-term reliability at the plant and reduce environmental compliance exceedances.

Type of incident	2003	2004	2005	2006	2007
Air	17	10	4	9	14
Water	7	18	10	3	9
Spills/leaks	1	1	0	3	0
Administrative/other	0	8	5	7	14
Total	25	37	19	22	37

We take all cases of non-compliance seriously. In those instances where government requirements are not met, the regulator is immediately notified, the cause is investigated, and follow-up actions are developed and implemented to prevent reoccurrence.

FINES AND PENALTIES

We were fined \$125,000 in 2007 for a 2005 incident in which Sarnia refinery exceeded permitted ground-level emissions of SO₂ due to an upset in operating conditions. We have completed improvements to operating processes at the refinery, including enhancing SO₂-related emergency response protocols.

Spill prevention

As part of our focus to "Protect Tomorrow. Today," our goal is to achieve zero spills. In 2007, the number of spills was down by half from 2006. Our improved spill performance was the result of ongoing initiatives:

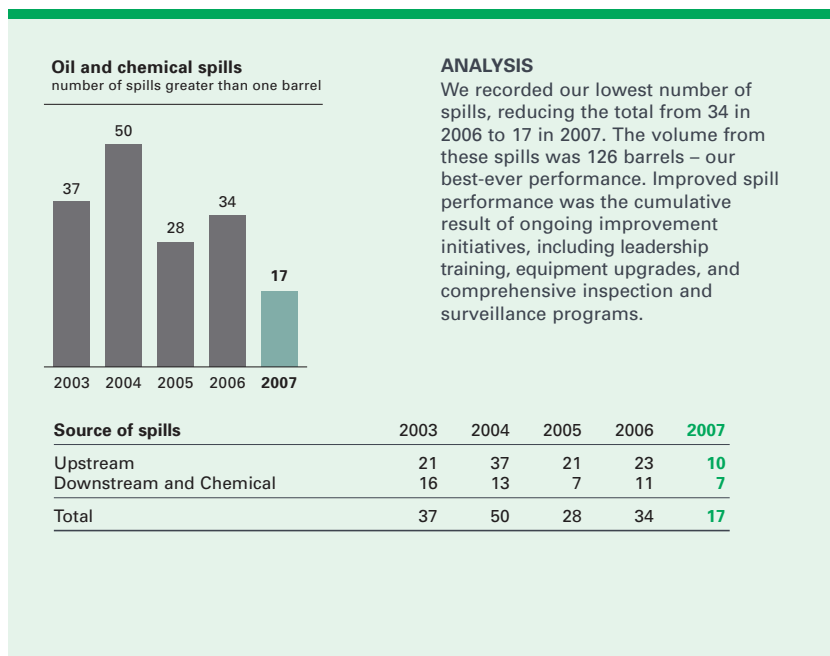
- **education and awareness**
Spill prevention was a key focus of two major environmental leadership training initiatives that have involved more than 500 managers, supervisors and leaders throughout our organization since 2005.

- **water protection at the Sarnia site**
We continue to enhance facilities at the Sarnia site for water that is returned to the St. Clair River. A major focus has been the once-through-cooling-water system, which draws water from the St. Clair River for cooling purposes and returns it to the river. Since 2005, we have installed several hold-and-treat systems to prevent any contaminated once-through-cooling-water from reaching the river. Continuous analyzers detect any contamination and divert the water to containment and treatment facilities. In 2007, we began construction of three more hold-and-treat systems.

- **storage tanks**
We take proactive measures to replace underground storage tanks at service stations in a timely and safe way before leaks can occur. We also execute a storage tank inspection program to routinely clean, inspect, repair or replace above-ground storage tanks at distribution terminals. In 2007, tanks were replaced at 10 service stations, and eight distribution terminal tanks were refurbished or replaced.

- **well-casing integrity at Cold Lake**
At the Cold Lake operation, a primary focus has been to maintain the integrity of more than 4,000 producing wells on our leases. Every oil well we operate has a steel pipe covering, or casing, underground. The job of the casing is to contain well fluids and prevent leaks into the surrounding sediments. This casing has to stand up to stress, including hot temperatures, high pressure, corrosion and seismic activity. In 2007, a team was commissioned to identify new ways to further improve well integrity. This led, for example, to upgrading maintenance of wells and enhancing seismic monitoring of new wells.

- **pipeline integrity and protection**
We employ a rigorous management program to maintain pipeline protection and integrity throughout our 2,400-kilometre network of owned and operated pipeline systems in Canada. Advanced analysis methods are used to predict pipeline corrosion rates, and state-of-the-art in-line inspection technologies and ground and aerial surveillance are used to monitor pipeline integrity. We also have an ongoing program to excavate sections of pipe for inspection and repair. In 2007, we completed about 80 digs along our network to inspect and repair pipe.



Emergency preparedness

Emergency preparedness is another area in which we take a disciplined and systematic approach. Emergency response plans are in place at all our facilities, including production facilities, refineries, distribution terminals and pipelines. Should an emergency occur, local trained personnel are deployed, supported by regional emergency response teams and senior management.

EMERGENCY RESPONSE EXERCISES

Imperial employees and management regularly participate in hands-on exercises to ensure they are well prepared to deal with potential operating incidents and know what to do during an emergency. In 2007, we carried out more than 440 emergency response exercises. Many included external response organizations.

For example, staff at our Norman Wells operation participated in a day-and-a-half exercise simulating a bomb threat on local municipal and industrial facilities. The exercise successfully tested communications and coordination between our trained response team and external agencies including the Royal Canadian Mounted Police, the Canadian military, and local, territorial and federal governments. We also participated in an exercise at our Vancouver distribution terminal that simulated a release of crude oil to a nearby inlet. The exercise tested staff on a range of changing scenarios and reinforced the readiness of employees and emergency response partners to respond effectively in the event of a marine incident.

RAPID RESPONSE DURING NANTICOKE FIRE

On February 14, 2007, Nanticoke refinery experienced a fire in its crude oil processing unit. Our trained fire crews responded immediately, and with the assistance of the county fire department, quickly brought the fire under control. There were no injuries or adverse impacts to the environment. Throughout the incident, our structured incident command process ensured a safe and coordinated response under winter conditions. The incident was fully investigated and corrective action was taken.

Climate change

Climate change is an important issue for Canadians. We believe that fossil fuels will continue to provide most of the world's energy supply for the foreseeable future. Consequently, we remain committed to expanding the use of economic, lower-emission technologies while maintaining the search for innovative approaches that can reduce GHG emissions. In the near term, our efforts are focused on improving the energy efficiency of our operations. We are also funding a variety of longer-term initiatives to bring about large-scale improvements.

Examples of Imperial's efforts include:

NEAR-TERM ACTIONS

Energy efficiency improvements

In 2007, our operations consumed approximately 194 million gigajoules of energy. We strive to minimize our energy use through conservation and energy efficiency techniques and technologies.

We use a Global Energy Management System (GEMS), which makes use of international best practices and benchmarking to identify measures that can be taken to improve the energy efficiency of our facilities. The system also increases understanding, at the design stage, of energy efficiency and GHG-emission reduction opportunities through new projects. Since 1990, the overall energy efficiency of our refineries has improved 16 percent.

Additional investments in energy efficiency occurred in 2007, including:

- modifications to improve efficiency of a gas compressor at Dartmouth refinery
- commissioning a large air preheat system at Sarnia refinery that reduces fuel requirements
- increasing efforts to identify and repair leaks in steam systems

In the Upstream, we are focusing on energy-intensive operations such as Cold Lake. In late 2007, Cold Lake initiated development of an online production operations energy management system to help operators identify and sustain energy-saving initiatives.

Cogeneration

Cogeneration is the simultaneous production of electricity and steam from a single fuel source and is significantly more efficient than traditional methods of producing steam and power separately. We have cogeneration facilities at Cold Lake and Sarnia, with a combined capacity of 265 MW.



Abbreviations used in this section:
 CCS – carbon capture and storage
 CO₂ – carbon dioxide
 CO₂e – carbon dioxide equivalent
 GHGs – greenhouse gases
 MW – megawatt

ISSUES IN BRIEF

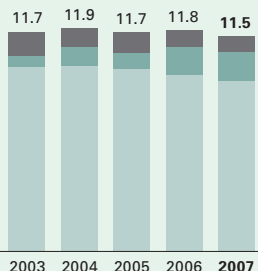
Climate change

While climate change remains extraordinarily complex, scientific evidence makes it clear that this issue poses risks to society and ecosystems. These risks justify the development and implementation of responsible actions by governments, companies and individuals.

Climate change strategies need to consider the anticipated growth in global energy demand, forecast to increase by about 40 percent between 2005 and 2030. Developing countries will account for most of this increase as their economies grow and their standard of living improves. Despite advances in alternative energy sources, hydrocarbons – oil, natural gas and coal – will continue to play a significant part in meeting these energy needs and contributing to prosperity. Changing this basic energy picture will take time and require innovative energy technologies. Canada's climate change strategies must address our unique circumstances as a key energy provider in the global context.

Imperial believes that Canada can achieve the dual goals of economic growth and meaningful environmental progress for the prosperity and benefit of all Canadians. Scientific, technical and economic research must continue to improve the understanding of this complex subject and help reach the best policy decisions in Canada.

GHG emissions
million tonnes of CO₂e



■ Direct emissions – excluding cogeneration
■ Direct emissions – cogeneration
■ Indirect emissions

ANALYSIS

We report total direct and indirect GHG emissions from all facilities owned and operated by Imperial. Indirect emissions result from the generation of electricity produced for Imperial by external sources. Through cogeneration, we are reducing the amount of electricity purchased from the power grid. Our GHG emissions, most of which are CO₂, come primarily from the burning of fuels required for petroleum production, crude oil refining and chemicals manufacturing. Other sources are flaring and venting from natural gas plants and small leaks of hydrocarbon gas from pipes and equipment at facilities. In 2007, total GHG emissions from operations were 11.5 million tonnes of CO₂e, down 2 percent from 2006 levels. During this period, we have been able to offset increased production through efficiencies.

Source of emissions

million tonnes of CO ₂ e	2003	2004	2005	2006	2007
Direct emissions – excluding cogeneration	9.8	9.9	9.7	9.4	9.1
Direct emissions – cogeneration	0.6	1.0	0.9	1.5	1.5
Indirect emissions	1.3	1.0	1.1	0.9	0.9
Total	11.7	11.9	11.7	11.8	11.5

Cold Lake’s cogeneration facilities reduce GHG emissions, notably CO₂ emissions, by about 40 percent compared with generating electricity from coal-fired plants and producing steam from conventional boilers. In Ontario, operation of the Sarnia cogeneration facility depends on favourable economic conditions. In 2007, conditions were sufficient to allow us to operate the plant for more than five months, contributing to reduced GHG emissions.

Flare reduction

Across our operations, we are working to reduce flaring of gas that has no economic outlet as well as gas flared as a result of maintenance or unexpected operating events. Recovering this gas, wherever possible, avoids the loss of an energy resource and reduces emissions of GHGs and air pollutants.

We continued to achieve record low flaring levels in the Upstream business through new equipment and improved operating practices. In 2007, the total gas flare volume from oil production facilities was 1 million cubic feet per day, a 9 percent decrease from 2006. In addition, 99.9 percent of gas associated with oil production was captured, one of the highest rates of recovery among the top 50 oil producers in Alberta.

At our Downstream and Chemical manufacturing sites, best practices are being implemented to minimize flaring during normal operations and during maintenance start-ups and shutdowns. At the end of 2007, flare emissions totalled 44,000 tonnes, down 15 percent from 2006.

LONGER-TERM ACTIONS

Energy technologies

We conduct our own research and work with universities and experts in the ExxonMobil network to develop energy technologies that benefit our business and reduce emissions.

We are conducting research at our Calgary research facility on solvent-based, heavy oil recovery processes that can significantly reduce or eliminate GHG emissions, compared with thermal recovery processes. For example, we are developing a process that injects a light hydrocarbon solvent such as propane (instead of steam) into the reservoir to reduce the viscosity of heavy oil. By reducing the need for steam, this technology will improve energy efficiency, thereby lowering GHG emissions, and reduce freshwater demand.

Climate change regulations

Governments in Canada are requiring industry to make emissions improvements through new legislation and policies.

Alberta regulations, which came into effect July 2007, require facilities emitting more than 100,000 tonnes of CO₂e annually to reduce overall emission intensity by 12 percent a year, relative to the average over 2003 to 2005. Emitters have the option of making operating improvements, purchasing emission credits or contributing to a new fund that will be invested in emission-reduction

technologies. Our company has an interest in a major facility (Syncrude), operates four facilities (Cold Lake, Quirk Creek, Bonnie Glen, Strathcona), and has interests in some smaller conventional facilities that are all covered under the regulations. We have implemented a plan to ensure full compliance.

The federal government has also proposed a national plan for reducing GHG emissions. Industries will be required to reduce emission intensity 18 percent below 2006 levels by 2010 and achieve a further 2 percent annual

reduction in subsequent years. Additional measures are proposed to apply to oil sands projects, including a requirement that in situ and upgrading projects built in 2012 and after achieve a more significant reduction target based on carbon capture and storage. Through industry associations, we have been actively engaged in multi-stakeholder discussions on the development of regulations to meet the government’s climate change objectives.

We are also a founding sponsor of the Imperial Oil-Alberta Ingenuity Centre for Oil Sands Innovation at the University of Alberta in Edmonton. Through the centre, university researchers are exploring new technologies that will help to address a variety of environmental challenges associated with oil sands development, including climate change.

In addition, along with Exxon Mobil Corporation, we support Stanford University's Global Climate and Energy Project (GCEP), which is dedicated to finding new, commercially viable energy technologies that can substantially reduce GHG emissions. In 2007, GCEP announced new research programs in such areas as advanced transportation, batteries, solar energy, advanced conversion of coal, and advanced materials and catalysts.

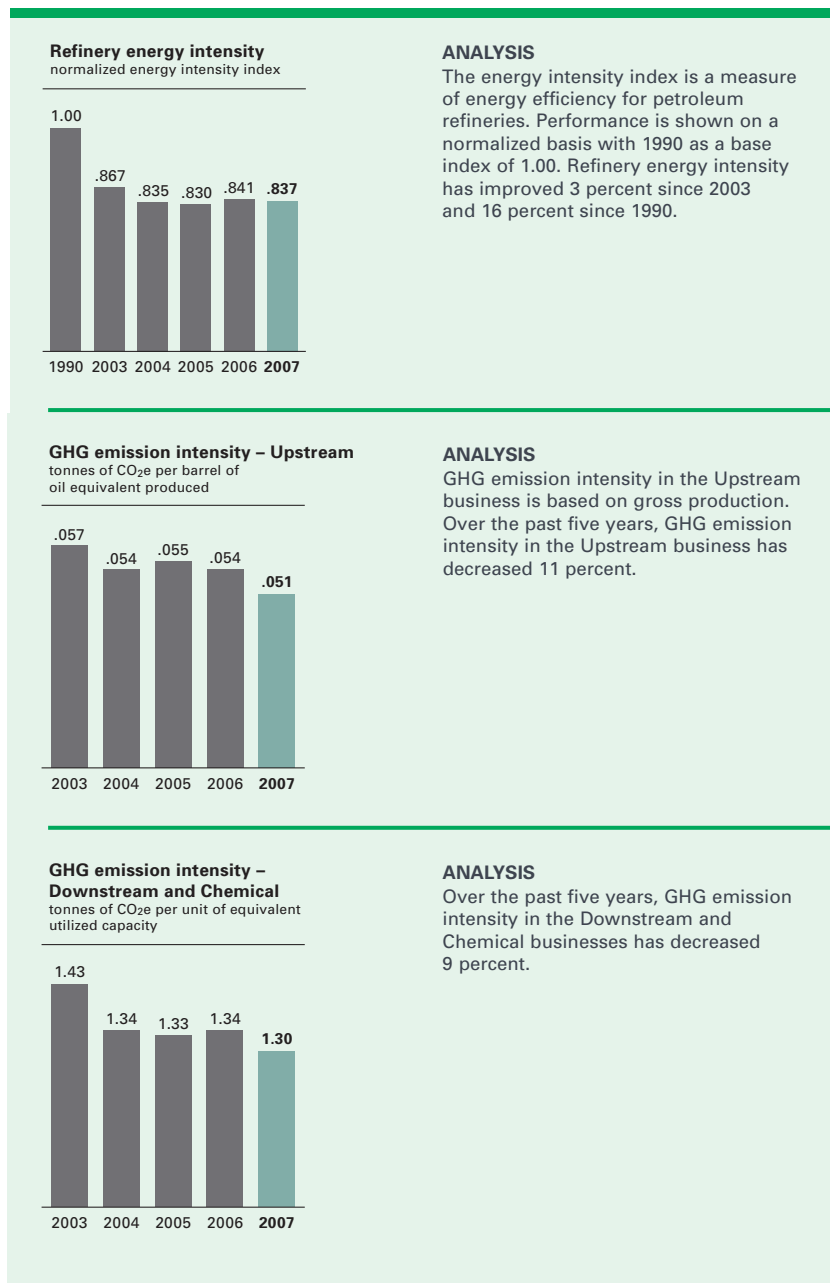
Carbon capture and storage

Carbon capture and storage (CCS) involves capturing CO₂ from industrial processes before it can be emitted into the atmosphere. Once captured, CO₂ can be safely and permanently stored in deep geological formations or injected into mature oil fields to enhance oil recovery. Since 2005, we have been a member of the Integrated CO₂ Network (ICO₂N), a consortium of companies that has proposed a CCS system for Western Canada and represents some of Alberta's largest energy producers. In 2007, the network released an update report highlighting CCS as an important opportunity for Canada and calling for close cooperation between industry and government in CCS funding and policies to support this environmental initiative. Network members are continuing to meet with government officials to discuss fiscal and regulatory arrangements to make the project more economically viable.

 More information is available through ICO₂N at www.ico2n.com

CONSUMER USE OF ENERGY

We believe that addressing climate change is a shared global challenge, and that consumers of energy can play an important role. As a result, a priority for our company is to invest in grassroots community initiatives that promote the efficient use of



energy by consumers. For example, we have supported the Clean Air Foundation's Car Heaven program since its inception in 2000. This national program facilitates retiring older, higher-emitting vehicles at no cost to the owner and provides incentives for the purchase of new vehicles or other cleaner alternatives. In 2008, we became a primary sponsor of the foundation's Marine Engine Exchange program, which will encourage the retirement of older

two-stroke marine engines, which are a source of aquatic and air pollution, and promote the purchase of engines with cleaner technologies. The pilot program will be launched at selected marinas in Ontario in 2009. In addition, we also support Clean Nova Scotia, which provides homeowners with expert advice on how to save energy while helping the environment.

ISSUES IN BRIEF
Air quality

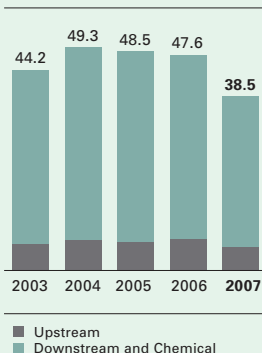
Canada's air quality is affected by a number of factors, including emissions from industrial processes, electricity generation and transportation. Average air quality in Canada has improved over the last few decades, but smog remains a concern in large urban areas, particularly in Eastern Canada and Vancouver.

The federal government has announced a Clean Air Regulatory Agenda and is developing plans to reduce industry emissions of air pollutants across Canada. In Alberta, government is taking steps to protect regional air quality as the province experiences increased economic development. This is taking the form of a provincial plan to address cumulative effects, including impacts on air quality.

The petroleum industry has responded to the need to protect air quality by making substantial investments in fuel reformulation, adding new emission controls and contributing to the development of a comprehensive national framework to improve refining emissions. The National Framework for Petroleum Refinery Emissions enables air quality goals to be met through cost-effective reductions on a phased and performance basis and is being implemented in many provinces. The industry is actively working with the federal and provincial governments to determine next steps to improve air quality.

Abbreviations used in this section:
CFCs – chlorofluorocarbons
CO – carbon monoxide
NO_x – nitrogen oxides
PM – particulate matter
ppm – parts per million
SO₂ – sulphur dioxide
VOCs – volatile organic compounds

SO₂ emissions
thousand tonnes



Source of emissions

Source of emissions	2003	2004	2005	2006	2007
Upstream	5.8	6.6	6.3	6.9	5.1
Downstream and Chemical	38.4	42.7	42.2	40.7	33.4
Total	44.2	49.3	48.5	47.6	38.5

ANALYSIS

In 2007, SO₂ emissions decreased 19 percent from 2006 levels. Contributing factors included changes in fuel type at Sarnia refinery and start-up of a new sulphur recovery unit at Cold Lake.

Air quality

We are working to reduce the emissions of VOCs, SO₂ and NO_x from our operations and the use of our products. We have implemented cost-effective technologies and adopted new operating practices to reduce air emissions, driven in part by new regulatory requirements, but also in response to community priorities. As a result of these efforts, our combined emissions of VOCs, SO₂ and NO_x have decreased by 12 percent over the past five years.

FACILITY IMPROVEMENTS

We continue to upgrade facilities to sustain our ability to meet SO₂ and NO_x emission regulations.

In Alberta, we installed a sulphur recovery unit that will reduce emissions from Cold Lake's Mahihkan plant by more than 70 percent. We have also begun constructing a similar unit at the operation's Mahkeses plant, with start-up anticipated in the fall of 2008.

In Ontario, SO₂ emission limits have been established for industrial operations, with reductions being phased in over the period 2006 to 2009. During 2007, we completed design and engineering work at Sarnia refinery for a new unit to treat tail-gas emissions and further improve sulphur recovery. Construction is planned for 2008 and 2009. This improvement, together with planned operational changes, will enable SO₂ emissions from the site to be reduced by about 53 percent. In the interim, consistent with Ontario's cap and trade regulations, Imperial is purchasing SO₂ emission allowances to meet the requirements.

The Nova Scotia government has enacted legislation that requires SO₂ emissions to be reduced by 25 percent from 2001 levels. Dartmouth refinery is finalizing a plan to meet these new limits through the installation of new facilities and technology.

FUEL REFORMULATION

Hydrocarbon fuels will be required for the foreseeable future, and Imperial is working to reduce the environmental impact of their use. All of our refineries now supply diesel for vehicles with an ultra-low level of sulphur — less than 15 ppm (or 97 percent cleaner than previous grades).

Further progress continues to be made. In 2007, we made operational changes to reformulate diesel fuels to reduce sulphur content to 500 ppm for off-road use such as rail and marine transportation, consistent with federal regulations. We also began planning equipment upgrades at the Strathcona and Nanticoke refineries to further reduce the sulphur content of off-road diesel fuels to regulated levels of 15 ppm by 2010.

MONITORING REGIONAL AIR QUALITY

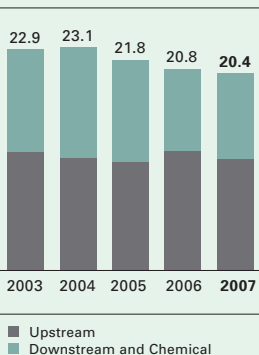
We collaborate with government, industry and other groups to maintain regional air quality monitoring networks that measure and track long-term environmental trends. At the Sarnia, Nanticoke and Strathcona refineries, this effort is coordinated through local industry associations.

Plans to expand the Cold Lake area network

We are a founding member of the Lakeland Industry and Community Association (LICA), a community-industry organization that guides regional development in the Cold Lake area. LICA members, including Imperial, have helped to establish a network to conduct air quality monitoring across the region. In 2006, an application was submitted to the Alberta government to expand the regional air monitoring network to incorporate Imperial's and other operators' industrial compliance monitoring. The application was approved in 2007, but remains under appeal by several community members. Industry is working in co-operation with these members to resolve concerns and, through LICA, has initiated a third-party independent review of the network to ensure that it meets stakeholder and government expectations. Imperial is also sharing air quality data through the LICA website.

More information is available through the LICA website at www.lica.ca

NO_x emissions
thousand tonnes



Source of emissions
thousand tonnes

	2003	2004	2005	2006	2007
Upstream	12.2	11.6	11.2	12.3	11.5
Downstream and Chemical	10.7	11.5	10.6	8.5	8.9
Total	22.9	23.1	21.8	20.8	20.4

ANALYSIS

NO_x emissions in 2007 were 2 percent lower than 2006 levels and 11 percent lower than 2003 levels. The gradual downward trend over the past five years primarily reflects reduced fuel firing, the use of low NO_x burners in new facilities and major retrofits, and improved emission-estimating technologies.

VOC EMISSIONS

Our Downstream and Chemical businesses have a well-established leak detection and repair (LDAR) program to monitor and reduce small fugitive hydrocarbon emissions that could escape from facilities and equipment connections. This program helps to keep these leaks at low levels.

After successful tests in 2006 and 2007, we are deploying the use of optical imaging equipment at all our manufacturing sites to better detect and reduce VOC emissions from different sources.

LDAR program piloted in Upstream

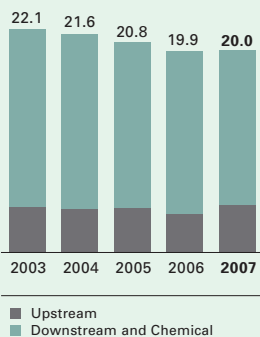
A similar LDAR program is being extended to other areas of operations such as the Upstream business. In 2007, we piloted an LDAR program at Cold Lake to reduce unintentional leaks of gas. This involved testing the Mahihkan plant and conducting sampling of its field pads. Of the 8,875 sample points tested, 12 were found to be leaking – a leak rate of less than 0.15 percent. This program will be extended to other areas of the Upstream business in 2008.

OZONE-DEPLETING SUBSTANCES

Since the late 1990s, ozone-depleting substances have been gradually removed from our refineries and replaced with environmentally suitable alternatives. In 2007, Sarnia replaced CFC-containing refrigerant in a hydrogen purification unit while Strathcona replaced CFCs in fire suppression and air conditioning systems. With these upgrades, all our facilities are now virtually free of ozone-depleting substances.

More information on NPRI emissions is available through Environment Canada at www.ec.gc.ca

Volatile organic compounds
thousand tonnes



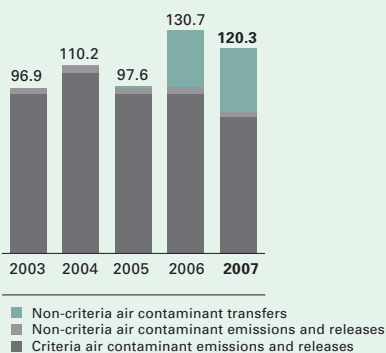
Source of emissions
thousand tonnes

	2003	2004	2005	2006	2007
Upstream	4.5	4.3	4.4	3.8	4.7
Downstream and Chemical	17.6	17.3	16.4	16.1	15.3
Total	22.1	21.6	20.8	19.9	20.0

ANALYSIS

Over the past five years, VOC emissions have decreased 10 percent, mainly as a result of an ongoing fugitive emission leak detection and repair program.

National Pollutant Release Inventory (NPRI) Reporting
thousand tonnes



Type of emissions
thousand tonnes

	2003	2004	2005	2006	2007
Non-criteria air contaminant transfers	0.2	0.6	0.6	33.5	37.9
Non-criteria air contaminant emissions and releases	3.6	4.1	4.0	3.9	2.5
Criteria air contaminant emissions and releases	93.1	105.5	93.0	93.3	79.9
Total	96.9	110.2	97.6	130.7	120.3

ANALYSIS

We report criteria and non-criteria air contaminants to Environment Canada's National Pollutant Release Inventory (NPRI). Criteria air contaminants include SO₂, NO_x, VOCs, PM and CO. Non-criteria air contaminants are broad in number and include sulphuric acid, ammonia and benzene. Results from our 2007 NPRI inventory show that emissions of all air pollutants were 8 percent lower than in 2006. Emissions of SO₂ and NO_x made up about 59,000 tonnes, the largest share of criteria air contaminant emissions and releases. The increase in NPRI non-criteria air contaminant transfers, starting in 2006, was due to a new regulatory requirement that specifies the inclusion of spent sulphuric acid, which is recycled.

Water management

We continually seek ways to reduce water use and preserve water quality through the design and operation of our facilities, recycling and reuse, and measures to prevent water pollution.

WATERSHED PLANNING

Taking an active role in multi-stakeholder water planning processes helps to build positive relationships and enables our company to contribute solutions to regional water issues.

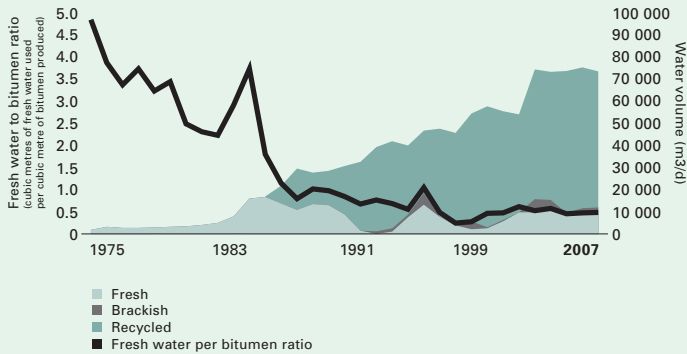
Under the Alberta government's Water for Life Strategy, watershed planning and advisory councils have the role of bringing together different groups to share information and develop plans to address regional water issues. In early 2007, the Beaver River Watershed Alliance (BRWA) was designated by the government as the official watershed planning and advisory council for the Cold Lake-Beaver River basin. As a member of the Lakeland Industry and Community Association, Imperial was instrumental in its founding. The new advisory council involves local residents, water stewardship groups, governments, health agencies, Aboriginal communities and industry.

We are also an active member of the St. Clair River Binational Public Advisory Council (BPAC), which involves government, industry, municipalities and other interested groups in addressing environmental issues associated with the river. In 2007, the council updated its action plan to protect the environmental integrity of the river.



More information on BRWA is available at www.lica.ca and on BPAC at www.friendsofstclair.ca

Cold Lake operation's water use



ANALYSIS

In 2007, we continued to maintain low water intensity levels – 0.44 cubic metres of fresh water per cubic metre of bitumen production. Recycled water contributed about 87 percent of total water used to produce oil, while fresh water provided 12 percent and brackish water made up 1 percent of the total. Since 1985, when commercial operations began at Cold Lake, freshwater intensity has decreased by about 85 percent.

WATER USE AT COLD LAKE

The heavy oil deposits at Cold Lake are too deeply buried for surface mining. Instead, Imperial injects large amounts of steam into the underground deposits to soften the resource so it can be pumped to the surface.

Most of the water used to generate steam is recycled water (about 95 percent of the produced water that is recovered with the oil is treated and recycled). However, additional water is required. Our first choice is to use brackish water from deep saline aquifers. This water is not fit for human consumption or agricultural use. The final choice is fresh water from Cold Lake itself, if water levels in the lake are above a specific level, or groundwater. In terms of absolute volume, fresh water is used more than brackish water since parts of the operation can only run on fresh water. We continue to look for opportunities to reduce freshwater consumption, and reduction is considered in the design phase of every new project.

MANAGING IMPACTS ON THE ATHABASCA RIVER

It is estimated that slightly over 2 percent of the Athabasca River's natural flow will be required to support existing and approved oil sands developments in northern Alberta. Community groups have raised concerns over the impacts of these and other industrial developments on the river during lower-flow winter months.

To help ensure that requirements on the river are efficiently managed, Imperial has been a key driver in a co-operative program involving the major oil sands companies operating, or planning to operate, in the Athabasca area. These companies have committed themselves to a plan aimed at preserving acceptable flow rates in the river, as set out in a water management framework established by Alberta Environment and the federal Department of Fisheries and Oceans.

The plan, which was submitted to two government departments at the beginning of 2007 and signed by representatives from the largest existing and proposed oil sands operators, commits the industry group to develop a detailed co-operative agreement to meet the framework's requirements, which are intended to protect the river's aquatic ecosystem.

ISSUES IN BRIEF

Water availability and quality

Water availability and quality are increasing concerns for many parts of the world, including Canada. Access to clean water affects the health of people and the ability of businesses to operate.

The planning of water resources has become important as industry, government and community groups work together to address the challenges of ensuring water availability and quality. In Ontario and Alberta, governments are taking steps to develop and implement enhanced water protection plans. This action is being led by multi-stakeholder groups who develop specific water management for regional watersheds. Our industry participates in these forums in order to contribute to policies that are balanced, science-based and can deliver expected environmental benefits.

Within our own company, we take actions to minimize water use and protect water quality. In the Upstream business, water needs have been increasingly met through the recycling of produced water and the use of brackish water. We are also researching the use of non-aqueous solvents in order to reduce water demand for bitumen processing. In the Downstream business, our efforts have been focused on preventing spills from facilities and ensuring that water returned to the environment meets high standards.

ISSUES IN BRIEF**Land protection**

Strong economic development in some areas of Canada is resulting in increased pressures on land and wildlife and has led to greater competition among different stakeholders for use of the land.

Governments are taking action to protect the land in ways that balance different economic, environmental and social interests. Many jurisdictions across the country, for example, have updated legislation to protect species at risk. Governments are also adopting new approaches to developing land use policies. In Alberta, the provincial government has introduced a land use framework to address different interests and promote responsible growth.

Our company manages a variety of land-related issues. In the Upstream, access to land is essential as we explore for new oil and gas resources and develop new projects to meet Canada's energy needs. This requires industry to work closely with governments, communities, Aboriginal people and other stakeholders to protect wildlife and minimize impacts on land. Technology is also used to keep land disturbance to a minimum. Advanced drilling technology at the Cold Lake operation enables clusters of wells to be drilled from a single "pad" or location, significantly reducing the amount of land disturbance. In the Downstream, much of our effort is focused on redevelopment of former industrial ("brownfield") sites including oil and natural gas facilities, refineries and gas stations. Redevelopment offers environmental, social and economic benefits by returning land to productive use. However, operating practices and remediation standards from earlier periods can result in properties that do not meet current standards. Imperial and industry are working with all provincial governments and the public to establish effective policies to manage this issue in a way that addresses liability and environmental concerns.

A key component of the Kearn project design will be the use of water storage to enable reduced water withdrawal during low-flow winter periods.

REASSESSING WATER LICENCES

Allocating water resources continues to be an important issue for conventional oil and gas operations. We work closely with government agencies to explore ways to manage water demand and promote the efficient use of water resources.

In 2006, the Alberta government required industry to reassess a number of temporary water licences used for oil field development and look for ways to reduce water demand. This affected a number of Imperial's water licences near Cynthia, in central Alberta, where water is used to maintain reservoir pressure in a mature oil field. During 2007, we carried out studies to identify efficiencies and reassess water needs. This resulted in our application for new water licences that will reduce our water allocation by 85 percent on average.

Land reclamation and remediation

As part of our environmental commitment, potential impacts to land from operations are managed throughout their lifespan, from design and construction to operation and decommissioning.

LAND RECLAMATION AT COLD LAKE

Our conservation efforts include the responsible development and environmental monitoring of lands within our active operating areas. At the Cold Lake operation, we are currently reclaiming about 1,900 hectares of land. This represents about 65 percent of the total area disturbed since the operation began producing heavy oil.

Over the last decade, land reclamation at the operation has included planting more than 720,000 trees and shrubs – predominantly white spruce, aspen, Jack pine, birch, willow, alder, dogwood and pin cherry – all indigenous to the region. Of this total, 65,000 trees and shrubs were planted in 2007. Nearly \$6 million was spent on reclamation activities during the year.

PARTNERING WITH DUCKS UNLIMITED CANADA

Wetlands make up a significant part of our lease area at Cold Lake and will be increasingly affected as development expands in the northern part of the lease. In 2007, we formed a partnership with Ducks Unlimited Canada to evaluate how best to restore wetlands after well operations cease in an area. At a trial site, we have removed the clay cap and geotextile liner that are installed over a wetland area before well pad construction. Since the seed bank (the presence of healthy seeds in a wetland) has not been disturbed, natural vegetation should re-establish over time. Ducks Unlimited will assist Imperial in ongoing monitoring and evaluation of the site.

ENVIRONMENTAL PLANNING SOFTWARE

An environmental data management tool was developed in 2007 that allows project planners and environmental specialists at the Cold Lake operation to more fully integrate environmental issues into project planning. The software allows users to store a wide range of environmental information, including wildlife sightings, groundwater monitoring and land reclamation, and create electronic maps to track activities on our lease over time. A similar system is being developed to support the Kearl oil sands project.

LAND RECLAMATION PLANS FOR KEARL

Advancing effective land reclamation practices is an essential part of the Kearl oil sands project. As mining progresses on the site, efforts will focus on the salvage and conserving of topsoil to reclaim areas when mining is complete. Fine tailings (a mixture of clay, sand, bitumen and water) will be managed by a consolidated tailings process, which mixes the tailings with gypsum and other tailings to thicken and form a consolidated (solid) material. This material will be returned to the mining pit and covered with overburden, to be followed by topsoil and other reclamation materials.

MONTREAL REMEDIATION PROJECT COMPLETED

The eastern end of the island of Montreal has been an area of industrial activity since the early 1900s, resulting in environmental impacts due to historic practices. Since the 1980s, we have invested more than \$50 million to remediate industrial properties, including the former Texaco refinery and part of the former Imperial refinery. To date, more than 30 hectares of land have been either sold or returned to the Port of Montreal and put back into productive use.

We have also worked with local stakeholders to address environmental concerns. In the mid-1990s, industry, governments and local environmental and community groups formed a working group to study and address historic environmental impacts identified by Environment Canada in the sediments of Bay 103 in the east end of the city. After completion of a major environmental impact study and all required approvals, Imperial voluntarily joined with other companies and the port in a \$9 million joint remediation project, with the support and co-operation of local environmental and community groups. The project involved dredging and removing impacted sediments to special lagoons onshore, where the materials are being dried and prepared for bioremediation. Completed in late 2007, the dredging has been successful in removing 98 percent of contaminants. On the basis of these efforts, the project will receive a certificate of recognition from Environment Canada in 2008.

LAND REMEDIATION AND RECLAMATION – KEY STEPS

When operations cease on a parcel of land, and the site is no longer needed, we follow a comprehensive process:

- **decommissioning**
Buildings and equipment are safely dismantled and removed, and oil and gas wells are sealed to protect the environment.

- **assessment**

We assess sites for potential environmental risks by reviewing operating records, studying aerial photos and collecting soil and water samples to determine the nature and extent of impacts from previous operations. Based on input from the assessments and technical options to address risks, a decision is made on how to proceed.

- **remediation and reclamation**

We implement science-based management, remediation and reclamation plans, following government standards and protocols, and industry best practices. Where possible, we use technologies to enhance the natural biodegradation of contaminants.

- **interim management**

In the case of low-risk sites, one option is to monitor the land through periodic sampling of groundwater and soils.

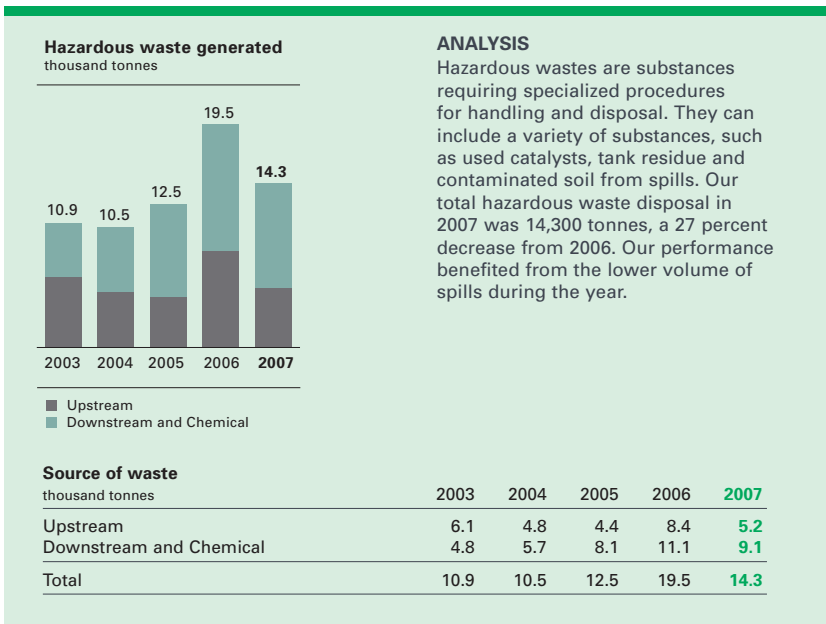
- **follow-up testing**

We conduct tests to ensure remediation and reclamation activities meet specific standards.

- **reuse**

Once we have remediated and reclaimed land, our goal is to return it to productive use, either through sale or, in the case of leased land, by returning it to leaseholders.

In 2007, we managed 2,400 non-operating sites, including former well sites, gas plants, refineries and retail service stations. About \$170 million was spent on assessment, risk management, remediation and reclamation activities. Of this total, we invested more than \$2 million to advance remediation and reclamation technologies. More than 70 properties were sold or returned to leaseholders.



ANALYSIS

Hazardous wastes are substances requiring specialized procedures for handling and disposal. They can include a variety of substances, such as used catalysts, tank residue and contaminated soil from spills. Our total hazardous waste disposal in 2007 was 14,300 tonnes, a 27 percent decrease from 2006. Our performance benefited from the lower volume of spills during the year.

REPLACING FISH HABITAT AT KEARL

Mining for the Kearl oil sands project is expected to cause some impacts to the Muskeg River watershed. Streams, small bodies of water and the upper reaches of the river will be diverted from time to time while the mine is in operation. These diversions will affect fish and fish habitat in the area. We plan to build three smaller but deeper lakes, linked to Kearl Lake. The additional lakes will improve water flow and will create twice as much fish habitat as existed on the original lease. We have consulted with local First Nations and government wildlife experts to identify appropriate fish species for the lake, such as northern pike, yellow perch and brook stickleback.

Biodiversity

We operate in a variety of ecosystems, some with sensitive characteristics. Our Upstream operations in particular can affect different wildlife areas, including foothills, prairie ecosystems and northern peatland areas.

To address this challenge, a variety of actions are taken to conserve biodiversity, including studying our impacts on wildlife and following strict operating guidelines when working in environmentally sensitive areas. Wildlife management plans have been established in the Upstream business. These identify local species and guide us in the conduct of our business. For new projects and developments, we carry out environmental impact assessments and integrate the results into project decision-making. The assessments include evaluation of sensitive wildlife habitat areas and mitigation steps for new projects.

We also sponsor community programs and projects that help to protect wildlife and their habitat. For example, through Alberta Ecotrust, we are helping to fund a Miistakis Institute for the Rockies project that will use a web-based mapping tool to record wildlife movement along the Crowsnest Pass in southwestern Alberta.

AQUATIC EFFECTS STUDY AT NORMAN WELLS

In early 2008, a five-year scientific study was completed to determine if the Norman Wells operation is affecting fish quality in the Mackenzie River. The study examined the quality of fish because communities downstream of Norman Wells were concerned about liver quality in loche (a northern freshwater fish) and meat quality in whitefish. Results of the study show that both conditions appear to be related to the natural cycles of the fish. Toxicity tests also indicate that operational effluents are not having an adverse impact on fish in the river.

Waste management

Our operations generate solid and liquid wastes, including used catalysts, office wastes and construction debris. We use a tiered approach to reduce both hazardous and non-hazardous wastes. We first work to reduce waste at its source. If the waste is not eliminated, we next look for opportunities to recycle or reuse materials. Any remaining waste is either treated to render it non-hazardous or disposed of in accordance with local regulations.

Research and technology

Imperial is distinguished for its sustained long-term commitment to research and technology. We are one of a select number of oil and gas companies in Canada with dedicated research facilities. This research is conducted in partnership with academic experts and through collaboration with scientists at ExxonMobil. Our investments in research and technology are focused on:

- oil and natural gas recovery technologies
- fuels and petroleum products
- land remediation and reclamation technologies

Together, these efforts help to improve production, reduce environmental impacts, and produce new or improved products. We balance our investments between technology extensions, which can be rapidly deployed to our existing operations, and breakthrough research that could have a significant and lasting impact on the company and society.

In 2007, Imperial invested \$83 million in research and technology, compared with \$56 million in 2006. These funds were mainly used for developing heavy oil and oil sands recovery methods and better lubricants. Seven patents were awarded during the year.

RECOVERY TECHNOLOGIES

Imperial invented and held patents on cyclic steam stimulation (CSS) and steam-assisted gravity drainage (SAGD), two key processes used in heavy oil recovery production today. Over the years, researchers at our Calgary research facility have continued to refine these technologies to increase recovery efficiency with reduced environmental impacts.

LASER technology

In 2007, Imperial commercialized a new solvent technology to further improve CSS performance called LASER (liquid addition to steam to enhance recovery). LASER involves adding a small amount of hydrocarbon diluent to the steam that is injected into the ground to recover heavy oil. By adding diluent, the technology enables more resource to be recovered from mature wells for the same amount of steam injected, resulting in economic benefits, enhanced efficiency and lower GHG emission intensity. As a result, LASER has the potential to significantly improve the overall resource recovery at Cold Lake. Based on successful field tests, we will expand the use of the technology in 2008.

Supporting oil sands research

We are the founding sponsor of the Imperial Oil-Alberta Ingenuity Centre for Oil Sands Innovation (COSI) at the University of Alberta. The mandate of the centre is to conduct breakthrough research to find more efficient, economically viable and environmentally responsible ways to develop Canada's oil sands resources, one of the largest crude oil deposits in the world. Some of the centre's work in 2007 focused on evaluating the use of non-aqueous methods to separate and extract bitumen from oil sands in order to reduce water use, lower GHG emissions and minimize tailings. In addition, research activity during the year also examined other bitumen extraction and upgrading projects. One of the projects involves modifying the structure of catalysts through the use of nanotechnology. The use of nano-materials holds promise to both reduce energy requirements and improve operating efficiencies in bitumen upgrading. Other efforts are aimed at upgrading bitumen at much lower pressures and temperatures, thereby reducing energy requirements. Research to date has resulted in two patents, and research programs continue to expand. Eventual breakthroughs from the centre's research will be applied to projects such as Kearl.



Additional information about COSI is available at www.engineering.ualberta.ca/cosi.cfm

FUELS AND PETROLEUM PRODUCTS

Through our Sarnia research centre, we are developing new and improved petroleum products and processes.

Testing biodiesel fuels

The use of biodiesel-blended fuels, using components produced from renewable resources such as canola, is being considered in Canada as part of an overall strategy in addressing climate change. In 2006, the Canadian government announced its intent to develop a Federal Renewable Fuels Standard. The standard will require diesel fuel and home-heating oil to contain an average 2 percent renewable content by 2012, conditional on successful demonstration of biodiesel use under a range of Canadian weather conditions.

Imperial is helping to lead the way in testing biodiesel-blended fuels to assess if they can work in cold winter conditions and meet the needs of Canadian consumers. In 2007, tests were conducted at the Sarnia research centre, in co-operation with the U.S. Coordinating Research Council. Test results to date show biodiesel fuels can be used successfully at moderate temperatures. In 2008, further tests will be conducted at the centre to assess the performance of different types of biodiesel blends at lower Canadian winter temperatures.

RECLAMATION TECHNOLOGIES

Through our research facilities and investments, we support the development of enhanced reclamation technologies.

Since 2003, our scientists have been involved in an innovative project to manufacture topsoil. The technology involves mixing different natural ingredients to fabricate productive topsoil in several years instead of hundreds of years. The technology has been piloted at trial sites in Alberta and shows particular promise in replacing topsoil in locations where soil levels are shallow.

We also fund and participate in land reclamation research through industry associations, including the Canadian Oil Sands Network for Research and Development (CONRAD). We are monitoring research at CONRAD to improve methods to reduce tailings and facilitate reclamation of oil sands mines.

PROJECTS FUNDED AT UNIVERSITIES

We also support the research efforts of others through our University Research Awards program. This program provides funding for research projects carried out by faculty members and their students in areas of interest – including the environment – to our businesses. In 2007, we invested \$500,000 to sponsor 21 projects at 17 universities across Canada.

Workplace performance

We are committed to maintaining a safe and productive work environment, enriched by diversity and characterized by trust, open communication and fair treatment. Our commitment in all areas of safety, health and workplace performance enhances our competitive advantage and contributes to making Imperial an attractive and fulfilling place to work.

ISSUES IN BRIEF

Safety

In the workplace, there is nothing more important than ensuring the safety and well-being of employees and contractors. A strong focus on safety is also a tangible sign of the strength of a business's processes and contributes to higher productivity, fewer work stoppages and lower operating costs. Imperial has a long history as an industry leader in workplace safety but recognizes that more remains to be done to improve performance.

In particular, the higher frequency of contractor injuries has been a concern to our company. This issue remains a challenge across Canada for industry and has been especially challenging in Alberta, where demand for workers is creating skill shortages and high worker turnover. Another issue is the increase in repetitive strain injuries in the workplace, brought on by increased use of computers in the home environment and office.

Workplace safety

2007 SAFETY PERFORMANCE

Our approach to safety and health management is yielding results, but we will not be satisfied until we have a work environment in which Nobody Gets Hurt – our unifying goal. In 2007, we achieved an employee incident rate of 0.42 recordable incidents per 200,000 hours worked and a contractor rate of 0.80. Both rates improved on our 2006 performance and were substantially better than the latest available industry benchmarks. Our employee lost-time performance was 0.04 incidents per 200,000 hours worked in 2007, up slightly from the previous year. Our lost-time incident frequency for contractors, at 0.02, was one-fifth of our rate in 2006 and one of our lowest rates ever. The lost-time incident rate for employees has decreased by a third since 2003, while contractors have experienced less than one-fifth the lost-time injuries and illnesses they recorded five years ago. There were no employee or contractor fatalities during the year.

This performance was brought about by a number of actions, including:

Safety leadership training

We continued to emphasize the importance of strong safety leadership to our employee and contractor workforce to further strengthen our safety culture. In 2007, more than 70 managers and supervisors participated in Fundamentals of Safety, a three-day program designed to increase leader awareness and involvement in safety. More than 80 representatives from contractor companies and safety regulators also participated in the program.

Since 2004, we have conducted a Fundamentals of Safety program for Upstream workers, which has trained more than 510 employees and nearly 580 contractors in different aspects of workplace safety. In 2007, a similar course for Downstream workers was piloted at Sarnia refinery.

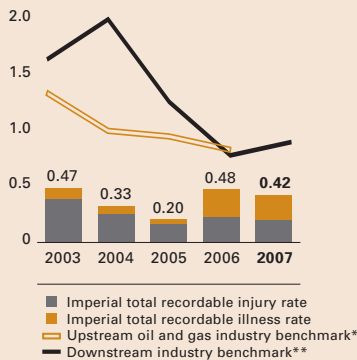
Emphasis on office ergonomics

Office-related injuries accounted for about one-fifth of recordable employee safety incidents in 2007, with repetitive strain injuries remaining the leading office workplace illness. Programs such as OIMS for Offices, which focuses on human factors to help prevent injuries in the office, and the computer-based program Office Athlete are expected to mitigate these risks. In 2007, professionally trained experts carried out ergonomic assessments in our head office. We are also developing a loss-prevention observation tool to improve safety awareness in the office environment.

Improvements in contractor safety

We made significant progress in improving contractor safety, including substantial reductions in the frequency of contractor injuries in Alberta. The total recordable injury frequency for our Alberta contractors improved to 1.20, compared with 1.92 in 2006, but was still higher than our average rate in the rest of Canada – 0.54. We continue to seek further improvements in the rate of contractor injuries in Alberta and across all operating regions.

Total recordable incident frequency – employees
incidents per 200,000 hours worked



ANALYSIS

Recordable incident frequency is a standard industry measure based on the number of illnesses or injuries per 200,000 hours worked (the equivalent of 100 workers working for one year). Recordable incidents are work-related incidents that require medical attention or could restrict a person’s ability to do his or her normal job or prevent a return to work for one or more days. In 2007, the total recordable incident frequency rate for employees improved 13 percent over 2006 levels. To facilitate comparison against industry benchmarks, which include only total recordable injuries, we also show our total recordable injury frequency rates. In 2007, our rate was 0.20, substantially lower than the latest Upstream and Downstream industry benchmarks.

incidents per 200,000 hours worked	2003	2004	2005	2006	2007
Imperial total recordable injury rate	0.38	0.25	0.15	0.23	0.20
Imperial total recordable illness rate	0.09	0.08	0.05	0.25	0.22
Imperial total recordable incident rate	0.47	0.33	0.20	0.48	0.42
Upstream oil and gas industry benchmark*	1.34	1.00	0.95	0.83	N/A
Downstream industry benchmark**	1.64	2.00	1.26	0.78	0.90

* Data from Canadian Association of Petroleum Producers. Does not include occupational illnesses. 2007 data was unavailable at time of publication.
** Data from Canadian Petroleum Products Institute. Does not include occupational illnesses.

Improved results for Imperial's contractors in 2007 can be attributed to:

- more focused safety leadership training and greater field presence of supervisors
- the role of contractor safety leadership teams in bringing forward new ideas, practices and tools to improve contractor safety management systems
- a more rigorous contractor supervisor screening process
- continuation of the short-service work program, in which inexperienced workers are mentored by more seasoned individuals
- further deployment of the Loss Prevention System (LPS)

LPS uses behaviour-based tools and techniques to reduce “at risk” behaviour that can result in safety incidents. Contractors and employees are trained to proactively identify and measure potential hazards on site and provide immediate feedback to co-workers to reinforce correct safety practices. LPS has been successfully used at Dartmouth refinery since 2003 to improve worker safety performance and will be expanded to other refineries in 2008 and 2009. In 2007, LPS was introduced in the Upstream business.

Process safety

We implement sound safety standards and procedures throughout facility design, construction and start-up activities. Additionally, we have quality assurance processes to verify that materials received meet design specifications, and that construction is in accordance with applicable standards. We operate our facilities within established operating protocols and applicable regulations. In 2007, we reviewed risk management processes to identify ways to reduce risks even further, and improved building and safety standards in our manufacturing sites.

Driver safety

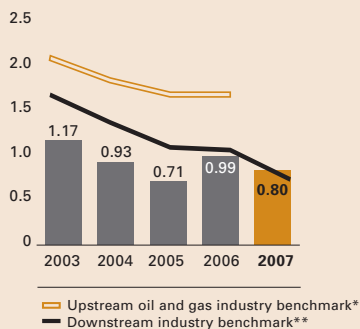
We have formal driver training programs to maintain high levels of road safety. All frequent drivers receive defensive driving training when they join the company and then update training every three years. In 2008, an enhanced passenger vehicle safety guide will be deployed across the organization.

SAFETY PERFORMANCE HIGHLIGHTS

At year-end 2007, the following safety milestones were achieved:

- contractors in our Downstream business set a new record of no lost-time injuries
- Strathcona and Dartmouth refinery employees achieved 10 years without a lost-time incident
- employees and contractors in our Pipelines and Distribution unit achieved seven years without a lost-time incident

Total recordable incident frequency – contractors
incidents per 200,000 hours worked



ANALYSIS

The total recordable incident frequency rate for contractors improved 19 percent over 2006 levels. The severity of their incidents also continued to improve, with the lost-time incident frequency rate for contractors decreasing to 0.02 in 2007 from 0.11 in 2006.

incidents per 200,000 hours worked	2003	2004	2005	2006	2007
Imperial contractors	1.17	0.93	0.71	0.99	0.80
Upstream oil and gas industry benchmark*	2.15	1.90	1.74	1.74	N/A
Downstream industry benchmark**	1.66	1.35	1.07	1.04	0.71

* Data from Canadian Association of Petroleum Producers. Does not include occupational illnesses. 2007 data was unavailable at time of publication.

** Data from Canadian Petroleum Products Institute. Does not include occupational illnesses.

Workplace health

Our operations depend on a healthy workforce. Occupational health professionals including physicians, nurses and industrial hygienists, working from seven health centres, are available to respond to worker health concerns and provide advice to the organization in promoting a safe and healthy workplace.

We also employ a number of programs to prevent or identify and manage work-related illnesses, including:

HEARING PROTECTION PROGRAM

Imperial’s hearing conservation program identifies and reduces noise hazards, tests employees’ hearing and provides protective equipment. Over the last two years, we have enhanced this program through new signage, hearing protection guidelines and engineering equipment criteria. In 2007, we introduced the requirement of double hearing protection for additional specific exposure risks.

PREVENTIVE HEALTH PROGRAMS

We continued to increase health awareness among employees through health seminars and fairs and the company intranet. Sessions covered a wide range of topics including the prevention of repetitive strain injuries, nutrition, cancer, heart disease, diabetes and depression.

EMPLOYEE ASSISTANCE PROGRAM

Our Employee Assistance Program provides a 24-hour confidential counseling and information service to employees and their families who are experiencing mental health issues or other concerns affecting their personal or family well-being. During the year, about 10 percent of employees and their families used this service, a rate consistent with other industry employee assistance programs offering similar services.

DISABILITY MANAGEMENT

We monitor and support the care and rehabilitation of ill or injured employees to facilitate a timely, healthy and safe return to work. In 2007, we worked with our long-term disability carrier to improve processes for claims management, appropriate rehabilitation and return to work, where possible.

Responsible Care®

Responsible Care®, an initiative of the Canadian Chemical Producers’ Association (CCPA), requires CCPA members to follow strict codes of practice that govern the safe and environmentally responsible handling of chemicals throughout their life cycle. In addition to conducting self-assessments, all CCPA members undergo re-verification by an external team every three years to assess if they are continuing to meet Responsible Care® requirements, as a condition of CCPA membership. Companies, for example, are tested for evidence that they:

- have effective personal and process safety management systems
- are able to manage emergencies
- identify, manage and work to minimize emissions and wastes
- assess the ability of distributors to correctly handle its products
- know the community concerns and respond sensitively to them

RE-VERIFICATION AT SARNIA

In 2007, an external team of industry and community representatives spent more than three days assessing Sarnia chemical operations against Responsible Care® requirements. Results show that, overall, Imperial continues to meet and exceed the guiding principles of Responsible Care®. In its report, the team confirmed that “the Responsible Care principles and codes of practice have been incorporated into the company’s internal standards, programs, practices and management system in a manner that guides the daily actions and decisions of the total organization.” The team also recognized Imperial for its reliability and maintenance systems, its environmental leadership training program, and its strong involvement in TransCAER, a voluntary national outreach effort that focuses on assisting communities to prepare for and respond to possible hazardous material transportation incidents.



More information about Responsible Care® is available through the Canadian Chemical Producers’ Association at www.ccpa.ca

Security

In 2007, we continued to implement security measures at many of our sites to protect our personnel and operations. We improved our security program to include 46 site security contacts throughout the organization. The contacts are responsible for reporting security measures, such as security incidents and security risk assessments, for different business areas. During the year, they received three days of training in reporting responsibilities and protocols. In early 2008, we also expanded security reporting metrics to be consistent with global best practices.

Workforce

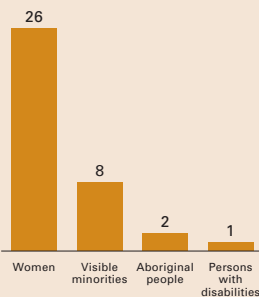
We are committed to building a high-performing workforce that reflects the diversity of Canadian society. We hire highly qualified people and support their success through development opportunities, training and a supportive work environment.

RECRUITMENT

We take a focused approach to campus recruitment, participating in career fairs and information sessions at more than a dozen universities across Canada. This involves more than 400 employees who represent Imperial at recruitment events and conduct initial interviews with potential candidates. In 2007, we implemented an online job application and processing system to make our campus recruitment program more efficient and responsive.

Through practical work experience, scholarships and university grants, we seek to attract the most capable and highest-performing students to pursue careers with the company, particularly in engineering, business and earth sciences. In 2007, 135 intern and co-op assignments were provided to top students from across the country.

2007 workplace representation by group
percent of total



ANALYSIS

We employ about 4,800 people. Of this total, 26 percent are women, 8 percent are visible minorities, 2 percent are Aboriginal people and 1 percent have declared a disability. About 98 percent of employees are full-time, with the remainder part-time. The average years of service is 19 years and the average age is 45 years.

COMPENSATION PROGRAMS

Imperial's total employment offer includes competitive compensation and benefits, savings and retirement benefits. The company also offers personal development and training, paid education assistance and flexible work schedules. In 2007, we paid \$1 billion in compensation and benefits to employees.

TRAINING AND LEADERSHIP DEVELOPMENT

As a business with a long-term focus, Imperial's goal is to develop high skill levels and leadership capability within the organization. We provide employees with many opportunities to upgrade their skills and capabilities over the span of their careers.

In their first year with Imperial, new professional and technical employees attend a three-day orientation seminar, which includes an overview of the company and provides an opportunity to meet with senior management. Employees are then involved in a process that provides a wide range of development opportunities, including job rotation, classroom learning, and performance feedback and mentoring, to enrich their skills and experience.

In 2007, there were more than 1,400 attendees at the approximately 80 in-house courses offered across the company on topics with broad application, designed to help employees be more productive and achieve their maximum potential.

Attention is also paid to identification and training of individuals with the potential to perform at senior levels. Through the management development program, potential leaders are identified and supported through a disciplined program of job rotations, which exposes them to many aspects of the company.

New online career development program

In 2007, the company started work on an online career development program focused on meeting the needs of recently hired employees. The interactive program is designed to assist them in understanding the career development process at Imperial. It answers such questions as: When do employees get the training they need? What does Imperial expect in terms of career development? How do they find out about career opportunities in the company? Developed with input from recently hired employees, the new program will be introduced in 2008.

EMPLOYEE NETWORKS

Employee networks provide mentoring and coaching opportunities. Among a number of mentoring initiatives is the Network Advisor Program, through which newly hired employees meet managers and longer-service employees, enabling them to gain insight about the company and our work environment and learn about various career paths.

Networks have also been established to support female workers throughout their careers. In the Upstream business, the Women in Wage program provides networking opportunities for female employees working in non-traditional jobs. The Women Professional Engineering, Geoscientist and Scientist Network encourages mentorship between senior and junior professionals in the business.

DIVERSITY

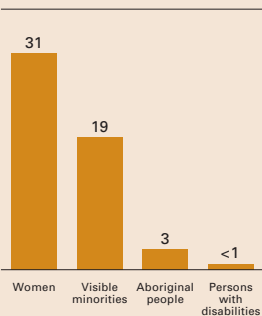
We provide development opportunities, policies and programs that support diversity in the workplace and enhance the representation of designated groups in the workplace. This is supported by an education program designed to help managers in enhancing employees' understanding and support of our commitment to diversity. In 2007, more than 110 supervisors and managers attended the full-day course, which increases understanding of different diversity issues in the workplace. In 2008, a half-day diversity awareness course for employees will be piloted.

EQUAL OPPORTUNITY AND ANTI-HARASSMENT POLICIES

We are committed to providing equal employment opportunity to all qualified individuals. Individual employment and career development are based on performance, qualifications and ability. Managers are responsible for maintaining a work environment that is free from discrimination or harassment.

Each year managers are asked to review our equal opportunity and anti-harassment policies, and every four years managers and employees receive updated training on these policies.

2007 new hires by group
percent of total



ANALYSIS

During the year, we hired 300 employees. Of this total, 31 percent are women, 19 percent are visible minorities, 3 percent are Aboriginal people and less than 1 percent have declared a disability.

Harassment is defined as any inappropriate conduct that has the effect of creating an intimidating, hostile or offensive work environment or unreasonably interferes with an individual's work performance. Harassment in any form is prohibited at Imperial. Harassment policy compliance is evaluated through an annual stewardship process, and harassment claims are thoroughly investigated. All employees, including supervisors and managers, are subject to disciplinary action, up to and including termination, for an act of harassment.

WORKPLACE FLEXIBILITY

We offer a variety of programs to assist employees in striking an optimal work-life balance, including flexible work schedules, part-time work options and job-sharing arrangements, earned days off, and leaves of absence. In 2007, we introduced new guidelines concerning modified workweeks and working from home.

COMMUNICATION AND FEEDBACK

Senior managers regularly host employee information sessions where they explain corporate strategy. Employees can also submit questions about business issues through an anonymous employee feedback program on the company's intranet, with answers being provided within five business days. In 2007, more than 120 questions were submitted. Almost half were requests for information about benefits policies and plans.

NON-RETALIATION AND GRIEVANCE SYSTEM

Employees are encouraged to ask questions, voice concerns and make suggestions regarding Imperial's business practices. They are also expected to report to management suspected violations of the law or of the company's policies or internal controls. Policy or control issues may include employee rights, ethics and environment, health- and safety-related issues. These reports are promptly investigated and action is taken, if warranted. No retaliation may be taken or threatened against any employee for voicing concerns. We believe open-door communications help promote fairness and respect for the dignity of all employees.

Labour relations

We recognize and respect employees' right to freely choose the form of representation that best fits their needs. In 2007, about a quarter of the company's 1,860 hourly paid wage employees were union members. Three quarters of workers were represented by non-union systems such as employee associations or joint industrial councils.

Human capital is viewed as a competitive advantage, and we encourage positive relationships with all employee groups. Locally, this is promoted through the use of joint employee-supervisor subcommittees or union-management subcommittees. During 2007, these committees worked on a number of local issues, including shift scheduling, compensation and working conditions, job progression and training, and workplace safety.

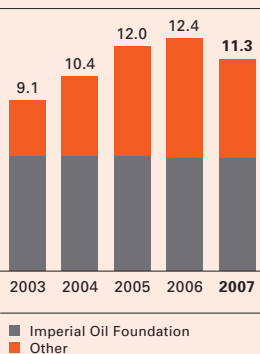
Labour contracts have been successfully negotiated at Imperial for more than 30 years without a work stoppage. In 2007, three agreements were successfully renegotiated and ratified with the Communications, Energy and Paperworkers Union of Canada (CEPU) Local 777 at Strathcona, CEPU Local 900 at Nanticoke and CEPU Local 601 at the Vancouver distribution terminal. The three-year agreements affected a total of 336 employees.

In 2007, 40 employees at the Norman Wells operation voted in a government-supervised vote to decertify CEPU Local 777 and, subsequently, joined the non-union Production Joint Industrial Council.

Community and social performance

Through corporate contributions, volunteer efforts and active engagement with stakeholders, we strive to make a positive and lasting impact in the communities where we operate.

Total community investments
million dollars

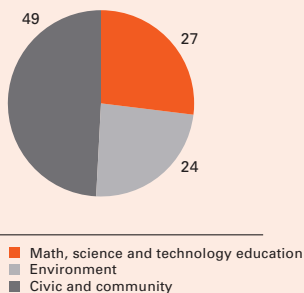


ANALYSIS

We contribute cash donations or goods and services to registered charities, non-governmental organizations and not-for-profit organizations. More than half of the contributions were made through the Imperial Oil Foundation, our main philanthropic arm. In 2007, we contributed a total of \$11.3 million, compared to \$12.4 million in 2006. The difference in total spending was mainly due to a \$1.2 million endowment by Imperial to the Glenbow Museum in 2006.

million dollars	2003	2004	2005	2006	2007
Imperial Oil Foundation	\$6.1	\$6.1	\$6.1	\$6.0	\$6.0
Other (includes in-kind donations and community investment activities outside the foundation)	\$3.0	\$4.3	\$5.9	\$6.4	\$5.3
Total	\$9.1	\$10.4	\$12.0	\$12.4	\$11.3

Allocation of community investment
percent of total by focus area



million dollars	2006	2007
Math, science and technology education	\$3.2	\$3.1
Environment	\$2.3	\$2.7
Civic and community	\$6.9	\$5.5
Total	\$12.4	\$11.3

Community investment

HOW WE APPROACH COMMUNITY INVESTMENT

As a company with deep roots in Canada, we view community investments not simply as a responsibility but as an essential component in building strong and healthy communities. We invest in charitable and non-profit initiatives that address community needs and are aligned with our business interests. We work with hundreds of community partners across Canada to provide funding and expertise.

COMMUNITY INVESTMENT HIGHLIGHTS

In 2007, we contributed \$11.3 million to more than 440 projects across Canada. These were focused on three priority areas: math, science and technology education; the environment; and civic and community programs.

Focus on math, science and technology

Imperial has a long history of supporting and improving educational programs. We target math, science and technology programs because a basic understanding of these subjects is increasingly important in today's highly competitive, technology-driven world. In 2007, we directed \$3.1 million to educational initiatives across the country. Of this total, \$334,000 was invested in programs that support Aboriginal students.

Our largest contribution – \$1 million payable over five years – will fund the Imperial Oil Process Control Laboratory at the Northern Alberta Institute of Technology (NAIT). The state-of-the-art laboratory provides students with hands-on training in advanced equipment specific to the oil and gas industry. In addition, part of the funds will support a pre-technology program, consisting of upgrade courses and mentoring, to prepare Aboriginal students for success in technology programs at NAIT.

Environmental programs

We work with organizations that advance environmental education, conservation and understanding in the areas of air, land, water and energy. In 2007, we contributed \$2.7 million to environmental initiatives across the country.

For example, we donated \$500,000 to the non-profit SEEDS Foundation (Society, Environment and Energy Development Studies Foundation) to bring environmental education to junior-high and high-school students in Canada. The program, called Habitat in the Balance, teaches students about sustainable development while developing students' understanding of the decision-making process. Water, land, air and inhabitants are key topics discussed in the program.

Civic and community programs

We fund and support many community activities, arts, health, social service and civic causes that help to address local needs where we operate and improve the quality of life for Canadians. In 2007, we contributed \$5.5 million to a variety of civic and community programs.

One of our donations helped to establish the Critical Assessment Resource Evaluation (CARE) team at Bluewater Health, a community hospital in Sarnia-Lambton. The team, which is the first of its kind in Ontario, will monitor patients at the hospital to reduce heart attacks through early interventions.



More information about Imperial's community investments in 2007 is available at www.imperialoil.ca

UNITED WAY

Imperial recognizes the positive impact of United Way-Centraide in communities and is a strong supporter of campaigns across Canada. Each year we are a leading corporate participant in Calgary and Toronto in terms of employee contributions and volunteer hours; in smaller centres such as Sarnia-Lambton and the Cold Lake region, our contributions make up a significant share of total dollars raised. In 2007, our company, in partnership with employees and retirees, contributed more than \$3 million to United Way-Centraide campaigns, compared with \$2.9 million in 2006.

On September 15, 2007, 500 Esso-branded retail gasoline sites across the country participated in Esso United Way Day and raised about \$190,000. On this day, we collected customer donations and contributed one cent to United Way for every litre of gasoline purchased and one dollar from each car wash sold.

VOLUNTEERISM

Our community investment program is complemented by the volunteer contributions of employees and retirees to numerous charitable initiatives.

We encourage senior employees to volunteer time and expertise on the boards of organizations we support. The purpose of this involvement is twofold: learning more about community needs while lending valuable private sector expertise to organizations. The list of organizations where Imperial employees have served as directors is diverse and includes Alberta Ecotrust, Art Gallery of Alberta, Calgary Zoo, Frontier College, Glenbow Museum, Junior Achievement of Canada, Let's Talk Science, the SEEDS Foundation and Iniskim Centre at Mount Royal College.

In addition, our Volunteer Involvement Program (VIP) provides a means to encourage, recognize and support employees and retirees who serve the community. Under VIP, employees, retirees and their spouses can apply for grants for charitable and non-profit organizations for which they volunteer services. Through VIP, more than \$223,000 was granted in 2007 to support about 230 organizations across the country.

ESSO RETAILERS IN THE COMMUNITY

Esso-branded retailers and associates, most of whom are independent small-business operators, are the face of the company in many communities across Canada. Caring for the community has long been an important part of their approach to doing business. Imperial supports these activities, wherever possible, to bolster our reputation and raise awareness of the Esso brand.

The Esso Community Program provides Esso-branded retailers and associates with matching financial support of up to \$1,000 for a local activity in which they are involved. In 2007, the program contributed nearly \$262,000 to more than 160 community initiatives across Canada. These ranged from supporting food banks to sponsoring local sports events and teams to raising funds for hospitals and children's programs.

Community engagement

HOW WE ENGAGE STAKEHOLDERS

Community engagement is an essential part of our approach to helping us understand stakeholder concerns and build and maintain strong relationships. This engagement takes many forms, including individual meetings, community presentations, open houses, newsletters and electronic media. Most of this effort is carried out locally by operations and project staff. This is where stakeholder feedback is particularly important in providing input to our operations and planned developments.

We engage with a broad range of stakeholders, including governments, regulators, industry groups, local community residents, non-governmental organizations, Aboriginal communities, educators and suppliers.

STAKEHOLDER ENGAGEMENT HIGHLIGHTS

Imperial's key stakeholder engagement activities in 2007 include:

Community outreach at refineries

At our refineries, we have formal community outreach programs which enable us to communicate effectively with neighbours about operations and important issues. At Dartmouth, we participated in a new city-sponsored automated telephone phone-out program to inform residents about changes in operations. At Sarnia, we updated community stakeholders – municipalities, governments, First Nations and citizen groups – on our progress to strengthen spill prevention at the site. As a member of the Strathcona Industrial Association, Strathcona refinery participated in three community awareness fairs to share information with our neighbours. And at Nanticoke, we commissioned a telephone survey of residents in the area to measure their awareness of emergency preparedness. We will use the findings in 2008 to improve communication of emergency preparedness.

Open houses in Upstream business

Many Upstream locations conduct regular open houses. Each year, for example, we organize an open house called Neighbour Night in the Cold Lake region to get together with our neighbours to discuss our operations and listen to their concerns. Last year, the event was attended by more than 100 community residents. Information regarding our seismic studies, reclamation activities and future development plans were a few of the key topics discussed.

We also met with landowners to share the results of our groundwater monitoring program for domestic water wells in the region. This provided a valuable opportunity to discuss test results and share our monitoring plans.

Consultation with Inuvialuit communities

In 2007, Imperial held public meetings and met with elder communities and hunter and trapper committees in Inuvialuit communities in the Northwest Territories to provide information and obtain input on a proposed seismic program for our Ajurak offshore exploration licence. We also met with Inuvialuit communities to discuss plans for environmental assessments of old well sites and a former work camp in the Beaufort Delta located on land owned by the Inuvialuit Land Administration. The planned assessment work was completed in 2007, and results were presented to the communities in early 2008.

Consultation for Mackenzie gas project

To better understand local issues and concerns about the Mackenzie gas project, consultation with communities in the Northwest Territories continued in 2007. About 85 documented consultation meetings, including public meetings and focus groups, were held with Northern stakeholders. The meetings focused on providing updates on the regulatory process, enhancements to project plans and results of recent field programs.

Regional staff have continued to take a lead role in community engagement. For example, in 2007, they met with hunters and trappers and resource councils along the proposed pipeline right-of-way to update them about project activities and discuss ways to minimize impacts on their livelihood. A process for compensation was discussed for instances where impacts cannot be avoided.

During the year, we continued to participate in an extensive regulatory review process, which has included two years of public hearings in 26 communities, most of which are in regions along the proposed Mackenzie pipeline route. The hearings led by the National Energy Board (NEB) and the Joint Review Panel (JRP) have provided opportunities for public input on all aspects of the project. NEB hearings, focused largely on the technical and commercial aspects of the project, concluded in 2006. JRP hearings, which considered the environmental and socioeconomic aspects of the project, concluded in late 2007. The JRP will next issue a report to government that includes the panel's conclusions and recommendations regarding the nature and significance of project impacts, as well as any mitigation measures and follow-up programs. The NEB will take the report's findings into consideration as it decides whether the project is in the public interest and should be allowed to proceed. This decision is anticipated in 2009.



Additional information about the Mackenzie gas project is available at www.mackenziegasproject.com

Kearl granted authorization

The federal government gave final approval through an Order-in-Council in August 2007 to the Kearl project following a joint review by provincial and federal government representatives and 16 days of public hearings in late 2006. The panel thoroughly reviewed various stakeholder concerns and issues such as social and economic effects, mine plan and resource conservation, tailings management, reclamation, air emissions, surface water, aquatic resources, traditional land use and human health.

The joint review panel report was challenged in the Federal Court of Canada by a coalition of environmental groups. The joint review panel reconvened at the court's request and provided additional rationale for one of the report's conclusions, and the project received the necessary authorization in June 2008 to allow preliminary work to proceed at the site.

Consultation for Kearl project

We continued to solicit public and community input into our plans for the Kearl oil sands project. For example, we met local residents and discussed our plans for winter drilling and seismic work at an open house in Fort Chipewyan sponsored by the Athabasca Chipewyan First Nation (ACFN). An advisory committee was also formed with the ACFN to strengthen the relationship between the company and the community. The 13-person committee provides an opportunity for the ACFN to provide Imperial with input on the project and its impacts. In 2007 and early 2008, the committee met four times and participated in a tour of the project site.

We also met with Keyano College in Fort McMurray, Alberta, to begin developing plans for a satellite training facility at the Kearn work site. The college would provide online technical and non-technical courses to workers to update their skills in their spare time.



Additional information about the Kearn project is available at www.imperialoil.ca

Aboriginal relations

NEW ABORIGINAL PRINCIPLES

In 2008, we adopted a set of guiding principles to reinforce our approach to Aboriginal relations and provide guidance in our daily interactions with our Aboriginal neighbours. The principles will cover the key areas of consultation, workforce development, business development and community relations. They were developed based on current commitments and programs, industry best practices and input from Aboriginal representatives. An action plan to support the principles will be developed and implemented, starting in 2008.

EMPLOYMENT

In 2007, Aboriginal people represented about 2 percent of our employee workforce, compared with 1.4 percent in 2003. This is improving and will continue to increase over time as we pursue new growth opportunities in northern areas.

EDUCATION AND TRAINING

We have a long history of supporting educational programs for Aboriginal people. Across Canada, we fund scholarships to help students gain the academic qualifications and technical skills needed to compete for jobs in the oil and gas industry. In 2007, 34 individuals were awarded scholarships sponsored by Imperial for use at post-secondary institutions.

We continued to promote education and growth opportunities in other ways:

- **Ontario:** We sponsored a three-day cross-cultural camp for youth held at the Aamjiwnaang First Nation in Sarnia, Ontario. In addition, we will sponsor a chemical engineering technology program, to be introduced in 2008 at the Six Nations Polytechnic in Oshweken, Ontario.

Aboriginal partnership award

Imperial Oil was honoured in early 2008 by the Alberta Chamber of Resources and the Alberta Ministry of International, Intergovernmental and Aboriginal Relations for its collaborative partnership with First Nation and Metis communities. The Rewarding Partnership Award was presented to Imperial in recognition of the Cold Lake operation's Native Internship Program. Rewarding Partnerships is an industry recognition program designed to celebrate companies and their Aboriginal business partners for enhancing the capacity of Aboriginal businesses and communities.

- **Alberta:** We contributed \$250,000 to sponsor a pre-technology program for Aboriginal students interested in attending the Northern Alberta Institute of Technology in Edmonton.

We also pledged \$150,000 over three years toward an elders program at Iniskim Centre, a new Aboriginal student centre at Calgary's Mount Royal College. The centre, which opened in 2007, provides support to more than 400 Aboriginal students, many of them from remote communities. The elders program is intended to help students adjust to life in Calgary and provide a link to the local Aboriginal community.

Elsewhere, our Cold Lake operation continued to promote opportunities for Aboriginal training and education. The Native Internship Program at the operation enables Aboriginal people to get practical training in field and plant operations. The program provides paid on-the-job training for Aboriginal people for up to two years, with graduates gaining valuable technical experience working in field or plant operations. Since its introduction in 1998, 30 students have participated in the program.

- **Northwest Territories:** Regional staff visited junior-high and high schools along the proposed Mackenzie gas pipeline route to provide information on opportunities in the oil and gas industry and job requirements, emphasizing the importance of staying in school.

We also continued to work with governments, Aboriginal groups and industry in the territories to support the Aboriginal Skills and Employment Partnership program. Established in 2004, the multi-million dollar, multi-year initiative allows local Aboriginal people to upgrade skills to take advantage of short-term and long-term job opportunities in the oil and gas industry. To date, more than 2,600 have participated in training opportunities to prepare for oil- and gas-related jobs.

BUSINESS DEVELOPMENT

Our operations and growth projects provide for business development opportunities for Aboriginal people.

In Cold Lake, we continue to partner with contractor companies to identify Aboriginal-owned businesses in the region that can provide supporting services. In 2007, Aboriginal-owned businesses carried out a range of services, including well servicing, waste management and scaffolding, to support our operations.

In many areas, we meet with local Aboriginal businesses to ensure they are aware of the opportunities created by our operations and projects and understand our requirements. In 2007 and early 2008, regional staff participated in five business development conferences in the Northwest Territories, presenting information on business opportunities associated with the Mackenzie gas project. We have also developed procurement guidelines for the Kearn project which outline our commitment to hire qualified local and Aboriginal businesses. We are meeting with local Aboriginal companies and business associations to further discuss the project and our guidelines.

TRADITIONAL KNOWLEDGE STUDIES

In areas where our planned projects border or cross traditional lands, we support traditional knowledge studies involving Aboriginal people and elders from local communities. Through interviews with elders and site visits, the studies are used to map and inventory traditional land uses such as medicinal plant areas, game trails and animal habitats, as well as sacred and ceremonial grounds. The collection of this information creates an important cultural resource for Aboriginal communities and supports informed dialogue throughout project consultation.

Since 2002, 12 studies have been completed and one is in progress to gather traditional knowledge in support of the Mackenzie gas project. We have also met with Aboriginal groups to gain a better understanding of traditional knowledge relating to the Kearl oil sands project lease area and surrounding region. In late 2007, for example, Imperial, along with other companies, sponsored a traditional land use study for the Wood Buffalo Elders Society in northern Alberta.

Supplier relations

We deal with about 5,000 suppliers and spend about \$3.2 billion each year on the purchase of goods and services (excluding crude oil and petroleum products). These suppliers provide a wide range of services, including engineering, construction, transportation, security and facilities maintenance as well as materials required to support daily operations and projects.

As part of the overall commitment to corporate citizenship, we carry out activities throughout the supply chain to help ensure environment, health and safety standards are achieved. In addition to undergoing a financial evaluation, proposals from suppliers are assessed against requirements for technical and safety performance. In each case, a preference is given to companies with a strong commitment and record for workplace safety. Contracts with suppliers include environment, health and safety requirements and reflect our Standards of Business Conduct.

Involvement in policy discussions

We participate with all levels of government in the development of policy on issues affecting our industry and Canadians. We strive for policy that recognizes public interests and is based on sound science, cost-benefit analysis and market-based approaches.

We act directly or through a range of industry associations such as the Canadian Association of Petroleum Producers (CAPP), the Canadian Chemical Producers' Association (CCPA) and the Canadian Petroleum Products Institute (CPPI). Our advocacy efforts can take the form of face-to-face meetings, multi-stakeholder consultations, representation at committee hearings, and responses to information requests. We register our lobbying activities with the federal government and all provincial jurisdictions requiring this disclosure.

HIGHLIGHTS OF PUBLIC POLICY CONTRIBUTIONS

During 2007, we contributed to public policy development on a number of important energy and environmental issues:

- **climate change:** Through industry associations, we actively engaged in multi-stakeholder discussions on the development of regulations to meet the federal government's climate change objectives. We participated and provided comment on a range of issues including the use of technology funds, market instruments and GHG emission target-setting and reporting.
- **water management:** We actively participated in a series of cross-country public workshops on water issues led by Pollution Probe. We also played a leadership role in encouraging industry associations, such as CAPP, CCPA and CPPI, to adopt risk-based strategies for addressing water planning issues.
- **industrial sites:** For several years, Imperial and industry have worked with governments to establish effective policies to manage the issue of redeveloping former industrial sites ("brownfield" developments) in a way that addresses liability and

environmental concerns. Thanks in part to this effort, new draft regulations were proposed in Ontario in 2007 that provide more clarity on liabilities for brownfield development.

- **fuel standards:** Some provincial governments have joined the Western Climate Initiative, a California-led initiative that is developing a low carbon fuel standard. This standard may discourage the use of heavier crude resources in favour of other fuel sources with lower GHG emission intensity. Through industry associations, we have actively supported public policy approaches that encourage consistent and fair treatment of all types of crude oil.
- **wetland conservation:** Imperial is representing the oil and gas industry in a multi-stakeholder process, led by the Alberta Water Council, to develop a wetland policy for Alberta. The policy will provide direction to Albertans to protect, conserve and restore wetlands in the province. A draft of the policy is expected to be submitted to the Alberta government for review and approval in 2008.

Economic performance

The economic contribution we make to society is much more than the earnings we generate. Our contribution includes the benefits that flow from our ongoing investments and operations, including payments to employees, shareholders, suppliers and governments.

Imperial's financial performance

Imperial's broader economic impacts depend on strong financial performance. In 2007, strong commodity prices and improved margins resulted in a year of record results. Earnings were \$3.2 billion. Annual return on capital employed was an industry-leading 38 percent. Regular annual per-share dividends paid were increased for the 13th consecutive year. And total shareholder return, including share appreciation and dividends, was 28 percent, compared to 9.5 percent for the Standard & Poor's/Toronto Stock Exchange Equity Energy Index.



Additional information on our company's financial performance is available through our 2007 Annual Report at www.imperialoil.ca

Economic impact

Imperial's direct economic impact can be measured by the payments that we make to stakeholder groups during the course of business. For example:

- We have employees across Canada. Some of our major operations are in small cities and towns where we are a significant employer.
- Shareholders and investors provide Imperial equity in exchange for dividends and gains in shareholder value. We have more than 175,000 direct registered and non-registered shareholders, most of whom reside in Canada. Many others have a stake in our share performance through ownership of mutual funds or participation in pension plans that hold shares in the company.

- Governments receive tax payments, duties and royalties from Imperial. These payments help governments fund education, health care and other essential social services.
- We work with suppliers who provide a range of services, including engineering, construction, transportation, security and facilities maintenance as well as materials required to support daily operations and projects.
- Communities receive tax payments, as well as cash and in-kind donations and the community involvement of employees. Our donations and volunteer hours support local initiatives and contribute to quality of life in the communities where our employees live and work.

Regional benefits

In addition to our direct benefits to key stakeholders, we also benefit regional economies across the country through employment, wealth-generating investment and local spending on goods and services.

CENTRAL CANADA

For more than a century, our company has contributed to Central Canada's economy through jobs, taxes, the supply of products, and procurement of goods and services. Formed in the 1880s with refineries at London and Petrolia, Ontario, Imperial has grown to become Ontario's largest oil refiner, with major refineries at Sarnia and Nanticoke. The Sarnia complex also includes a large chemical manufacturing plant, a lubricating products manufacturing and packaging operation, and a petroleum research facility. Additional benefits are generated by our position as the leading retailer and distributor of petroleum products in Ontario and Quebec.

DISTRIBUTION OF EXPENDITURES

	2006	2007
Employees		
Wages and benefits	\$1 billion	\$1 billion
Suppliers		
Payments for goods and services (approximate)	\$3 billion	\$3.2 billion
Shareholders		
Common shares purchased	\$1.8 billion	\$2.4 billion
Dividends	\$315 million	\$319 million
Governments		
Taxes, duties and royalties to local, provincial and federal governments	\$5.2 billion	\$5.8 billion
Communities		
Community investments	\$12.4 million	\$11.3 million
Imperial (retained/reinvested)		
Capital and exploration expenditures	\$1.2 billion	\$1 billion
Research expenditures	\$56 million	\$83 million
Total	\$12.6 billion	\$13.8 billion

ANALYSIS

A measure of a company's economic contribution is the distribution of expenditures. This is the sum of wages and benefits, payments to suppliers, shareholder benefits, taxes, community investments, and capital and research expenditures. On this basis, Imperial contributed \$13.8 billion to Canada's economy, a 10 percent increase from 2006. Taxes, duties and royalties to governments were about 1.8 times the company's net earnings.

Industry benefits to Canada's economy

The petroleum industry is a major contributor to Canada's economy. The industry is the largest private sector investor, with about \$53 billion in capital expenditures by the Upstream industry alone in 2006. It also supports Canadian prosperity through our energy trading relationship with the United States. Net energy exports exceeded Canada's \$49 billion merchandise trade surplus in 2007. In addition, oil and gas industry activity creates jobs in many different sectors, which are filled by people from every part of the country. Canada's Upstream petroleum industry provides employment for more than 365,000 people, including jobs that depend on the industry indirectly.

ATLANTIC CANADA

We operate a refinery in Dartmouth, Nova Scotia, have a 9 percent interest in the Sable offshore energy project and are actively exploring in offshore areas of the Atlantic Coast, holding exploration interests in offshore Nova Scotia and Newfoundland.

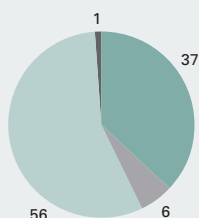
WESTERN CANADA

Our landmark discovery at Leduc, Alberta, in 1947 was instrumental in shaping the modern Canadian petroleum industry and fundamentally changed the nature of Western Canada's economy. Since then, we have continued to play an important leadership role. We operate a major refinery in Strathcona County, near Edmonton, as well as a network of Esso-branded service stations across Western Canada. Since the 1960s, we have helped to pioneer development of Alberta's oil sands through investments in Syncrude Canada, the Cold Lake operation and our oil sands research facility in Calgary. The company's head office in Calgary is home to about 1,500 employees, who in turn contribute to the city's economy. The proposed Kearl oil sands project would expand our presence in the Alberta oil sands, resulting in more than \$24 billion in government taxes and royalties over its lifespan and generating other economic benefits in Alberta as well as other parts of the country.

NORTHERN CANADA

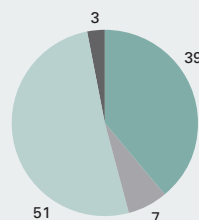
We have also been active in energy development in Canada's North since the discovery of oil at Norman Wells in 1920. Today we operate an oil field there and continue to play a lead role in the Mackenzie gas project, a proposed natural gas pipeline system along the Mackenzie Valley in the Northwest Territories to connect northern onshore gas fields with North American markets. If it proceeds, this multi-billion dollar project would provide important economic benefits to Northerners and other Canadians.

Employment by region
percent of full-time employees



- Central Canada
- Atlantic Canada
- Western Canada
- Northern Canada

Payments to local and provincial governments by region
percent of total



- Central Canada
- Atlantic Canada
- Western Canada
- Northern Canada

million dollars	2007
Central Canada	\$1,264
Atlantic Canada	\$245
Western Canada	\$1,663
Northern Canada	\$82

Payments include income tax, property tax, sales tax, other consumer taxes and crown royalties.

FIVE-YEAR PERFORMANCE DATA

	2003	2004	2005	2006	2007
ENVIRONMENT					
Greenhouse gas emissions (thousand tonnes of CO ₂ e) ¹	11,659	11,851	11,735	11,819	11,533
Sulphur dioxide (thousand tonnes)	44.2	49.3	48.5	47.6	38.5
Nitrogen oxides (thousand tonnes)	22.9	23.1	21.8	20.8	20.4
Volatile organic compounds (thousand tonnes)	22.1	21.6	20.8	19.9	20.0
NPRI criteria air contaminants (thousand tonnes) ²	93.1	105.5	93.0	93.3	79.9
NPRI substances excluding criteria air contaminants (thousand tonnes) ²	3.8	4.7	4.6	37.4 ³	40.4
Gas flaring from oil production (million cubic feet per day)	1.2	1.0	1.0	1.1	1.0
Solution gas recovery from oil production (percent of total solution gas produced) ⁴	99.8	99.9	99.9	99.9	99.9
Freshwater use at Cold Lake operation (cubic metres of fresh water per cubic metre of bitumen produced)	0.48	0.53	0.41	0.43	0.44
Total energy use (million gigajoules)	184.5	190.6	185.8	197.8	193.9
Refinery energy intensity (normalized index) ⁵	0.867	0.835	0.830	0.841	0.837
Oil and chemical spills (number) ⁶	37	50	28	34	17
Volume of product from oil and chemical spills (barrels) ⁷	371	1,332	199	8,389 ⁸	126
Hazardous waste (thousand tonnes) ⁹	10.9	10.5	12.5	19.5 ¹⁰	14.3
Environmental regulatory compliance incidents (number) ¹¹	25	37	19	22	37
Environmental fines and penalties (thousand dollars) ¹²	\$0	\$1,138 ¹³	\$125 ¹⁴	\$0	\$0
Environmental expenditures (million dollars) ¹⁵	\$291.9	\$129.9	\$268.4	\$153.9	\$132.5 ¹⁶
WORKPLACE					
Health and safety					
Fatalities – employees	0	0	0	0	0
Fatalities – contractors	0	0	0	0	0
Lost-time incident frequency – employees (per 200,000 hours worked) ¹⁷	0.06	0.02	0.03	0.02	0.04
Lost-time incident frequency – contractors (per 200,000 hours worked) ¹⁷	0.13	0.10	0.01	0.11	0.02
Total recordable incident frequency – employees (per 200,000 hours worked) ¹⁸	0.47	0.33	0.20	0.48	0.42
Total recordable incident frequency – contractors (per 200,000 hours worked) ¹⁸	1.17	0.93	0.71	0.99	0.80
Workforce					
Number of employees ¹⁹	6,256	6,083	5,096	4,869	4,785
Workplace representation (percent) ²⁰					
– Women	28.1	28.3	24.9	25.8	25.7
– Visible minorities	7.8	7.9	7.3	7.6	8.1
– Aboriginal people	1.4	1.5	1.7	1.8	2.0
– Persons with disabilities	1.0	1.0	0.9	0.9	0.9
COMMUNITY AND SOCIAL					
Community investment (million dollars) ²¹	\$9.1	\$10.4	\$12.0	\$12.4	\$11.3
Contributions to United Way-Centraide campaigns (million dollars) ²²	\$2.5	\$2.7	\$3.0	\$2.9	\$3.0
FINANCIAL AND OPERATING²³					
Net income (million dollars)	\$1,705	\$2,052	\$2,600	\$3,044	\$3,188
Annual shareholders' return (percent) ²⁴	30.5	25.3	64.0	12.5	28.0
Return on average capital employed (percent)	25.3	27.7	32.6	35.9	37.7
Gross crude oil and natural gas liquids production (thousand barrels per day)	256	262	261	272	275
Gross natural gas production (million cubic feet per day)	513	569	580	556	458
Refinery throughput (thousand barrels per day)	450	467	466	442	442
Chemical sales volumes (thousand tonnes per day)	3.3	3.3	3.0	3.0	3.1

- ¹ Imperial reports both direct and indirect GHG emissions from all owned and operated facilities. Direct GHG emissions are from Imperial's own operations. Indirect emissions result from the generation of electricity produced for Imperial by external sources.
- ² Environment Canada collects information from industry on releases and off-site transfers of substances under the National Pollutant Release Inventory (NPRI) program. The NPRI contains data on air, land and water as well as material sent to licensed facilities for disposal or recycling or reuse. Since 2002, SO₂ and NO_x, along with VOCs, particulate matter and carbon monoxide (collectively known as "criteria air contaminants" or CACs), have been included for annual NPRI reporting. Imperial has reported NPRI data annually since 1994.
- ³ The increase in NPRI non-criteria non-contaminant substances for 2006 was due to a new regulatory requirement that specifies the inclusion of spent sulphuric acid, which is recycled.
- ⁴ Measures the amount of gas recovered and used (as opposed to being flared or vented) as a percentage of total solution gas production in Imperial's Upstream business.
- ⁵ The energy intensity index is a measure of energy efficiency for petroleum refineries. Performance is shown on a normalized basis with 1990 as a base index of 1.00. A lower energy intensity index number indicates a more energy-efficient facility.
- ⁶ Measures the number of oil and chemical spills to land and water that are one barrel or greater.
- ⁷ Measures the volume of product from oil and chemical spills to land and water that are one barrel or greater.
- ⁸ This increase was largely the result of a failure on the Rainbow Pipeline that released about 7,900 barrels of crude oil in northern Alberta.
- ⁹ Hazardous wastes are substances requiring specialized procedures for handling and disposal. They come from a variety of sources, the most common being spent catalyst and tank residue, which are generated from tank cleaning and other routine maintenance activities. Volumes of hazardous wastes fluctuate each year, depending on these activities.
- ¹⁰ This increase was the result of a major maintenance turnaround at Strathcona refinery, additional tank-cleaning activities and contaminated soil from the Rainbow Pipeline spill.
- ¹¹ These are the number of environmental regulatory incidents where government environmental regulations were temporarily exceeded and other reporting requirements were not fully met. Typically, these include short-duration exceedance of licence limits (such as higher sulphur dioxide emissions), unintentional errors in required documentation and failures of monitoring equipment. "Short-duration" means a few hours or less.
- ¹² Environmental fines or penalties are recorded in the year of the incident rather than in the year of conviction or when the fine was paid.
- ¹³ In 2004, environmental fines totalling \$1.1 million were recorded. Of this total, \$469,000 was associated with two spill incidents that occurred at the Sarnia site, \$200,000 was for a wastewater release from Strathcona refinery and \$469,000 was for an underground gasoline leak at a service station near Odessa, Ontario.
- ¹⁴ In 2005, one environmental fine of \$125,000 was recorded for an incident in which Sarnia refinery exceeded permitted ground-level emissions of SO₂, due to an upset in operating conditions.
- ¹⁵ The annual total of capital expenditures for environmental protection. From 2003 to 2007, these expenditures totalled \$976 million.
- ¹⁶ In 2007, capital expenditures primarily consisted of investments to produce ultra-low sulphur off-road diesel fuel and to reduce emissions at company-owned facilities and Syncrude Canada.
- ¹⁷ The lost-time incident frequency is based on the number of injuries or illnesses requiring absence from work per 200,000 hours worked (the equivalent of 100 workers working for one year).
- ¹⁸ The total recordable incident frequency is based on the number of recordable incidents per 200,000 hours worked (the equivalent of 100 workers working for one year). Recordable incidents are work-related injuries and illnesses that require medical attention, could restrict a person's ability to do his or her normal job, or prevent a return to work for one or more days.
- ¹⁹ All Imperial employees as of December 31.
- ²⁰ Statistics are collected from self-identification questionnaires. Figures do not include subsidiaries or affiliates.
- ²¹ Community investments consist of contributions to Canadian communities. Contributions are voluntary donations of cash or goods and services made to organizations in compliance with the company's ethics policies and all applicable laws and regulations. Recipient organizations may include registered charities, non-governmental organizations and non-profit education, community, health-related and cultural organizations. Community investments in 2007 included a \$2 million contribution to the Imperial Oil-Alberta Ingenuity Centre for Oil Sands Innovation and \$6 million in contributions made through the Imperial Oil Foundation.
- ²² Represents combined donations from the company, employees and retirees.
- ²³ For complete disclosure and additional information on Imperial's financial and operating performance, see the 2007 Annual Report at www.imperialoil.ca
- ²⁴ Includes share appreciation and dividends.

Content index using API/IPIECA and GRI indicators

Our corporate citizenship reporting was produced using the American Petroleum Institute/International Petroleum Industry Environmental Conservation Association (API/IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (April 2005). For your use in reading this report, this index is also cross-referenced with the relevant Global Reporting Initiative (GRI) indicators defined in the G3 Sustainability Reporting Guidelines Version 3.0.

	API/IPIECA	GRI	Where reported (page)
Overview, profile and vision			
Letter from CEO		1.1	2
Organizational profile		2.1-2.8	1
Report scope and profile		3.1-3.2, 3.6-3.9, 3.11	Inside front cover, 34-35
Structure and governance		4.1, 4.8-4.9	6-7
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Glossary

Barrel: Common unit of volume for measuring petroleum. One barrel equals 42 US gallons or about 159 litres.

Bitumen: Very high viscosity crude oil found throughout the Athabasca, Peace River and Cold Lake regions of Alberta, typically recovered through mining or in situ thermal operations.

Carbon capture and storage: Method of reducing carbon dioxide emissions to the atmosphere by capturing and storing them in another domain. One option being studied involves capturing emissions and injecting them into large underground structures like mines, coal seams or depleted oil and gas reservoirs.

Carbon dioxide equivalent: To calculate the effect of the various greenhouse gases involved in climate change, all greenhouse gases (for example, carbon dioxide, methane, nitrous oxide, water vapour) are converted to this unit of measurement.

Catalysts: Materials that assist chemical reactions by increasing the rate at which they occur. A catalyst is not consumed by the reaction process.

Decommissioning: Process to safely and responsibly close all or parts of a facility. This is followed by removal of equipment and treatment of land or water, as needed.

Ergonomics: Application of human sciences to optimize the working environment. Through education and procedures, ergonomics seeks to improve the match between the job and a worker's physical abilities, information handling and workload capacities.

Flaring: Controlled burning of hydrocarbon gases, which are released from a facility for safety or economic reasons. Flaring is sometimes needed at oil wells that produce small volumes of natural gases (called solution gas) that are located far from pipelines and cannot be economically recovered. Periodically, flaring is also used to safely burn gases to prevent excess pressure from occurring in refinery processing equipment. Recovering this gas wherever possible avoids the loss of an energy resource and reduces greenhouse gas emissions.

Fugitive emissions: Leaks or other emissions from facilities and operating equipment such as valves, flanges, pump and compressor seals, and storage tanks.

Lost-time incidents: Work-related injuries or illnesses that result in workers being unable to report to work the following day.

Produced water: Salt water and condensed steam brought to the surface along with oil during production.

Reclamation: Process of restoring disturbed land to its former use or other productive uses. Reclamation may include removal of equipment, treatment of land or water, land contouring and reconstruction, and the planting of trees and vegetation.

Recordable incidents: Work-related injuries or illnesses that require medical attention, could restrict a person's ability to do his or her normal job, or prevent a return to work for one or more days.

Remediation: Removal, reduction or treatment of contaminants at a site to prevent or minimize any adverse effects on the environment.

Solution gas: Natural gases found with crude oil in underground reservoirs.



How to get information about Imperial Oil

www.imperialoil.ca

Summary Corporate Citizenship Report

- Q&A with the chairman
- Key performance indicators

Annual Report

- Year in review
- Management's discussion and analysis
- Financial statements and notes

Community reports

(Cold Lake operation and refineries)

- Interview with site manager
- Local safety, health and environment results
- Community investment

Other information on the website

- Corporate governance
- Community investment
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