



Imperial Oil

Imperial Oil Limited

Notice of 2013 Annual Meeting of Shareholders and Management Proxy Circular

*2012 Management Discussion and Analysis
and Financial Statements included in this
circular at Appendix A*



NOTICE OF ANNUAL MEETING

Imperial Oil Limited invites you to attend the annual meeting of shareholders on April 25, 2013 in Calgary, Alberta

Dear Shareholder,

It is my pleasure to invite you to attend the company's annual meeting of shareholders, to be held at the Sheraton Suites Calgary Eau Claire, Wildrose Ballroom, 255 Barclay Parade S.W., Calgary, Alberta, Canada on Thursday, April 25, 2013, at 9:30 a.m. (MDT).

The meeting is called for the following purposes:

1. to consider the consolidated financial statements for the year ended December 31, 2012, and the auditors' report,
2. to reappoint the auditor for the ensuing year,
3. to elect directors for the ensuing year, and
4. to consider other business that may properly be brought before the meeting or any adjournment of the meeting.

It is important that your shares be represented at the meeting and that your wishes on matters for decision at the meeting are made known to the directors and management of the company. This will be assured, whether or not you attend the meeting, if you complete and submit the enclosed proxy as soon as possible. You may do so by mail, fax, telephone or internet as described on the enclosed proxy form.

Your proxy must be received at the Toronto office of Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, the company's share transfer agent, prior to 5:00 p.m. (EDT) on April 23, 2013, or two days (excluding Saturdays, Sundays or statutory holidays) prior to any adjournment of the meeting.

The effective date of the Management Proxy Circular is February 13, 2013, on which date there were 847,599,011 common shares outstanding.

We can provide reasonable assistance to people with disabilities who wish to attend the meeting. Please contact the corporate secretary by telephone at (403) 237-2915 or fax at (403) 237-2490 at least two weeks before the meeting.

Original signed by

B.W. (Brian) Livingston

Vice-president, general counsel and corporate secretary

March 14, 2013

Table of Contents

I. Proxy information and voting instructions	1
II. Business of the meeting	4
(i) Consolidated financial statements and auditors' report	4
(ii) Reappointment of the auditor	4
(iii) Election of directors	4
(iv) Other business	5
III. Board of directors	5
Director information	5
Director qualification and selection process	13
Director orientation, education, development, tenure and performance assessment	15
Independence of the directors	16
Board and committee structure	17
Committee memberships of the directors	24
Number of meetings and director attendance in 2012	24
Share ownership guidelines for directors	26
Other public company directorships	27
Interlocking directorships	27
Director compensation	28
Compensation discussion and analysis	28
Director compensation details and tables	29
IV. Company executives and executive compensation	33
Named executive officers of the company	33
Other executive officers of the company	34
Letter to Shareholders from the executive resources committee on executive compensation ..	35
Compensation discussion and analysis	37
Overview	38
Compensation program	41
Compensation decision making process and considerations for named executive officers	47
Executive compensation tables and narratives	52
V. Other important information	59
Effective date	59
Largest shareholder	59
Transactions with Exxon Mobil Corporation	59
Auditor Information	60
Auditor fees	60
Auditor independence	60
Ethical business conduct	61
Corporate governance disclosure	62
If you have a shareholder proposal for the 2014 annual meeting	66
Financial statements	66
Annual report, interim reports and electronic delivery	66
Additional information	66
Directors' approval	66
VI. Appendices	A1
Appendix A – Financial Section	A1
Appendix B – Board of Director and Committee Charters	B1

MANAGEMENT PROXY CIRCULAR

I. Proxy information and voting instructions

The following questions and answers provide guidance on how to vote your shares. Should you have any questions, please contact our transfer agent, Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, as indicated in Q&A No. 15.

1. Q: How do I know what type of shareholder I am?

A: You are a **registered shareholder** if you hold shares in your own name and hold an actual certificate for these shares that indicates the number of shares you hold in the company. To vote as a registered shareholder, please refer to Q&A No. 4 for a description of the procedure to be followed to vote your shares. Alternatively, you may follow the instructions found on the proxy form.

You are a **non-registered shareholder** if you purchased your shares through a broker or intermediary and your account remains with them. The shares are held in the name of the brokerage firm and you do not hold an actual certificate of these shares, but rather the account is recorded on an electronic system. To vote as a non-registered shareholder, please refer to Q&A No. 5 for a description of the procedure to be followed or you may follow the instructions found on the voting information form delivered by your broker or intermediary.

If you are unsure about whether you are a registered or non-registered shareholder, please contact our transfer agent, Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company. Please refer to Q&A No. 15 for the contact information.

2. Q: Who is soliciting my proxy?

A: This circular is furnished in connection with the solicitation by the directors and management of Imperial Oil Limited of proxies for use in voting at its annual meeting of shareholders on April 25, 2013. Proxies from registered shareholders will be solicited primarily by mail, but may also be solicited personally by employees of the company. Voting instructions or proxies from non-registered shareholders will be solicited primarily by mail by intermediaries, or by the company if the names and addresses of non-registered shareholders are provided by the intermediaries. The company will bear the cost of the solicitation.

3. Q: Who is entitled to vote?

A: Shareholders as of 5:00 p.m. (EST) on March 4, 2013, or their duly appointed proxyholders, will be entitled to attend the meeting and to vote in person or by proxy. The list of shareholders was prepared as of 5:00 p.m. (EST) on March 4, 2013. This was the record date for determining which shareholders are entitled to vote at the meeting. No person acquiring common shares after such date is entitled to vote at the meeting. Each shareholder entitled to vote at the meeting receives the invitation to attend the annual meeting, this management proxy circular and the enclosed proxy form, all of which were sent to shareholders commencing on March 14, 2013. Each common share registered in your name in the list of shareholders entitles you to one vote at the annual meeting. The company is authorized to issue 1,100,000,000 common shares and as at February 13, 2013, there were 847,599,011 common shares outstanding. The quorum for the annual meeting is five shareholders.

4. Q: How do I vote?

A: There are two ways in which you can vote your shares if you are a **registered shareholder**. You can vote in person at the meeting or you can use the enclosed proxy appointing the named persons or some other person you choose to represent you and vote your shares at the meeting. If you wish to vote in person at the meeting, do not use the proxy. Your vote will be taken and counted at the meeting. Using your proxy does not preclude you from attending the meeting in person. If you do not wish to attend the meeting or do not wish to vote in person, you should use the enclosed proxy.

A proxy must be in writing and must be executed by the shareholder or by the shareholder's attorney authorized in writing, unless you have chosen to complete your proxy by telephone or the internet, as described on the enclosed proxy form. Unless otherwise specified, shareholder votes will be conducted by ballot.

Registered shareholders can return the proxy form to the company's transfer agent, Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, in the envelope that has been provided or by fax to 1-866-781-3111 (Canada or U.S.A) or (416) 368-2502, Attention: Proxy Department, so that it is received by 5:00 p.m. (EDT) on Tuesday, April 23, 2013.

All shares represented by properly completed proxies received by Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company prior to 5:00 p.m. (EDT) on Tuesday, April 23, 2013, or two days (excluding Saturdays, Sundays or statutory holidays) prior to any adjournment of the meeting, will be voted or withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot votes that take place at the annual meeting.

If your shares are **not registered** in your name, but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other financial institution), please see Q&A No. 5 for voting instructions.

In the absence of instructions, the shares will be voted **FOR** the reappointment of the auditor and **FOR** the election of nominated directors as stated in **bold blue type** on page 4.

5. Q: If my shares are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other financial institution), how do I vote my shares?

A: Non-registered shareholders should follow the directions of their intermediaries with respect to the procedures to be followed for voting their proxies. Non-registered shareholders can also vote by telephone or the internet, as directed by their intermediaries. Generally, non-registered shareholders will either be provided with (a) a request for voting instructions (the intermediary is required to send to the company an executed proxy form completed in accordance with any voting instructions received by it); or (b) a proxy form executed by the intermediary but otherwise uncompleted (the non-registered shareholder may complete the proxy form and return it directly to the company's share transfer agent).

To vote at the meeting in person, a non-registered shareholder must have himself or herself appointed as proxyholder. Non-registered shareholders who appoint themselves as proxyholders should, at the meeting, identify themselves at the registration desk.

6. Q: Who will be my proxyholder?

A: Signing the enclosed proxy form gives authority to R.M. Kruger, S.D. Whittaker or V.L. Young, all of whom are directors of the company, to vote your shares at the meeting.

7. Q: Can I appoint someone other than these directors to vote my shares?

A: Yes. In order to appoint some other person to represent you as your proxyholder at the annual meeting, you may either insert the name of such person in the space provided in the proxy form or complete another proper proxy form and, in either case, deliver the completed proxy form to the company's share transfer agent not later than 5:00 p.m. (EDT) on April 23, 2013.

At the meeting, proxyholders should identify themselves at the registration desk.

8. Q: What am I voting on?

A: The reappointment of the auditor of the company and the election of the directors.

9. Q: What if amendments are made to these matters or if other matters are brought before the meeting?

A: The person named in the proxy form will have discretionary authority with respect to amendments or variations of matters identified in the invitation to attend the 2013 annual shareholders' meeting and to other matters that may properly come before the meeting. As of the date of this circular, the directors of the company know of no such amendment, variation or other matter to be presented for action at the meeting.

10. Q: Who counts the votes?

A: The company's transfer agent, Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, counts and tabulates the proxies. This is done independently of the company in order to preserve the confidentiality of individual shareholder votes, with the following exceptions: (a) where the proxy contains comments clearly intended for management; (b) where it is necessary to have reference to the proxy in order to determine its validity; or (c) where necessary in order to permit management to discharge its legal obligations to shareholders such as a proxy solicitation in opposition to the directors.

11. Q: Where can I find the results of the vote?

A: A report on the voting results of the annual meeting will be available on our website at www.imperialoil.ca and will be filed with the securities regulators on SEDAR at www.sedar.com.

12. Q: If I change my mind, can I take back my proxy once I have given it?

A: Yes. You can revoke your proxy for the annual meeting or any adjournment of the meeting in any manner permitted by law. This includes filing a later dated proxy or depositing a written statement signed by you (or signed by your attorney, authorized in writing) either, (a) at the head office of the company at 237 Fourth Avenue S.W., Calgary, Alberta, Canada, T2P 3M9, at any time up to and including the last business day before the meeting at which the proxy is to be voted, or (b) with the chair of the meeting on the day of the meeting.

If a proxy is revoked and not replaced by a proxy that is received at the Toronto office of Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company by 5:00 p.m. (EDT) on Tuesday, April 23, 2013, then the shares represented by the revoked proxy can only be voted in person by a registered shareholder at the annual meeting.

Non-registered shareholders should contact their broker, financial institution or other nominee through whom their shares are held in order to revoke any previous submitted proxy or voting instructions.

13. Q: What must I do to attend the meeting in person?

A: Registered and non-registered shareholders will be required to register for the meeting by identifying themselves at the registration desk. Persons who are not shareholders may be admitted subject to the discretion of the chair of the meeting and subject to any space constraints, after identifying themselves at the registration desk.

14. Q: Can I view the annual meeting even if I am unable to attend in person?

A: The company will be providing a live webcast of the annual meeting again this year. Shareholders who cannot attend the meeting in person are encouraged to listen to the webcast. However, shareholders will not be able to vote through the webcast or otherwise participate in the meeting. A link to the webcast will be available on the company's website at www.imperialoil.ca several days prior to the meeting.

15. Q: Whom can I call if I have questions about the information contained in this circular or require assistance in completing my proxy form?

A: You can contact Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, our transfer agent and registrar,

by mail: PO Box 700, Postal Station B, Montreal, Quebec, H3B 3K3,

by telephone: within Canada and the United States at 1-800-387-0825, or in the Toronto area or from any other country at (416) 682-3860,

by fax: 1-888-249-6189 or (514) 985-8843,

by email: inquiries@canstockta.com,

or on-line: www.canstockta.com.

Annual meeting admission and conduct

Only shareholders as of the record date (March 4, 2013) or valid proxyholders may attend the meeting, although non-shareholders may be admitted at the discretion of the chair. For safety and security reasons, cameras, camera phones, recording equipment, electronic devices, computers, large bags, briefcases, or packages may not be permitted in the meeting. In addition, each shareholder and valid proxyholder will be asked to present valid government issued picture identification before being admitted to the meeting. The chair has the responsibility and authority to conduct the annual meeting in an orderly and timely manner. Only shareholders and valid proxyholders may address the meeting.

II. Business of the meeting

(i) Consolidated financial statements and auditors' report

The audited consolidated financial statements of the company for the year ended December 31, 2012 and the auditors' report thereon will be received at the meeting. The financial statements and the auditors' report are included in this circular as Appendix A. Copies can also be obtained on our website at www.imperialoil.ca and they have been reported online on SEDAR at www.sedar.com and are available in print by contacting the company's vice president, general counsel and corporate secretary or investor relations manager. Contact information can be found on page 66 of this circular.

(ii) Reappointment of the auditor

The audit committee of the board of directors recommends that PricewaterhouseCoopers LLP ("PwC") be reappointed as the auditor of the company until the close of the next annual meeting. PwC has been the auditor of the company for more than five years. See the Auditor information section on page 60 for more details.

Unless a proxy specifies that the shares it represents should be withheld from voting in the reappointment of the auditor, the proposed proxyholders named in the accompanying proxy intend to use it to vote FOR the reappointment of PwC as the auditor of the company to hold office until the close of the next annual meeting.

(iii) Election of directors

The company currently has seven directors. The articles of the company require that the board have between five and fifteen directors. Each director is elected to hold office until the close of the next annual meeting. The proxy form provides instructions for a shareholder to withhold from voting for any or all of the nominees for election as directors. All persons nominated were recommended to the board of directors by the nominations and corporate governance committee. The persons nominated are, in the opinion of the board of directors and management, well qualified to act as directors of the company for the coming year and have confirmed their willingness to serve as directors. The directors do not expect that any of the nominees will be unable to serve as a director, however, if that should occur for any reason prior to the meeting, the proxyholders reserve the right to vote the shares represented by proxy for another nominee at their discretion, unless the proxy specifies that the shares are to be withheld from voting for any or all of the director nominees.

The nominees for election as director are: **Krystyna T. Hoeg, Richard M. Kruger, Jack M. Mintz, David S. Sutherland, Sheelagh D. Whittaker, Darren W. Woods and Victor L. Young.** See the Director information section on pages 5 through 13 for more details on the seven directors nominated for election.

Shareholders may vote **FOR** or withhold a vote for any or all of the nominees for director.

Unless a proxy specifies that the shares it represents should be withheld from voting in the election of any of the director nominees, the proxyholders named in the accompanying proxy intend to use it to vote FOR the election of the following nominees.

Majority Voting Policy

In order to better align with the Canadian Coalition for Good Governance's policy, "Governance Differences of Equity Controlled Corporations" – October, 2011, in 2012, the board of directors of the company passed a resolution adopting a majority voting policy.

As of the date of this circular, Exxon Mobil Corporation holds 69.6% of the company's shares. If Exxon Mobil Corporation's shareholdings were ever to fall below 50%, the company's policy provides that for any non-contested election of directors, any director nominee who receives a greater number of votes "withheld" from his or her election than votes "for" in such election shall tender his or her resignation. Within 90 days after certification of the election results, the board of directors will decide, through a process managed by the nominations and corporate governance committee and excluding the nominee in question, whether to accept the resignation. Absent a compelling reason for the director to remain on the board, the board shall accept the resignation. The board will promptly disclose its decision and, if applicable, the reasons for rejecting the tendered resignation.

(iv) Other business

Management of the company does not intend to present any other business and is not aware of any amendments to the proposed business that have been presented for action by the shareholders other than those mentioned herein or in the notice of meeting.

III. Board of directors

Director information

The tables on the following pages provide information on the seven nominees proposed for election to the board of directors of the company. All of the nominees, with the exception of Darren W. Woods, are now directors and have been since the dates indicated. Robert C. Olsen is a current director and has chosen not to be nominated for re-election. Bruce H. March announced his resignation as a director and as chairman, president and chief executive officer effective March 1, 2013. Richard M. Kruger was elected as a director and as chairman, president and chief executive officer effective March 1, 2013.

Included in these tables is information relating to the director nominees' biographies, independence status, expertise, committee memberships, attendance, public board memberships and shareholdings in the company, as well as any shareholdings in Exxon Mobil Corporation. The information is as of February 13, 2013, the effective date of this circular, unless otherwise indicated.

Krystyna T. Hoeg



Toronto, Ontario, Canada

Age: 63

Current Position:
Nonemployee director

Independent

Director since May 1, 2008

Normally ineligible for re-election in 2022

Skills and experience:

- Leadership of large organizations
- Project management
- Global experience
- Strategy development
- Audit committee financial expert
- Financial expertise
- Executive compensation

Ms. Hoeg was the president and chief executive officer of Corby Distilleries Limited from 1996 until her retirement in February 2007. She previously held several positions in the finance and controllers functions of Allied Domecq PLC and Hiram Walker & Sons Limited. Prior to that, she spent five years in public practice as a chartered accountant with the accounting firm of Touche Ross. She is currently a director of Sun Life Financial Inc., Shoppers Drug Mart Corporation, Canadian Pacific Railway Limited and Canadian Pacific Railway Company, and is also a director of Ganong Brothers Limited and Samuel, Son & Co. Limited, both of which are privately owned corporations. Ms. Hoeg sits on the board of the Toronto East General Hospital.

Board and Committee Membership	Attendance in 2012	
Imperial Oil Limited board	10 of 10	100%
Audit committee	5 of 5	100%
Executive resources committee (Chair)	6 of 6	100%
Environment, health and safety committee	3 of 3	100%
Nominations and corporate governance committee	3 of 3	100%
Contributions committee	3 of 3	100%
Annual meeting of shareholders	1 of 1	100%
Overall Attendance – 100%		

Imperial Oil Limited Securities Held (a) (b) (c) (d)

Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	0	14,678	8,000	22,678	968,351
2011	0	11,450	7,000	18,450	876,560
Change	0	3,228	1,000	4,228	91,791

Share ownership guidelines have been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)

Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

Public Company Directorships in the Past Five Years

- Sun Life Financial Inc. (2002 – Present)
- Shoppers Drug Mart Corporation (2006 – Present)
- Canadian Pacific Railway Limited (2007 – Present)
- Canadian Pacific Railway Company (2007 – Present)
- Cineplex Galaxy Income Fund (2006 – 2010)

Public Board Interlocks

None

Other Positions in the Past Five Years (position, date office held and status of employer)

No other positions held in the last five years

Non-profit sector affiliations

- Toronto East General Hospital (Board of Directors)

Richard M. Kruger



Calgary, Alberta, Canada

Age: 53

Current Position: Chairman, president and chief executive officer, Imperial Oil Limited (as of March 1, 2013)

Not independent

Director since March 1, 2013

Normally ineligible for re-election in 2031

Skills and experience:

- Leadership of large organizations
- Operations/technical
- Project management
- Global experience
- Strategy development
- Financial expertise
- Executive compensation

Mr. Kruger was appointed chairman, president and chief executive officer of Imperial Oil Limited effective March 1, 2013. Mr. Kruger has worked for Exxon Mobil Corporation and its predecessor companies since 1981 in various upstream and downstream assignments with responsibilities in the United States, the former Soviet Union, the Middle East and Southeast Asia. In his previous position, Mr. Kruger was vice-president of Exxon Mobil Corporation and president of ExxonMobil Production Company, a division of Exxon Mobil Corporation, with responsibility for ExxonMobil's global oil and gas producing operations.

Board and Committee Membership	Attendance in 2012	
Imperial Oil Limited board (Chair) (appointed March 1, 2013) Contributions committee (appointed March 1, 2013)	Mr. Kruger was not a board or committee member in 2012	n/a n/a

Imperial Oil Limited Securities Held (a) (b) (c) (d)

Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	0	0	0	0	0

Share ownership guidelines have not been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)

Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
18,524 (<0.01%)	268,400	286,924	25,492,434

Public Company Directorships in the Past Five Years

None

Public Board Interlocks

None

Other Positions in the Past Five Years (position, date office held and status of employer)

- Vice-president, Exxon Mobil Corporation and President, ExxonMobil Production Company, a division of Exxon Mobil Corporation (2008 - 2013)
- Executive vice-president, ExxonMobil Production Company, a division of Exxon Mobil Corporation (2006 – 2008)

Non-profit sector affiliations

- University of Minnesota's College of Engineering and Science (Advisory Board)
- Spindletop Children's Charities International (Advisory Board)
- Greater Houston Partnership (Board of Directors)
- United Way of Greater Houston (Board of Directors, Executive Committee)
- Society of Petroleum Engineers (Member)

Jack M. Mintz



Calgary, Alberta, Canada

Age: 61

Current Position:
Nonemployee director

Independent

Director since April 21, 2005

Normally ineligible for re-election in 2023

- Skills and experience:**
- Global experience
 - Strategy development
 - Government relations
 - Academic/research
 - Executive compensation

Dr. Mintz is currently the Palmer Chair in Public Policy for the University of Calgary. Prior to that he was a professor at the Joseph L. Rotman School of Management at the University of Toronto from 1989. Dr. Mintz is a director of Morneau Shepell Inc. Dr. Mintz has published widely in the fields of public economics and fiscal federalism and has frequently published articles in national newspapers and magazines.

Board and Committee Membership	Attendance in 2012	
Imperial Oil Limited board	10 of 10	100%
Audit committee	5 of 5	100%
Executive resources committee	6 of 6	100%
Environment, health and safety committee (Chair)	3 of 3	100%
Nominations and corporate governance committee	3 of 3	100%
Contributions committee	3 of 3	100%
Annual meeting of shareholders	1 of 1	100%
Overall Attendance – 100%		

Imperial Oil Limited Securities Held (a) (b) (c) (d)					
Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	1,000 (<0.01%)	11,878	10,500	23,378	998,241
2011	1,000 (<0.01%)	9,447	11,000	21,447	1,018,947
Change	0	2,431	(500)	1,931	(20,706)

Share ownership guidelines have been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)			
Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

Public Company Directorships in the Past Five Years

- Morneau Shepell Inc. (2010 - Present)
- Brookfield Asset Management Inc. (formerly Brascan Corporation) (2002 – 2012)
- CHC Helicopter Corporation (2004 – 2008)

Public Board Interlocks

None

Other Positions in the Past Five Years (position, date office held and status of employer)

No other positions held in the last five years

Non-profit sector affiliations

- Social Science and Humanities Research Council of Canada (Board of Directors)
- Centre for Economic Studies (CES) Ifo Institute, Germany (Research fellow)
- Oxford Centre on Business Taxation, UK (Research fellow)
- Literary Review of Canada (Board of Directors)

David S. Sutherland



Waterloo, Ontario, Canada

Age: 63

Current Position:
Nonemployee director

Independent

Director since April 29, 2010

Normally ineligible for re-election in 2022

Skills and experience:

- Leadership of large organizations
- Operations/technical
- Global experience
- Strategy development
- Audit committee financial expert
- Financial expertise
- Government relations
- Executive compensation

In July 2007, Mr. Sutherland retired as president and chief executive officer of the former IPSCO, Inc. after spending 30 years with the company and more than five years as president and chief executive officer. Mr. Sutherland is a director of GATX Corporation and United States Steel Corporation. Mr. Sutherland is a former chairman of the American Iron and Steel Institute and served as a member of the board of directors of the Steel Manufacturers Association, the International Iron and Steel Institute, the Canadian Steel Producers Association and the National Association of Manufacturers.

Board and Committee Membership	Attendance in 2012	
Imperial Oil Limited board	10 of 10	100%
Audit committee	5 of 5	100%
Executive resources committee	6 of 6	100%
Environment, health and safety committee	3 of 3	100%
Nominations and corporate governance committee	2 of 3	66.6%
Contributions committee (Chair)	3 of 3	100%
Annual meeting of shareholders	1 of 1	100%
Overall Attendance – 96.7%		

Imperial Oil Limited Securities Held (a) (b) (c) (d)					
Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	45,000 (<0.01%)	8,393	6,000	59,393	2,536,081
2011	45,000 (<0.01%)	5,232	4,000	54,232	2,576,562
Change	0	3,161	2,000	5,161	(40,481)

Share ownership guidelines have been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)			
Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
5,450 (<0.01%)	0	5,450	484,218

Public Company Directorships in the Past Five Years

- GATX Corporation (2007 - Present)
- United States Steel Corporation (2008 – Present)
- ZCL Composites Inc. (2008 – 2010)

Public Board Interlocks

None

Other Positions in the Past Five Years (position, date office held and status of employer)

No other positions held in the last five years

Non-profit sector affiliations

- KidsAbility, Centre for Child Development (Finance Committee)

Sheelagh D. Whittaker



London, England

Age: 65

Current Position:
Nonemployee director

Independent

Director since April 19, 1996

Normally ineligible for re-election in 2019

Skills and experience:

- Leadership of large organizations
- Global experience
- Strategy development
- Audit committee financial expert
- Financial expertise
- Information technology
- Executive compensation

Ms. Whittaker spent much of her early business career as director and partner with The Canada Consulting Group, now Boston Consulting Group. From 1989 she was president and chief executive officer of Canadian Satellite Communications (Cancom). In 1993, Ms. Whittaker joined Electronic Data Systems of Plano, Texas, then one of the world's foremost providers of information technology services. Initially spending several years as president and chief executive officer of EDS Canada, Ms. Whittaker then undertook other key leadership roles globally, ultimately serving the company as managing director, United Kingdom, Middle East and Africa, until her retirement from EDS in November 2005. Ms. Whittaker is also a non-executive director of Standard Life plc.

Board and Committee Membership	Attendance in 2012	
Imperial Oil Limited board	10 of 10	100%
Audit committee	5 of 5	100%
Executive resources committee	6 of 6	100%
Environment, health and safety committee	3 of 3	100%
Nominations and corporate governance committee (Chair)	3 of 3	100%
Contributions committee	3 of 3	100%
Annual meeting of shareholders	1 of 1	100%
Overall Attendance – 100%		

Imperial Oil Limited Securities Held (a) (b) (c) (d)

Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	9,350 (<0.01%)	41,092	10,500	60,942	2,602,223
2011	9,350 (<0.01%)	37,575	11,000	57,925	2,752,017
Change	0	3,517	(500)	3,017	(149,794)

Share ownership guidelines have been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)

Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

Public Company Directorships in the Past Five Years

- Standard Life plc (2009 – Present)

Public Board Interlocks

None

Other Positions in the Past Five Years (position, date office held and status of employer)

No other positions held in the last five years

Non-profit sector affiliations

- Member of the VIP Advisory Board of the European Professional Women's Network

Darren W. Woods



Fairfax, Virginia, United States of America

Age: 48

Current Position: Vice-president, Exxon Mobil Corporation and president ExxonMobil Refining and Supply Company

Not independent

D.W. Woods is being nominated for a position to the board of the company for the first time.

Normally ineligible for re-election in 2037

Skills and experience:

- Leadership of large organizations
- Operations/technical
- Project management
- Global experience
- Strategy development
- Financial expertise
- Executive compensation

Mr. Woods is a vice-president of Exxon Mobil Corporation and is the president of ExxonMobil Refining and Supply Company, a division of Exxon Mobil Corporation, with responsibility for ExxonMobil's global refining and supply operations. He is located in Fairfax, Virginia. Mr. Woods has worked for ExxonMobil in a range of downstream and chemical management assignments, investor relations in the United States, as well as international assignments in England, Scotland and Brussels.

Board and Committee Membership	Attendance in 2012	
Not currently a member of the board	--	--

Imperial Oil Limited Securities Held (a) (b) (c) (d)

Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	0	0	0	0	0

Share ownership guidelines have not been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)

Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
13,093 (<0.01%)	100,300	113,393	10,074,666

Public Company Directorships in the Past Five Years

None

Public Board Interlocks

None

Other Positions in the Past Five Years (position, date office held and status of employer)

- Vice President, Supply & Transportation, ExxonMobil Refining & Supply Company (2010 - 2012)
- Refining Director, Europe, Africa & Middle East, ExxonMobil Refining & Supply Company (2008 - 2010)

Non-profit sector affiliations

- National Association of Manufacturers (Executive Committee)
- American Petroleum Institute (Downstream Committee Chair)

Victor L. Young, O.C.



St. John's, Newfoundland and Labrador, Canada

Age: 67

Current Position:
Nonemployee director

Independent

Director since April 23, 2002

Normally ineligible for re-election in 2018

Skills and experience:

- Leadership of large organizations
- Strategy development
- Audit committee financial expert
- Financial expertise
- Government relations
- Executive compensation

From November 1984 until May 2001, Mr. Young served as chairman and chief executive officer of Fishery Products International Limited, a frozen seafood products company. He is a director of Royal Bank of Canada and McCain Foods Limited. Mr. Young was appointed an Officer of the Order of Canada in 1996, and is currently vice chair of the capital campaign for Memorial University.

Board and Committee Membership	Attendance in 2012	
Imperial Oil Limited board	10 of 10	100%
Audit committee (Chair)	5 of 5	100%
Executive resources committee	6 of 6	100%
Environment, health and safety committee	3 of 3	100%
Nominations and corporate governance committee	3 of 3	100%
Contributions committee	3 of 3	100%
Annual meeting of shareholders	1 of 1	100%
Overall Attendance – 100%		

Imperial Oil Limited Securities Held (a) (b) (c) (d)					
Year	Common Shares (% of class)	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
2012	20,000 (<0.01%)	9,464	10,500	39,964	1,706,463
2011	17,750 (<0.01%)	8,594	11,000	37,344	1,774,213
Change	2,250	870	(500)	2,620	(67,750)

Share ownership guidelines have been met.

Exxon Mobil Corporation Securities Held (a) (c) (e)			
Common Shares (% of class)	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

Public Company Directorships in the Past Five Years
<ul style="list-style-type: none"> • Royal Bank of Canada (1991 – Present) • Bell Aliant (2002 – 2010) • BCE Inc. (1995 – 2010)

Public Board Interlocks
None

Other Positions in the Past Five Years (position, date office held and status of employer)
No other positions held in the last five years

Non-profit sector affiliations
<ul style="list-style-type: none"> • YMCA (St. John's) (Honorary Co-Chair of Capital Campaign) • Memorial University (Vice-chair of Capital Campaign)

Footnotes to Directors Tables on pages 6 through 12:

- (a) The information includes the beneficial ownership of common shares of Imperial Oil Limited and shares of Exxon Mobil Corporation, which information not being within the knowledge of the company has been provided by the nominees individually.
- (b) The company's plan for restricted stock units for nonemployee directors is described on page 30. The company's plan for deferred share units for nonemployee directors is described on page 29. The company's plan for restricted stock units for selected employees is described on page 43.
- (c) The numbers for the company's restricted stock units represent the total of the restricted stock units received in 2006 through 2012 and deferred share units received since directors' appointment. The numbers for Exxon Mobil Corporation restricted stock include restricted stock and restricted stock units granted under its restricted stock plan which is similar to the company's restricted stock unit plan.
- (d) The value for Imperial Oil Limited common shares, deferred share units, restricted stock units is based on the closing price for Imperial Oil Limited common shares on the Toronto Stock Exchange of \$42.70 on February 13, 2013 and \$47.51 on February 15, 2012.
- (e) The value for Exxon Mobil Corporation common shares and restricted stock is based on the closing price for Exxon Mobil Corporation common shares of \$88.67 U.S., which is converted to Canadian dollars at the noon rate of exchange of \$1.0020 provided by the Bank of Canada for February 13, 2013.

Director qualification and selection process

The nominations and corporate governance committee is responsible for identifying and recommending new candidates for board nomination. The process for selection is described in paragraph 9(a) of the Board of Directors Charter attached as Appendix B. The committee maintains a list of potential director candidates for future consideration and reviews such list annually.

In considering the qualifications of potential nominees for election as directors, the nominations and corporate governance committee considers the work experience and other areas of expertise of the potential nominees. The following key criteria are considered to be relevant to the work of the board of directors and its committees:

Work Experience

- Experience in leadership of businesses or other large organizations (Leadership of large organizations)
- Operations/technical experience (Operations/technical)
- Project management experience (Project management)
- Experience in working in a global work environment (Global experience)
- Experience in development of business strategy (Strategy development)

Other Expertise

- Audit committee financial expert (also see the financial expert section in the audit committee chart on page 19)
- Expertise in financial matters (Financial expertise)
- Expertise in managing relations with government (Government relations)
- Experience in academia or in research (Academic/research)
- Expertise in information technology (Information technology)
- Expertise in executive compensation policies and practices (Executive compensation)

In addition, the nominations and corporate governance committee may consider the following additional factors in assessing potential nominees:

- possessing expertise in any of the following areas: law, science, marketing, administration, social/political environment or community and civic affairs; and
- providing diversity of viewpoint, individual competencies in business, other areas of endeavour in contributing to the collective experience of the directors, age, gender or regional association.

The nominations and corporate governance committee assesses the work experience and other expertise each existing director possesses and whether each nominee is able to fill any gaps in such experience and expertise. Consideration is also given to whether candidates possess the ability to contribute to the broad range of issues with which the board and its committees must deal, are able to devote the necessary amount of time to prepare for and attend board and committee meetings and are free of any potential legal impediment or conflict of interest. Candidates are expected to remain qualified to serve for a minimum of five years and are expected to achieve ownership of no less than 15,000 common shares, deferred share units and restricted share units within five years of becoming a director.

When the committee is recommending candidates for re-nomination, it assesses such candidates against the criteria for re-nomination as set out in paragraph 9(b) of the Board of Directors Charter found in Appendix B of this circular. Candidates for re-nomination are expected to not change their principal position or thrust of involvement or regional association that would significantly detract from his or her value as a director of the corporation and are expected to continue to be compatible with the criteria that led to their selection as nominees.

Skills and Experience of the Director Nominees

The current nominees for election as director collectively have experience and expertise required to ensure effective stewardship and governance of the company. The key areas of work experience and skills and experience for each of the nominees for election as directors can also be found in each of the directors tables on pages 6 through 12 of this circular.

	K.T. Hoeg	R.M. Kruger	J.M. Mintz	D.S. Sutherland	S.D. Whittaker	D.W. Woods	V.L. Young
Leadership of Large Organizations	√	√		√	√	√	√
Operations/ Technical		√		√		√	
Project Management	√	√				√	
Global Experience	√	√	√	√	√	√	
Strategy Development	√	√	√	√	√	√	√
Audit Committee Financial Expert	√			√	√		√
Financial Expertise	√	√		√	√	√	√
Government Relations			√	√			√
Academic/ Research			√				
Information Technology					√		
Executive Compensation	√	√	√	√	√	√	√

Director orientation, education, development, tenure and performance assessment

Orientation, education and development

The vice-president, general counsel and corporate secretary organizes an orientation program for all new directors. In a series of briefings over several days, new directors are briefed by staff and functional managers on all significant areas of the company's operations. New directors are briefed on significant company policies, security, information technology management and on critical planning and reserves processes. They also receive a comprehensive board manual which contains a record of historical information about the company, the charters of the board and its committees and other relevant company business information.

Continuing education is provided to board members by regular presentations by management on the main areas of company business. Each year the board has an extended meeting that focuses on a particular area of the company's operations and includes a visit to one or more of the company's operating sites or a site of relevance to the company's operations. In September 2012, the board visited the Sarnia refinery site in Ontario, Canada and also toured former retail sites in the area. The site visit included presentations relating to the global refining outlook and the company's chemical business, research and site remediation techniques. Other continuing education events in 2012, presented to all directors, included reviews of corporate governance and regulatory issues, various aspects of risk management, export pipeline options, accounting policies and the energy outlook.

Members of the board also receive an extensive package of materials prior to each board meeting that provides a comprehensive summary on each agenda item to be discussed. Similarly, the committee members also receive a comprehensive summary on each agenda item to be discussed by that particular committee.

As part of its annual assessment process, the board members are canvassed as to whether there are any additional topics that they would like to see addressed. In addition, the directors meet prior to most regularly scheduled board meetings and this provides an opportunity for informal discussion. In some cases, where senior management is present, these gatherings provide an opportunity for a review of selected topics of interest.

Tenure

Collectively, the seven nominees for election as directors have 44 years of experience on this company's board. The board charter provides that incumbent directors will not be renominated if they have attained the age of 72, except under exceptional circumstances at the request of the chief executive officer. The following chart shows the current years of service of the members of the board of directors and the year they would normally be expected to retire from the board.

Name of Director	Years of service on the board	Year of expected retirement from the board
K.T. Hoeg	5 years	2022
R.M. Kruger	0 years	2031
J.M. Mintz	8 years	2023
D.S. Sutherland	3 years	2022
S.D. Whittaker	17 years	2019
D.W. Woods	0 years	2037
V.L. Young	11 years	2018
Total of 44 years of experience on the board. The average tenure is 6.3 years.		

Board performance assessment

The board and its committees, as well as the performance of the directors, are assessed on an annual basis. In 2012, the directors provided their written response to a series of questions to evaluate the responsibility and effectiveness of the board and its committees. This response formed the basis for a discussion with the nominations and corporate governance committee at its January 31, 2013 meeting to review the effectiveness of the board and its committees. Given the small board size, the directors are able to provide continuous peer performance feedback as required. The committee also assesses the company's response to issues raised in the previous year's survey.

Independence of the directors

The board is composed of seven directors, the majority of whom (five out of seven) are independent. The five independent directors are not employees of the company. Based on the directors' response to an annual questionnaire, the board determined that none of the independent directors has any interest, business or other relationship that could or could reasonably be perceived to constitute a material relationship with the company. B.H. March was a director and chairman, president and chief executive officer of the company until March 1, 2013 and was not considered to be independent. Mr. March was succeeded on that date by R.M. Kruger as a director and chairman, president and chief executive officer. Mr. Kruger is also not considered to be independent. The board believes that the extensive knowledge of the business of the company and Exxon Mobil Corporation held by both B.H. March and R.M. Kruger is beneficial to the other directors and their participation enhances the effectiveness of the board.

R.C. Olsen is also a non-independent director as he is an employee of Exxon Mobil Corporation and holds the position of executive vice-president of ExxonMobil Production Company, a division of Exxon Mobil Corporation. Mr. Olsen will not stand for re-election at the company's annual meeting of shareholders on April 25, 2013. Director nominee, D.W. Woods, holds the position of vice-president of Exxon Mobil Corporation and president, ExxonMobil Refining and Supply Company, a division of Exxon Mobil Corporation. The company believes that D.W. Woods, as a nominee for director, although deemed non-independent under the relevant standards by virtue of his employment, can be viewed as independent of the company's management and that his ability to reflect the perspective of the company's shareholders enhances the effectiveness of the board.

Name of director	Management	Independent	Not independent	Reason for non-independent status
K.T. Hoeg		√		
R.M. Kruger			√	R.M. Kruger is a director and chairman, president and chief executive officer of Imperial Oil Limited effective March 1, 2013
B.H. March	√		√	B.H. March was a director and chairman, president and chief executive officer of Imperial Oil Limited until March 1, 2013.
J.M. Mintz		√		
R.C. Olsen			√	R.C. Olsen is executive vice-president of ExxonMobil Production Company, a division of Exxon Mobil Corporation. Mr. Olsen is not standing for re-election and will cease to be a director on April 25, 2013.
D.S. Sutherland		√		
S.D. Whittaker		√		
D.W. Woods			√	D.W. Woods is vice-president of Exxon Mobil Corporation and president of ExxonMobil Refining and Supply Company, a division of Exxon Mobil Corporation. Mr. Woods is a nominee for election as a director at the annual meeting of shareholders on April 25, 2013.
V.L. Young		√		

Board and committee structure

Leadership structure

The company has chosen to combine the positions of chairman, president and chief executive officer. B.H. March held these positions until his resignation on March 1, 2013. B.H. March was succeeded on this date by R.M. Kruger. The company does not have a lead director. While the chairman of the board is not an independent director, S.D. Whittaker, chair of the executive sessions, provides leadership for the independent directors. The duties of the chair of the executive sessions include presiding at executive sessions of the board, and reviewing and modifying, if necessary, the agenda of the meetings of the board in advance to ensure that the board may successfully carry out its duties. The position description of the chair of the executive sessions is described in paragraph 8(3) of the Board of Directors Charter attached as Appendix B.

Independent director executive sessions

The executive sessions of the board are meetings of the independent directors and are held in conjunction with every board meeting. These meetings are held in the absence of management. The independent directors held ten executive sessions in 2012. The purposes of the executive sessions of the board include the following:

- raising substantive issues that are more appropriately discussed in the absence of management;
- discussing the need to communicate to the chairman of the board any matter of concern raised by any committee or director;
- addressing issues raised but not resolved at meetings of the board and assessing any follow-up needs with the chairman of the board;
- discussing the quality, quantity, and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties, and advising the chairman of the board of any changes required; and
- seeking feedback about board processes.

In camera sessions of the board committees

Various committees also regularly hold in camera sessions without management present. The audit committee regularly holds private sessions of the committee members as well as private meetings of the committee with each of the external auditor, the internal auditor and senior management as part of every regularly scheduled committee meeting.

Committee structure

The board has created five committees to help carry out its duties. Each committee is chaired by a different independent director and all of the five independent directors are members of each committee. R.C. Olsen is also a member of each committee, with the exception of the audit committee which is composed entirely of independent directors. B.H. March was also a member of the contributions committee until his resignation on March 1, 2013. On the same day, R.M. Kruger also became a member of the contributions committee. Board committees work on key issues in greater detail than would be possible at full board meetings allowing directors to more effectively discharge their stewardship responsibilities. The five independent chairs of the five committees are able to take a leadership role in executing the board's responsibility with respect to a specific area of the company's operations falling within the responsibility of the committee he or she chairs. The board and each committee have a written charter that can be found in Appendix B of this circular. The charters are reviewed and approved by the board annually. The charters set out the structure, position description for the chair and the process and responsibilities of that committee. The five committees of the board are:

- audit committee,
- executive resources committee,
- environment, health and safety committee,
- nominations and corporate governance committee, and
- contributions committee.

The following tables provide additional information about the board and its five committees:

Board of Directors	
Mandate	The board of directors is responsible for the stewardship of the corporation. The stewardship process is carried out by the board directly or through one or more of the committees of the board. The formal mandate of the board can be found within the Board of Directors Charter in Appendix B of this circular.
Directors	<ul style="list-style-type: none"> • B.H. March (chair) (until March 1, 2013) • R.M. Kruger (chair) (from March 1, 2013) • K.T. Hoeg • J.M. Mintz • R.C. Olsen • D.S. Sutherland • S.D. Whittaker • V.L. Young
Highlights	<ul style="list-style-type: none"> • Oversight of Kearn project. • Monitored and reviewed other long-term growth projects (Horn River, Nabiye, Aspen). • Decision to participate in Celtic acquisition. • Risk management review. • Review of critical strategic elements affecting shareholder value. • Sarnia site visit. • Calgary office relocation project.
Role in Risk Management	The chairman, president and chief executive officer is charged with identifying, for review with the board of directors, the principal risks of the corporation's business, and ensuring appropriate systems are in place to manage such risks. The company's financial, execution and operational risk rests with corporate and business management and the company is governed by well-established risk management systems. The board of directors carefully considers these risks in evaluating the company's strategic plans and specific proposals for capital expenditures and budget additions.
Disclosure Policy	The company is committed to full, true and plain public disclosure of all material information in a timely manner, in order to keep security holders and the investing public informed about the company's operations. The full details of the corporate disclosure policy can be found on the company's internet site at www.imperialoil.ca .
Independence	The current board of directors is composed of seven directors, the majority of whom (five out of seven) are independent. The five independent directors are not employees of the company.

Audit Committee	
Mandate	The role of the audit committee includes assisting the board in overseeing the integrity of the company's financial statements, the company's compliance with legal and regulatory requirements and the quality and effectiveness of internal controls; reviewing the adequacy of the company's insurance program; approving any changes in accounting principles and practices; reviewing the results of monitoring activity under the company's business ethics compliance program and reviewing senior management's expense accounts. The formal mandate of the audit committee can be found within the Audit Committee Charter in Appendix B of this circular.
Members	<ul style="list-style-type: none"> • V.L. Young (chair) • S.D. Whittaker (vice-chair) • K.T. Hoeg • J.M. Mintz • D.S. Sutherland
Highlights	<ul style="list-style-type: none"> • Reviewed the scope of PwC audit in light of risks to company. • Reviewed the interim and annual financial statements and MD&A. • Reviewed and assessed the results of the internal auditor's audit program. • Reviewed and assessed the external auditor plan and fees. • Reviewed the committee's mandate and committee self-assessment. • Met in camera without management present at every meeting and also separately with the internal auditor and the external auditor at all meetings.
Financial Expert	The company's board of directors has determined that K.T. Hoeg, D.S. Sutherland, S.D. Whittaker and V.L. Young meet the definition of "audit committee financial expert". The U.S. Securities and Exchange Commission has indicated that the designation of an audit committee financial expert does not make that person an expert for any purpose, or impose any duties, obligations or liability on that person that are greater than those imposed on members of the audit committee and board of directors in the absence of such designation or identification. All members of the audit committee are financially literate within the meaning of Multilateral Instrument 52-110 Audit Committees and the listing standards of the NYSE MKT LLC.
Role in Risk Management	The audit committee also has an important role in risk management. It annually receives updates from management on the company's risk management systems. The audit committee reviewed the scope of PricewaterhouseCoopers' audit in light of risks associated with the energy industry, the regulatory environment and company-specific financial audit risks. It reviews financial statements and results of internal and external audit results.
Independence	The audit committee is composed entirely of independent directors. All members met board approved independence standards, as that term is defined in Multilateral Instrument 52-110 Audit Committees, the U.S. Securities and Exchange Commission rules and the listing standards of the NYSE MKT LLC, a subsidiary of NYSE Euronext and the New York Stock Exchange.

Executive Resources Committee	
Mandate	The executive resources committee is responsible for corporate policy on compensation and for specific decisions on the compensation of the chief executive officer and key senior executives and officers reporting directly to that position. In addition to compensation matters, the committee is also responsible for succession plans and appointments to senior executive and officer positions, including the chief executive officer. The formal mandate of the executive resources committee can be found within the Executive Resources Committee Charter in Appendix B of this circular.
Members	<ul style="list-style-type: none"> • K.T. Hoeg (chair) • V.L. Young (vice-chair) • J.M. Mintz • R.C. Olsen • D.S. Sutherland • S.D. Whittaker <p>None of the members of the executive resources committee currently serves as a chief executive officer of another company.</p>
Highlights	<ul style="list-style-type: none"> • Continued focus on succession planning for senior management positions. • Appointment of a vice-president and officer position. • Reviewed and approved compensation for senior executive positions. • Discussed risk management relative to the company's compensation programs. • Reviewed the company's equal employment opportunity program.
Committee members relevant skills and experience	Ms. Hoeg, Ms. Whittaker, Mr. Olsen, Mr. Sutherland and Mr. Young have extensive and lengthy experience in managing and implementing their respective companies' compensation policies and practices in their past role as chief executive officers or members of senior management. Ms. Hoeg, Mr. Mintz, Mr. Sutherland and Ms. Whittaker sit or have sat on compensation committees of one or more public companies. Accordingly, committee members are able to use this experience and knowledge derived from their roles with other companies in judging the suitability of the company's compensation policies and practices.
Independence	The members of the executive resources committee are independent, with the exception of R.C. Olsen, who is not considered to be independent under the rules of the U.S. Securities and Exchange Commission, Canadian securities rules and the rules of the Toronto Stock Exchange and the NYSE MKT due to his employment with Exxon Mobil Corporation. However, the Canadian Coalition for Good Governance's policy, "Governance Differences of Equity Controlled Corporations" – October, 2011, would view Mr. Olsen as a related director and independent of management and who may participate as a member of the company's executive resources committee. Mr. Olsen's participation helps to ensure an objective process for determining compensation of the company's officers and directors and assists the deliberations of this committee by bringing the views and perspectives of the majority shareholder.

Environment, Health and Safety Committee

Mandate	The role of the environment, health and safety committee is to review and monitor the company's policies and practices in matters of the environment, health and safety and to monitor the company's compliance with legislative, regulatory and corporate standards in these areas. The committee monitors trends and reviews current and emerging public policy in this area. The formal mandate of the environment, health and safety committee can be found within the Environment, Health and Safety Committee Charter in Appendix B of this circular.
Members	<ul style="list-style-type: none"> • J.M. Mintz (chair) • D.S. Sutherland (vice-chair) • K.T. Hoeg • R.C. Olsen • S.D. Whittaker • V.L. Young
Highlights	<ul style="list-style-type: none"> • Incident performance review. • Annual emissions and managing systems performance review. • Occupational health review. • Environmental public policy issues review including air quality management system and oil sands water quality monitoring system.
Role in Risk Management	The environment, health and safety committee reviews and monitors the company's policies and practices in matters of environment, health and safety, which policies and practices are intended to mitigate and manage risk in these areas. The committee receives regular reports from management on these matters.
Independence	The members of the environment, health and safety committee are independent, with the exception of R.C. Olsen.

Nominations and Corporate Governance Committee

Mandate	The role of the nominations and corporate governance committee is to oversee issues of corporate governance as they apply to the company, including the overall performance of the board, review potential nominees for directorship and review the charters of the board and any of its committees. The formal mandate of the nominations and corporate governance committee can be found within the Nominations and Corporate Governance Committee Charter in Appendix B of this circular.
Members	<ul style="list-style-type: none"> • S.D. Whittaker (chair) • J.M. Mintz (vice-chair) • K.T. Hoeg • R.C. Olsen • D.S. Sutherland • V.L. Young
Highlights	<ul style="list-style-type: none"> • Two corporate governance reviews. • Review of director compensation. • Director search update. • Approved statement of corporate governance practice.
Independence	The members of the nominations and corporate governance committee are independent, with the exception of R.C. Olsen, who is not considered to be independent under the rules of the U.S. Securities and Exchange Commission, Canadian securities rules and the rules of the Toronto Stock Exchange and the NYSE MKT due to his employment with Exxon Mobil Corporation. However, the Canadian Coalition for Good Governance’s policy, “Governance Differences of Equity Controlled Corporations” – October, 2011, would view Mr. Olsen as a related director and independent of management and who may participate as a member of the company’s nominations and corporate governance committee. Mr. Olsen’s participation helps to ensure an objective nominations process and assists the deliberations of this committee by bringing the views and perspectives of the majority shareholder.

Contributions Committee	
Mandate	The role of the contributions committee is to oversee all of the company's community investment activities, including charitable donations which are presently made through the Imperial Oil Foundation. The formal mandate of the contributions committee can be found within the Contributions Committee Charter in Appendix B of this circular.
Members	<ul style="list-style-type: none"> • D.S. Sutherland (chair) • K.T. Hoeg (vice-chair) • R.M. Kruger (from March 1, 2013) • B.H. March (until March 1, 2013) • J.M. Mintz • R.C. Olsen • S.D. Whittaker • V.L. Young
Highlights	<ul style="list-style-type: none"> • Contribution of \$15 million to communities across Canada in 2012, with a focus on education in math and sciences, environmental and energy literacy initiatives and community opportunities with an emphasis on aboriginal communities. • Launch of a signature math and science initiative (STEM) with funding to the University of Calgary, Scouts Canada and Mount Royal University. • Review of the corporate contributions process. • Review of legislative changes affecting foundations and not-for-profit corporations. • Presentation by grant recipients on effectiveness of program funding.
Independence	The majority of the members of the contributions committee are independent (five out of seven) with the exception of R.C. Olsen and B.H. March, who was succeeded by R.M. Kruger on March 1, 2013.

Committee memberships of the directors

The chart below shows the company's committee memberships and the chair of each committee.

Director	Board committees				
	Nominations and corporate governance committee	Audit committee (b)	Environment health and safety committee	Executive resources committee	Contributions committee
K.T. Hoeg (c)	√	√	√	Chair	√
B.H. March (until March 1, 2013) (a)	-	-	-	-	√
R.M. Kruger (from March 1, 2013) (a)	-	-	-	-	√
J.M. Mintz	√	√	Chair	√	√
R.C. Olsen (a)	√	-	√	√	√
D.S. Sutherland (c)	√	√	√	√	Chair
S.D. Whittaker (c)	Chair	√	√	√	√
V.L. Young (c)	√	Chair	√	√	√

(a) Not independent directors.

(b) All members of the audit committee are independent and financially literate within the meaning of *Multilateral Instrument 52-110 Audit Committees* and the listing standards of the NYSE MKT LLC.

(c) Audit committee financial experts under US regulatory requirements.

Number of meetings and director attendance in 2012

The chart below shows the number of board, committee and annual meetings held in 2012.

Number of meetings

Board or committee	Number of meetings held in 2012
Imperial Oil Limited board (a)	10
Audit committee	5
Executive resources committee	6
Environment, health and safety committee	3
Nominations and corporate governance committee	3
Contributions committee	3
Annual meeting of shareholders	1

(a) There were eight regularly scheduled board meetings and two special board meetings. The special board meetings were held by telephone conference.

Director attendance

The following chart provides a summary of the attendance record of each of the directors in 2012. The attendance record of each director nominee is also set out in his or her biographical information on pages 6 through 12. The attendance charts also provide an overall view of the attendance per committee. Senior management directors and other members of management periodically attend committee meetings at the request of the committee chair.

Director	Board	Audit committee	Executive resources committee	Environment health and safety committee	Nominations and corporate governance committee	Contributions committee	Annual meeting	Total	Percentage by director
K.T. Hoeg	10 of 10	5 of 5	6 of 6 (chair)	3 of 3	3 of 3	3 of 3	1 of 1	31 of 31	100%
B.H. March	10 of 10 (chair)	-	-	-	-	3 of 3	1 of 1	14 of 14	100%
J.M. Mintz	10 of 10	5 of 5	6 of 6	3 of 3 (chair)	3 of 3	3 of 3	1 of 1	31 of 31	100%
R.C. Olsen	10 of 10	-	6 of 6	3 of 3	3 of 3	3 of 3	1 of 1	26 of 26	100%
D.S. Sutherland	10 of 10	5 of 5	6 of 6	3 of 3	2 of 3	3 of 3 (chair)	1 of 1	30 of 31	96.7%
S.D. Whittaker	10 of 10	5 of 5	6 of 6	3 of 3	3 of 3 (chair)	3 of 3	1 of 1	31 of 31	100%
V.L. Young	10 of 10	5 of 5 (chair)	6 of 6	3 of 3	3 of 3	3 of 3	1 of 1	31 of 31	100%
Percentage by committee	100%	100%	100%	100%	94.4%	100%	100%	194/195	Overall attendance percentage 99.49%

Share ownership guidelines for directors

Directors are required to hold the equivalent of at least 15,000 shares of Imperial Oil Limited, including common shares, deferred share units and restricted stock units. Directors are expected to reach this level within five years from the date of appointment to the board. The chairman, president and chief executive officer must, within three years of his appointment, acquire shares of the company, including common shares, deferred share units and restricted stock units, of a value of no less than five times his base salary. The board of directors believes that these share ownership guidelines will result in an alignment of the interest of board members with the interests of all other shareholders. The chart below shows the shareholdings of the directors of the company as of February 13, 2013, the record date of the management proxy circular.

Director	Director since	Amount acquired since last report (February 15, 2012 to February 13, 2013)	Total holdings (includes common shares, deferred share units and restricted stock units)	Total at-risk value of total holdings (a) (\$)	Minimum shareholding requirement	Minimum requirement met or date required to achieve minimum requirement
K.T. Hoeg	May 1, 2008	4,228	22,678	968,351	15,000	Minimum requirement met
B.H. March	January 1, 2008	62,800	253,900	10,841,530	Five times base salary	Minimum requirement met
J.M. Mintz	April 21, 2005	1,931	23,378	998,241	15,000	Minimum requirement met
R.C. Olsen	May 1, 2008	5,000	25,000	1,067,500	15,000	Minimum requirement met
D.S. Sutherland	April 29, 2010	5,161	59,393	2,536,081	15,000	Minimum requirement met
S.D. Whittaker	April 19, 1996	3,017	60,942	2,602,223	15,000	Minimum requirement met
V.L. Young	April 23, 2002	2,620	39,964	1,706,463	15,000	Minimum requirement met

(a) The amount shown in the column "Total at-risk value of total holdings" is equal to the "Total holdings" multiplied by the closing price of the company's shares on February 13, 2013 (\$42.70).

Other public company directorships

The following table shows which directors and director nominees serve on the boards of other reporting issuers and the committee membership in those companies.

Name of director or nominee	Other reporting issuers of which director is also a director	Type of company	Stock Symbol: Exchange	Committee appointments
K.T. Hoeg	Sun Life Financial Inc.	Financial services - Insurance	SLF: TSX, NYSE, Other	Management resources committee (Chair)
				Risk review committee
	Shoppers Drug Mart Corporation	Merchandising - specialty stores	SC:TSX	Nominating and governance committee (Chair)
	Canadian Pacific Railway Limited	Transportation and environmental services	CP: TSX, NYSE	Corporate governance and nominating committee (Chair)
Management resources and compensation committee				
Canadian Pacific Railway Company	Transportation and environmental services	CPRY: NYSE, LSE	Corporate governance and nominating committee (Chair)	
			Management resources and compensation committee	
R.M. Kruger (from March 1, 2013)	--	--	--	--
B.H. March (until March 1, 2013)	--	--	--	--
J.M. Mintz	Morneau Shepell Inc.	Human resources consulting	MSI: TSX	Compensation, nominating and corporate governance committee
R.C. Olsen	--	--	--	--
D.S. Sutherland	GATX Corporation	Commercial rail vehicles and aircraft engines – shipping	GMT: NYSE	Lead director
	United States Steel Corporation	Iron and steel	X: NYSE	Compensation and organization committee
Corporate governance and public policy committee				
S.D. Whittaker	Standard Life plc	Financial services - insurance	SL.L: LSE	Risk and capital committee
				Nominations and governance committee
				Investment committee
D.W. Woods	--	--	--	--
V.L. Young	Royal Bank of Canada	Financial services - banks and trusts	RY: TSX, NYSE, Other	Audit committee (Chair)
				Risk committee

Interlocking directorships

As of the date of this proxy circular, there are no interlocking public company directorships among the director nominees listed in this circular.

Director compensation

Compensation discussion and analysis

Philosophy and objectives

Director compensation elements are designed to:

- ensure alignment with long-term shareholder interests;
- provide motivation to promote sustained improvement in the company's business performance and shareholder value;
- ensure the company can attract and retain outstanding director candidates who meet the selection criteria outlined in section 9 of the Board of Directors Charter found within Appendix B of this circular;
- recognize the substantial time commitments necessary to oversee the affairs of the company; and
- support the independence of thought and action expected of directors.

Nonemployee director compensation levels are reviewed by the nominations and corporate governance committee each year, and resulting recommendations are presented to the full board for approval.

Employees of the company or Exxon Mobil Corporation receive no extra pay for serving as directors. Nonemployee directors receive compensation consisting of cash and restricted stock units. Since 1999, the nonemployee directors have been able to receive all or part of their cash directors' fees in the form of deferred share units. The purpose of the deferred share unit plan for nonemployee directors is to provide them with additional motivation to promote sustained improvement in the company's business performance and shareholder value by allowing them to have all or part of their directors' fees tied to the future growth in value of the company's common shares. The deferred share unit plan is described in more detail on page 29.

Compensation decision making process and considerations

The nominations and corporate governance committee relies on market comparisons with a group of 23 major Canadian companies with national and international scope and complexity. The company draws its nonemployee directors from a wide variety of industrial sectors, so a broad sample is appropriate for this purpose. The nominations and corporate governance committee does not target any specific percentile among comparator companies at which to align compensation for this group. The 23 comparator companies included in the benchmark sample are as follows:

Comparator companies for nonemployee directors		
Bank of Montreal	Cenovus Energy Inc.	Sun Life Financial Inc.
Bank of Nova Scotia	EnCana Corporation	Suncor Energy Inc.
BCE Inc.	Husky Energy Inc.	Talisman Energy Inc.
Bombardier Inc.	Manulife Financial Corporation	TELUS Inc.
Canadian Imperial Bank of Commerce	Nexen Inc.	Thomson Reuters Corporation
Canadian National Railway Company	Potash Corporation	The Toronto-Dominion Bank
Canadian Natural Resources Limited	Power Financial Corporation	TransCanada Corporation
Canadian Pacific Railway Limited	Royal Bank of Canada	

Independent consultants

Following the nominations and corporate governance committee decision to use an external research firm to assemble the comparator data for the prior year in the second quarter of each year so as to enable the committee to determine compensation for the upcoming July 1st – June 30th twelve month period, the committee retained Meridian Compensation Partners ("Meridian"), an independent consultant, to provide an assessment of competitive compensation and market data for directors' compensation which assisted the committee in making a compensation recommendation for the company's directors. The professional fees and expenses for this service totaled \$30,145.

Hedging policy

Company policy prohibits all employees, including executives, and directors, from purchasing or selling puts, calls, other options or futures contracts on the company or Exxon Mobil Corporation stock.

Director compensation details and tables

Compensation Details

Annual retainer

The annual retainer for board memberships was \$100,000 per year for the period up to June 30, 2012 and was increased to \$110,000 per year for the period after July 1, 2012. The nonemployee directors were also paid \$20,000 for membership on all board committees. Additionally, each board committee chair received a retainer of \$10,000 for each committee chaired. Nonemployee directors were not paid a fee for attending board and committee meetings for each of the eight regularly-scheduled meetings. However, they were eligible to receive a fee of \$2,000 per board or committee meeting occurring on any other day. Two board meetings occurred outside of the eight regularly-scheduled meeting days.

Using the data provided by Meridian, the nominations and corporate governance committee recommended and the board approved, a \$10,000 increase to the annual retainer to address the erosion in the competitive position of the company's director compensation program, as measured against its comparators, since the last adjustment in 2008.

Deferred share units

In 1999, an additional form of long-term incentive compensation ("deferred share units") was made available to nonemployee directors. Nonemployee directors may elect to receive all or a portion of their annual retainer for board membership, annual retainer for committee membership and annual retainer for committee chair, in the form of deferred share units.

The following table shows the portion of the annual retainer for board membership, annual retainer for committee membership and annual retainer for committee chair which each nonemployee director elected to receive in cash and deferred share units in 2012.

Director	Election for 2012 director fees in cash (%)	Election for 2012 director fees in deferred share units (%)
K.T. Hoeg	0	100
J.M. Mintz	25	75
D.S. Sutherland	0	100
S.D. Whittaker	0	100
V.L. Young	75	25

The number of deferred share units granted to a nonemployee director is determined at the end of each calendar quarter for that year by dividing (i) the dollar amount of the nonemployee director's fees for that calendar quarter that the director elected to receive as deferred share units by (ii) the average of the closing price of the company's shares on the Toronto Stock Exchange for the five consecutive trading days ("average closing price") immediately prior to the last day of that calendar quarter. Those deferred share units are granted effective the last day of that calendar quarter.

A nonemployee director is granted additional deferred share units in respect of the unexercised deferred share units on the dividend payment dates for the common shares of the company. The number of such additional deferred share units is determined for each cash dividend payment date by (i) dividing the cash dividend payable for a common share of the company by the average closing price immediately prior to the payment date for that dividend and then (ii) multiplying that resultant number by the number of unexercised deferred share units held by the nonemployee directors on the record date for the determination of shareholders entitled to receive payment of such cash dividend.

A nonemployee director may only exercise these deferred share units after termination of service as a director of the company, including termination of service due to death. No deferred share units granted to a nonemployee director may be exercised unless all of the deferred share units are exercised on the same date.

Restricted stock units

In addition to the cash fees described above, the company pays a significant portion of director compensation in restricted stock units to align director compensation with the long-term interests of shareholders. Restricted stock units are awarded annually with 50 percent vesting in cash three years from the date of grant and the remaining 50 percent vesting on the seventh anniversary of the grant date. Directors can elect to receive one common share for each unit or a cash payment for the units to be exercised on the seventh anniversary of the date of grant of the restricted stock units. The vesting periods are not accelerated upon separation or retirement from the board, except in the event of death. The restricted stock unit plan is described in more detail on page 43. In 2012, each nonemployee director received a grant of 2,000 restricted stock units.

In contrast to the forfeiture provisions for restricted stock units held by employees of the company, the restricted stock units awarded to nonemployee directors are not subject to risk of forfeiture at the time a director leaves the company's board. This provision is designed to reinforce the independence of these board members. However, while on the board and for a 24-month period after leaving the company's board, restricted stock units may be forfeited if the nonemployee director engages in direct competition with the company or otherwise engages in any activity detrimental to the company. The board agreed that the word "detrimental" shall not include any actions taken by a nonemployee director or former nonemployee director who acted in good faith and in the best interest of the company.

Other reimbursement

Nonemployee directors are also reimbursed for travel and other expenses incurred for attendance at board and committee meetings.

Components of director compensation

The following table sets out the details of compensation paid to the nonemployee directors for 2012.

Director	Annual retainer for board membership (\$) (a)	Annual retainer for committee membership (\$) (b)	Annual retainer for committee chair (\$) (c)	Restricted stock units (RSU) (#) (d)	Fee for board and committee meetings not regularly scheduled		Total fees paid in cash (\$) (e)	Total value of deferred share units (DSU) (\$) (f)	Total value of restricted stock units (RSU) (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Number of non-regularly scheduled meetings attended (#) (j)	Fee (\$2,000 x number of non-regularly scheduled meetings attended) (\$) (k)					
K.T. Hoeg	105,000	20,000	10,000 (ERC)	2,000	2	4,000	4,000	135,000	84,620	9,237	232,857
J.M. Mintz	105,000	20,000	10,000 (EH&S)	2,000	2	4,000	37,750	101,250	84,620	10,732	234,352
D.S. Sutherland	105,000	20,000	10,000 (CC)	2,000	2	4,000	4,000	135,000	84,620	4,721	228,341
S.D. Whittaker	105,000	20,000	10,000 (N&CG)	2,000	2	4,000	4,000	135,000	84,620	23,875	247,495
V.L. Young	105,000	20,000	10,000 (AC)	2,000	2	4,000	105,250	33,750	84,620	9,501	233,121

- The annual retainer for nonemployee directors was \$100,000 per year for the period up to June 30, 2012 and was increased to \$110,000 per year for the period after July 1, 2012.
- "Total fees paid in cash" is the portion of the "Annual retainer for board membership", "Annual retainer for committee membership" and "Annual retainer for committee chair" which the director elected to receive as cash, plus the "Fee for board and committee meetings not regularly scheduled". This amount is reported as "Fees earned" in the Director compensation table on page 31.
- "Total value of deferred share units" is the portion of the "Annual retainer for board membership", "Annual retainer for committee membership", and "Annual retainer for committee chair", which the director elected to receive as deferred share units, as set out in the previous table on page 29. This amount plus the "Total value of restricted stock units" amount is shown as "Share-based awards" in the Director compensation table on page 31.
- The values of the restricted stock units shown are the number of units multiplied by the closing price of the company's shares on the date of grant, which was \$42.31.
- Amounts under "All other compensation" consist of dividend equivalent payments on unexercised restricted stock units, the value of additional deferred share units granted in lieu of dividends on unexercised deferred share units and security provided for certain

directors. In 2012, K.T. Hoeg received \$3,180 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$6,057 in lieu of dividends on deferred share units. J.M. Mintz received \$5,060 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$4,958 in lieu of dividends on deferred share units. D.S. Sutherland received \$1,660 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$3,061 in lieu of dividends on deferred share units. S.D. Whittaker received \$5,225 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$18,650 in lieu of dividends on deferred share units. V.L. Young received \$5,225 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$4,276 in lieu of dividends on deferred share units.

Compensation tables

The following table summarizes the compensation paid, payable, awarded or granted for 2012 to each of the nonemployee directors of the company.

Name (a)	Fees earned (\$) (c)	Share-based awards (\$) (d)	Option-based awards (\$) (e)	Non-equity incentive plan compensation (\$) (f)	Pension value (#)	All other compensation (\$) (g)	Total (\$)
K.T. Hoeg (b)	4,000	219,620	-	-	-	9,237	232,857
J.M. Mintz (b)	37,750	185,870	-	-	-	10,732	234,352
D.S. Sutherland (b)	4,000	219,620	-	-	-	4,721	228,341
S.D. Whittaker (b)	4,000	219,620	-	-	-	23,875	247,495
V.L. Young (b)	105,250	118,370	-	-	-	9,501	233,121

- (a) As directors employed by the company or Exxon Mobil Corporation in 2012, B.H. March and R.C. Olsen did not receive compensation for acting as directors.
- (b) Starting in 1999, the nonemployee directors have been able to receive all or part of their directors' fees in the form of deferred share units.
- (c) Represents all fees awarded, earned, paid or payable in cash for services as a director, including retainer fees, committee, chair and meeting fees.
- (d) The values of the restricted stock units shown are the number of units multiplied by the closing price of the company's shares on the date of grant. The dollar value of deferred share units shown is the value of the portion of the "Annual retainer for board membership", "Annual retainer for committee membership" and "Annual retainer for committee chair" which the director elected to receive as deferred share units as noted on page 29.
- (e) Amounts under "All other compensation" consist of dividend equivalent payments on unexercised restricted stock units, the value of additional deferred share units granted in lieu of dividends on unexercised deferred share units and security provided for certain directors. In 2012, K.T. Hoeg received \$3,180 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$6,057 in lieu of dividends on deferred share units. J.M. Mintz received \$5,060 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$4,958 in lieu of dividends on deferred share units. D.S. Sutherland received \$1,660 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$3,061 in lieu of dividends on deferred share units. S.D. Whittaker received \$5,225 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$18,650 in lieu of dividends on deferred share units. V.L. Young received \$5,225 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$4,276 in lieu of dividends on deferred share units.

Total compensation paid to non-employee directors	
Year	Amount
2008	\$1,044,721
2009	\$1,110,500
2010	\$1,089,012
2011	\$ 1,149,625
2012	\$1,176,166

Outstanding share-based awards and option-based awards for directors

The following table sets forth all outstanding awards held by nonemployee directors of the company as at December 31, 2012 and does not include common shares owned by the director.

Name (a)	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#) (b)	Market or payout value of share-based awards that have not vested (\$) (c)
K.T. Hoeg	-	-	-	-	22,678	969,031
J.M. Mintz	-	-	-	-	22,378	956,212
D.S. Sutherland	-	-	-	-	14,393	615,013
S.D. Whittaker	-	-	-	-	51,592	2,204,526
V.L. Young	-	-	-	-	19,964	853,062

- (a) As directors employed by the company or Exxon Mobil Corporation in 2012, B.H. March and R.C. Olsen did not receive compensation for acting as directors.
(b) Represents restricted stock units and deferred share units held as of December 31, 2012.
(c) Value is based on the closing price of the company's shares on December 31, 2012, which was \$42.73.

Incentive plan awards for directors – Value vested or earned during the year

The following table sets forth the value of the awards that vested or were earned by each nonemployee director of the company in 2012.






Name (a)	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
K.T. Hoeg (b)	-	42,730	-
J.M. Mintz (c)	-	106,825	-
D.S. Sutherland	-	0	-
S.D. Whittaker (c)	-	106,825	-
V.L. Young (c)	-	106,825	-

- (a) As directors employed by the company or Exxon Mobil Corporation in 2012, B.H. March and R.C. Olsen did not receive compensation for acting as directors.
(b) Represents restricted stock units granted in 2009 and vesting in 2012.
(c) Represents restricted stock units granted in 2005 and 2009, which vested in 2012.



IV. Company executives and executive compensation

Named executive officers of the company

The named executive officers of the company at the end of 2012 were:

Name	Age (as of February 13, 2013)	Current Position (date office held)	Other Positions in the Past Five Years (position, date office held and status of employer)
<p>Bruce H. March</p>  <p>Calgary, Alberta, Canada</p>	56	Chairman, president and chief executive officer (April 1, 2008 – March 1, 2013)	<ul style="list-style-type: none"> • President, Imperial Oil Limited (January 2008 to April 2008)
<p>Paul J. Masschelin</p>  <p>Calgary, Alberta, Canada</p>	58	Senior vice-president, finance and administration, and controller (August 1, 2012 – Present)	<ul style="list-style-type: none"> • Senior vice-president, finance and administration, and treasurer, Imperial Oil Limited (2010 - 2012) • Controller, refining & supply and research & engineering, ExxonMobil Fuels Marketing Company (2007 - 2010) (Affiliate)
<p>R. Gilles Courtemanche</p>  <p>Calgary, Alberta, Canada</p>	58	Vice-president and general manager, refining and supply (May 1, 2011 – Present)	<ul style="list-style-type: none"> • Manager, Downstream & Chemicals, Safety, Health & Environment ExxonMobil Refining and Supply Company (2007 – 2011) (Affiliate)
<p>Brian W. Livingston</p>  <p>Calgary, Alberta, Canada</p>	58	Vice-president, general counsel and corporate secretary (August 1, 2004 – Present)	No other positions held in the last five years
<p>T. Glenn Scott</p>  <p>Calgary, Alberta, Canada</p>	49	Senior vice-president, resources (July 1, 2010 – Present)	<ul style="list-style-type: none"> • President, ExxonMobil Canada Limited and Production manager, ExxonMobil Canada East, (2006 - 2010) (Affiliate)

Other executive officers of the company

Name	Age (as of February 13, 2013)	Current Position (date office held)	Other Positions in the Past Five Years (position, date office held and status of employer)
<p>Phil Dranse</p>  <p>Calgary, Alberta, Canada</p>	59	Treasurer (August 1, 2012 – Present)	<ul style="list-style-type: none"> Assistant treasurer, Imperial Oil Limited (2002 – 2012)
<p>Marvin E. Lamb</p>  <p>Calgary, Alberta, Canada</p>	57	Director, corporate tax (December 1, 2001 – Present)	No other positions held in the last five years

Letter to Shareholders from the executive resources committee on executive compensation

Dear Fellow Shareholders:

The Executive Resources Committee (“committee”) would like to outline for you the role of the committee in ensuring good governance in the management of executive compensation within the company.

Compensation governance

The committee is responsible for corporate policy on compensation and for specific decisions on the compensation of the chief executive officer and key senior executives and officers of the company. In exercising this responsibility, the committee ensures that a long-term orientation and the management of risk are integral elements of the compensation policies and practices of the company. These policies and practices are designed to keep management, including named executive officers, focused on the strategic objectives of the company over the long term and to effectively assess and mitigate risk in the execution of these objectives. The committee exercises oversight of a compensation program which assists in the company’s objective to attract, develop and retain key talent needed to achieve its strategic objectives. It is a role the committee executes throughout the year to facilitate increasing shareholder value.

The compensation discussion and analysis (“CD&A”) section that follows provides information needed to assess the company’s compensation program for its named executive officers, including how they are paid and why the company has its current compensation design. The compensation program design strives to match executive compensation outcomes with shareholder experience in terms of value achieved over the same period. In essence, this means the company rewards its executives who place a priority on:

- aligning with long-term shareholder interests;
- reinforcing the company’s orientation toward career employment and individual performance;
- reinforcing its philosophy that the experience, skill and motivation of the company’s executives are significant determinants of future business success; and
- managing risk and taking a long-term view when making investments and managing the assets of the business.

The compensation program design reflects the committee’s overriding objective that compensation outcomes for the named executive officers demonstrate a strong link to high individual performance standards across a number of factors and over the long term. The current design is aligned with the core elements of the majority shareholder’s compensation program, including linkage to short and mid-term aspects of incentive pay, long-term vesting periods, risk of forfeiture and integration with the shareholder experience.

We execute our oversight responsibilities in this regard by ensuring the company’s program is built on sound principles of compensation design, including an annual assessment with comparator companies, appropriate risk assessment and risk management practices, sound governance principles and linkage to the company’s business model. In exercising our oversight and decision making roles, the committee balances many factors each year in terms of impact on compensation decisions relative to the company’s performance.

2012 Business Performance Results

In addition to individual performance, the committee also considered the following business results:

- strong and improved results in the areas of safety, health and environment;
- satisfactory management of risk through effective business controls, as confirmed by independent audit;
- net income of approximately \$3.8 billion, the second highest in the company’s history and up 12 percent versus last year;
- total shareholder return of approximately negative 5 percent, with a ten-year annual average of approximately 12 percent;
- industry-leading return on average capital employed of approximately 23 percent, with an average of approximately 28 percent since the beginning of 2000;
- Kearsley project costs that exceeded corporate budget, due to substantive logistical and execution challenges that were overcome;

- over 80 percent of capital invested in company growth, namely Kearn and Nabiye projects;
- \$398 million distributed to shareholders as dividends in 2012; and
- continued AAA rating from Standard & Poor's, retaining its position as the only Canadian industrial company with this rating.

Collectively these factors had an impact on 2012 compensation decisions for the named executive officers. The individual committee members, through their experience in compensation and their participation on board committees, are able to understand the company's overall objectives, operating risks and financial risks. This understanding of the company's objectives and range of business risks allows an appropriate calibration to the company's compensation policies and practices.

The committee's assessment is the company's compensation program is working as intended and has been effectively integrated over the long term with the company business model. The committee has recommended to the board that the CD&A be included in the company's management proxy circular for the 2013 annual meeting of shareholders. We encourage you to read the comprehensive disclosure in the CD&A that follows. The committee is committed to overseeing all aspects of the executive compensation program in the best interests of the company and all shareholders.

Submitted on behalf of the executive resources committee,

Original signed by

K.T. Hoeg,
Chair, executive resources committee

V.L. Young, Vice-chair
J.M. Mintz
R.C. Olsen
D.S. Sutherland
S.D. Whittaker

Compensation discussion and analysis

Index	Topic	Page
Overview	• Business environment	38
	• Key business strategies	38
	• Key elements of the compensation program	38
	• Management of risk	38
	• Compensation components	39
	• Other supporting compensation and staffing practices	40
	• Hedging policy	40
	• Business performance and basis for compensation	40
	• Succession planning	40
Compensation program	• Career orientation	41
	• Base salary	42
	• Annual bonus	42
	• Long-term incentive compensation - Restricted stock units	43
	- <i>Exercise of restricted stock units</i>	44
	- <i>Amendments to the restricted stock unit plan</i>	45
	- <i>Forfeiture risk</i>	45
	• Retirement benefits	45
- <i>Pension plan benefits</i>	45	
- <i>Savings plan benefits</i>	46	
Compensation considerations	• Benchmarking	47
	• Comparator companies	47
	• Analytical tools – Compensation summary sheets	48
	• 2012 named executive officer compensation assessment	48
	• 2012 chief executive officer compensation assessment	49
	• Pay awarded to other named executive officers	50
	• Independent consultant	50
• Performance graph	51	
Executive compensation tables and narratives	• Summary compensation table	52
	• Outstanding share-based awards and option-based awards table	54
	• Incentive plan awards table for named executive officers – Value vested during the year	55
	• Proceeds realized in 2012 from compensation awards granted in prior years	56
	• Equity compensation plan information	57
	• Pension plan benefits table	57
	• Details of former long-term incentive compensation plans	58
	- <i>Stock option plan</i>	58

Overview

Providing energy to help meet both Canadian and the rest of North America's demands is a complex business. The company meets this challenge by taking a long-term view to managing its business rather than reacting to short-term business cycles. As such, the compensation program of the company aligns with this long-term business approach and supports key business strategies as outlined below.

Business environment

- Long investment horizons;
- Large capital investments;
- Complex operating and financial risks;
- National scope of company operations; and
- Commodity-based cyclical product prices.

Key business strategies

- Grow profitable sales volumes;
- Disciplined, selective and long-term focus on improving the productivity of the company's asset mix;
- Operational excellence; and
- Best-in-class cost structure to ensure industry-leading returns on capital and superior cash flow.

Focus on these key business strategies is a company priority and ensures long-term growth in shareholder value.

Key elements of the compensation program

The key elements of the company's compensation program that align with the business environment and support key business strategies are:

- long-term career orientation with high individual performance standards (see page 41);
- base salary that rewards individual performance and experience (see page 42);
- annual bonus grants to select executives based on company performance, as well as individual performance and experience (see page 42);
- payment of a large portion of executive compensation in the form of restricted stock units with lengthy vesting periods and risk of forfeiture (see page 43); and
- retirement benefits (pension and savings plans) that provide for financial security after employment (see pages 45 through 46).

Management of risk

The company operates in an industry environment in which excellence in risk management is critical. For this reason, the company places a high premium on effective risk management, including safety, security, health, environmental, financial and reputational risks. The long-term orientation the company takes and risk of forfeiture in the compensation program reinforce this priority.

The company's success in managing risk over multiple year periods is achieved through emphasis on flawless execution through a disciplined management framework called the Operations Integrity Management System (OIMS), which has been in place since the early 1990's. The OIMS framework establishes common expectations for addressing risks inherent in our business and takes priority over other business and financial objectives. The compensation program ensures that senior executives have a strong financial incentive to protect the safety and security of our employees and the communities and environment in which we operate, to effectively manage risk and operate the business with effective business controls, as well as to create value for company shareholders through their actions by increasing shareholder return, net income, return on capital employed, and advancing the long-term strategic direction of the company.

The company also has strong controls and compliance programs to manage other types of risk, including fraud, regulatory compliance and litigation risks. These controls and compliance programs are reinforced by the same features of the compensation program. The influence of commodity prices on company compensation is indirect because it is limited to only one element of compensation via its effect on earnings per share or share price. The compensation program is composed of competitive salaries and performance-based incentives as the primary instruments to attract, develop and retain key personnel.

There is no material adverse risk resulting from how the company pays its executives; to the contrary, the compensation programs and practices are designed to encourage appropriate risk assessment and risk management. The underlying design and principles inherent in the company's compensation program, which are primarily long-term focused, discourage taking adverse risks.

The design of the compensation program helps reinforce these priorities and ensures that the compensation granted over multiple years and the shareholding net worth of senior executives are linked to the performance of the company's stock and resulting shareholder value.

The key design features of our compensation program that discourage inappropriate risk taking are summarized below and are also described in more detail under various sections of this proxy statement.

Compensation components

The largest percentage of total compensation (excluding compensatory pension value) to senior executives is in the form of restricted stock units and an annual bonus. In the judgment of the committee, this mix of short and long-term incentives strikes an appropriate balance in aligning the interests of the senior executives with the business priorities of the company and sustainable growth in long-term shareholder value. Ongoing reviews of our compensation program, including short and long-term incentives, ensure continued relevance of this mix and ongoing applicability for the company.

Restricted stock units

- Long holding periods - As noted above, to further reinforce the importance of risk management and a long-term investment orientation, senior executives are required to hold a substantial portion of their equity incentive award for a long period of time and in some cases beyond retirement based on the vesting provisions described on page 44. These lengthy holding periods are tailored to the company's business model.
- Risk of forfeiture – During these long holding periods, the restricted stock units are at risk of forfeiture for resignation or detrimental activity. The long vesting periods on restricted stock units and the risk of forfeiture together support an appropriate risk/reward profile that reinforces the long-term orientation expected of senior executives.

Annual bonus

- Delayed payout – Payout of 50 percent of the annual bonus is delayed and is subject to risk of forfeiture. The timing of the delayed payout is determined by earnings performance. This is a unique feature of the company's program relative to many comparator companies and further discourages inappropriate risk taking.
- Risk of forfeiture – Similar to restricted stock units, the entire annual bonus is subject to risk of forfeiture or recoupment ("clawback") for resignation or detrimental activity.
- Recoupment or forfeiture on negative restatement – The entire annual bonus is subject to forfeiture or clawback in the event of material negative restatement of the company's reported financial or operating results. This reinforces the importance of the company's financial controls and compliance programs.

Common programs

All executives, including the named executive officers, participate in common programs (the same salary, incentive and retirement programs), which are reviewed by the committee; therefore, inappropriate risk taking is discouraged at all levels of the company through similar compensation design features and allocation of awards. Within these programs, the compensation of executives is differentiated based on individual performance assessment, level of responsibility and individual experience. All executives on loan assignment from Exxon Mobil Corporation participate in common programs, as well, which are administered by Exxon Mobil Corporation.

Pension

The company's defined benefit pension plan and supplemental pension arrangements are highly dependent on executives remaining with the company for a career and performing at the highest levels until retirement. This dimension of total compensation encourages executives to take a long-term view when making business decisions and to focus on achieving sustainable growth for shareholders.

Other supporting compensation and staffing practices

- A long established program of management development and succession planning is in place to reinforce a career orientation and ensure continuity of leadership.
- The use of perquisites at the company is very limited, and mainly composed of only two elements: financial planning for senior executives and the use of club memberships for select executives which are largely tied to building business relationships.
- No tax assistance is provided by the company on any elements of executive officer compensation or perquisites other than relocation. The relocation program is broad-based and applies to all executive, management, professional and technical transferred employees.

Hedging policy

Company policy prohibits all employees, including executives, and directors, from purchasing or selling puts, calls, other options or futures contracts on the company or Exxon Mobil Corporation stock.

Business performance and basis for compensation

The assessment of individual performance is conducted through the company's employee appraisal program. Conducted annually, the appraisal process assesses performance against business performance measures and objectives relevant to each employee, including the means by which performance is achieved. These business performance measures include:

- safety, health and environmental performance;
- risk management;
- total shareholder return;
- net income;
- return on capital employed;
- cash distribution to shareholders;
- operating performance of the upstream, downstream and chemical segments; and
- effectiveness of actions that support the long-term strategic direction of the company.

The appraisal process involves comparative assessment of employee performance using a standard process throughout the organization and at all levels. This process is integrated with the compensation program which results in significant pay differentiation between high and low performers. The appraisal process is also integrated with the executive development process. Both have been in place for many years and are the basis for planning individual development and succession for management positions. The decision-making process with respect to compensation requires judgment, taking into account business and individual performance and responsibility. Quantitative targets or formulae are not used to assess individual performance or determine the amount of compensation.

Succession planning

The succession planning process fosters the company's approach to a career orientation and promotion from within, which strengthens continuity of leadership at all levels, including that of the most senior positions. This process helps to assess the competence and readiness of individuals for senior executive positions. The executive resources committee is responsible for approving specific succession plans for the position of chairman, president and chief executive officer and key senior executive positions reporting to him, including all officers of the company.

The executive resources committee regularly reviews the company's succession plans for key senior executive positions. It considers candidates for these positions from within the company and certain candidates from ExxonMobil. This is an in-depth review of succession plans, including plans to address gaps, if any, for key executives. The chairman, president and chief executive officer also discusses the strengths and development needs of key succession candidates and progress each year. This provides the board an opportunity to confirm a pipeline of key talent exists to enable achievement of long-term strategic objectives. The executive resources committee makes recommendations to the board of directors for selection of all officers of the company, as well as other key senior executive positions reporting to the chairman, president and chief executive officer.

Compensation program

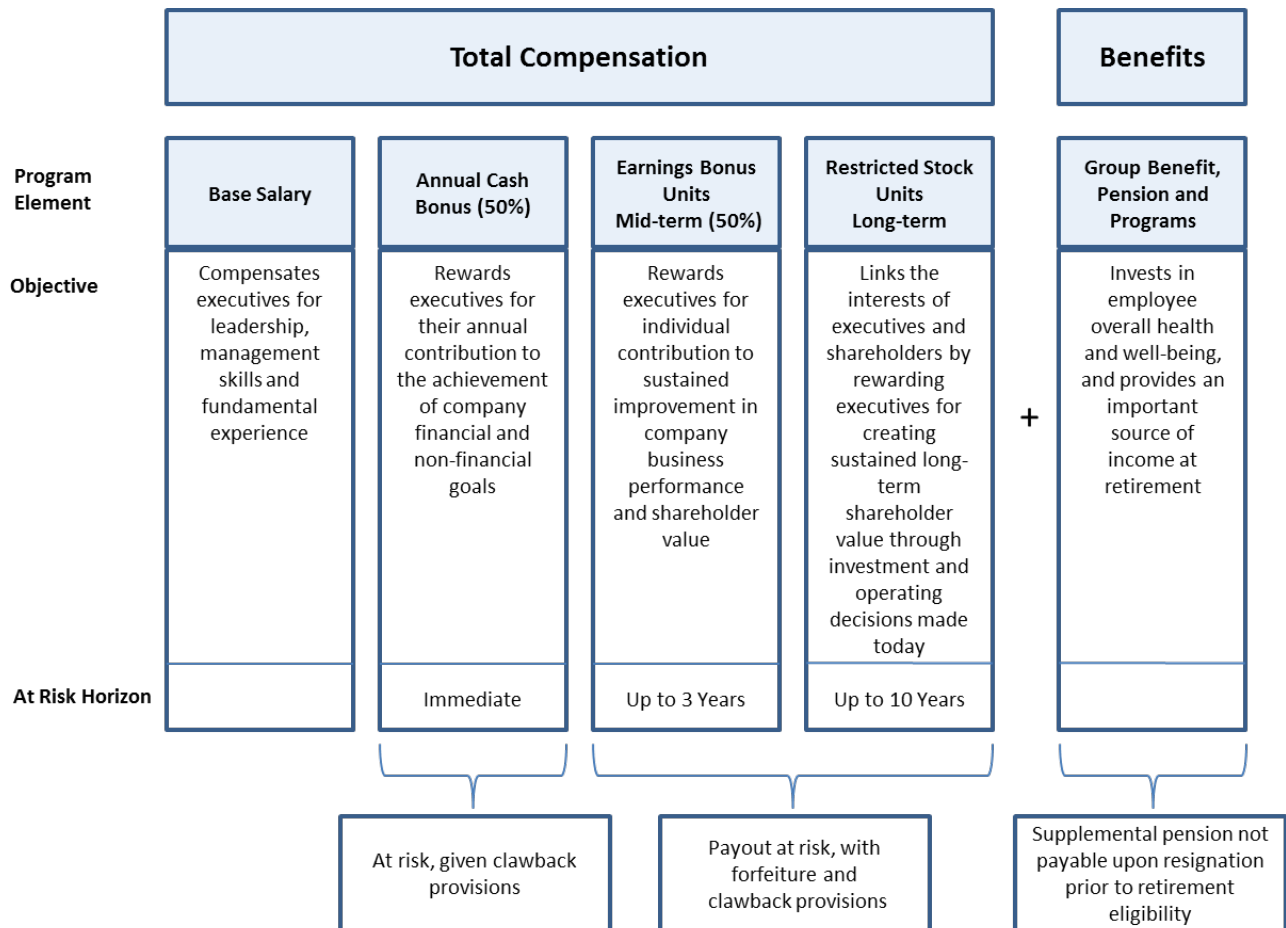
Career orientation

The company's objective is to attract, develop and retain over a career the best talent available. It takes a long period of time and significant investment to develop the experienced executive talent necessary to succeed in the company's business; senior executives must have experience with all phases of the business cycle to be effective leaders. The company's compensation program elements are designed to encourage a career orientation among employees at all levels of the company. Career orientation among a dedicated and highly skilled workforce, combined with the highest performance standards, contributes to the company's leadership in the industry and serves the interests of shareholders in the long term. The company service of the named executive officers reflects this on-going strategy. Their career service ranges from approximately 27 to 37 years.

Consistent with the company's long-term career orientation, high-performing executives typically earn substantially higher levels of compensation in the final years of their careers than in the earlier years. This pay practice reinforces the importance of a long-term focus in making decisions that are key to business success.

The compensation program emphasizes individual experience and sustained performance; executives holding similar positions may receive substantially different levels of compensation.

The company's executive compensation program is composed of base salaries, cash bonuses and medium and long-term incentive compensation. The company **does not have written employment contracts** or any other agreement with its named executive officers providing for payments on change of control or termination of employment. The following chart provides an overview of the combined elements of the compensation program for executives, including the 'pay at risk' horizon for the executives.



Base salary

Salaries provide executives with a base level of income. The level of annual salary is based on the executive's responsibility, performance assessment and career experience. The salary program in 2012 maintained the company's competitive position on salaries in the marketplace. Individual salary increases vary depending on each executive's performance assessment and other factors such as time in position and potential for advancement. Salary decisions also directly affect the level of retirement benefits since salary is included in the retirement benefit calculation. Thus, the level of retirement benefits is also performance-based, like other elements of compensation.

Annual bonus

Annual bonuses were granted to less than 100 executives to reward their contributions to the business during the past year. The bonus program is established annually by the executive resources committee based on financial and operating performance, and can be highly variable depending on these results. This bonus reflects the combined value at grant of annual cash bonus and earnings bonus units.

In setting the size of the annual bonus program and individual executive awards, the executive resources committee:

- considers input from the chairman, president and chief executive officer on the performance of the company and from the company's internal compensation advisors regarding compensation trends as obtained from external consultants;
- considers total shareholder return, annual net income of the company and the other key business performance indicators as described on page 40; and
- uses judgment to manage the overall size of the annual bonus program taking into consideration the cyclical nature and long-term orientation of the business.

The cost of the 2012 annual bonus program was \$13.2 million versus \$12.3 million in 2011. The company's operating and financial performance was achieved in an improving but still uncertain economic environment. The change in the amount of the annual bonus program reflects an increase in corporate earnings of 12 percent and strong operating performance in 2012, including management of controllable factors. The company's net income for 2012 was approximately \$3.8 billion; return on capital employed was approximately 23 percent. Excluding capital for assets under construction, return on capital employed would be greater than 50 percent. Changes in individual cash bonus awards vary depending on each executive's performance assessment.

The annual bonus program incorporates unique elements to further reinforce retention and recognize performance. Awards under this program are generally delivered as:

- 50 percent cash paid in the year of grant; and
- 50 percent earnings bonus units with a delayed payout based on cumulative earnings performance.

The cash component is intended to be a short-term incentive, while the earnings bonus unit plan is intended to be a medium-term incentive. Earnings bonus units are made available to eligible executives to promote individual contribution to sustained improvement in the company's business performance and shareholder value. Earnings bonus units are generally equal to and granted in tandem with cash bonuses.

Specifically, earnings bonus units are cash awards that are tied to future cumulative earnings per share. Earnings bonus units pay out when a specified level of cumulative earnings per share is achieved or within three years, whichever is earlier. For earnings bonus units granted in 2012, the maximum settlement value (trigger) or cumulative earnings per share required for payout was increased from \$3.00 to \$3.25, reinforcing the company's principle of continuous improvement in business performance. The trigger is intentionally set at a level that is expected to be achieved within the three-year period.

If cumulative earnings per share did not reach \$3.25 within three years, the payment with respect to the earnings bonus units would be reduced to an amount equal to the number of units times the actual cumulative earnings per share over the period.

The annual bonus includes the combined value of the cash bonus and delayed earnings bonus unit portion and is intended to be competitive with the annual bonus awards of other major comparator companies adjusted to reflect the company's performance relative to its comparators. The earnings bonus units are designed such that the timing and the amount of the payout is tied to the rate of the company's future earnings. The amount of the award, once vested, will never exceed the original grant value. In so doing, the delayed portion of the annual bonus, that is the earnings bonus unit, puts part of the annual bonus at risk of forfeiture and thus reinforces the performance basis of the annual bonus grant.

Prior to payment, the earnings bonus units may be forfeited if the executive leaves the company before age 65, or engages in activity that is detrimental to the company.

Since November 2011, for executives, the entire annual bonus is subject to a forfeiture and clawback feature if there is a material negative restatement in the financial results of the company. This clawback feature may require the executives to forfeit some or all of the cash and earnings bonus units granted in the three years prior to the restatement. Executives may be required to repay to the company any cash amounts received from bonus or earnings bonus units that were paid out five years prior to the restatement. In addition, the forfeiture and clawback provisions also apply to the annual bonus in the event an executive engages in detrimental behavior during employment or up to 24 months after leaving the company, including working for a competitor.

Long-term incentive compensation – Restricted stock units

The company's only long-term incentive compensation plan is a restricted stock unit plan, in place since December 2002. Given the long-term nature of the company's business, granting compensation in the form of restricted stock units with long vesting periods annually, on a share-denominated versus price-denominated basis, helps keep executives focused on the key premise that decisions made today affect the performance of the organization and company stock for many years to come. This practice supports a risk/reward model that reinforces a long-term view, which is critical to the company's business success, and discourages inappropriate risk taking. The amount granted is intended to provide an incentive to promote individual contribution to the company's performance and motivation to remain with the company. The basis for the grant includes an annual assessment of individual performance including a review of business performance results as noted on page 48. The amount granted may be reduced at time of grant, if near-term performance is deemed to have changed significantly at time of grant. This type of compensation removes employee discretion in the exercise of restricted stock units, ensures alignment with the long-term interests of shareholders and reinforces retention objectives. As a matter of principle, the company does not re-price any equity awards. Restricted stock units are not included in pension calculations.

The vesting periods, which are greater than those in use by most other companies, reinforce the company's focus on growing shareholder value over the long term by linking a large percentage of executive compensation and the shareholding net worth of executives to the return on the company's stock realized by shareholders. The vesting period for restricted stock unit awards is not subject to acceleration, except in the case of death. The long vesting periods ensure that a substantial portion of the compensation received by the chairman, president and chief executive officer, as well as other key senior executives, will be received subsequent to their retirement. The value of this compensation is at risk in the event that their decisions as senior executives prior to retirement negatively impact share market value after retirement. The objective of these aforementioned vesting periods is to hold senior executives accountable for many years into the future, and even into retirement, for investment and operating decisions made today.

The restricted stock unit plan is a straightforward approach to long-term incentive compensation. Grant level guidelines for the restricted stock unit program are generally held constant for extended periods of time. The intent of the plan is not to frequently change the number of shares awarded for the same level of individual performance and classification or level of responsibility. A change may be required as a result of periodic checks against the market every three to five years or as a result of any subdivision, consolidation, or reclassification of the shares of the company or other relevant change in the capitalization of the company. The company does not offset losses on prior grants with higher share awards in subsequent grants, nor does the company re-price restricted stock units.

In 2006, the guidelines were reviewed in light of the company's three-for-one share split. Given the significant appreciation in the company's share price over the previous several years, restricted stock unit guidelines were adjusted on a two-for-one basis rather than the three-for-one share split. This had the effect of reducing grant values since 2006 compared to 2005 and earlier years. In 2012, after an analysis of the competitive positioning of the company's restricted stock unit program, the executive resources committee determined that current levels of restricted stock units continue to appropriately position the plan. In 2012, 681 recipients, including 97 executives, were granted 1,789,950 restricted stock units.

Exercise of restricted stock units

Restricted stock units will be exercised only during employment, except in the event of death, disability or retirement. Restricted stock units cannot be assigned. In the case of any subdivision, consolidation, or reclassification of the shares of the company or other relevant change in the capitalization of the company, the company, in its discretion, may make appropriate adjustments in the number of common shares to be issued and the calculation of the cash amount payable per restricted stock unit.

Each restricted stock unit entitles the recipient the right to receive from the company, upon vesting, an amount equal to the five day average closing price of the company's shares on the vesting date and the four preceding trading days. Fifty percent of the units will be exercised on the third anniversary of the grant date, and the remainder will be exercised on the seventh anniversary of the grant date. The chairman, president and chief executive officer's restricted stock units are subject to longer vesting periods as described on page 49. The company will pay the recipients cash with respect to each unexercised unit granted to the recipient corresponding in time and amount to the cash dividend that is paid by the company on a common share of the company. The restricted stock unit plan was amended for units granted in 2002 and future years to Canadian residents by providing that the recipient may receive one common share of the company per unit or elect to receive the cash payment for the units to be exercised on the seventh anniversary of the grant date.

In respect of restricted stock units granted in 2012:

- to the chairman, president and chief executive officer:
 - 50 percent of each grant is exercisable on the fifth anniversary of the date of grant; and
 - the balance is exercisable on the tenth anniversary of the date of grant or the date of retirement, whichever is later; and
- to all other senior executives:
 - 50 percent of each grant is exercisable on the third anniversary of the date of grant; and
 - the balance is exercisable on the seventh anniversary of the date of grant.

There are 4,418,499 common shares that may be issued in the future with respect to outstanding restricted stock units that represent about 0.52 percent of the company's currently outstanding common shares. The company's directors, officers and vice-presidents as a group hold approximately 14 percent of the unexercised restricted stock units that give the recipient the right to receive common shares that represent about 0.07 percent of the company's currently outstanding common shares. The maximum number of common shares that any one person may receive from the exercise of restricted stock units is 245,400 common shares, which is about 0.03 percent of the currently outstanding common shares.

Exxon Mobil Corporation has a plan similar to the company's restricted stock unit plan, under which grantees may receive restricted stock or restricted stock units, both of which are referred to herein as Exxon Mobil Corporation restricted stock. T.G. Scott and P.J. Masschelin hold Exxon Mobil Corporation restricted stock granted in 2009 and previous years, as well as the company's restricted stock units granted since 2010. B.H. March also holds Exxon Mobil Corporation restricted stock granted in 2007 and previous years, as well as the company's restricted stock units granted since 2008.

Amendments to the restricted stock unit plan

In 2008, the company's restricted stock unit plan was amended to provide that the number of common shares of the company issuable under the plan to any insiders (as defined by the Toronto Stock Exchange) cannot exceed 10 percent of the issued and outstanding common shares, whether at any time or as issued in any one year. The Toronto Stock Exchange advised that this amendment did not require shareholder approval. Additionally, shareholders approved the following changes to the restricted stock unit plan:

- Include an additional vesting period option for 50 percent of restricted stock units to vest on the fifth anniversary of the date of grant, with the remaining 50 percent of the grant to vest on the later of the tenth anniversary of the date of grant or the date of retirement of the grantee. The recipient of such restricted stock units may receive one common share of the company per unit or elect to receive the cash payment for all units to be exercised. The choice of which vesting period to use will be at the discretion of the company.
- Set out which amendments in the future will require shareholder approval, and which amendments will only require director approval and to set an exercise price based on the weighted average price of the company's shares on the exercise date and the four consecutive trading days immediately prior to the exercise date.

As of November 2011, the restricted stock unit plan was amended to include language confirming the long standing practice of not forfeiting any restricted stock units in the event that grantee's continued employment terminates on or after the date grantee reaches the age of 65 in circumstances where grantee becomes entitled to an annuity under the company's retirement plan.

Forfeiture risk

Restricted stock units are subject to forfeiture if:

- A recipient retires or terminates employment with the company. The company has indicated its intention not to forfeit restricted stock units of employees who retire at age 65. In other circumstances, where a recipient retires or terminates employment, the company may determine that restricted stock units shall not be forfeited.
- During employment or during the period of 24 months after the termination of employment, the recipient, without the consent of the company, engaged in any business that was in competition with the company or otherwise engaged in any activity that was detrimental to the company.

Retirement benefits

Named executive officers participate in the same pension plan, including supplemental pension arrangements outside the registered plan, as other employees, except that B.H. March, P.J. Masschelin and T.G. Scott, participate in the Exxon Mobil Corporation pension plans (both tax-qualified and non-qualified).

Pension plan benefits

The estimated annual benefits that would be payable to each named executive officer of the company upon retirement under the company's pension plan and the supplemental pension arrangements, or under Exxon Mobil Corporation's tax-qualified and non-qualified pension plans, and the change in the accrued obligation for each named executive officer of the company in 2012 can be found in the table on page 57.

The current version of the company's historic 1.6 percent defined benefit plan has been in place since 1976; predecessor plans have been in place since 1919. The current version of the plan is available to all employees including executives, who elected to stay in this plan in 1998.

The registered pension plan and supplemental pension arrangements can provide an annual benefit of 1.6 percent of final three year average earnings per each year of service with respect to the named executive officers, with a partial offset for applicable government pension benefits, plus an annual benefit of 1.6 percent of final average bonus earnings times years of service. The supplemental pension arrangements address any portions that cannot be paid from the registered plan due to tax regulations. Any amounts paid to an eligible employee, in this regard, are subject to the employee meeting the terms of the registered pension plan and the criteria of the supplemental pension arrangements, as applicable. Earnings, for the purpose of the registered pension plan, include average base salary during the last 36 consecutive months of service prior to retirement or the highest consecutive three calendar years of earnings in the last 10 years of service prior to retirement. Earnings, for the purpose of the supplemental pension arrangement related to cash bonus and earnings bonus units, include the average annual bonus for the highest three of the last five years prior to retirement for eligible executives, but do not include long-term compensation, including restricted stock units. By limiting inclusion of bonuses only to those granted in the five years prior to retirement, there is a strong

motivation for executives to continue to perform at a high level. Annual bonus includes the cash amounts that are paid at grant and the value of any earnings bonus units received, as described starting on page 42. The aggregate maximum settlement value that could be paid for earnings bonus units is included in the employee's final three year average earnings for the year of grant of such units. The value of the earnings bonus units are expected to pay out subject to forfeiture provisions, and are included for supplemental pension arrangement purposes in the year of grant rather than the year of payment.

An employee may also elect to forego three of the six percent of the company's matching contributions to the savings plan under one of the options of that plan (except for B.H. March, P.J. Masschelin and T.G. Scott), to receive additional pension value equal to 0.4 percent of the employee's "final three year average earnings", multiplied by the employee's years of service, while foregoing such company contributions.

The remuneration used to determine the payments on retirement to the individuals named in the summary compensation table on page 52 corresponds generally to the salary, bonus and earnings bonus units received in the current year, as described above. As of February 13, 2013, the number of completed years of service with the company was 28.5 for B.W. Livingston and 36.8 for R.G. Courtemanche.

B.H. March, P.J. Masschelin and T.G. Scott are not members of the company's pension plan, but are members of Exxon Mobil Corporation's pension plans. Under those plans, as of February 13, 2013, B.H. March has 32.6 years of credited service, P.J. Masschelin has 35.2 years of credited service and T.G. Scott has 26.7 years of credited service. Their respective pensions are payable in U.S. dollars. Pay for the purpose of the pension calculation is based on final average base salary over the highest 36 consecutive months in the 10 years of service prior to retirement, and the average annual bonus for the three highest grants out of the last five grants prior to retirement.

Savings plan benefits

The company maintains a savings plan into which career employees with more than one year of service may contribute between one and 30 percent of normal earnings. The company provides contributions which vary depending on the amount of employee contributions and in which defined-benefit pension arrangement the employee participates. All named executive officers are members of the historic 1.6 percent defined-benefit pension plan, and are receiving a six percent company matching contribution, except for B.H. March, P.J. Masschelin and T.G. Scott, who participate in the Exxon Mobil Corporation savings plan and tax-qualified and non-qualified pension plans, which have provisions different from the company plan.

Employee and company contributions can be allocated in any combination to a non-registered (tax-paid) account or a registered (tax-deferred) group retirement savings plan (RRSP) account, subject in the latter case to contribution limits under the *Income Tax Act*.

Available investment options include cash savings, a money market mutual fund, a suite of four index-based equity or bond mutual funds and company shares. Company matching contributions must be allocated to company shares initially, and remain in that investment for a minimum of 24 months, after which they can be redeemed for other investment options. As of February 13, 2013, employees hold 10,232,383 shares through the company savings plan and the employees are allowed to vote these shares.

During employment, withdrawals are only permitted from employee contributions and investment earnings within the tax-paid account, to a maximum of three withdrawals per year. Assets in the RRSP account, and company contributions to the tax-paid account, may only be withdrawn upon retirement or termination of employment, reinforcing the company's long-term approach to total compensation. Income tax regulations require RRSPs to be closed by the end of the year in which the individual reaches age 71.

Compensation decision making process and considerations for named executive officers

Benchmarking

In addition to the assessment of business performance, individual performance and level of responsibility, the executive resources committee relies on market comparisons to a group of 25 major Canadian companies with revenues in excess of \$1 billion a year.

Comparator Companies

The following criteria are used to select comparator companies:

- Canadian companies;
- large operating scope and complexity;
- capital intensive; and
- proven sustainability.

The 25 companies benchmarked are as follows:

Comparator companies for named executive officers		
Agrium Inc.	Devon Canada Corporation	Nexen Inc.
BCE Inc.	Enbridge Inc.	NOVA Chemicals Corporation
BP Canada Energy Company	Encana Corporation	Procter & Gamble Inc.
Canadian Tire Corporation Limited	General Electric Canada	Royal Bank of Canada
Chevron Canada Limited	Husky Energy Inc.	Shell Canada Limited
Canadian Natural Resources Limited	IBM Canada Ltd.	Suncor Energy Inc.
Canadian Pacific Railway Limited	Irving Oil Limited	Talisman Energy Inc.
Cenovus Energy Inc.	Lafarge Canada Inc.	TransCanada Corporation
ConocoPhillips Canada		

The company is a national employer drawing from a wide range of disciplines. It is important to understand its competitive position relative to a variety of oil and non-oil employers. Compensation trends across industries, based on survey data, are prepared annually by independent external consultant, Towers Watson, with additional analysis and recommendation provided by the company's internal compensation advisors. Consistent with the executive resources committee's practice of using well-informed judgment rather than formulae to determine executive compensation, the committee does not target any specific percentile among comparator companies to align compensation. Rather, on a case-by-case basis, depending on the scope of market coverage represented by a particular comparison, total compensation (excluding perquisites) is focused on a range between the mid-point and the upper quartile of comparable employers, reflecting the company's emphasis on quality management. This approach applies to salaries and the annual incentive program that includes bonus and restricted stock units.

As a secondary source of data, the executive resources committee also considers a comparison with Exxon Mobil Corporation, when it determines the annual bonus program. For the restricted stock unit program, the executive resources committee also reviews a summary of data of the comparator companies provided by the same external consultant above in order to assist in assessing total value of long-term compensation grants.

This overall approach provides the company with the ability to:

- better respond to changing business conditions;
- manage salaries based on a career orientation;
- minimize potential for automatic increasing of salaries, which could occur with an inflexible and narrow target among benchmarked companies; and
- differentiate salaries based on performance and experience levels among executives.

Analytical tools – Compensation summary sheets

The compensation summary sheet is a matrix used by the executive resources committee that shows the individual elements and total compensation for each senior executive. The summary sheet is used to understand how decisions on each individual element of compensation affect total compensation for each senior executive. The committee considers both current compensation recommendations and prior compensation results in its final determination.

The elements of the Exxon Mobil Corporation compensation program, including salary and annual bonus and equity (long-term) compensation considerations for B.H. March, P.J. Masschelin and T.G. Scott, are similar to those of the company. The data used for long-term compensation determination for B.H. March, P.J. Masschelin and T.G. Scott is as described above, as they received company restricted stock units in 2012. The executive resources committee reviews and approves recommendations for each named executive officer prior to implementation. B.H. March's compensation determination is described in more detail on page 49.

2012 named executive officer compensation assessment

When determining the annual compensation for the named executive officers, the executive resources committee has reflected on the following business performance result indicators in its determination of 2012 salary and incentive compensation.

Business performance results for consideration

The operating and financial performance measurements listed below and the company's continued maintenance of sound business controls and a strong corporate governance environment formed the basis for the salary and incentive award decisions made by the executive resources committee in 2012. The executive resources committee considered the results over multiple years, in recognition of the long-term nature of the company's business.

- Strong and improved results in the areas of safety, health and environment.
- Satisfactory management of risk through effective business controls, as confirmed by independent audit.
- Net income of approximately \$3.8 billion, the second highest in the company's history and up 12 percent versus last year.
- Total shareholder return of approximately negative 5 percent, with a ten-year annual average of approximately 12 percent.
- Industry-leading return on average capital employed of approximately 23 percent, with an average of approximately 28 percent since the beginning of 2000.
- Kearn project costs that exceeded corporate budget, due to substantive logistical and execution challenges that were overcome.
- Over 80 percent of capital invested in company growth, namely Kearn and Nabiye projects.
- \$398 million distributed to shareholders as dividends in 2012.
- Continued AAA rating from Standard & Poor's, retaining its position as the only Canadian industrial company with this rating.

Performance assessment considerations

The above results form the context in which the committee assesses the individual performance of each senior executive, taking into account experience and level of responsibility.

Annually, the chairman, president and chief executive officer reviews the performance of the senior executives in achieving business results and individual development needs.

The same long-term key business strategies noted on page 38 and results noted above are key elements in the assessment of the chairman, president and chief executive officer's performance by the executive resources committee.

The performance of all named executive officers is also assessed by the board of directors throughout the year during specific business reviews and board committee meetings that provide information on strategy development; operating and financial results; safety, health, and environmental results; business controls; and other areas pertinent to the general performance of the company.

The executive resources committee does not use quantitative targets or formulae to assess individual executive performance or determine compensation. The executive resources committee does not assign weights to the factors considered. Formula-based performance assessments and compensation typically require emphasis on two or three business metrics. For the company to be an industry leader and effectively manage the technical complexity and integrated scope of its operations, most senior executives must advance multiple strategies and objectives in parallel, versus emphasizing one or two at the expense of others that require equal attention.

Senior executives and officers are expected to perform at the highest level or they are replaced. If it is determined that another executive is ready and would make a stronger contribution than one of the current incumbents, a replacement plan is implemented.

2012 chief executive officer compensation assessment

B.H. March was appointed chairman, president and chief executive officer of the company on April 1, 2008. Mr. March is a 33-year employee of ExxonMobil, including service with heritage Mobil Corporation before the merger with Exxon Corporation on November 30, 1999. Mr. March has extensive operating and management experience in the oil and gas business, including assignments in multiple locations in the United States, as well as experience working in London and Brussels. His level of salary was determined by the executive resources committee based on his individual performance and to align with that of his peers in ExxonMobil. It was also the objective of the executive resources committee to ensure appropriate internal alignment with senior management in the company. The committee approved a salary increase of \$40,000 U.S. to \$610,000 U.S., effective January 1, 2013.

Mr. March's 2012 annual bonus was based on his performance as assessed by the executive resources committee since his appointment to the position of chairman, president and chief executive officer. His long-term incentive award was granted in the form of company restricted stock units, not Exxon Mobil Corporation restricted stock, to reinforce alignment of his interests with that of the company's shareholders. His company restricted stock units are subject to vesting periods longer than those applied by most companies conducting business in Canada. Fifty percent of the restricted stock units awarded vest in five years and the other 50 percent vest on the later of 10 years from the date of grant or the date of retirement. The purpose of these long vesting periods is to reinforce the long investment lead times in the business and to link a substantial portion of Mr. March's shareholding net worth to the performance of the company. As such, the payout value of the long-term incentive grants may differ from the amounts shown in the summary compensation table, depending on how the company actually performs at time of future vesting. During these vesting periods, the awards are subject to risk of forfeiture based on detrimental activity, or if Mr. March should leave the company before normal retirement.

The executive resources committee has determined that the overall compensation of Mr. March is appropriate based on the company's financial and operating performance and its assessment of his effectiveness in leading the organization.

Key factors considered by the committee in determining his overall compensation level include:

- safety metrics and environmental performance;
- risk management;
- continuing progress on advancing long-term strategic interests such as the Kearn and Nabiye projects;
- financial results;
- government relations;
- productivity;
- leadership;
- cost effectiveness; and
- asset management.

Taking all factors into consideration, the committee's decisions on compensation of the chief executive officer reflect judgment, rather than the application of formulae or targets. The higher level of pay for Mr. March, compared to the other named executive officers, reflects his greater level of responsibility, including his ultimate responsibility for the performance of the company, and oversight of the other senior executives.

Pay awarded to other named executive officers

Within the context of the compensation program structure and performance assessment processes described above, the value of 2012 incentive awards and salary adjustments align with:

- performance of the company;
- individual performance;
- long-term strategic plan of the business; and
- annual compensation of comparator companies.

Taking all factors into consideration, the executive resources committee's decisions on pay awarded to other named executive officers reflect judgment, rather than the application of formulae or targets. The executive resources committee approved the individual elements of compensation and the total compensation as shown in the summary compensation table on page 52.

Independent consultant

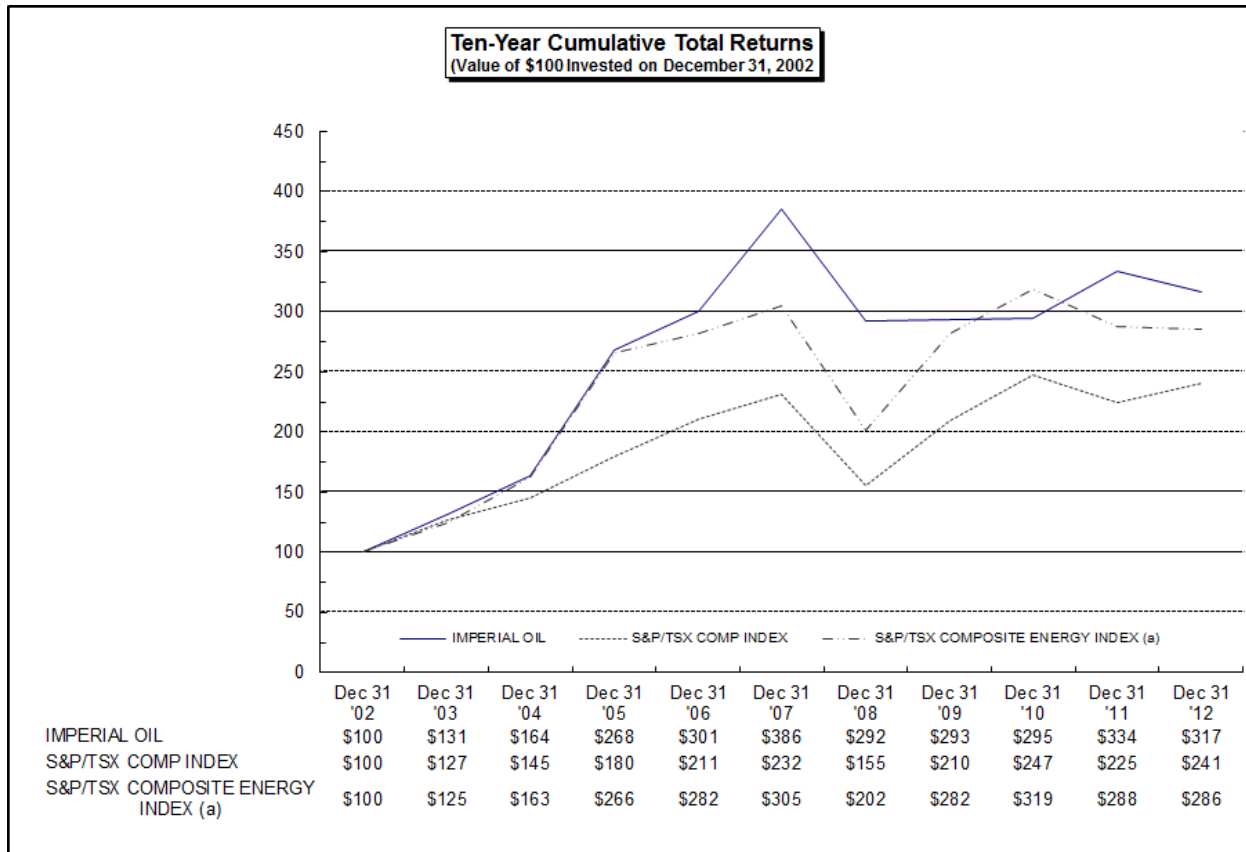
In fulfilling its responsibilities during 2012, the executive resources committee did not retain an independent consultant or advisor in determining compensation for any of the company's officers or any other senior executives. The company's management retained Towers Watson, an independent consultant, to provide an assessment of competitive compensation and market data for all salaried levels of employees of the company. While providing this data, Towers Watson was not retained to provide individual compensation recommendations or advice for the company or committee in determining the compensation of the chief executive officer or long-term incentive compensation levels for senior executives.

Performance graph

The following graph shows changes over the past 10 years in the value of \$100 invested in (i) Imperial Oil Limited common shares, (ii) the S&P/TSX Composite Index, and (iii) the S&P/TSX Composite Energy Index. The S&P/TSX Composite Energy Index is currently made up of share performance data for 62 oil and gas companies including integrated oil companies, oil and gas producers, oil and gas service companies and includes equity issues and income trusts.

The year-end values in the graph represent appreciation in share price and the value of dividends paid and reinvested. The calculations exclude trading commissions and taxes. Total shareholder returns from each investment, whether measured in dollars or percent, can be calculated from the year-end investment values shown beneath the graph.

During the past 10 years, the company's cumulative total shareholder return was 317 percent, for an average annual return of 12 percent. During the past year, the return was negative five percent. The company's compensation (which compensation excluded the compensatory change in pension value) of its named executive officers, by comparison, decreased by approximately two percent on an average annual basis during the same 10 year period.



(a) Effective December 21, 2012, S&P has discontinued the S&P/TSX Equity Energy Index. This has been replaced with the S&P/TSX Composite Energy Index (STENRSR).

Executive compensation tables and narratives

Summary compensation table

The following table shows the compensation for the chairman, president and chief executive officer; the senior vice-president, finance and administration, and controller and the three other most highly compensated executive officers of the company who were serving as at the end of 2012. This information includes the Canadian dollar value of base salaries, cash bonus awards and earnings bonus unit payments, long-term incentive compensation and certain other compensation.

Name and principal position at the end of 2012	Year	Salary (\$)	Share-based awards (\$)(b)	Option-based awards (\$)(c)	Non-equity incentive plan compensation (\$)		Pension value (\$)(f)	All other compensation (\$)(g)	Total compensation (\$)(h)
					Annual incentive plans (d)	Long-term incentive plans (e)			
B.H. March (a) Chairman, president and chief executive officer	2012	569,772	2,657,068	-	468,113	366,447	1,657,835	304,761	6,023,996
	2011	524,223	2,192,320	-	362,604	438,447	1,308,434	830,876	5,656,904
	2010	525,249	1,731,648	-	290,638	276,430	1,050,438	(18,091)	3,856,312
P.J. Masschelin (a) Senior vice-president, finance and administration, and controller (officer since May 1, 2010)	2012	431,244	951,975	-	174,230	183,251	633,457	(79,309)	2,294,848
	2011	414,763	994,500	-	181,401	262,248	672,897	578,196	3,104,005
	2010	280,133	768,792	-	166,947	165,826	593,858	(112,537)	1,863,019
R.G. Courtemanche Vice-president and general manager, refining and supply (officer since May 1, 2011)	2012	436,000	685,422	-	151,500	212,484	(284,000)	421,916	1,623,322
	2011	283,333	994,500	-	212,400	236,225	742,900	105,211	2,574,569
B.W. Livingston Vice-president, general counsel and corporate secretary	2012	435,750	951,975	-	201,200	189,678	402,200	75,593	2,256,396
	2011	421,167	994,500	-	189,600	249,150	567,700	73,724	2,495,841
	2010	411,417	839,700	-	146,439	171,875	317,800	72,042	1,959,273
T. G. Scott (a) Senior vice-president, resources (officer since August 1, 2010)	2012	459,316	951,975	-	196,321	187,239	441,831	21,222	2,257,904
	2011	420,862	994,500	-	185,357	225,480	381,730	441,323	2,649,252
	2010	175,727	729,606	-	148,821	143,257	258,001	177,284	1,632,696

Footnotes to the Summary compensation table for named executive officers on the preceding page

- (a) B.H. March, P.J. Masschelin and T.G. Scott have been on a loan assignment from Exxon Mobil Corporation since January 1, 2008, May 1, 2010 and July 1, 2010 respectively, however, T.G. Scott's compensation costs were incurred by the company since August 1, 2010 only. Their compensation is paid directly by Exxon Mobil Corporation in U.S. dollars, but is disclosed in Canadian dollars. They also receive employee benefits under Exxon Mobil Corporation's employee benefit plans, and not under the company's employee benefit plans. The company reimburses Exxon Mobil Corporation for applicable compensation paid and employee benefits provided to them. All amounts paid to B.H. March, P.J. Masschelin and T.G. Scott in U.S. dollars were converted to Canadian dollars at the average 2012 exchange rate of 0.9996. In 2010 and 2011, the average exchange rate was 1.0299 and 0.9891 respectively. B.H. March's salary in 2011 was less than in 2010 due to the declining value of the U.S. dollar.
- (b) The grant date fair value equals the number of restricted stock units multiplied by the closing price of the company's shares on the date of grant. The closing price of the company's shares on the grant date in 2012 was \$42.31, which is the same as the accounting fair value for the restricted stock units on the date of grant. The closing price of the company's shares on the grant date in 2010 was \$37.32 and in 2011 was \$44.20, which is the same as the accounting fair value for the restricted stock units on the date of grant. The company chose this method of valuation as it believes it results in the most accurate representation of fair value.
- (c) The company has not granted stock options since 2002. The stock option plan is described on page 58, and expired in 2012.
- (d) The amounts listed in "Annual incentive plans" column for each named executive officer represent their 2012 cash bonus.
- (e) The amounts listed in the "Long-term incentive plans" column represent earnings bonus units' payout. These are paid when the maximum settlement value (trigger) or cumulative earnings per share is achieved or after three years if such value is not achieved. The plan is described on page 42. B.H. March, P.J. Masschelin and T.G. Scott received earnings bonus units under Exxon Mobil Corporation's program, which is similar to the company's plan. Their payouts are also subject to a maximum settlement value (trigger) or cumulative earnings per share.
- (f) "Pension value" is the "Compensatory change" in pensions as of December 31, 2012 as set out in the "Pension plan benefits" table on page 57.
- (g) Amounts under "All other compensation", include dividend equivalent payments on restricted stock units granted, company savings plans contributions, loan assignment costs and the cost of perquisites including business club memberships and any costs associated with parking and security. For each named executive officer, the aggregate value of perquisites received was not greater than \$50,000 or 10 percent of the named executive officer's base salary. It is noted that in 2012, the actual dividend equivalent payments made were \$80,366 for B.H. March, \$17,782 for P.J. Masschelin, \$54,110 for R.G. Courtemanche, \$55,685 for B.W. Livingston and \$17,289 for T.G. Scott. The dividend equivalent payments on Exxon Mobil Corporation restricted stock granted in previous years were \$39,987 for B.H. March, \$69,623 for P.J. Masschelin and \$51,318 for T.G. Scott. These amounts were converted to Canadian dollars at the average 2012 exchange rate of 0.9996. In 2010 and 2011, the average exchange rate was 1.0299 and 0.9891, respectively. The total under the "All other compensation" column for B.H. March, P.J. Masschelin and T.G. Scott consists mainly of expatriate allowances and tax reimbursement costs associated with their assignments in Canada. In 2012 the company recognized a recuperation of taxes compensated, resulting in a decrease versus 2011 in "All other compensation" for these individuals.
- (h) "Total compensation" for 2012 consists of the total dollar value of "Salary", "Share-based awards", "Option-based awards", "Non-equity incentive plan compensation", "Pension value" and "All other compensation".

Outstanding share-based awards and option-based awards for named executive officers

The following table sets forth all share-based and option-based awards outstanding as at December 31, 2012 for each of the named executive officers of the company.

Name	Option-based awards				Share-based awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#) (d)	Market or payout value of share-based awards that have not vested (\$) (d)	Market or payout value of vested share-based awards not paid out or distributed (\$)
B.H. March (a)	-	-	-	-	245,400	10,485,942	-
P.J. Masschelin (b)	-	-	-	-	65,600	2,803,088	-
R.G. Courtemanche	-	-	-	-	103,450	4,420,419	-
B.W. Livingston	-	-	-	-	112,000	4,785,760	-
T.G. Scott (c)	-	-	-	-	64,550	2,758,222	-

- (a) B.H. March was granted restricted stock units from 2008 to 2012 under the company's plan. With respect to previous years, B.H. March participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, B.H. March held 12,850 Exxon Mobil Corporation restricted stock whose value on December 31, 2012 was \$1,106,495 based on a closing price for Exxon Mobil Corporation shares on December 31, 2012 of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada.
- (b) P.J. Masschelin was granted restricted stock units from 2010 to 2012 under the company's plan. With respect to previous years, P.J. Masschelin participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, P.J. Masschelin held 20,950 Exxon Mobil Corporation restricted stock whose value on December 31, 2012 was \$1,803,975 based on a closing price for Exxon Mobil Corporation shares on December 31, 2012 of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada.
- (c) T.G. Scott was granted restricted stock units from 2010 to 2012 under the company's plan. With respect to previous years, T.G. Scott participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, T.G. Scott held 16,200 Exxon Mobil Corporation restricted stock whose value on December 31, 2012 was \$1,394,959 based on a closing price for Exxon Mobil Corporation shares on December 31, 2012 of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada.
- (d) Represents the total of the restricted stock units received from the company plan in 2006 through 2012 after the three-for-one share split in May 2006. The value is based on the closing price of the company's shares on December 31, 2012 of \$42.73.

Incentive plan awards for named executive officers – Value vested or earned during the year

The following table sets forth the value of the incentive plan awards that vested for each named executive officer of the company for the year.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)(d)	Non-equity incentive plan compensation – Value earned during the year (\$)(e)
B.H. March (a)	-	0	-
P.J. Masschelin (b)	-	0	-
R.G. Courtemanche	-	1,153,710	363,984
B.W. Livingston	-	1,185,758	390,878
T.G. Scott (c)	-	0	-

- (a) Although B.H. March received restricted stock units under the company's plan from 2008 to 2012, none of these restricted stock units have vested. In previous years, B.H. March participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive Exxon Mobil Corporation restricted stock, which plan is similar to the company's restricted stock unit plan. In 2012, restrictions were removed on 5,500 Exxon Mobil Corporation restricted stock having a value as at December 31, 2012 of \$473,597 based on the closing price of Exxon Mobil Corporation common shares of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada. B.H. March received an annual bonus from Exxon Mobil Corporation in 2012 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. B.H. March received \$834,560 with respect to annual bonus awarded in 2012 and earnings bonus units granted in 2011 and paid out in 2012, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2012 exchange rate of 0.9996.
- (b) Although P.J. Masschelin received restricted stock units under the company's plan from 2010 to 2012, none of these restricted stock units have vested. In previous years, P.J. Masschelin participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive Exxon Mobil Corporation restricted stock, which plan is similar to the company's restricted stock unit plan. In 2012, restrictions were removed on 11,000 Exxon Mobil Corporation restricted stock having a value as at December 31, 2012 of \$947,195 based on the closing price of Exxon Mobil Corporation common shares of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada. P.J. Masschelin received an annual bonus from Exxon Mobil Corporation in 2012 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. P.J. Masschelin received \$357,481 with respect to annual bonus awarded in 2012 and earnings bonus units granted in 2011 and paid out in 2012, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2012 exchange rate of 0.9996.
- (c) Although T.G. Scott received restricted stock units under the company's plan from 2010 to 2012, none of these restricted stock units have vested. In previous years, T.G. Scott participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive Exxon Mobil Corporation restricted stock, which plan is similar to the company's restricted stock unit plan. In 2012, restrictions were removed on 7,350 Exxon Mobil Corporation restricted stock having a value as at December 31, 2012 of \$632,898 based on the closing price of Exxon Mobil Corporation common shares of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada. T.G. Scott received an annual bonus from Exxon Mobil Corporation in 2012 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. T.G. Scott received \$383,560 with respect to annual bonus awarded in 2012 and earnings bonus units granted in 2011 and paid out in 2012, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2012 exchange rate of 0.9996.
- (d) These values show restricted stock units that vested in 2012. The value is based on the five day average closing price of the company's shares on the vesting date and the four preceding trading days.
- (e) These values show annual bonus received in 2012 and earnings bonus units granted in 2011 and paid out in 2012.

Proceeds realized in 2012 from compensation awards granted in prior years - restricted stock units, stock options and earnings bonus units

Name	Proceeds from exercise of restricted stock units (\$)(d)	Proceeds from exercise of stock options (\$)	Receipt of proceeds of earnings bonus units (\$)(e)
B.H. March (a)	0	-	-
P.J. Masschelin (b)	0	-	-
R.G. Courtemanche	1,153,710	0	212,484
B.W. Livingston	1,185,758	0	189,678
T.G. Scott (c)	0	-	-

- (a) Although B.H. March received restricted stock units under the company's plan from 2008 to 2012, none of these restricted stock units have vested. In previous years B.H. March participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive Exxon Mobil Corporation restricted stock, which plan is similar to the company's restricted stock unit plan. In 2012, restrictions were removed on 5,500 Exxon Mobil Corporation restricted stock having a value as at December 31, 2012 of \$473,597 based on the closing price of Exxon Mobil Corporation common shares of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada. B.H. March received payouts in the amount of \$366,447 with respect to earnings bonus units awarded in 2011 under Exxon Mobil Corporation's program, which is similar to the company's plan.
- (b) Although P.J. Masschelin received restricted stock units under the company's plan from 2010 to 2012, none of these restricted stock units have vested. In previous years, P.J. Masschelin participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive Exxon Mobil Corporation restricted stock, which plan is similar to the company's restricted stock unit plan. In 2012, restrictions were removed on 11,000 Exxon Mobil Corporation restricted stock having a value as at December 31, 2012 of \$947,195 based on the closing price of Exxon Mobil Corporation common shares of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada. P.J. Masschelin received payouts in the amount of \$183,251 with respect to earnings bonus units awarded in 2011 under Exxon Mobil Corporation's program, which is similar to the company's plan.
- (c) Although T.G. Scott received restricted stock units under the company's plan from 2010 to 2012, none of these restricted stock units have vested. In previous years, T.G. Scott participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive Exxon Mobil Corporation restricted stock, which plan is similar to the company's restricted stock unit plan. In 2012, restrictions were removed on 7,350 Exxon Mobil Corporation restricted stock having a value as at December 31, 2012 of \$632,898 based on the closing price of Exxon Mobil Corporation common shares of \$86.55 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2012 of 0.9949 provided by the Bank of Canada. T.G. Scott received payouts in the amount of \$187,239 with respect to earnings bonus units awarded in 2011 under Exxon Mobil Corporation's program, which is similar to the company's plan.
- (d) Represents the proceeds of restricted stock units granted in 2005 and 2009, which vested in 2012. The value is based on the five day average closing price of the company's shares on the vesting date and the four preceding trading days.
- (e) Represents the proceeds of earnings bonus units granted in 2011, which paid out in 2012.

Equity compensation plan information

The following table provides information on the common shares of the company that may be issued as of the end of 2012 pursuant to compensation plans of the company.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (c)	Weighted average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (c)
Equity compensation plans approved by security holders (a)	-	-	-
Equity compensation plans not approved by security holders (b)	4,418,499	-	6,072,213
Total	4,418,499		6,072,213

- (a) The company's stock option plan, which is described on page 58, expired in 2012.
(b) This is a restricted stock unit plan, which is described on page 43.
(c) The number of securities reserved for the restricted stock unit plan represents the securities reserved for restricted stock units issued in 2006 through 2012 and still outstanding.

Pension plan benefits table

Name	Number of years credited service (as of December 31, 2012) (#)	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$)(e)	Compensatory change (\$)(f)	Non-compensatory change (\$)(g)	Closing present value of defined benefit obligation (\$)(h)
		At year-end (c)	At age 65 (d)				
B.H. March (a)	-	-	-	-	-	-	-
P.J. Masschelin (a)	-	-	-	-	-	-	-
R.G. Courtemanche (b)	36.7	442,700	526,700	6,479,100	(284,000)	643,800	6,838,900
B.W. Livingston (b)	28.4	382,400	482,700	5,012,900	402,200	552,500	5,967,600
T.G. Scott (a)	-	-	-	-	-	-	-

- (a) Member of the Exxon Mobil Corporation pension plans, including tax-qualified and non-qualified plans. As of December 31, 2012, B.H. March had 32.5 years of credited service, P.J. Masschelin had 35.1 years and T.G. Scott had 26.6 years. All amounts referenced were converted from U.S. dollars to Canadian dollars at the average 2012 exchange rate of 0.9996.
(b) Member of the company's 1.6 percent pension plan as supplemented by payments from the company for amounts beyond the regulatory limits for the registered plan.
(c) For members of the company pension plan, the annual benefits include the amount of the accrued annual lifetime pension from the company's registered pension plan and supplemented by payments from the company. For members of the Exxon Mobil Corporation pension plans, the annual benefits include the accrued annual lifetime pension from the Exxon Mobil Corporation tax-qualified plan and the accrued annual amount calculated under the Exxon Mobil Corporation non-qualified plan. For B.H. March, this value was \$655,249, for P.J. Masschelin, this value was \$418,341 and for T.G. Scott, this value was \$323,171. Non-qualified plan benefits are payable only as a lump sum equivalent upon retirement.

- (d) For members of the company pension plan, the annual benefits include the amount of the accrued annual lifetime pension from the company's registered pension plan and supplemented by payments from the company that would be earned to age 65 assuming final average earnings as at December 31, 2012. For members of the Exxon Mobil Corporation pension plans, the annual benefits include the annual lifetime pension from Exxon Mobil Corporation's tax-qualified plan and the annual amount calculated under the Exxon Mobil Corporation non-qualified plan that would be earned to age 65 assuming final average earnings as at December 31, 2012. For B.H. March, this value was \$832,869, for P.J. Masschelin, this value was \$503,924 and for T.G. Scott, this value was \$519,747. Non-qualified plan benefits are payable only as a lump sum equivalent upon retirement.
- (e) For members of the company's pension plan, the "Opening present value of defined benefit obligation" is defined for purposes of authoritative guidance under U.S. generally accepted accounting principles (GAAP) for defined benefit pension plans and is calculated based on earnings eligible for pension as described previously and Yearly Maximum Pensionable Earnings (YMPE) as defined by the Canada Revenue Agency, projected to retirement and pro-rated on service to the date of valuation, December 31, 2011. The calculations assume that the Canada Pension Plan offset is based on the annual maximum benefit at retirement and the Old Age Security (OAS) offset is based on the OAS benefit in the fourth quarter of 2011 projected to retirement. For members of the Exxon Mobil Corporation pension plans, the "Opening present value of defined benefit obligation" is defined under GAAP and is calculated based on earnings eligible for pension as described previously. The calculations assume that the U.S. Social Security offset against the Exxon Mobil Corporation qualified plan benefit is calculated on the basis of the Social Security law in effect as of year-end 2011. For B.H. March, this value was \$6,861,375, for P.J. Masschelin, this value was \$5,274,261 and for T.G. Scott, this value was \$2,223,836.
- (f) The value for "Compensatory change" includes service cost for 2012 and impact of change in earnings on projected benefit obligation. Service cost for 2012 is calculated by using the individual's additional pensionable service in 2012 and the actual salary and bonus received in 2012 as described previously. There were no plan amendments in 2012 that affected these benefits. The service cost is calculated on a basis that is consistent with GAAP and with the valuation that was performed as at that date for accounting purposes for the plan as a whole. For B.H. March, this value was \$1,657,835, for P.J. Masschelin, this value was \$633,457 and for T.G. Scott, this value was \$441,831.
- (g) The value for "Non-compensatory change" includes impact of experience not related to earnings, benefit payments and change in measurement assumptions. With respect to the company pension plan, the discount rate used to determine the closing present value of defined benefit obligation at the end of 2012 decreased to 3.75 percent, down from 4.25 percent at the end of 2011, thereby causing the Non-compensatory change to be positive. For members of the Exxon Mobil Corporation pension plans, the value for "Non-compensatory change" includes the impact of experience not related to earnings or service. This includes the effect of interest, based on a discount rate of 4.0 percent at the end of 2012, down from 5.0 percent at the end of 2011 and operation of the plan's rules for converting annuities to lump sums upon retirement. For B.H. March, this value was \$1,321,158, for P.J. Masschelin, this value was \$807,351 and for T.G. Scott, this value was \$587,911.
- (h) For members of the company's pension plan, the "Closing present value of defined benefit obligation" is defined under GAAP and is calculated based on earnings eligible for pension as described previously and YMPE, projected to retirement and pro-rated on service to the date of valuation, December 31, 2012. The calculations assume that the Canada Pension Plan offset is based on the annual maximum benefit at retirement and the OAS offset is based on the OAS benefit in the fourth quarter of 2012 projected to retirement. For members of the Exxon Mobil Corporation pension plans, the "Closing present value of defined benefit obligation" is defined under GAAP and is calculated based on earnings eligible for pension as described previously. The calculations assume that the U.S. Social Security offset against the Exxon Mobil Corporation qualified plan benefit is calculated on the basis of the Social Security law in effect as of year-end 2012. For B.H. March, this value was \$9,840,368, for P.J. Masschelin, this value was \$6,715,069 and for T.G. Scott, this value was \$3,253,578.

Details of former long-term incentive compensation plans

The following describes forms of long-term incentive compensation formerly used by the company. While stock options are no longer granted, stock options formerly granted remained outstanding until the end of April, 2012.

Stock option plan

Under the stock option plan adopted by the company in April 2002, a total of 9,630,600 options, on a post share split basis, were granted to select key employees on April 30, 2002 for the purchase of the company's common shares at an exercise price of \$15.50 per share on a post share split basis. Throughout the duration of the stock option plan, there were a total of 7,114,524 common shares issued upon the exercise of stock options. The common shares that were issued represented about 0.84 percent of the company's currently outstanding common shares. The stock option plan expired at the end of April, 2012. There were no stock options forfeited at the time the plan expired.

V. Other important information

Effective date

The effective date of this management proxy circular is February 13, 2013.

Largest shareholder

To the knowledge of the directors and executive officers of the company, the only shareholder who, as of February 13, 2013, owned beneficially, or exercised control or direction over, directly or indirectly, more than 10 percent of the outstanding common shares of the company is Exxon Mobil Corporation, 5959 Las Colinas Boulevard, Irving, Texas 75039-2298, which owns beneficially 589,928,303 common shares, representing 69.6 percent of the outstanding voting shares of the company. As a consequence, the company is a “controlled company” for purposes of the listing standards of the NYSE MKT LLC.

Transactions with Exxon Mobil Corporation

On June 25, 2011, the company implemented a 12-month “normal course” share purchase program under which it purchased 3,143,484 of its outstanding shares between June 25, 2011 and June 24, 2012. On June 25, 2012, a 12-month share purchase program was implemented under which the company may purchase up to 42,379,951 of its outstanding shares, less any shares purchased by the employee savings plan and company pension fund. Exxon Mobil Corporation maintained its ownership at 69.6 percent. In 2012, such share purchases cost \$127.9 million, none of which was received by Exxon Mobil Corporation.

The amounts of purchases and sales by the company and its subsidiaries for other transactions in 2012 with Exxon Mobil Corporation and affiliates of Exxon Mobil Corporation were \$3,274 million and \$2,907 million, respectively. These transactions were conducted on terms as favourable as they would have been with unrelated parties, and primarily consisted of the purchase and sale of crude oil, natural gas, petroleum and chemical products, as well as technical, engineering and research and development services. Transactions with Exxon Mobil Corporation also included amounts paid and received in connection with the company’s participation in a number of upstream activities conducted jointly in Canada. In addition, the company has existing agreements with affiliates of Exxon Mobil Corporation to provide computer and customer support services to the company and to share common business and operational support services to allow the companies to consolidate duplicate work and systems. The company has a contractual agreement with an affiliate of Exxon Mobil Corporation in Canada to operate certain Western Canada production properties owned by ExxonMobil. There are no asset ownership changes. The company and that affiliate also have a contractual agreement to provide for equal participation in new upstream opportunities. During 2007, the company entered into agreements with Exxon Mobil Corporation and one of its affiliated companies that provide for the delivery of management, business and technical services to Syncrude Canada Ltd.

As at December 31, 2012, the company had an outstanding loan of \$1,040 million under an existing agreement with Exxon Mobil Corporation that provides for a long term, variable rate loan from ExxonMobil to the company of \$5 billion (Canadian) at market interest rates. The agreement is effective until July 31, 2020, cancellable if ExxonMobil provides at least 370 days advance written notice.

Auditor Information

PricewaterhouseCoopers LLP ("PwC") have been the auditors of the company for more than five years and are located in Calgary, Alberta. PwC is a participating audit firm with the Canadian Public Accountability Board.

Auditor fees

The aggregate fees of PwC for professional services rendered for the audit of the company's financial statements and other services for the fiscal years ended December 31, 2012 and December 31, 2011 were as follows:

thousands of dollars	2012	2011
Audit fees	1,221	1,226
Audit-related fees	66	62
Tax fees	0	0
All other fees	0	0
Total fees	1,287	1,288

Audit fees included the audit of the company's annual financial statements, internal control over financial reporting, and a review of the first three quarterly financial statements in 2012. In 2012, fees also included a one-time review of the implementation of a new system.

Audit-related fees included other assurance services including the audit of the company's retirement plan and royalty statement audits for oil and gas producing entities.

The company did not engage the auditor for any other services.

The board, on the recommendation of the audit committee, recommends the external auditor be appointed by the shareholders, fixes its remuneration and oversees its work. The audit committee also approves the proposed current year audit program of the external auditor, assesses the results of the program after the end of the program period and approves in advance any non-audit services to be performed by the external auditor after considering the effect of such services on their independence.

All of the services rendered by the auditor to the company were approved by the audit committee.

Auditor independence

The audit committee continually discusses with PwC their independence from the company and from management. PwC has confirmed that they are independent with respect to the company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and the rules of the U.S. Securities and Exchange Commission. The company has concluded that the auditors' independence has been maintained.

Ethical business conduct

The board has adopted a written code of ethics and business conduct ("Code") which can be found on the company's website at www.imperialoil.ca.

The Code is applicable to each of the company's directors, officers and employees, and consists of the ethics policy, the conflicts of interest policy, the corporate assets policy, the directorships policy and the procedures and open door communication. Under the company's procedures and open door communication, employees are encouraged and expected to refer suspected violations of the law, company policy or internal controls procedures to their supervisors. Suspected violations involving a director or executive officer, as well as any concern regarding questionable accounting or auditing matters are to be referred directly to the internal auditor. The audit committee initially reviews all issues involving directors or executive officers, and then refers all issues to the board of directors. In the alternative, employees may also address concerns to individual nonemployee directors or to nonemployee directors as a group. In addition, the directors of the company must comply with the conflict of interest provisions of the *Canada Business Corporations Act*, as well as the relevant securities regulatory instruments, in order to ensure that the directors exercise independent judgment in considering transactions and agreements in respect of which such director has a material interest.

Management provides the board of directors with a review of corporate ethics and conflicts of interest on an annual basis. Directors, officers and employees review the company's standards of business conduct (which includes the Code) on an annual basis, with employees in positions where there is a higher risk of exposure to ethical or conflict of interest situations being required to sign a declaration card confirming that they have read and are familiar with the standards of business conduct. In addition, every four years a business practices review is conducted in which managers review the standards of business conduct with employees in their respective work units.

The board, through its audit committee, examines the effectiveness of the company's internal control processes and management information systems. The board consults with the external auditor, the internal auditor and the management of the company to ensure the integrity of the systems.

There are a number of structures and processes in place to facilitate the functioning of the board independently of management. The board has a majority of independent directors. Each committee is chaired by a different independent director and all of the five independent directors are members of each committee. The audit committee is composed entirely of independent directors. Each other committee (except the contributions committee) is composed entirely of the independent directors and R.C. Olsen, who is an employee of ExxonMobil Production Company, a division of Exxon Mobil Corporation, and is, therefore, independent of the company's management. The agendas of each of the board and its committees are not set by management alone, but by the board as a whole and by each committee. A significant number of agenda items are mandatory and recurring. Board meetings are scheduled at least one full year in advance. Any director may call a meeting of the board or a meeting of a committee of which the director is a member. There is a board-prescribed flow of financial, operating and other corporate information to all directors.

The independent directors conduct executive sessions in the absence of members of management. These meetings are chaired by S.D. Whittaker, the independent director designated by the independent directors to chair and lead these discussions. Ten executive sessions were held in 2012. There has been no material change reports filed in the past 12 months pertaining to conduct of a director or executive officer that constitutes a departure from the Code.

The company's delegation of authority guide provides that certain matters of the company are reviewed by functional contacts within ExxonMobil. The company's employees are regularly reminded that they are expected to act in the best interests of the company, and are reminded of their obligation to identify any instances where the company's general interest may not be consistent with ExxonMobil's priorities. If such situations ever occurred, employees are expected to escalate such issues with successive levels of the company's management. Final resolution of any such issues is made by the company's chairman, president and chief executive officer.

Corporate governance disclosure

The following corporate governance disclosure has been prepared in accordance with Form 58-101F1 - *Corporate Governance Disclosure* and has been reviewed with the nominations and corporate governance committee of the board of directors. The board of directors has determined that the company's practices and procedures align with National Instrument 58-101 - *Disclosure of Corporate Governance Practices*.

1. Board of Directors	
(a) Disclose the identity of directors who are independent.	The company's five independent directors are K.T Hoeg, J.M. Mintz, D.S. Sutherland, S.D. Whittaker and V.L. Young. See page 16 for further description of director independence.
(b) Disclose the identity of directors who are not independent and describe the basis for that information.	B.H. March was chairman, president and chief executive officer of Imperial Oil Limited until March 1, 2013 and was not considered to be independent. Mr. March was succeeded on that date by R.M. Kruger as chairman, president and chief executive officer who is also not considered to be independent. R.C. Olsen is a non-independent director by virtue of his position as executive vice-president of ExxonMobil Production Company, a division of Exxon Mobil Corporation.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.	A majority of the board consists of directors whom the board has determined to be independent. See the chart at page 16 for specific information on director independence.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	See chart on page 27 which shows which directors serve on the boards of other reporting issuers.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	The independent directors conduct executive sessions following every board meeting and as required by the independent directors. These meetings are held in the absence of members of management and function to monitor and assess board processes and issues, to discuss substantive issues that are more appropriately discussed in the absence of management and to communicate to management, as appropriate, the results of private discussions among independent directors. The independent directors held ten executive sessions in 2012.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	While the chairman of the board is not an independent director, S.D. Whittaker, chair of the executive sessions, provides leadership for the independent directors and ensures that the board's agenda will enable it to successfully carry out its duties. The position description of the chair of the executive sessions is described in paragraph 8(3) of the Board of Directors Charter attached as Appendix B. See the discussion on page 17 which describes other means by which the board provides leadership for its independent directors.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	In 2012, the board met ten times and the company's directors attended 99.5 percent of board and committee meetings. All directors were in attendance at the annual meeting of shareholders. See chart on page 25 for each director's attendance record.

2. Board Mandate	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The board mandate is found in the Board of Directors Charter which is attached in Appendix B. Additional information about the board can be found in the chart on page 18.
3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The position description of the chairman is set out in paragraph 10(a) of the Board of Directors Charter attached in Appendix B. The position description of the chair of the audit committee is set out in paragraph 2 of the Audit Committee Charter attached in Appendix B. The position description of the chair of the environment, health and safety committee is set out in paragraph 2 of the Environment, Health and Safety Committee Charter attached in Appendix B. The position description of the chair of the executive resources committee is set out in paragraph 2 of the Executive Resources Committee Charter attached in Appendix B. The position description of the chair of the nominations and corporate governance committee is set out in paragraph 2 of the Nominations and Corporate Governance Committee Charter attached in Appendix B. The position description of the chair of the contributions committee is set out in paragraph 2 of the Contributions Committee Charter attached in Appendix B.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	The position description of the chairman, president and chief executive officer is set out in paragraph 10(a) of the Board of Directors Charter attached in Appendix B.
4. Orientation and Continuing Education	
(a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.	The vice-president, general counsel and corporate secretary organizes an orientation program for all new directors that includes a briefing by members of management on all significant areas of the company's operations, as further described on page 15. They also receive a comprehensive board manual which contains a record of historical information about the company, the charters of the board and its committees and other relevant company business information.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Continuing education is provided to board members by regular presentations by management on the main areas of company business. Each year the board has an extended meeting that focuses on a particular area of the company's operations and includes a visit to one or more of the company's operating sites or a site of relevance to the company's operations. In September 2012, the board visited the Sarnia refinery site in Ontario, Canada and also toured former retail sites in the area. The site visit included presentations relating to the global refining outlook, the company's chemicals business, research and site remediation techniques. Other continuing education events in 2012, presented to all directors, included reviews of corporate governance and regulatory issues, various aspects of risk management, export pipeline options, accounting policies and energy outlook. Members of the board also receive an extensive package of materials prior to each board meeting that provides a comprehensive summary on each agenda item to be discussed. Similarly, the committee members also receive a comprehensive summary on each agenda item to be discussed by that particular committee. As part of its annual assessment process, the board members are canvassed as to whether there are any additional topics that they would like to see addressed. In addition, the directors meet prior to most regularly scheduled board meetings and this provides an opportunity for informal discussion. In some cases, where senior management is present, these gatherings provide an opportunity for a review of selected topics of interest.

5. Ethical Business Conduct	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	The company has adopted a written code of ethics and business conduct ("Code"). See discussion on page 61 under "Ethical business conduct".
(i) disclose how a person or company may obtain a copy of the code;	The code can be found on the company's website at www.imperialoil.ca . A copy has also been posted on the company's SEDAR profile at www.sedar.com .
(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	See discussion on page 61 under "Ethical business conduct" which describes how the board monitors compliance with the Code.
(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	No material change report has been filed that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.
(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	See discussion on page 61.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	See discussion on page 61.
6. Nomination of Directors	
(a) Describe the process by which the board identifies new candidates for board nomination.	In considering the qualifications of potential nominees for election as directors, the nominations and corporate governance committee considers the work experience and other areas of expertise of the potential nominees. Key criteria that are considered to be relevant to the work of the board of directors and its committees are discussed further on page 13. The nominations and corporate governance committee is responsible for identifying and recommending new candidates for board nomination. The process for selection is described in paragraph 9(a) of the Board of Directors Charter attached in Appendix B. When the committee is recommending candidates for re-nomination, it assesses such candidates against the criteria for re-nomination as set out in paragraph 9(b) of the Board of Directors Charter attached in Appendix B. The committee maintains a list of potential director candidates for future consideration and reviews such list annually. The current nominees for election as director collectively have experience and expertise required to ensure effective stewardship and governance of the company. The key areas of work experience and expertise for each of the nominees for election as directors can be found in each of the directors' charts on pages 6 through 12.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The nominations and corporate governance committee is composed of independent directors and R.C. Olsen, who is not independent by virtue of his employment with Exxon Mobil Corporation. Mr. Olsen can be viewed as independent of the company's management and his participation helps to ensure an objective nominations process. His participation assists the deliberations of this committee by bringing the views and perspectives of the majority shareholder.
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The responsibilities, powers and operation of the nominations and corporate governance committee are set out in the Nominations and Corporate Governance Committee Charter attached in Appendix B. Additional information about the nominations and corporate governance committee can be found in the chart on page 22.

7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	For a discussion of the process by which the board determines the compensation for the company's directors, see page 28. For a discussion of the process by which the compensation of the company's named executive officers is determined, see pages 47 through 50.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The executive resources committee is composed of independent directors and R.C. Olsen, who is not independent by virtue of his employment with Exxon Mobil Corporation. Mr. Olsen can be viewed as independent of the company's management and his participation helps to ensure an objective process for determining compensation of the company's officers and directors. His participation assists the deliberations of this committee by bringing the views and perspectives of the majority shareholder.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The responsibilities, powers and operation of the executive resources committee are set out in the Executive Resources Committee Charter attached in Appendix B and additional information regarding the executive resources committee can be found in the chart on page 20.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	Following the nominations and corporate governance committee decision to use an external research firm to assemble the comparator data for the prior year in the second quarter of each year so as to determine compensation for the upcoming July 1 st – June 30 th twelve month period, the committee retained Meridian Compensation Partners, an independent consultant, to provide an assessment of competitive compensation and market data for directors' compensation which assisted the committee in making a compensation recommendation for the company's directors. The professional fees and expenses for this service totaled \$30,145.
8. Other Board Committees	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	In addition to the audit committee, nominations and corporate governance committee and executive resources committee, the board has an environment, health and safety committee and a contributions committee. The function of the environment, health and safety committee is set out in the Environment, Health and Safety Committee Charter attached in Appendix B. Additional information can be found on page 21. The function of the contributions committee is set out in the Contributions Committee Charter attached in Appendix B. Additional information can be found on page 23.
9. Assessments	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The board and its committees are assessed on an annual basis. See discussion on page 16 under "Board performance assessment" for discussion of the directors' survey process.

If you have a shareholder proposal for the 2014 annual meeting

Any shareholder's proposal that meets the provisions of the *Canada Business Corporations Act*, and is intended to be presented at the 2014 annual meeting of shareholders, must be received by the company no later than December 14, 2013. The proposal can then be included in the management proxy circular and the proxy for the 2014 annual meeting.

Financial statements

The year 2012 consolidated financial statements, notes, management's discussion and analysis of financial condition and results of operations, auditors' report, management's report on internal controls and other information are provided in Appendix A.

Annual report, interim reports and electronic delivery

If you are a **registered shareholder**, a copy of the 2012 summary annual report is included in this package, unless you asked not to receive it. If you do not wish to receive our summary annual report next year you must waive receipt directly on the proxy form enclosed with this package, otherwise a copy of the summary report will be sent to you. If you wish to receive our quarterly reports, please make this request on the proxy form enclosed with this package. All registered shareholders may also consent to the electronic delivery of documents by providing consent and email address on the proxy form enclosed with this package.

If you are a **non-registered shareholder** and you wish to receive a copy of the summary annual report next year by mail, you must elect to do so directly on your voting instruction form by responding to the question at the bottom of the form. Quarterly reports may be received by filling out the yellow form enclosed in your package. Non-registered shareholders who are resident in the United States may receive our summary annual report and quarterly reports next year by filling out the blue form enclosed in your package. All non-registered shareholders may consent to the electronic delivery of documents by following the instructions on the enclosed 'Go Paperless' electronic delivery form.

Additional information

A copy of our 2012 summary annual report, a copy of this management proxy circular which includes comparative financial statements and management discussion and analysis, quarterly reports for 2012 and the company's latest Form 10-K can be obtained on request and without charge by writing to the investor relations manager or to the vice-president, general counsel and corporate secretary at the head office address below. The Form 10-K contains additional information about the company and is filed each year with Canadian and United States securities commissions and administrators. Also, all of these documents and additional information relating to the company can be found on the company's SEDAR profile at www.sedar.com, and on the company website at www.imperialoil.ca.

Company head office address: 237 Fourth Avenue S.W., Calgary, Alberta, Canada, T2P 3M9.

Information is also available by writing to the investor relations manager at the company's head office or by
Email: investor.relations@esso.ca
Telephone: 403-237-4538 or Fax: 403-237-2075.

For all other shareholder services related inquiries, please contact:
Brian W. Livingston, Vice-president, general counsel and corporate secretary
Telephone: 403-237-2915 or Fax: 403-237-2163.

The company annually solicits questions and comments from shareholders on the enclosed proxy form. The comments received are reviewed by senior management and those requiring a response are answered individually.

Directors' approval

The board of directors has approved the contents and the sending of this circular to the shareholders.

Original signed by

B.W. Livingston

Vice-president, general counsel and corporate secretary

VI. Appendices

Appendix A - Financial section

Table of contents	Page
Financial summary (U.S. GAAP).....	A2
Frequently used terms.....	A3
Management's discussion and analysis of financial condition and results of operations	A5
Overview	A5
Business environment and risk assessment	A5
Results of operations	A9
Liquidity and capital resources.....	A14
Capital and exploration expenditures	A17
Market risks and other uncertainties	A18
Critical accounting estimates	A19
Management's report on internal control over financial reporting	A23
Report of independent registered public accounting firm.....	A24
Consolidated statement of income (U.S. GAAP)	A25
Consolidated statement of comprehensive income (U.S. GAAP).....	A26
Consolidated balance sheet (U.S. GAAP)	A27
Consolidated statement of shareholders' equity (U.S. GAAP).....	A28
Consolidated statement of cash flows (U.S. GAAP)	A29
Notes to consolidated financial statements	A30
1. Summary of significant accounting policies.....	A30
2. Business segments	A33
3. Income taxes.....	A35
4. Employee retirement benefits.....	A36
5. Other long-term obligations	A42
6. Derivatives and financial instruments.....	A42
7. Share-based incentive compensation programs	A42
8. Investment and other income	A44
9. Litigation and other contingencies.....	A44
10. Common shares.....	A45
11. Miscellaneous financial information.....	A46
12. Financing costs	A47
13. Leased facilities.....	A47
14. Long-term debt.....	A47
15. Accounting for suspended exploratory well costs.....	A48
16. Transactions with related parties.....	A49
17. Subsequent event	A50
Supplemental information on oil and gas exploration and production activities	A51
Quarterly financial and stock trading data.....	A55

Financial summary (U.S. GAAP)

millions of dollars	2012	2011	2010	2009	2008
Operating revenues	31,053	30,474	24,946	21,292	31,240
Net income by segment:					
Upstream	1,888	2,457	1,764	1,324	2,923
Downstream	1,772	884	442	278	796
Chemical	165	122	69	46	100
Corporate and other	(59)	(92)	(65)	(69)	59
Net income	3,766	3,371	2,210	1,579	3,878
Cash and cash equivalents at year end	482	1,202	267	513	1,974
Total assets at year end	29,364	25,429	20,580	17,473	17,035
Long-term debt at year end	1,175	843	527	31	34
Total debt at year end	1,647	1,207	756	140	143
Other long-term obligations at year end	3,983	3,876	2,753	2,839	2,254
Shareholders' equity at year-end	16,377	13,321	11,177	9,439	9,065
Cash flow from operating activities	4,680	4,489	3,207	1,591	4,263
Per-share information (dollars)					
Net income per share - basic	4.44	3.98	2.61	1.86	4.39
Net income per share - diluted	4.42	3.95	2.59	1.84	4.36
Dividends	0.48	0.44	0.43	0.40	0.38

Frequently used terms

Listed below are definitions of several of Imperial's key business and financial performance measures. The definitions are provided to facilitate understanding of the terms and how they are calculated.

Capital employed

Capital employed is a measure of net investment. When viewed from the perspective of how capital is used by the business, it includes the company's property, plant and equipment and other assets, less liabilities, excluding both short-term and long-term debt. When viewed from the perspective of the sources of capital employed in total for the company, it includes total debt and equity. Both of these views include the company's share of amounts applicable to equity companies, which the company believes should be included to provide a more comprehensive measurement of capital employed.

millions of dollars	2012	2011	2010
Business uses: asset and liability perspective			
Total assets	29,364	25,429	20,580
Less: total current liabilities excluding notes and loans payable	(5,433)	(5,585)	(4,348)
total long-term liabilities excluding long-term debt	(5,907)	(5,316)	(4,299)
Add: Imperial's share of equity company debt	24	28	33
Total capital employed	18,048	14,556	11,966
Total company sources: debt and equity perspective			
Notes and loans payable	472	364	229
Long-term debt	1,175	843	527
Shareholders' equity	16,377	13,321	11,177
Add: Imperial's share of equity company debt	24	28	33
Total capital employed	18,048	14,556	11,966

Return on average capital employed (ROCE)

ROCE is a financial performance ratio. From the perspective of the business segments, ROCE is annual business-segment net income divided by average business-segment capital employed (an average of the beginning- and end-of-year amounts). Segment net income includes Imperial's share of segment net income of equity companies, consistent with the definition used for capital employed, and excludes the cost of financing. The company's total ROCE is net income excluding the after-tax cost of financing divided by total average capital employed. The company has consistently applied its ROCE definition for many years and views it as the best measure of historical capital productivity in a capital-intensive, long-term industry to both evaluate management's performance and demonstrate to shareholders that capital has been used wisely over the long term. Additional measures, which are more cash flow based, are used to make investment decisions.

millions of dollars	2012	2011	2010
Net income	3,766	3,371	2,210
Financing costs (after tax), including Imperial's share of equity companies	1	1	2
Net income excluding financing costs	3,767	3,372	2,212
Average capital employed	16,302	13,261	10,791
Return on average capital employed (percent) – corporate total	23.1	25.4	20.5

Cash flow from operating activities and asset sales

Cash flow from operating activities and asset sales is the sum of the net cash provided by operating activities and proceeds from asset sales reported in the consolidated statement of cash flows. This cash flow reflects the total sources of cash both from operating the company's assets and from the divesting of assets. The company employs a long-standing and regular disciplined review process to ensure that all assets are contributing to the company's strategic objectives. Assets are divested when they no longer meet these objectives or are worth considerably more to others. Because of the regular nature of this activity, the company believes it is useful for investors to consider sales proceeds together with cash provided by operating activities when evaluating cash available for investment in the business and financing activities, including shareholder distributions.

millions of dollars	2012	2011	2010
Cash from operating activities	4,680	4,489	3,207
Proceeds from asset sales	226	314	144
Total cash flow from operating activities and asset sales	4,906	4,803	3,351

Operating costs

Operating costs are the costs during the period to produce, manufacture, and otherwise prepare the company's products for sale – including energy costs, staffing and maintenance costs. They exclude the cost of raw materials, taxes and interest expense and are on a before-tax basis. While the company is responsible for all revenue and expense elements of net income, operating costs, as defined below, represent the expenses most directly under the company's control and therefore, are useful in evaluating the company's performance.

Reconciliation of Operating Costs

millions of dollars	2012	2011	2010
From Imperial's Consolidated Statement of Income			
Total expenses	26,195	26,308	22,138
Less:			
Purchases of crude oil and products	18,476	18,847	14,811
Federal excise tax	1,338	1,320	1,316
Financing costs	(1)	3	7
Subtotal	19,813	20,170	16,134
Imperial's share of equity company expenses	34	39	39
Total operating costs	6,416	6,177	6,043

Components of Operating Costs

millions of dollars	2012	2011	2010
From Imperial's Consolidated Statement of Income			
Production and manufacturing	4,457	4,114	3,996
Selling and general	1,081	1,168	1,070
Depreciation and depletion	761	764	747
Exploration	83	92	191
Subtotal	6,382	6,138	6,004
Imperial's share of equity company expenses	34	39	39
Total operating costs	6,416	6,177	6,043

Management's discussion and analysis of financial condition and results of operations

Overview

The following discussion and analysis of Imperial's financial results, as well as the accompanying financial statements and related notes to consolidated financial statements to which they refer, are the responsibility of the management of Imperial Oil Limited.

The company's accounting and financial reporting fairly reflect its straightforward business model involving the extracting, refining and marketing of hydrocarbons and hydrocarbon-based products. The company's business involves the production (or purchase), manufacture and sale of physical products, and all commercial activities are directly in support of the underlying physical movement of goods.

Imperial, with its resource base, financial strength, disciplined investment approach and technology portfolio, is well-positioned to participate in substantial investments to develop new Canadian energy supplies. While commodity prices remain volatile on a short-term basis depending upon supply and demand, Imperial's investment decisions are based on its long-term business outlook, using a disciplined approach in selecting and pursuing the most attractive investment opportunities. The corporate plan is a fundamental annual management process that is the basis for setting near-term operating and capital objectives, in addition to providing the longer-term economic assumptions used for investment evaluation purposes. Potential investment opportunities are tested over a wide range of economic scenarios to establish the resiliency of each opportunity. Once investments are made, a reappraisal process is completed to ensure relevant lessons are learned and improvements are incorporated into future projects.

The term "project" as used in this report does not necessarily have the same meaning as under SEC Rule 13q-1 relating to government payment reporting. For example, a single project for purposes of the rule may encompass numerous properties, agreements, investments, developments, phases, work efforts, activities and components, each of which we may also informally describe as a "project".

Business environment and risk assessment

Long-term business outlook

By 2040, the world's population is projected to grow to approximately 8.7 billion people, or about 1.9 billion more than in 2010. Coincident with this population increase, the company expects worldwide economic growth to average close to 3 percent per year. Expanding prosperity across a growing global population is expected to coincide with an increase in primary energy demand of about 35 percent by 2040 versus 2010, even with substantial efficiency gains around the world. This demand increase is expected to be concentrated in emerging and developing countries (i.e., those that are not member nations of the Organization for Economic Cooperation and Development).

As economic progress for billions of people drives demand higher, increasing penetration of energy-efficient and lower-emission fuels, technologies and practices are expected to contribute to significantly lower levels of energy consumption and emissions per unit of economic output over time. Efficiency gains will result from anticipated improvements in the transportation and power generation sectors, driven by the penetration of advanced technologies, as well as many other improvements that span the residential, commercial and industrial sectors.

Energy for transportation - including cars, trucks, ships, trains and airplanes - is expected to increase by about 40 percent from 2010 to 2040. The global growth in transportation demand is likely to account for approximately 70 percent of the growth in liquid fuels demand over this period. Nearly all the world's transportation fleets will continue to run on liquid fuels because they provide a large quantity of energy in small volumes, making them easy to transport and widely available.

Demand for electricity around the world is estimated to increase approximately 85 percent by 2040, led by growth in developing countries. Consistent with this projection, power generation is expected to remain the largest and fastest-growing major segment of global energy demand. Meeting the expected growth in power demand will require a diverse set of energy sources. Natural gas demand is likely to grow most significantly and become the leading source of generated electricity by 2040, reflecting the efficiency of gas-fired power plants.

Management's discussion and analysis of financial condition and results of operations (continued)

Today, coal has the largest fuel share in the power sector, but its share is likely to decline significantly by 2040 as policies are gradually adopted to reduce environmental impacts including those related to local air quality and greenhouse gas emissions. Nuclear power and renewables, led by wind, are expected to grow significantly over the period.

Liquid fuels provide the largest share of energy supply today due to their broad-based availability, affordability and ease of transport to meet consumer needs. By 2040, global demand for liquids is expected to grow to approximately 113 million barrels of oil-equivalent a day, an increase of about 30 percent from 2010. Global demand for liquid fuels will be met by a wide variety of sources. Conventional crude and condensate production is expected to remain relatively flat through 2040. However, growth is expected from a wide variety of sources, including deep-water resources, oil sands, tight oil, natural gas liquids, and biofuels. The world's resource base is sufficient to meet projected demand through 2040 as technology advances continue to expand the availability of economic supply options. However, access to resources and timely investments will remain critical to meeting global needs with reliable, affordable supplies.

Natural gas is a versatile fuel for a wide variety of applications, and is expected to be the fastest growing major fuel source through 2040. Global demand is expected to rise about 65 percent from 2010 to 2040, with demand increases in major regions around the world requiring new sources of supply. Helping meet these needs will be significant growth in supplies of unconventional gas - the natural gas found in shale and other rock formations that was once considered uneconomic to produce. By 2040, unconventional gas is likely to approach one-third of global gas supplies, up from less than 15 percent in 2010. Growing natural gas demand will also stimulate significant growth in the worldwide liquefied natural gas (LNG) market, which is expected to reach about 15 percent of global gas demand by 2040.

The world's energy mix is highly diverse and will remain so through 2040. Oil is expected to remain the largest source of energy with its share remaining close to one-third in 2040. Coal is currently the second largest source of energy, but it is likely to lose that position to natural gas by approximately 2025. The share of natural gas is expected to exceed 25 percent by 2040, while the share of coal falls to less than 20 percent. Nuclear power is projected to grow significantly, albeit at a slower pace than otherwise expected in the aftermath of the Fukushima incident in Japan following the earthquake and tsunami in March 2011. Total renewable energy is likely to reach close to 15 percent of total energy by 2040, including biomass, hydro and geothermal at a combined share of about 11 percent. Total energy supplied from wind, solar and biofuels is expected to increase close to 450 percent from 2010 to 2040, reaching a combined share of 3 to 4 percent of world energy.

The company anticipates that the world's available oil and gas resource base will grow not only from new discoveries, but also from reserve increases in previously discovered fields. Technology will underpin these increases. The cost to develop and supply these resources will be significant. According to the International Energy Agency, the investment required to meet total oil and gas energy needs worldwide over the period 2012- 2035 will be close to \$19 trillion (measured in 2011 dollars), or close to \$800 billion per year on average.

International accords and underlying regional and national regulations for greenhouse gas reduction are evolving with uncertain timing and outcome, making it difficult to predict their business impact. Imperial's estimates of potential costs related to possible public policies covering energy-related greenhouse gas emissions are consistent with those outlined in ExxonMobil's long-term Energy Outlook, which is used for assessing the business environment and Imperial's investment evaluations.

The information provided in the Long-term Business Outlook includes internal estimates and forecasts based upon internal data and analyses as well as publicly available information from external sources including the International Energy Agency.

Upstream

Imperial produces crude oil and natural gas for sale into the North American markets. Crude oil and natural gas prices are determined by global and North American markets and are subject to changing supply and demand conditions. These can be influenced by a wide range of factors, including economic conditions, international political developments and weather. Prices for most of the company's crude oil sold are set on West Texas Intermediate (WTI) oil markets, a common benchmark for mid-continent North American markets. In 2012, the

Management's discussion and analysis of financial condition and results of operations (continued)

average price of WTI crude oil and the company's Western Canadian liquids realizations continued to be markedly lower than that of Brent crude oil, a common benchmark for Atlantic Basin oil markets, due to supply/demand imbalances in mid-continent North American markets.

Imperial's Upstream business strategies guide the company's exploration, development, production, research and gas marketing activities. These strategies include identifying and selectively capturing the highest quality opportunities, and maximizing the profitability of existing production and resource value through high-impact technologies. These strategies are underpinned by a relentless focus on operational excellence, commitment to innovative technologies, development of employees and investment in the communities in which the company operates.

Imperial's proven development approach supported the company's continued investment in several key growth projects during a weak and uncertain economic environment following the global financial crisis in 2008. The company continues a decade-long growth strategy in which about \$40 billion will be invested to meet its plan of doubling upstream production by the end of this decade. Actual spending and production volumes could vary depending on the progress of individual projects. To support the company's long-term growth in oil sands production, a variety of existing and new logistics outlets have been secured or are being developed.

Imperial has a large portfolio of oil and gas resources in Canada, both developed and undeveloped, which helps reduce the risks of dependence on potentially limited supply sources in the Upstream. With the relative maturity of conventional production in established producing areas, Imperial's production is expected to come increasingly from unconventional and frontier sources, particularly oil sands, unconventional natural gas and from Canada's North, where Imperial has large undeveloped resource opportunities.

Subsequent event

On February 26, 2013, ExxonMobil Canada acquired 100 percent of Celtic Exploration Ltd. ("Celtic"). Immediately following the acquisition, Imperial acquired a 50-percent interest in Celtic's assets and liabilities from ExxonMobil Canada for \$1.6 billion, financed by a combination of related party and third party debt.

Imperial acquired a 50-percent participating interest in 545,000 net acres in the liquids-rich Montney shale, 104,000 net acres in the Duvernay shale and additional acreage in other areas of Alberta, Canada. Current net production of the acreage is about 70 million cubic feet a day of natural gas and about 3,900 barrels a day of crude oil, condensate and natural gas liquids. The resources contained in these acreages, together with Imperial's and ExxonMobil's technical expertise and financial strength, should enable development of additional supplies of unconventional natural gas and liquid resources.

The acquisition should be accretive to Imperial's production growth and cash flow. However, it is not likely to have a material impact to Imperial's near-term earnings per share.

Reference is made to Financial Statement note 17: Subsequent event for further details.

Downstream

The downstream industry environment is expected to continue being very competitive in the mature North America market. Crude oil, the primary raw material in a refinery operation, and its many refined products are widely traded with published international prices. Prices for these commodities are determined by the marketplace and are affected by many factors, including global and regional supply/demand balances, inventory levels, refinery operations, import/export balances, transportation logistics, currency fluctuations, seasonality and weather. The average prices the company paid for most of its crude oil processed at three of the company's four refineries are set on Western Canadian crude oil markets. In 2012, the average prices of Western Canadian crude oils continued to be markedly lower than that of Brent crude oil. Canadian wholesale prices of refined products in particular are largely determined by wholesale prices in adjacent U.S. regions, where wholesale prices are predominantly tied to international product markets. Stronger industry refining margins in 2012 were the result of the widened differential between product prices and cost of crude oil processed. These prices and factors are continually monitored and provide input to operating decisions about which raw materials to buy, facilities to operate and products to make. However, there are no reliable indicators of future market factors that accurately predict changes in margins from period to period.

Management's discussion and analysis of financial condition and results of operations (continued)

The company will continue to focus on the business elements within its control. Imperial's Downstream strategies are to provide customers with quality, valued products and services at the lowest total cost offer, have the lowest unit costs among industry competitors, ensure efficient and effective use of capital, maximize value from leading edge technologies and capitalize on the integration with the company's other businesses.

Imperial owns and operates four refineries in Canada, with aggregate distillation capacity of 506,000 barrels a day. Imperial's fuels marketing business includes retail operations across Canada serving customers through more than 1,770 Esso-branded retail service stations, of which about 470 are company-owned or leased, as well as wholesale and industrial operations through a network of 22 primary distribution terminals, as well as a secondary distribution network.

In the second quarter of 2012, Imperial announced its intention to market the Dartmouth refinery and related supply terminals to prospective buyers. At year-end 2012, the Dartmouth refinery had a rated capacity of 85 thousand barrels a day. The company is also assessing alternatives including conversion to a products terminal. A decision is expected in 2013.

Chemical

The North American petrochemical industry continued to improve in 2012 reflecting improving North American economic conditions. In North America, unconventional natural gas continued to provide advantaged ethane feedstock for steam crackers and a favourable margin environment for integrated chemical producers. Progress continued on the infrastructure required to implement a long-term supply agreement for ethane from the nearby Marcellus shale gas development. First deliveries of this cost-advantage feedstock to the company's Sarnia chemical plant are expected around mid-2013. The company's strategy for its Chemical business is to reduce costs and maximize value by continuing to increase the integration of its chemical plants at Sarnia and Dartmouth with the refineries. The company also benefits from its integration within ExxonMobil's North American chemical businesses, enabling Imperial to maintain a leadership position in its key market segments.

Management's discussion and analysis of financial condition and results of operations (continued)

Results of operations

Consolidated

millions of dollars	2012	2011	2010
Net income	3,766	3,371	2,210

2012

Net income in 2012 was \$3,766 million or \$4.42 a share on a diluted basis, versus \$3,371 million or \$3.95 a share in 2011. Increased earnings were primarily attributable to stronger industry refining margins of about \$975 million and lower royalty costs of about \$300 million due to lower Upstream realizations. These factors were partially offset by the impacts of lower Upstream realizations of about \$580 million, higher Kearn production readiness costs of about \$125 million and higher refinery planned maintenance of about \$80 million. Gains on asset divestments were also lower by about \$85 million in 2012.

In 2012, the average price of West Texas Intermediate (WTI) crude oil and Western Canadian crude oils continued to be markedly lower than that of Brent crude oil, a common benchmark for Atlantic Basin oil markets, due to supply/demand imbalances in mid-continent North American markets. This price discount negatively impacted the company's Western Canadian liquids realizations. Refining margins in the company's Downstream segment, however, benefited as the overall cost of crude oil processed at three of the company's four refineries followed the trend of Western Canadian crude oils.

2011

Net income in 2011 was \$3,371 million or \$3.95 a share on a diluted basis, versus \$2,210 million or \$2.59 a share in 2010. Increased earnings were primarily attributable to higher crude oil commodity prices, stronger industry refining margins and increased Cold Lake bitumen production. These factors were partially offset by the unfavourable impacts of higher royalty costs, the stronger Canadian dollar and lower conventional crude oil volumes due to third-party pipeline reliability issues. 2011 earnings also included higher gains of about \$70 million on asset divestments.

In 2011, there was an unusually large spread between the prices of Brent crude oil and WTI crude oil, two common benchmarks for world oil markets. Increase in 2011 in the average Brent crude oil price more than doubled that of the average WTI price due to continued weakness in WTI crude oil markets. Increases in the company's Upstream realizations in 2011 followed more closely the trend of WTI prices, while margins in the company's Downstream segment benefited as the overall cost of crude oil processed at three of the company's four refineries were more in line with WTI prices.

Upstream

millions of dollars	2012	2011	2010
Net income	1,888	2,457	1,764

2012

Net income for the year was \$1,888 million, down \$569 million from 2011. Earnings were lower primarily due to the impacts of lower realizations of about \$580 million, higher Kearn production readiness costs of about \$125 million and lower Cold Lake volumes of about \$75 million. Gains on asset divestments were also lower by about \$85 million in 2012. These factors were partially offset by lower royalty costs of about \$300 million due to lower realizations and higher conventional volumes of about \$45 million.

2011

Net income for the year was \$2,457 million, up \$693 million from 2010. Earnings increased primarily due to the impacts of higher crude oil commodity prices of about \$925 million and increased Cold Lake bitumen production of about \$260 million. These factors were partially offset by the unfavourable effects of higher royalty costs due to higher crude oil commodity prices of about \$245 million, the stronger Canadian dollar of about \$150 million, and lower conventional crude oil volumes of about \$150 million, of which about \$80 million was a result of third-

Management's discussion and analysis of financial condition and results of operations (continued)

party pipeline reliability issues. Included in 2011 earnings were gains of \$116 million on asset divestments, about \$95 million higher than 2010.

Average realizations

Canadian dollars	2012	2011	2010
Conventional crude oil realizations (a barrel)	77.19	85.22	71.64
Natural gas liquids realizations (a barrel)	42.06	59.08	50.09
Natural gas realizations (a thousand cubic feet)	2.33	3.59	4.04
Synthetic oil realizations (a barrel)	92.48	101.43	80.63
Bitumen realizations (a barrel)	59.76	63.95	58.36

2012

Prices for most of the company's liquids production are based on WTI crude oil, a common benchmark for mid-continent North American oil markets. Compared to 2011, the average WTI crude price in U.S. dollars was lower by \$0.96 a barrel or about one percent in 2012. The company's Western Canadian liquids realizations were also impacted by market discounts caused by supply/demand imbalances in mid-continent North America. In 2012, the company's conventional and synthetic crude oil realizations in Canadian dollars decreased by about nine percent and bitumen realizations in Canadian dollars decreased by about seven percent compared to 2011.

The company's average realizations on natural gas sales were lower by about 35 percent in 2012 in line with the decline in the average of 30-day spot prices for natural gas in Alberta.

2011

The average price of Brent crude oil in U.S. dollars, a common benchmark for Atlantic Basin oil markets, was \$111.29 a barrel in 2011, up about 40 percent from the previous year. Increase in the average price of West Texas Intermediate (WTI) crude oil, a common benchmark for mid-continent North American oil markets, was limited to 19 percent, due to the continued weakness in WTI crude oil markets. Increases in the company's average realizations on sales of Canadian conventional crude oil and synthetic crude oil were in line with that of WTI.

The company's average bitumen realizations in Canadian dollars in 2011 increased ten percent to \$63.95 per barrel as the price spread between light crude oil and Cold Lake bitumen widened.

Canadian natural gas prices in 2011 were lower than the previous year. The average of 30-day spot prices for natural gas in Alberta at \$3.67 a thousand cubic feet were down from \$4.39 in 2010. The company's realizations for natural gas averaged \$3.59 a thousand cubic feet, down from \$4.04 in 2010.

Crude oil and NGLs - production and sales (a)

thousands of barrels a day	2012		2011		2010	
	gross	net	gross	net	gross	net
Bitumen	154	123	160	120	144	115
Synthetic oil	72	69	72	67	73	67
Conventional crude oil	20	15	18	13	23	17
Total crude oil production	246	207	250	200	240	199
NGLs available for sale	4	3	5	4	7	5
Total crude oil and NGL production	250	210	255	204	247	204
Cold Lake sales, including diluent (b)	201		209		188	
NGL sales	8		9		10	

Management's discussion and analysis of financial condition and results of operations (continued)

Natural gas - production and sales (a)

millions of cubic feet a day	2012		2011		2010	
	gross	net	gross	net	gross	net
Production (c)	192	195 (d)	254	228	280	254
Sales	177		237		264	

- (a) Daily volumes are calculated by dividing total volumes for the year by the number of days in the year. Gross production is the company's share of production (excluding purchases) before deducting the share of mineral owners or governments or both. Net production excludes those shares.
- (b) Diluent is natural gas condensate or other light hydrocarbons added to Cold Lake bitumen to facilitate transportation to market by pipeline.
- (c) Production of natural gas includes amounts used for internal consumption with the exception of the amounts re-injected.
- (d) Net production included favourable royalty cost adjustments.

2012

Gross production of Cold Lake bitumen averaged 154,000 barrels a day in 2012 compared with 160,000 barrels in 2011. Lower volumes were primarily due to the cyclic nature of production at Cold Lake.

The company's share of Syncrude's gross production averaged 72,000 barrels a day, unchanged from 2011.

Gross production of conventional crude oil averaged 20,000 barrels a day, up from the 18,000 barrels in 2011 when third-party pipeline downtime reduced production at the Norman Wells field.

Gross production of natural gas in 2012 was 192 million cubic feet a day, down from 254 million cubic feet in 2011. The lower production volume was primarily a result of producing properties divestments completed in 2011.

2011

Gross production of Cold Lake bitumen increased to a record 160,000 barrels a day in 2011 from 144,000 barrels in 2010. Increased volumes were due to contributions from new wells steamed in 2010 and 2011, increased recoveries as a result of technology applications and the cyclic nature of production at Cold Lake.

The company's share of gross production from Syncrude averaged 72,000 barrels a day, in line with 73,000 barrels in 2010.

Gross production of conventional crude oil averaged 18,000 barrels a day, compared with 23,000 barrels in 2010. Lower volumes were primarily due to third-party pipeline unplanned downtime, which reduced production at the Norman Wells field, along with natural reservoir decline.

Gross production of natural gas in 2011 was 254 million cubic feet a day, down from 280 million cubic feet in 2010. The lower production volume was primarily a result of natural reservoir decline.

In 2011, the company sold its interests in shallow gas properties in the Medicine Hat, Alberta area, the Coleville-Hoosier natural gas producing property in Saskatchewan and the Rainbow Lake producing property in Alberta, realizing a gain of about \$76 million. Production for the company's share of the properties averaged about 56 million cubic feet of natural gas a day and one thousand barrels of crude oil a day in 2010. Also in the year, the company recorded a gain of about \$40 million from an exchange of oil sands leases with a third party.

Downstream

millions of dollars	2012	2011	2010
Net income	1,772	884	442

2012

Downstream net income was \$1,772 million, an increase of \$888 million over 2011. Earnings in 2012 were the best annual earnings on record and were primarily due to stronger industry refining margins, partially offset by increased operating expenditures due to the impact of a higher level of refinery planned maintenance activities compared with 2011.

Management's discussion and analysis of financial condition and results of operations (continued)

The overall cost of crude oil processed at three of the company's four refineries followed the trend of Western Canadian crude oils. Canadian wholesale prices of refined products are largely determined by wholesale prices in adjacent U.S. regions, where wholesale prices are predominately tied to international product markets. Stronger industry refining margins are the result of the widened differential between product prices and cost of crude oil processed.

2011

Net income was \$884 million, an increase of \$442 million over 2010. Higher earnings were primarily due to the favourable impact of stronger industry refining margins of about \$590 million. Refining margins benefited as the overall cost of crude oil processed at three of the company's four refineries followed the trend of WTI prices. This factor was partially offset by the unfavourable impacts of higher maintenance activities on refinery operations and expenses totaling about \$60 million and the stronger Canadian dollar of about \$55 million. Earnings in 2010 included a gain of about \$25 million from sale of non-operating assets.

Refinery utilization

thousands of barrels a day (a)	2012	2011	2010
Total refinery throughput (b)	435	430	444
Refinery capacity at December 31	506	506	502
Utilization of total refinery capacity (percent)	86	85	88

Sales

thousands of barrels a day (a)	2012	2011	2010
Gasolines	221	220	218
Heating, diesel and jet fuels	151	157	153
Heavy fuel oils	30	29	28
Lube oils and other products	43	41	43
Net petroleum product sales	445	447	442

(a) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.

(b) Crude oil and feedstocks sent directly to atmospheric distillation units.

2012

Total refinery throughput was 435,000 barrels a day, up from 2011, and average refinery capacity utilization increased to 86 percent from the previous year's 85 percent. Higher volumes and utilization were primarily a result of improved refinery operations partially offset by higher planned maintenance activities at the Strathcona refinery. Total net petroleum sales decreased to 445,000 barrels a day, 2,000 barrels lower than 2011.

2011

Total refinery throughput was 430,000 barrels a day, down from 2010, and average refinery capacity utilization decreased to 85 percent from the previous year's 88 percent. Lower volumes and utilization were primarily a result of higher planned and unplanned maintenance activities. Total net petroleum sales increased to 447,000 barrels a day, 5,000 barrels higher than 2010.

Management's discussion and analysis of financial condition and results of operations (continued)

Chemical

millions of dollars	2012	2011	2010
Net income	165	122	69

Sales

thousands of tonnes	2012	2011	2010
Polymers and basic chemicals	767	748	711
Intermediate and others	277	268	278
Total petrochemical sales	1,044	1,016	989

2012

Net income was \$165 million, up \$43 million from 2011. Earnings in 2012 were the best annual earnings on record. Strong operating performance along with higher polyethylene margins and sales volumes were the main contributors to the increase.

2011

Net income was \$122 million, up \$53 million from 2010. Improved margins for intermediate and aromatic products, lower costs due to lower planned maintenance activities and higher polyethylene sales volumes were the main contributors to the increase. These factors were partially offset by lower margins for polyethylene products.

Corporate & Other

millions of dollars	2012	2011	2010
Net income	(59)	(92)	(65)

2012

Net income effects from Corporate & Other were negative \$59 million, compared with negative \$92 million in 2011. Favourable effects were due to lower share-based compensation charges.

2011

Net income effects were negative \$92 million, versus negative \$65 million reported last year. Unfavourable effects in 2011 were primarily due the impact of the share price change on share-based compensation charges.

Management's discussion and analysis of financial condition and results of operations (continued)

Liquidity and capital resources

Sources and uses of cash

millions of dollars	2012	2011	2010
Cash provided by/(used in)			
Operating activities	4,680	4,489	3,207
Investing activities	(5,238)	(3,593)	(3,709)
Financing activities	(162)	39	256
Increase/(decrease) in cash and cash equivalents	(720)	935	(246)
Cash and cash equivalents at end of year	482	1,202	267

Although the company issues long-term debt from time to time and maintains a commercial paper program, internally generated funds cover the majority of its financial requirements. Cash that may be temporarily available as surplus to the company's immediate needs is carefully managed through counterparty quality and investment guidelines to ensure that it is secure and readily available to meet the company's cash requirements and to optimize returns.

Cash flows from operating activities are highly dependent on crude oil and natural gas prices, as well as petroleum and chemical product margins. In addition, to provide for cash flow in future periods, the company needs to continually find and develop new resources, and continue to develop and apply new technologies to existing fields in order to maintain or increase production. Projects are planned or underway to increase production capacity. However, these volume increases are subject to a variety of risks, including project execution, operational outages, reservoir performance and regulatory changes.

The company's financial strength enables it to make large, long-term capital expenditures. Imperial's portfolio of development opportunities and the complementary nature of its business segments help mitigate the overall risks for the company and its cash flows. Further, due to its financial strength, debt capacity and portfolio of opportunities, the risk associated with delay of any single project would not have a significant impact on the company's liquidity or ability to generate sufficient cash flows for its operations and fixed commitments.

An independent actuarial valuation of the company's registered retirement benefit plans was completed as at December 31, 2011. As a result of the valuation, the company contributed \$594 million to the registered retirement benefit plans in 2012. The next required independent actuarial valuation will be as at December 31, 2012 and the company will continue to contribute within the requirements of pension regulations. Future funding requirements are not expected to affect the company's existing capital investment plans or its ability to pursue new investment opportunities.

Cash flow from operating activities

2012

Cash flow generated from operating activities was \$4,680 million, compared with \$4,489 million in 2011. Higher cash flow was primarily due to deferred income tax effects and higher net income partially offset by working capital effects.

2011

Cash flow generated from operating activities was \$4,489 million, an increase of \$1,282 million from 2010 and in line with the earnings increase versus 2010.

Cash flow from investing activities

2012

Investing activities used net cash of \$5,238 million in 2012, compared to \$3,593 million in 2011. Additions to property, plant and equipment were \$5,478 million, compared with \$3,919 million last year. Proceeds from asset sales were \$226 million compared with \$314 million in 2011.

Management's discussion and analysis of financial condition and results of operations (continued)

2011

Investing activities used net cash of \$3,593 million in 2011, compared to \$3,709 million in 2010. Additions to property, plant and equipment were \$3,919 million, compared with \$3,856 million last year. Proceeds from asset sales were \$314 million compared with \$144 million in 2010.

Cash flow from financing activities

2012

Cash used in financing activities was \$162 million, compared with cash provided by financing activities of \$39 million in 2011.

The company raised new debt of \$325 million by drawing on existing facilities. Obligations under capital leases, which is a non-cash item, also increased by \$115 million. At the end of 2012, total debt outstanding was \$1,647 million, compared with \$1,207 million at the end of 2011.

During 2012, the company did not make any share repurchases except those to offset the dilutive effects from the exercise of share-based awards. The company will continue to evaluate its share repurchase program in the context of its operating performance and overall capital project activities.

Cash dividends of \$398 million were paid in 2012 compared with \$373 million in 2011. Per-share dividends paid in 2012 totaled \$0.48, up from \$0.44 in 2011.

In the third quarter of 2012, the company increased the amount of its existing stand-by long-term bank credit facility from \$200 million to \$300 million and extended the maturity date to August 2014. Subsequent to year-end, in February 2013, this long-term bank credit facility was increased by an additional \$200 million to \$500 million with the maturity date unchanged. The company has not drawn on the facility.

In February 2013, the company increased its long-term debt by \$1.3 billion by drawing on an existing facility with an affiliated company of Exxon Mobil Corporation and increased short-term debt by \$0.5 billion by issuing additional commercial paper. The majority of the increased debt was used to finance the acquisition of a 50-percent interest in Celtic's assets and liabilities.

2011

Cash from financing activities was \$39 million, compared with \$256 million in 2010.

The company raised new debt of \$455 million by drawing on existing facilities. At the end of 2011, total debt outstanding was \$1,207 million, compared with \$756 million at the end of 2010.

During 2011, the company did not make any share repurchases except those to offset the dilutive effects from the exercise of share-based awards. The company will continue to evaluate its share repurchase program in the context of its operating performance and overall capital project activities.

Cash dividends of \$373 million were paid in 2011 compared with \$356 million in 2010. Per-share dividends paid in 2011 totaled \$0.44, up from \$0.42 in 2010.

In the second quarter, the company extended the maturity date of its existing stand-by \$200 million long term bank credit facility to July 2013. The company has not drawn on this facility.

Financial percentages and ratios

	2012	2011	2010
Total debt as a percentage of capital (a)	9	9	7
Interest coverage ratio – earnings basis (b)	239	260	370

(a) Current and long-term debt (page A27) and the company's share of equity company debt, divided by debt and shareholders' equity (page A27).

(b) Net income (page A25), debt-related interest before capitalization, including the company's share of equity company interest, and income taxes (page A25), divided by debt-related interest before capitalization, including the company's share of equity company interest.

Management's discussion and analysis of financial condition and results of operations (continued)

Debt represented nine percent of the company's capital structure at the end of 2012, unchanged from 2011.

Debt-related interest incurred in 2012, before capitalization of interest, was \$20 million, compared with \$16 million in 2011. The average effective interest rate on the company's debt was 1.6 percent in 2012, compared with 1.5 percent in 2011.

The company's financial strength, as evidenced by the above financial ratios, represents a competitive advantage of strategic importance. The company's sound financial position gives it the opportunity to access capital markets in the full range of market conditions and enables the company to take on large, long-term capital commitments in the pursuit of maximizing shareholder value.

The company does not use any derivative instruments to offset exposures associated with hydrocarbon prices, currency exchange rates and interest rates that arise from existing assets, liabilities and transactions. The company does not engage in speculative derivative activities nor does it use derivatives with leveraged features.

Commitments

The following table shows the company's commitments outstanding at December 31, 2012. It combines data from the consolidated balance sheet and from individual notes to the consolidated financial statements, where appropriate.

millions of dollars	Financial statement note reference	Payment due by period			Total amount
		2013	2014 to 2017	2018 and beyond	
Long-term debt (a)	Note 14	-	1,066	109	1,175
- Due in one year		7	-	-	7
Operating leases (b)	Note 13	180	306	25	511
Unconditional purchase obligations (c)	Note 9	77	217	176	470
Firm capital commitments (d)		3,554	1,573	99	5,226
Pension and other post-retirement obligations (e)	Note 4	733	227	1,809	2,769
Asset retirement obligations (f)	Note 5	105	378	483	966
Other long-term purchase agreements (g)		346	1,894	4,747	6,987

- (a) Long-term debt includes a long-term loan from an affiliated company of Exxon Mobil Corporation of \$1,040 million and capital lease obligations of \$142 million, \$7 million of which is due in one year. The payment by period for the related party long-term loan is estimated based on the right of the related party to cancel the loan on at least 370 days advance written notice.
- (b) Minimum commitments for operating leases, shown on an undiscounted basis, primarily cover office buildings, rail cars and service stations.
- (c) Unconditional purchase obligations are those long-term commitments that are non-cancelable or cancellable only under certain conditions and that third parties have used to secure financing for the facilities that will provide the contracted goods and services. They mainly pertain to pipeline throughput agreements.
- (d) Firm capital commitments related to capital projects, shown on an undiscounted basis. The largest commitments outstanding at year-end 2012 were \$3,293 million associated with the company's share of the Kearn project and \$840 million associated with the Cold Lake Nabiye expansion project.
- (e) The amount by which the benefit obligations exceeded the fair value of fund assets for pension and other post-retirement plans at year-end. The payments by period include expected contributions to funded pension plans in 2013 and estimated benefit payments for unfunded plans in all years.
- (f) Asset retirement obligations represent the fair value of legal obligations associated with site restoration on the retirement of assets with determinable useful lives.
- (g) Other long-term purchase agreements are non-cancelable, long-term commitments other than unconditional purchase obligations. They include primarily raw material supply and transportation services agreements.

In 2012, the company entered into additional long-term pipeline transportation agreements, which have a total commitment of about \$4.4 billion, to ship heavy crude oil blend and diluent. These agreements will support the company's long-term growth in oil sands production. The company expects to fulfill these commitments in the normal course of business. The new commitment amounts are included in the "Other long-term purchase agreements" line in the table above.

Unrecognized tax benefits totaling \$143 million have not been included in the company's commitments table because the company does not expect there will be any cash impact from the final settlements as sufficient

Management's discussion and analysis of financial condition and results of operations (continued)

funds have been deposited with the Canada Revenue Agency. Further details on the unrecognized tax benefits can be found in note 3 to the financial statements on page A35.

Litigation and other contingencies

As discussed in note 9 to the consolidated financial statements on page A44, a variety of claims have been made against Imperial Oil Limited and its subsidiaries. Based on a consideration of all relevant facts and circumstances, the company does not believe the ultimate outcome of any currently pending lawsuits against the company will have a material adverse effect on the company's operations, financial condition, or financial statements taken as a whole. There are no events or uncertainties beyond those already included in reported financial information that would indicate a material change in future operating results or financial condition.

Capital and exploration expenditures

millions of dollars	2012	2011
Upstream (a)	5,518	3,880
Downstream	140	166
Chemical	4	4
Other	21	16
Total	5,683	4,066

(a) Exploration expenses included.

Total capital and exploration expenditures were \$5,683 million in 2012, an increase of \$1,617 million from 2011.

For the Upstream segment, capital expenditures were \$5,518 million, compared with \$3,880 million in 2011. Expenditures were primarily directed towards the advancement of Kearl initial development and expansion. Other investments included advancing the Nabiye expansion project at Cold Lake and sustaining capital for Syncrude mining and tailing projects.

By 2012 year end, the construction of the Kearl initial development was complete and phased start-up activities were underway. Despite U.S. permitting and regulatory issues that continued for almost two years involving transportation of facility modules and significant challenges including an early onset of winter and exceptionally harsh weather during current start-up operations, production of mined diluted bitumen from the first froth treatment train is expected to be in the first quarter of 2013. The final cost for the initial development is expected to be \$12.9 billion, of which the company's share is \$9.2 billion.

Planned capital and exploration expenditures in the Upstream segment are forecast at about \$6.8 billion for 2013. Investments are mainly planned for the continued investment in the Kearl and Nabiye growth projects, along with sustaining capital for Syncrude mining and tailing projects. The planned capital and exploration expenditures also include \$1.6 billion associated with Imperial's 50 percent participation in the acquisition of Celtic.

For the Downstream segment, capital expenditures were \$140 million in 2012, compared with \$166 million in 2011. In 2012, Downstream capital expenditures focused mainly on refinery projects to improve reliability, feedstock flexibility, energy efficiency and environmental performance.

Planned capital expenditures for the Downstream segment in 2013 are about \$200 million, focused on improving refinery reliability and environmental and safety performance, as well as continuing upgrades to the retail network.

The company continues a decade-long growth strategy in which about \$40 billion will be invested. Total capital and exploration expenditures for the company in 2013 are expected to be about \$7 billion. Actual spending could vary depending on the progress of individual projects.

Management's discussion and analysis of financial condition and results of operations (continued)

Market risks and other uncertainties

Crude oil, natural gas, petroleum product and chemical prices have fluctuated in response to changing market forces. The impacts of these price fluctuations on earnings from Upstream, Downstream and Chemical operations have varied. In addition, industry crude oil and natural gas commodity prices and petroleum and chemical product prices are commonly benchmarked in U.S. dollars. The majority of Imperial's sales and purchases are related to these industry U.S. dollar benchmarks. As the company records and reports its financial results in Canadian dollars, to the extent that the Canadian/U.S. dollar exchange rate fluctuates, the company's earnings will be affected. The company's potential exposure to commodity price and margin and Canadian/U.S. dollar exchange rate fluctuations is summarized in the earnings sensitivities table below, which shows the estimated annual effect, under current conditions, of the company's after-tax net income.

Earnings sensitivities (a)

millions of dollars, after tax

Seven dollars (U.S.) a barrel change in crude oil prices	+ (-)	340
Thirty cents a thousand cubic feet change in natural gas prices	+ (-)	5
Two dollars (U.S.) a barrel change in sales margins for total petroleum products	+ (-)	250
One cent (U.S.) a pound change in sales margins for polyethylene	+ (-)	6
One-quarter percent decrease (increase) in short-term interest rates	+ (-)	3
Ten cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+ (-)	490

(a) The amount quoted to illustrate the impact of each sensitivity represents a change of about 10 percent in the value of the commodity or rate in question at the end of 2012. Each sensitivity calculation shows the impact on net income resulting from a change in one factor, after tax and royalties and holding all other factors constant. While these sensitivities are applicable under current conditions, they may not apply proportionately to larger fluctuations.

The sensitivity of net income to changes in crude oil prices increased from year-end 2011 by about \$16 million (after tax) a year for each one U.S. dollar change. The increase was primarily a result of the impact of lower royalty costs for bitumen production due to lower prices for Cold Lake bitumen at 2012 year-end.

The global energy markets can give rise to extended periods in which market conditions are adverse to one or more of the company's businesses. Such conditions, along with the capital-intensive nature of the industry and very long lead times associated with many of our projects, underscore the importance of maintaining a strong financial position. Management views the company's financial strength as a competitive advantage.

In general, segment results are not dependent on the ability to sell and/or purchase products to/from other segments. Instead, where such sales take place, they are the result of efficiencies and competitive advantages of integrated refinery/chemical complexes. Additionally, intersegment sales are at market-based prices. The products bought and sold between segments can also be acquired in worldwide markets that have substantial liquidity, capacity and transportation capabilities. About 59 percent of the company's intersegment sales are crude oil produced by the Upstream and sold to the Downstream. Other intersegment sales include those between refineries and chemical plants related to raw materials, feedstocks and finished products.

Although price levels of crude oil and natural gas may rise or fall significantly over the short to medium term, industry economics over the long term will continue to be driven by market supply and demand. Accordingly, the company tests the viability of all of its investments over a broad range of future prices. The company's assessment is that its operations will continue to be successful in a variety of market conditions. This is the outcome of disciplined investment and asset management programs.

The company has an active asset management program in which underperforming assets are either improved to acceptable levels or considered for divestment. The asset management program includes a disciplined, regular review to ensure that all assets are contributing to the company's strategic objectives. The result is an efficient capital base, and the company has seldom had to write down the carrying value of assets, even during periods of low commodity prices.

Industry bitumen production may be subject to limits on transportation capacity to markets. A significant portion of the company's Upstream production is bitumen. The company's longer-term oil sands development plans,

Management's discussion and analysis of financial condition and results of operations (continued)

results of operations and cash flow may be adversely affected if, for regulatory or other reasons, necessary additional transportation infrastructure is not added in a timely fashion. The company supports increased market access including proposed pipeline expansions to the United States Gulf coast and the Canadian West coast.

The demand for crude oil, natural gas, petroleum products and petrochemical products correlates closely with general economic growth rates. The occurrence of recessions or other periods of low or negative economic growth will typically have a direct adverse impact on the company's financial results. In challenging economic times, the company follows the proven approach to continue focus on the business elements within its controls and take a long-term view of development.

Increased demand for certain services and materials has resulted in higher capital and other project costs in industry oil sands developments. The company works to counter upward pressure on costs through effective and efficient project and procurement management. One such example is the sanctioning of the Kearl expansion to continue from the initial development such that the initial development's design and development infrastructure can be reused. This continuation also allows the company to retain the experienced labour resources working on the initial development thereby maintaining productivity and limiting cost growth.

To help reduce the risks of dependence on potentially limited supply sources in established, mature conventional producing areas, the company's production is expected to come increasingly from oil sands, unconventional natural gas and tight oil. Technology improvements have played and will continue to play an important role in the economics and the environmental performance of the current and future developments of these unconventional sources.

Risk management

The company's size, strong capital structure and the complementary nature of the Upstream, Downstream and Chemical businesses reduce the company's enterprise-wide risk from changes in commodity prices and currency rates. The benefit of integration is demonstrated by the financial results in 2012 when market discounts to Western Canadian crude oil prices negatively impacted the company's Upstream realizations but positively impacted refining margins in the Downstream segment. The company's financial strength and debt capacity give it the opportunity to advance business plans in the pursuit of maximizing shareholder value in the full range of market conditions. Also, the company progresses large capital projects in a phased manner so that adjustments can be made when significant changes in market conditions occur. As a result, the company does not make use of derivative instruments to mitigate the impact of such changes. The company does not engage in speculative derivative activities or derivative trading activities nor does it use derivatives with leveraged features. The company maintains a system of controls that includes a policy covering the authorization, reporting and monitoring of derivative activity.

Critical accounting estimates

The company's financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP). GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The company's accounting and financial reporting fairly reflect its straightforward business model. Imperial does not use financing structures for the purpose of altering accounting outcomes or removing debt from the balance sheet. The company's significant accounting policies are summarized in note 1 to the consolidated financial statements on page A30.

Oil and gas reserves

Evaluations of oil and gas reserves are important to the effective management of Upstream assets. They are integral to making investment decisions about oil and gas properties such as whether development should proceed. Oil and gas reserve quantities are also used as the basis for calculating unit-of-production depreciation rates and for evaluating impairment.

Oil and gas reserves include both proved and unproved reserves. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with

Management's discussion and analysis of financial condition and results of operations (continued)

reasonable certainty to be economically producible. Unproved reserves are those with less than reasonable certainty of recoverability and include probable reserves. Probable reserves are reserves that are more likely to be recovered than not.

The estimation of proved reserves is an ongoing process based on rigorous technical evaluations, commercial and market assessment, and detailed analysis of well information such as flow rates and reservoir pressure declines. The estimation of proved reserves is controlled by the company through long-standing approval guidelines. Reserve changes are made within a well-established, disciplined process driven by senior level geoscience and engineering professionals, assisted by the reserves management group which has significant technical experience, culminating in reviews with and approval by senior management and the company's board of directors. Notably, the company does not use specific quantitative reserve targets to determine compensation. Key features of the reserve estimation process are covered in Disclosure of Reserves in Item 1.

Although the company is reasonably certain that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors, including completion of development projects, reservoir performance, regulatory approvals and significant changes in long-term oil and gas price levels.

Revisions can include upward or downward changes in previously estimated volumes of proved reserves for existing fields due to the evaluation or reevaluation of already available geologic, reservoir or production data; new geologic, reservoir or production data; or changes in prices and year-end costs that are used in the estimation of reserves. Revisions can also result from significant changes in either development strategy or production equipment/facility capacity.

Impact of oil and gas reserves on depreciation

The calculation of unit-of-production depreciation is a critical accounting estimate that measures the depreciation of upstream assets. It is the ratio of actual volumes produced to total proved developed reserves (those reserves recoverable through existing wells with existing equipment and operating methods) applied to the asset cost. The volumes produced and asset cost are known and, while proved developed reserves have a high probability of recoverability, they are based on estimates that are subject to some variability. While the revisions the company has made in the past are an indicator of variability, they have had little impact on the unit-of-production rates of depreciation.

Impact of oil and gas reserves and prices on testing for impairment

Proved oil and gas properties held and used by the company are reviewed for impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable. Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. Impairment analyses are generally based on reserve estimates used for internal planning and capital investment decisions. Where probable reserves exist, an appropriately risk-adjusted amount of these reserves may be included in the impairment evaluation. An asset group would be impaired if its undiscounted cash flows were less than the asset's carrying value. Impairments are measured by the amount by which the carrying value exceeds fair value.

Significant unproved properties are assessed for impairment individually, and valuation allowances against the capitalized costs are recorded based on the estimated economic chance of success and the length of time that the company expects to hold the properties. Properties that are not individually significant are aggregated by groups and amortized based on development risk and average holding period.

The company performs asset valuation analyses on an ongoing basis as a part of its asset management program. These analyses assist the company in assessing whether the carrying amounts of any of its assets may not be recoverable. In addition to estimating oil and gas reserve volumes in conducting these analyses, it is also necessary to estimate future oil and gas prices. Potential trigger events for impairment evaluations include a significant decrease in current and projected reserve volumes, an accumulation of project costs significantly in excess of the amount originally expected, and current period operating losses combined with a history or forecast of operating or cash flow losses.

Management's discussion and analysis of financial condition and results of operations (continued)

In general, the company does not view temporarily low prices or margins as a triggering event for conducting the impairment tests. The markets for crude oil and natural gas have a history of significant price volatility. Although prices will occasionally drop significantly, the relative growth/decline in supply versus demand will determine industry prices over the long term, and these cannot be accurately predicted. Accordingly, any impairment tests that the company performs make use of the company's price assumptions developed in the annual planning and budgeting process for the crude oil and natural gas markets, petroleum products and chemicals. These are the same price assumptions that are used for capital investment decisions. Volumes are based on field production profiles, which are also updated annually.

Supplemental information regarding oil and gas results of operations, capitalized costs and reserves is provided following the notes to the consolidated financial statements. Future prices used for any impairment tests will vary from the one used in the supplemental oil and gas disclosure and could be lower or higher for any given year.

Pension benefits

The company's pension plan is managed in compliance with the requirements of governmental authorities and meets funding levels as determined by independent third-party actuaries. Pension accounting requires explicit assumptions regarding, among others, the discount rate for the benefit obligations, the expected rate of return on plan assets and the long-term rate of future compensation increases. All pension assumptions are reviewed annually by senior management. These assumptions are adjusted only as appropriate to reflect long-term changes in market rates and outlook. The long-term expected rate of return on plan assets of 6.25 percent used in 2012 compares to actual returns of 7.3 percent and 8.5 percent achieved over the last 10- and 20-year periods ending December 31, 2012. If different assumptions are used, the expense and obligations could increase or decrease as a result. The company's potential exposure to changes in assumptions is summarized in note 4 to the consolidated financial statements on page A36. At Imperial, differences between actual returns on plan assets and the long-term expected returns are not recorded in pension expense in the year the differences occur. Such differences are deferred, along with other actuarial gains and losses, and are amortized into pension expense over the expected average remaining service life of employees. Employee benefit expense represented less than two percent of total expenses in 2012.

Asset retirement obligations and other environmental liabilities

Legal obligations associated with site restoration on the retirement of assets with determinable useful lives are recognized when they are incurred, which is typically at the time the assets are installed. The obligations are initially measured at fair value and discounted to present value. Over time, the discounted asset retirement obligation amount will be accreted for the change in its present value, with this effect included in production and manufacturing expenses. As payments to settle the obligations occur on an ongoing basis and will continue over the lives of the operating assets, which can exceed 25 years, the discount rate will be adjusted only as appropriate to reflect long-term changes in market rates and outlook. For 2012, the obligations were discounted at six percent and the accretion expense was \$86 million, before tax, which was significantly less than one percent of total expenses in the year. There would be no material impact on the company's reported financial results if a different discount rate had been used.

Asset retirement obligations are not recognized for assets with an indeterminate useful life. Asset retirement obligations for these facilities generally become firm at the time the facilities are permanently shut down and dismantled. These obligations may include the costs of asset disposal and additional soil remediation. However, these sites have indeterminate lives based on plans for continued operations, and as such, the fair value of the conditional legal obligations cannot be measured, since it is impossible to estimate the future settlement dates of such obligations. For these and non-operating assets, the company accrues provisions for environmental liabilities when it is probable that obligations have been incurred and the amount can be reasonably estimated.

Asset retirement obligations and other environmental liabilities are based on engineering estimated costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, current technology and the possible use of the location. Since these estimates are specific to the locations involved, there are many individual assumptions underlying the company's total asset retirement obligations and provision for other environmental liabilities. While these individual assumptions can be subject to change, none of them is individually significant to the company's reported financial results.

Management's discussion and analysis of financial condition and results of operations (continued)

Suspended exploratory well costs

The company continues capitalization of exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expense. The facts and circumstances that support continued capitalization of suspended wells as of year-end 2012 are disclosed in note 15 to the consolidated financial statements.

Tax contingencies

The operations of the company are complex, and related tax interpretations, regulations and legislation are continually changing. Significant management judgment is required in the accounting for income tax contingencies and tax disputes because the outcomes are often difficult to predict.

The benefits of uncertain tax positions that the company has taken or expects to take in its income tax returns are recognized in the financial statements if management concludes that it is more likely than not that the position will be sustained with the tax authorities. For a position that is likely to be sustained, the benefit recognized in the financial statements is measured at the largest amount that is greater than 50 percent likely of being realized. A reserve is established for the difference between a position taken or expected to be taken in an income tax return and the amount recognized in the financial statements. The company's unrecognized tax benefits and a description of open tax years are summarized in note 3 to the consolidated financial statements on page A35.

Management's report on internal control over financial reporting

Management, including the company's chief executive officer and principal accounting officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over the company's financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Imperial Oil Limited's internal control over financial reporting was effective as of December 31, 2012.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, audited the effectiveness of the company's internal control over financial reporting as of December 31, 2012, as stated in their report which is included herein.

/s/ Bruce H. March

B.H. March
Chairman, president and
chief executive officer

/s/ Paul J. Masschelin

P.J. Masschelin
Senior vice-president,
finance and administration, and controller
(Principal accounting officer and principal financial officer)

February 26, 2013

Report of independent registered public accounting firm

To the Shareholders of Imperial Oil Limited

We have audited the accompanying consolidated balance sheet of Imperial Oil Limited as of December 31, 2012 and December 31, 2011 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. We also have audited Imperial Oil Limited's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Imperial Oil Limited as of December 31, 2012 and December 31, 2011 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Imperial Oil Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the COSO.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta, Canada
February 26, 2013

Consolidated statement of income (U.S. GAAP)

millions of Canadian dollars

For the years ended December 31

	2012	2011	2010
Revenues and other income			
Operating revenues (a)(b)	31,053	30,474	24,946
Investment and other income (note 8)	135	240	146
Total revenues and other income	31,188	30,714	25,092
Expenses			
Exploration	83	92	191
Purchases of crude oil and products (c)	18,476	18,847	14,811
Production and manufacturing (d)	4,457	4,114	3,996
Selling and general	1,081	1,168	1,070
Federal excise tax (a)	1,338	1,320	1,316
Depreciation and depletion	761	764	747
Financing costs (note 12)	(1)	3	7
Total expenses	26,195	26,308	22,138
Income before income taxes	4,993	4,406	2,954
Income taxes (note 3)	1,227	1,035	744
Net income	3,766	3,371	2,210
Per-share information (Canadian dollars)			
Net income per common share - basic (note 10)	4.44	3.98	2.61
Net income per common share - diluted (note 10)	4.42	3.95	2.59
Dividends	0.48	0.44	0.43

(a) Operating revenues include federal excise tax of \$1,338 million (2011 - \$1,320 million, 2010 - \$1,316 million).

(b) Operating revenues include amounts from related parties of \$2,907 million (2011 - \$2,818 million, 2010 - \$2,250 million), (note 16).

(c) Purchases of crude oil and products include amounts from related parties of \$3,033 million (2011 - \$3,636 million, 2010 - \$2,828 million), (note 16).

(d) Production and manufacturing expenses include amounts to related parties of \$241 million (2011 - \$217 million, 2010 - \$233 million), (note 16).

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Consolidated statement of comprehensive income (U.S. GAAP)

millions of Canadian dollars

For the years ended December 31

	2012	2011	2010
Net income	3,766	3,371	2,210
Other comprehensive income, net of income taxes (note 4)			
Post-retirement benefits liability adjustment (excluding amortization)	(415)	(953)	(217)
Amortization of post-retirement benefits liability adjustment included in net periodic benefit costs	198	139	114
Total other comprehensive income/(loss)	(217)	(814)	(103)
Comprehensive income	3,549	2,557	2,107

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Consolidated balance sheet (U.S. GAAP)

millions of Canadian dollars
At December 31

	2012	2011
Assets		
Current Assets		
Cash	482	1,202
Accounts receivable, less estimated doubtful amounts	1,976	2,290
Inventories of crude oil and products (note 11)	827	762
Materials, supplies and prepaid expenses	280	239
Deferred income tax assets (note 3)	527	590
Total current assets	4,092	5,083
Long-term receivables, investments and other long-term assets	1,090	920
Property, plant and equipment, less accumulated depreciation and depletion (note 2)	23,922	19,162
Goodwill (note 2)	204	204
Other intangible assets, net	56	60
Total assets (note 2)	29,364	25,429
Liabilities		
Current liabilities		
Notes and loans payable	472	364
Accounts payable and accrued liabilities (a) (note 11)	4,249	4,317
Income taxes payable	1,184	1,268
Total current liabilities	5,905	5,949
Long-term debt (b)(note 14)	1,175	843
Other long-term obligations (note 5)	3,983	3,876
Deferred income tax liabilities (note 3)	1,924	1,440
Total liabilities	12,987	12,108
Commitments and contingent liabilities (note 9)		
Shareholders' equity		
Common shares at stated value (c)(note 10)	1,566	1,528
Earnings reinvested	17,266	14,031
Accumulated other comprehensive income	(2,455)	(2,238)
Total shareholders' equity	16,377	13,321
Total liabilities and shareholders' equity	29,364	25,429

(a) Accounts payable and accrued liabilities include amounts receivable from related parties of \$9 million (2011 – amounts payable of \$215 million), (note 16).

(b) Long-term debt includes amounts to related parties of \$1,040 million (2011 – \$820 million).

(c) Number of common shares outstanding was 848 million (2011 - 848 million), (note 10).

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Approved by the directors

/s/ Bruce H. March

B.H. March
Chairman, president and
chief executive officer

/s/ Paul J. Masschelin

P.J. Masschelin
Senior vice-president,
finance and administration, and controller

Consolidated statement of shareholders' equity (U.S. GAAP)

millions of Canadian dollars
At December 31

	2012	2011	2010
Common shares at stated value (note 10)			
At beginning of year	1,528	1,511	1,508
Issued under the stock option plan	43	19	3
Share purchases at stated value	(5)	(2)	-
At end of year	1,566	1,528	1,511
Earnings reinvested			
At beginning of year	14,031	11,090	9,252
Net income for the year	3,766	3,371	2,210
Share purchases in excess of stated value	(123)	(57)	(8)
Dividends	(408)	(373)	(364)
At end of year	17,266	14,031	11,090
Accumulated other comprehensive income			
At beginning of year	(2,238)	(1,424)	(1,321)
Other comprehensive income	(217)	(814)	(103)
At end of year	(2,455)	(2,238)	(1,424)
Shareholders' equity at end of year	16,377	13,321	11,177

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Consolidated statement of cash flows (U.S. GAAP)

millions of Canadian dollars

Inflow/(outflow)

For the years ended December 31

	2012	2011	2010
Operating activities			
Net income	3,766	3,371	2,210
Adjustments for non-cash items:			
Depreciation and depletion	761	764	747
(Gain)/loss on asset sales	(94)	(197)	(95)
Deferred income taxes and other	619	71	152
Changes in operating assets and liabilities:			
Accounts receivable	300	(302)	(289)
Inventories, materials, supplies and prepaid expenses	(106)	(228)	38
Income taxes payable	(84)	390	30
Accounts payable and accrued liabilities	(67)	846	651
All other items - net (a)	(415)	(226)	(237)
Cash flows from (used in) operating activities	4,680	4,489	3,207
Investing activities			
Additions to property, plant and equipment	(5,478)	(3,919)	(3,856)
Proceeds from asset sales	226	314	144
Repayment of loan from equity company	14	12	3
Cash flows from (used in) investing activities	(5,238)	(3,593)	(3,709)
Financing activities			
Short-term debt - net	105	135	120
Long-term debt issued	220	320	500
Reduction in capitalized lease obligations	(4)	(3)	(3)
Issuance of common shares under stock option plan	43	19	3
Common shares purchased (note 10)	(128)	(59)	(8)
Dividends paid	(398)	(373)	(356)
Cash flows from (used in) financing activities	(162)	39	256
Increase (decrease) in cash	(720)	935	(246)
Cash at beginning of year	1,202	267	513
Cash at end of year (b)	482	1,202	267

(a) Includes contribution to registered pension plans of \$594 million (2011 - \$361 million, 2010 - \$421 million).

(b) Cash is composed of cash in bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with maturity of three months or less when purchased.

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Notes to consolidated financial statements

The accompanying consolidated financial statements and the supporting and supplemental material are the responsibility of the management of Imperial Oil Limited.

The company's principal business is energy, involving the exploration, production, transportation and sale of crude oil and natural gas and the manufacture, transportation and sale of petroleum products. The company is also a major manufacturer and marketer of petrochemicals.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Certain reclassifications to prior years have been made to conform to the 2012 presentation. All amounts are in Canadian dollars unless otherwise indicated.

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of subsidiaries the company controls. Intercompany accounts and transactions are eliminated. Subsidiaries include those companies in which Imperial has both an equity interest and the continuing ability to unilaterally determine strategic, operating, investing and financing policies. Significant subsidiaries included in the consolidated financial statements include Imperial Oil Resources Limited, Imperial Oil Resources N.W.T. Limited, Imperial Oil Resources Ventures Limited and McColl-Frontenac Petroleum Inc. All of the above companies are wholly owned. The consolidated financial statements also include the company's share of the undivided interest in certain upstream assets and liabilities, including its 25 percent interest in the Syncrude joint venture and its 70.96 percent interest in the Kearl project.

Inventories

Inventories are recorded at the lower of cost or current market value. The cost of crude oil and products is determined primarily using the last-in, first-out (LIFO) method. LIFO was selected over the alternative first-in, first-out and average cost methods because it provides a better matching of current costs with the revenues generated in the period.

Inventory costs include expenditures and other charges, including depreciation, directly or indirectly incurred in bringing the inventory to its existing condition and final storage prior to delivery to a customer. Selling and general expenses are reported as period costs and excluded from inventory costs.

Investments

The company's interests in the underlying net assets of affiliates it does not control, but over which it exercises significant influence, are accounted for using the equity method. They are recorded at the original cost of the investment plus Imperial's share of earnings since the investment was made, less dividends received. Imperial's share of the after-tax earnings of these companies is included in "investment and other income" in the consolidated statement of income. Other investments are recorded at cost. Dividends from these other investments are included in "investment and other income."

These investments represent interests in non-publicly traded pipeline companies that facilitate the sale and purchase of liquids in the conduct of company operations. Other parties who also have an equity interest in these companies share in the risks and rewards according to their percentage of ownership. Imperial does not invest in these companies in order to remove liabilities from its balance sheet.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Investment tax credits and other similar grants are treated as a reduction of the capitalized cost of the asset to which they apply.

The company uses the successful-efforts method to account for its exploration and development activities. Under this method, costs are accumulated on a field-by-field basis with certain exploratory expenditures and exploratory dry holes being expensed as incurred. Costs of productive wells and development dry holes are capitalized and amortized using the unit-of-production method. The company carries as an asset exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing

Notes to consolidated financial statements (continued)

well and where the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. Other exploratory expenditures, including geophysical costs and annual lease rentals are expensed as incurred.

Maintenance and repair costs, including planned major maintenance, are expensed as incurred. Improvements that increase or prolong the service life or capacity of an asset are capitalized.

Production costs are expensed as incurred. Production involves lifting the oil and gas to the surface and gathering, treating, field processing and field storage of the oil and gas. The production function normally terminates at the outlet valve on the lease or field production storage tank. Production costs are those incurred to operate and maintain the company's wells and related equipment and facilities. They become part of the cost of oil and gas produced. These costs, sometimes referred to as lifting costs, include such items as labour cost to operate the wells and related equipment; repair and maintenance costs on the wells and equipment; materials, supplies and energy costs required to operate the wells and related equipment; and administrative expenses related to the production activity.

Acquisition costs of proved properties are amortized using a unit-of-production method, computed on the basis of total proved oil and gas reserves. Depreciation and depletion for assets associated with producing properties begin at the time when production commences on a regular basis. Depreciation for other assets begins when the asset is in place and ready for its intended use. Assets under construction are not depreciated or depleted. Unit-of-production depreciation is applied to those wells, plant and equipment assets associated with productive depletable properties, and the unit-of-production rates are based on the amount of proved developed reserves of oil and gas. Depreciation of other plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. In general, refineries are depreciated over 25 years; other major assets, including chemical plants and service stations, are depreciated over 20 years.

Proved oil and gas properties held and used by the company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. Cash flows used in impairment evaluations are developed using annually updated corporate plan investment evaluation assumptions for crude oil and natural gas commodity prices and foreign-currency exchange rates. Annual volumes are based on field production profiles, which are also updated annually.

Impairment analyses are generally based on reserve estimates used for internal planning and capital investment decisions. Where probable reserves exist, an appropriately risk-adjusted amount of these reserves may be included in the impairment evaluation. An asset group would be impaired if the undiscounted cash flows were less than its carrying value. Impairments are measured by the amount the carrying value exceeds fair value.

Significant unproved properties are assessed for impairment individually and valuation allowances against the capitalized costs are recorded based on the estimated economic chance of success and the length of time the company expects to hold the properties. Properties that are not individually significant are aggregated by groups and amortized based on development risk and average holding period. The valuation allowances are reviewed at least annually.

Gains or losses on assets sold are included in "investment and other income" in the consolidated statement of income.

Interest capitalization

Interest costs relating to major capital projects under construction are capitalized as part of property, plant and equipment. The project construction phase commences with the development of the detailed engineering design and ends when the constructed assets are ready for their intended use.

Notes to consolidated financial statements (continued)

Goodwill and other intangible assets

Goodwill is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate it might be impaired. Impairment losses are recognized in current period earnings. The evaluation for impairment of goodwill is based on a comparison of the carrying values of goodwill and associated operating assets with the estimated present value of net cash flows from those operating assets.

Intangible assets with determinable useful lives are amortized over the estimated service lives of the assets. Computer software development costs are amortized over a maximum of 15 years and customer lists are amortized over a maximum of 10 years. The amortization is included in "depreciation and depletion" in the consolidated statement of income.

Asset retirement obligations and other environmental liabilities

Legal obligations associated with site restoration on the retirement of assets with determinable useful lives are recognized when they are incurred, which is typically at the time the assets are installed. These obligations primarily relate to soil reclamation and remediation and costs of abandonment and demolition of oil and gas wells and related facilities. The company uses estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation, technical assessments of the assets, estimated amounts and timing of settlements, the credit-adjusted risk-free rate to be used, and inflation rates. The obligations are initially measured at fair value and discounted to present value. A corresponding amount equal to that of the initial obligation is added to the capitalized costs of the related asset. Over time, the discounted asset retirement obligation amount will be accreted for the change in its present value, and the initial capitalized costs will be depreciated over the useful lives of the related assets.

No asset retirement obligations are set up for those manufacturing, distribution and marketing facilities with an indeterminate useful life. Asset retirement obligations for these facilities generally become firm at the time the facilities are permanently shut down and dismantled. These obligations may include the costs of asset disposal and additional soil remediation. However, these sites have indeterminate lives based on plans for continued operations, and as such, the fair value of the conditional legal obligations cannot be measured, since it is impossible to estimate the future settlement dates of such obligations. Provision for environmental liabilities of these assets is made when it is probable that obligations have been incurred and the amount can be reasonably estimated. Provisions for environmental liabilities are determined based on engineering estimated costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, current technology and the possible use of the location. These liabilities are not discounted.

Foreign-currency translation

Monetary assets and liabilities in foreign currencies have been translated at the rates of exchange prevailing on December 31. Any exchange gains or losses are recognized in income.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Hierarchy Levels 1, 2 or 3 are terms for the priority of inputs to valuation techniques used to measure fair value. Hierarchy Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Hierarchy Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability. Hierarchy Level 3 inputs are inputs that are not observable in the market.

Revenues

Revenues associated with sales of crude oil, natural gas, petroleum and chemical products and other items are recorded when the products are delivered. Delivery occurs when the customer has taken title and has assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured. The company does not enter into ongoing arrangements whereby it is required to repurchase its products, nor does the company provide the customer with a right of return.

Revenues include amounts billed to customers for shipping and handling. Shipping and handling costs incurred up to the point of final storage prior to delivery to a customer are included in "purchases of crude oil and products" in the consolidated statement of income. Delivery costs from final storage to customer are recorded as a marketing expense in "selling and general" expenses.

Notes to consolidated financial statements (continued)

Purchases and sales of inventory with the same counterparty that are entered into in contemplation of one another are combined and recorded as exchanges measured at the book value of the item sold.

Share-based compensation

The company awards share-based compensation to certain employees in the form of restricted stock units. Compensation expense is measured each reporting period based on the company's current stock price and is recorded as "selling and general" expenses in the consolidated statement of income over the requisite service period of each award. See note 7 to the consolidated financial statements on page A42 for further details.

Consumer taxes

Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of income. These are primarily provincial taxes on motor fuels, the federal goods and services tax and the federal/provincial harmonized sales tax.

2. Business segments

The company operates its business in Canada. The Upstream, Downstream and Chemical functions best define the operating segments of the business that are reported separately. The factors used to identify these reportable segments are based on the nature of the operations that are undertaken by each segment and the structure of the company's internal organization. The Upstream segment is organized and operates to explore for and ultimately produce crude oil and its equivalent, and natural gas. The Downstream segment is organized and operates to refine crude oil into petroleum products and the distribution and marketing of these products. The Chemical segment is organized and operates to manufacture and market hydrocarbon-based chemicals and chemical products. The above segmentation has been the long-standing practice of the company and is broadly understood across the petroleum and petrochemical industries.

These functions have been defined as the operating segments of the company because they are the segments (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the company's chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available.

Corporate and other includes assets and liabilities that do not specifically relate to business segments – primarily cash, capitalized interest costs, short-term borrowings, long-term debt and liabilities associated with incentive compensation and post-retirement benefits liability adjustment. Net income in this segment primarily includes financing costs, interest income and share-based incentive compensation expenses.

Segment accounting policies are the same as those described in the summary of significant accounting policies. Upstream, Downstream and Chemical expenses include amounts allocated from the Corporate and other segment. The allocation is based on a combination of fee for service, proportional segment expenses and a three-year average of capital expenditures. Transfers of assets between segments are recorded at book amounts. Intersegment sales are made essentially at prevailing market prices. Assets and liabilities that are not identifiable by segment are allocated.

Notes to consolidated financial statements (continued)

millions of dollars	Upstream			Downstream			Chemical		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Revenues and other income									
Operating revenues (a)	4,674	5,278	4,283	25,077	23,909	19,565	1,302	1,287	1,098
Intersegment sales	4,110	4,460	3,802	2,603	2,784	1,973	299	354	285
Investment and other income	46	168	59	81	63	81	-	-	3
	8,830	9,906	8,144	27,761	26,756	21,619	1,601	1,641	1,386
Expenses									
Exploration	83	92	191	-	-	-	-	-	-
Purchases of crude oil and products	3,056	3,581	2,692	21,316	21,642	17,169	1,115	1,222	1,009
Production and manufacturing	2,704	2,484	2,375	1,569	1,451	1,413	185	179	209
Selling and general (b)	1	7	5	935	973	918	67	64	63
Federal excise tax	-	-	-	1,338	1,320	1,316	-	-	-
Depreciation and depletion	498	528	514	242	214	213	12	13	12
Financing costs (note 12)	(1)	2	3	-	(1)	1	-	-	-
Total expenses	6,341	6,694	5,780	25,400	25,599	21,030	1,379	1,478	1,293
Income before income taxes	2,489	3,212	2,364	2,361	1,157	589	222	163	93
Income taxes (note 3)									
Current	72	593	477	486	372	141	67	43	18
Deferred	529	162	123	103	(99)	6	(10)	(2)	6
Total income tax expense	601	755	600	589	273	147	57	41	24
Net income	1,888	2,457	1,764	1,772	884	442	165	122	69
Cash flows from (used in) operating activities	2,625	3,252	2,494	1,961	1,315	787	127	53	65
Capital and exploration expenditures (c)	5,518	3,880	3,844	140	166	184	4	4	10
Property, plant and equipment									
Cost	30,602	25,327	21,990	7,038	6,990	6,933	765	760	758
Accumulated depreciation and depletion	(10,146)	(9,747)	(9,740)	(3,967)	(3,803)	(3,678)	(576)	(560)	(546)
Net property, plant and equipment (d)	20,456	15,580	12,250	3,071	3,187	3,255	189	200	212
Total assets (e)	22,317	17,222	13,852	6,409	6,700	6,315	372	397	425

millions of dollars	Corporate and other			Eliminations			Consolidated		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Revenues and other income									
Operating revenues (a)	-	-	-	-	-	-	31,053	30,474	24,946
Intersegment sales	-	-	-	(7,012)	(7,598)	(6,060)	-	-	-
Investment and other income	8	9	3	-	-	-	135	240	146
	8	9	3	(7,012)	(7,598)	(6,060)	31,188	30,714	25,092
Expenses									
Exploration	-	-	-	-	-	-	83	92	191
Purchases of crude oil and products	-	-	-	(7,011)	(7,598)	(6,059)	18,476	18,847	14,811
Production and manufacturing	-	-	-	(1)	-	(1)	4,457	4,114	3,996
Selling and general (b)	78	124	84	-	-	-	1,081	1,168	1,070
Federal excise tax	-	-	-	-	-	-	1,338	1,320	1,316
Depreciation and depletion	9	9	8	-	-	-	761	764	747
Financing costs (note 12)	-	2	3	-	-	-	(1)	3	7
Total expenses	87	135	95	(7,012)	(7,598)	(6,060)	26,195	26,308	22,138
Income before income taxes	(79)	(126)	(92)	-	-	-	4,993	4,406	2,954
Income taxes (note 3)									
Current	(32)	(53)	(47)	-	-	-	593	955	589
Deferred	12	19	20	-	-	-	634	80	155
Total income tax expense	(20)	(34)	(27)	-	-	-	1,227	1,035	744
Net income	(59)	(92)	(65)	-	-	-	3,766	3,371	2,210
Cash flows from (used in) operating activities	(33)	(131)	(139)	-	-	-	4,680	4,489	3,207
Capital and exploration expenditures (c)	21	16	7	-	-	-	5,683	4,066	4,045
Property, plant and equipment									
Cost	360	339	323	-	-	-	38,765	33,416	30,004
Accumulated depreciation and depletion	(154)	(144)	(135)	-	-	-	(14,843)	(14,254)	(14,099)
Net property, plant and equipment (d)	206	195	188	-	-	-	23,922	19,162	15,905
Total assets (e)	704	1,418	314	(438)	(308)	(326)	29,364	25,429	20,580

Notes to consolidated financial statements (continued)

- (a) Includes export sales to the United States of \$4,358 million (2011- \$4,175 million, 2010- \$3,650 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) Includes delivery costs from final storage areas to customers of \$254 million in 2012 (2011 - \$286 million, 2010 - \$280 million).
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant, equipment and intangibles and additions to capital leases.
- (d) Includes property, plant and equipment under construction of \$13,846 million (2011 - \$9,147 million).
- (e) All goodwill has been assigned to the Downstream segment. There have been no goodwill acquisitions, impairment losses or write-offs due to sales in the past three years. Fair value used in quantitative goodwill impairment tests was Level 3 (unobservable inputs).

3. Income taxes

millions of dollars	2012	2011	2010
Current income tax expense	593	955	589
Deferred income tax expense (a)	634	80	155
Total income tax expense (b)	1,227	1,035	744
Statutory corporate tax rate (percent)	25.5	25.4	27.0
Increase/(decrease) resulting from:			
Enacted tax rate change	-	-	-
Other	(0.7)	(1.9)	(1.8)
Effective income tax rate	24.8	23.5	25.2

- (a) There were no material net (charges)/credits for the effect of changes in tax laws and rates included in the provisions for deferred income taxes in 2012, 2011 and 2010.
- (b) Cash outflow from income taxes, plus investment credits earned, was \$871 million in 2012 (2011 – \$667 million, 2010 – \$603 million).

Income tax (expense)/credit for components of other comprehensive income:

millions of dollars	2012	2011	2010
Post-retirement benefits liability adjustment:			
Post-retirement benefits adjustment (excluding amortization)	155	326	74
Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost	(68)	(47)	(39)
Total post-retirement benefits liability adjustment	87	279	35

Deferred income taxes are based on differences between the accounting and tax values of assets and liabilities. These differences in value are re-measured at each year-end using the tax rates and tax laws expected to apply when those differences are realized or settled in the future. Components of deferred income tax liabilities and assets as at December 31 were:

millions of dollars	2012	2011	2010
Depreciation and amortization	2,434	1,948	1,790
Successful drilling and land acquisitions	399	378	330
Pension and benefits	(717)	(720)	(414)
Site restoration	(284)	(267)	(224)
Capitalized interest	53	50	48
Other	39	51	16
Deferred income tax liabilities	1,924	1,440	1,546
LIFO inventory valuation	(478)	(560)	(450)
Other	(49)	(30)	(48)
Deferred income tax assets	(527)	(590)	(498)
Valuation allowance	-	-	-
Net deferred income tax liabilities	1,397	850	1,048

Unrecognized tax benefits

Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on tax returns and the amounts recognized in the financial statements. Resolution of the related tax positions will

Notes to consolidated financial statements (continued)

take many years to complete. It is difficult to predict the timing of resolution for tax positions, since such timing is not entirely within the control of the company. The company's effective tax rate will be reduced if any of these tax benefits are subsequently recognized.

The following table summarizes the movement in unrecognized tax benefits:

millions of dollars	2012	2011	2010
January 1 balance	134	147	165
Additions based on current year's tax position	4	-	-
Additions for prior years' tax positions	10	20	24
Reductions for prior years' tax positions	(3)	(31)	(37)
Reductions due to lapse of the statute of limitations	(2)	(2)	(5)
December 31 balance	143	134	147

The 2012, 2011 and 2010 changes in unrecognized tax benefits did not have a material effect on the company's net income or cash flow. The company's tax filings from 2008 to 2011 are subject to examination by the tax authorities. The Canada Revenue Agency has proposed certain adjustments to the company's filings for several years in the period 1994 to 2007. Management is currently evaluating those proposed adjustments. Management believes that a number of outstanding matters before 2008 are expected to be resolved in 2013. The impact on unrecognized tax benefits and the company's effective income tax rate from these matters is not expected to be material.

The company classifies interest on income tax related balances as interest expense or interest income and classifies tax related penalties as operating expense.

4. Employee retirement benefits

Retirement benefits, which cover almost all retired employees and their surviving spouses, include pension income and certain health care and life insurance benefits. They are met through funded registered retirement plans and through unfunded supplementary benefits that are paid directly to recipients.

Pension income benefits consist mainly of company-paid defined benefit plans that are based on years of service and final average earnings. The company shares in the cost of health care and life insurance benefits. The company's benefit obligations are based on the projected benefit method of valuation that includes employee service to date and present compensation levels as well as a projection of salaries to retirement.

The expense and obligations for both funded and unfunded benefits are determined in accordance with United States generally accepted accounting principles and actuarial procedures. The process for determining retirement-income expense and related obligations includes making certain long-term assumptions regarding the discount rate, rate of return on plan assets and rate of compensation increases. The obligation and pension expense can vary significantly with changes in the assumptions used to estimate the obligation and the expected return on plan assets.

Notes to consolidated financial statements (continued)

The benefit obligations and plan assets associated with the company's defined benefit plans are measured on December 31.

	Pension benefits		Other post-retirement benefits	
	2012	2011	2012	2011
Assumptions used to determine benefit obligations at December 31 (percent)				
Discount rate	3.75	4.25	3.75	4.25
Long-term rate of compensation increase	4.50	4.50	4.50	4.50

millions of dollars

Change in projected benefit obligation				
Projected benefit obligation at January 1	6,646	5,562	508	421
Current service cost	160	122	8	6
Interest cost	288	314	21	23
Actuarial loss/(gain)	616	897	40	81
Amendments	-	86	-	-
Benefits paid (a)	(374)	(335)	(30)	(23)
Projected benefit obligation at December 31	7,336	6,646	547	508
Accumulated benefit obligation at December 31	6,560	5,970		

The discount rate for calculating year-end post-retirement liabilities is based on the yield for high quality, long-term Canadian corporate bonds at year-end with an average maturity (or duration) approximately that of the liabilities. The measurement of the accumulated post-retirement benefit obligation assumes a health care cost trend rate of 4.50 percent in 2013 and subsequent years.

millions of dollars	Pension benefits		Other post-retirement benefits	
	2012	2011	2012	2011
Change in plan assets				
Fair value at January 1	4,461	4,296		
Actual return/(loss) on plan assets	374	93		
Company contributions	594	361		
Benefits paid (b)	(315)	(289)		
Fair value at December 31	5,114	4,461		

Plan assets in excess of/(less than) projected benefit obligation at December 31				
Funded plans	(1,602)	(1,595)		
Unfunded plans	(620)	(590)	(547)	(508)
Total (c)	(2,222)	(2,185)	(547)	(508)

- (a) Benefit payments for funded and unfunded plans.
 (b) Benefit payments for funded plans only.
 (c) Fair value of assets less projected benefit obligation shown above.

Funding of registered retirement plans complies with federal and provincial pension regulations, and the company makes contributions to the plans based on an independent actuarial valuation. In accordance with authoritative guidance relating to the accounting for defined pension and other post-retirement benefits plans, the underfunded status of the company's defined benefit post-retirement plans was recorded as a liability in the balance sheet, and the changes in that funded status in the year in which the changes occurred was recognized through other comprehensive income.

Notes to consolidated financial statements (continued)

millions of dollars	Pension benefits		Other post-retirement benefits	
	2012	2011	2012	2011
Amounts recorded in the consolidated balance sheet consist of:				
Current liabilities	(24)	(24)	(28)	(24)
Other long-term obligations	(2,198)	(2,161)	(519)	(484)
Total recorded	(2,222)	(2,185)	(547)	(508)
Amounts recorded in accumulated other comprehensive income consist of:				
Net actuarial loss/(gain)	3,210	2,916	124	92
Prior service cost	85	107	-	-
Total recorded in accumulated other comprehensive income, before tax	3,295	3,023	124	92

The company establishes the long-term expected rate of return on plan assets by developing a forward-looking long-term return assumption for each asset class, taking into account factors such as the expected real return for the specific asset class and inflation. A single, long-term rate of return is then calculated as the weighted average of the target asset allocation percentages and the long-term return assumption for each asset class. The 2012 long-term expected return of 6.25 percent used in the calculations of pension expense compares to an actual rate of return of 7.3 percent and 8.5 percent over the last 10- and 20-year periods ending December 31, 2012.

	Pension benefits			Other post-retirement benefits		
	2012	2011	2010	2012	2011	2010
Assumptions used to determine net periodic benefit cost for years ended December 31 (percent)						
Discount rate	4.25	5.50	6.25	4.25	5.50	6.25
Long-term rate of return on funded assets	6.25	7.00	7.00	-	-	-
Long-term rate of compensation increase	4.50	4.50	4.50	4.50	4.50	4.50
millions of dollars						
Components of net periodic benefit cost						
Current service cost	160	122	102	8	6	5
Interest cost	288	314	307	21	23	24
Expected return on plan assets	(288)	(308)	(275)	-	-	-
Amortization of prior service cost	23	21	17	-	-	(1)
Recognized actuarial loss/(gain)	235	162	137	8	3	-
Net periodic benefit cost	418	311	288	37	32	28
Changes in amounts recorded in accumulated other comprehensive income						
Net actuarial loss/(gain)	530	1,112	302	40	81	(11)
Amortization of net actuarial (loss)/gain included in net periodic benefit cost	(235)	(162)	(137)	(8)	(3)	-
Prior service cost	-	86	-	-	-	-
Amortization of prior service cost included in net periodic benefit cost	(23)	(21)	(17)	-	-	1
Total recorded in other comprehensive income	272	1,015	148	32	78	(10)
Total recorded in net periodic benefit cost and other comprehensive income, before tax	690	1,326	436	69	110	18

Notes to consolidated financial statements (continued)

Costs for defined contribution plans, primarily the employee savings plan, were \$36 million in 2012 (2011 - \$36 million, 2010 - \$37 million).

A summary of the change in accumulated other comprehensive income is shown in the table below:

millions of dollars	Total pension and other post-retirement benefits		
	2012	2011	2010
(Charge)/credit to other comprehensive income, before tax	(304)	(1,093)	(138)
Deferred income tax (charge)/credit (note 3)	87	279	35
(Charge)/credit to other comprehensive income, after tax	(217)	(814)	(103)

The company's investment strategy for pension plan assets reflects a long-term view, a careful assessment of the risks inherent in various asset classes and broad diversification to reduce the risk of the portfolio. Consistent with the long-term nature of the liability, the plan assets are primarily invested in global, market-cap-weighted indexed equity and domestic indexed bond funds to diversify risk while minimizing costs. The equity funds hold Imperial Oil stock only to the extent necessary to replicate the relevant equity index. The balance of the plan assets is largely invested in high-quality corporate and government debt securities. Studies are periodically conducted to establish the preferred target asset allocation. The target asset allocation for equity securities is 46 percent. The target allocation for debt securities is 49 percent. Plan assets for the remaining 5 percent are invested in venture capital partnerships that pursue a strategy of investment in U.S. and international early stage ventures.

The 2012 fair value of the pension plan assets, including the level within the fair value hierarchy, is shown in the table below:

millions of dollars	Total	Fair value measurements at December 31, 2012, using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset class				
Equity securities				
Canadian	811		811 (a)	
Non-Canadian	1,657		1,657 (a)	
Debt securities - Canadian				
Corporate	473		473 (b)	
Government	1,982		1,982 (b)	
Asset backed	5		5 (b)	
Mortgage funds	1			1 (c)
Equities – Venture capital	158			158 (d)
Cash	27	9	18 (e)	
Total plan assets at fair value	5,114	9	4,946	159

- (a) For company equity securities held in the form of fund units that are redeemable at the measurement date, the unit value is treated as a Level 2 input. The fair value of the securities owned by the funds is based on observable quoted prices on active exchanges, which are Level 1 inputs.
- (b) For corporate, government and asset-backed debt securities, fair value is based on observable inputs of comparable market transactions.
- (c) For mortgage funds, fair value represents the principal outstanding which is guaranteed by Canada Mortgage and Housing Corporation.
- (d) For venture capital partnership investments, fair value is generally established by using revenue or earnings multiples or other relevant market data including Initial Public Offerings.
- (e) For cash balances that are held in Level 2 funds prior to investment in those fund units, the cash value is treated as a Level 2 input.

Notes to consolidated financial statements (continued)

The change in the fair value of Level 3 assets, which use significant unobservable inputs to measure fair value, is shown in the table below:

millions of dollars	Mortgage funds	Venture capital
Fair value at January 1, 2012	1	148
Net realized gains/(losses)	-	(11)
Net unrealized gains/(losses)	-	8
Net purchases/(sales)	-	13
Fair value at December 31, 2012	1	158

The 2011 fair value of the pension plan assets, including the level within the fair value hierarchy, is shown in the table below:

millions of dollars	Total	Fair value measurements at December 31, 2011, using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset class				
Equity securities				
Canadian	723		723 (a)	
Non-Canadian	1,408		1,408 (a)	
Debt securities - Canadian				
Corporate	487		487 (b)	
Government	1,671		1,671 (b)	
Asset backed	15		15 (b)	
Mortgage funds	1			1 (c)
Equities – Venture capital	148			148 (d)
Cash	8	6	2 (e)	
Total plan assets at fair value	4,461	6	4,306	149

- (a) For company equity securities held in the form of fund units that are redeemable at the measurement date, the unit value is treated as a Level 2 input. The fair value of the securities owned by the funds is based on observable quoted prices on active exchanges, which are Level 1 inputs.
- (b) For corporate, government and asset-backed debt securities, fair value is based on observable inputs of comparable market transactions.
- (c) For mortgage funds, fair value represents the principal outstanding which is guaranteed by Canada Mortgage and Housing Corporation.
- (d) For venture capital partnership investments, fair value is generally established by using revenue or earnings multiples or other relevant market data including Initial Public Offerings.
- (e) For cash balances that are held in Level 2 funds prior to investment in those fund units, the cash value is treated as a Level 2 input.

The change in the fair value of Level 3 assets, which use significant unobservable inputs to measure fair value, is shown in the table below:

millions of dollars	Mortgage funds	Venture capital
Fair value at January 1, 2011	1	110
Net realized gains/(losses)	-	(8)
Net unrealized gains/(losses)	-	27
Net purchases/(sales)	-	19
Fair value at December 31, 2011	1	148

Notes to consolidated financial statements (continued)

A summary of pension plans with accumulated benefit obligations in excess of plan assets is shown in the table below:

millions of dollars	Pension benefits	
	2012	2011
For funded pension plans with accumulated benefit obligations in excess of plan assets:		
Projected benefit obligation	6,716	6,056
Accumulated benefit obligation	6,025	5,436
Fair value of plan assets	5,114	4,461
Accumulated benefit obligation less fair value of plan assets	911	975
For unfunded plans covered by book reserves:		
Projected benefit obligation	620	590
Accumulated benefit obligation	535	534

Estimated 2013 amortization from accumulated other comprehensive income

millions of dollars	Pension benefits	Other post-retirement benefits
Net actuarial loss/(gain) (a)	246	10
Prior service cost (b)	23	-

(a) The company amortizes the net balance of actuarial loss/(gain) as a component of net periodic benefit cost over the average remaining service period of active plan participants.

(b) The company amortizes prior service cost on a straight-line basis.

Cash flows

Benefit payments expected in:

millions of dollars	Pension benefits	Other post-retirement benefits
2013	335	28
2014	345	28
2015	356	28
2016	366	28
2017	376	28
2018 - 2022	1,989	144

In 2013, the company expects to make cash contributions of about \$680 million to its pension plans.

Sensitivities

A one percent change in the assumptions at which retirement liabilities could be effectively settled is as follows:

Increase/(decrease) millions of dollars	One percent increase	One percent decrease
Rate of return on plan assets:		
Effect on net benefit cost, before tax	(45)	45
Discount rate:		
Effect on net benefit cost, before tax	(75)	95
Effect on benefit obligation	(980)	1,235
Rate of pay increases:		
Effect on net benefit cost, before tax	45	(40)
Effect on benefit obligation	225	(200)

Notes to consolidated financial statements (continued)

A one percent change in the assumed health-care cost trend rate would have the following effects:

Increase/(decrease) millions of dollars	One percent increase	One percent decrease
Effect on service and interest cost components	3	(3)
Effect on benefit obligation	49	(40)

5. Other long-term obligations

millions of dollars	2012	2011
Employee retirement benefits (note 4)(a)	2,717	2,645
Asset retirement obligations and other environmental liabilities (b)	957	914
Share-based incentive compensation liabilities (note 7)	117	125
Other obligations	192	192
Total other long-term obligations	3,983	3,876

(a) Total recorded employee retirement benefit obligations also include \$52 million in current liabilities (2011 – \$48 million).

(b) Total asset retirement obligations and other environmental liabilities also include \$168 million in current liabilities (2011 – \$145 million).

Asset retirement obligations incurred in the current period were Level 3 (unobservable inputs) fair value measurements. The following table summarizes the activity in the liability for asset retirement obligations:

millions of dollars	2012	2011
January 1 balance	936	773
Additions	61	217
Reductions due to property sales	(8)	-
Accretion	86	46
Settlement	(109)	(100)
December 31 balance	966	936

6. Derivatives and financial instruments

The company did not enter into any derivative instruments to offset exposures associated with hydrocarbon prices, foreign currency exchange rates and interest rates that arose from existing assets, liabilities and transactions in the past three years. The company did not engage in speculative derivative activities or derivative trading activities nor did it use derivatives with leveraged features. The company maintains a system of controls that includes a policy covering the authorization, reporting and monitoring of derivative activity.

The fair value of the company's financial instruments is determined by reference to various market data and other appropriate valuation techniques. There are no material differences between the fair values of the company's financial instruments and the recorded book value. The fair value hierarchy for long-term debt is primarily Level 2 (observable input).

7. Share-based incentive compensation programs

Share-based incentive compensation programs are designed to retain selected employees, reward them for high performance and promote individual contribution to sustained improvement in the company's future business performance and shareholder value.

Restricted stock units and deferred share units

Under the restricted stock unit plan, each unit entitles the recipient to the conditional right to receive from the company, upon exercise, an amount equal to the five-day average of the closing price of the company's common shares on the Toronto Stock Exchange on and immediately prior to the exercise dates. Fifty percent of the units are exercised three years following the grant date, and the remainder is exercised seven years following the grant date. The company may also issue units where 50 percent of the units are exercisable five years following the grant date and the remainder is exercisable on the later of ten years following the grant date or the retirement date of the recipient.

Notes to consolidated financial statements (continued)

The deferred share unit plan is made available to nonemployee directors. The nonemployee directors can elect to receive all or part of their directors' fees in units. The number of units granted is determined at the end of each calendar quarter by dividing the dollar amount of the nonemployee director's fees for that calendar quarter elected to be received as deferred share units by the average closing price of the company's shares for the five consecutive trading days immediately prior to the last day of the calendar quarter. Additional units are granted based on the cash dividend payable on the company's shares divided by the average closing price immediately prior to the payment date for that dividend and multiplying the resulting number by the number of deferred share units held by the recipient, as adjusted for any share splits. Deferred share units cannot be exercised until after resignation as a director and must be exercised no later than December 31 of the year following resignation. On the exercise date, the cash value to be received for the units is determined based on the average closing price of the company's shares for the five consecutive trading days immediately prior to the date of exercise, as adjusted for any share splits.

All units require settlement by cash payments with the following exceptions. The restricted stock unit program was amended for units granted in 2002 and subsequent years to Canadian residents by providing that the recipient may receive one common share of the company per unit or elect to receive the cash payment for the units to be exercised in the seventh year following the grant date. For units where 50 percent are exercisable five years following the grant date and the remainder exercisable on the later of ten years following the grant date or the retirement date of the recipient, the recipient may receive one common share of the company per unit or elect to receive cash payment for all units to be exercised.

The company accounts for all units by using the fair-value-based method. The fair value of awards in the form of restricted stock and deferred share units is the market price of the company's stock. Under this method, compensation expense related to the units of these programs is measured each reporting period based on the company's current stock price and is recorded in the consolidated statement of income over the requisite service period of each award.

The following table summarizes information about these units for the year ended December 31, 2012:

	Restricted stock units	Deferred share units
Outstanding at January 1, 2012	9,333,713	72,297
Granted	1,789,950	13,208
Exercised	(2,155,999)	-
Forfeited and cancelled	(24,560)	-
Outstanding at December 31, 2012	8,943,104	85,505

The compensation expense charged against income for these programs was \$58 million, \$91 million and \$57 million for the years ended December 31, 2012, 2011 and 2010, respectively. Income tax benefit recognized in income related to compensation expense for the years ended December 31, 2012, 2011 and 2010 was \$20 million, \$33 million and \$27 million, respectively. Cash payments of \$97 million, \$173 million and \$152 million for these programs were made in 2012, 2011 and 2010, respectively.

As of December 31, 2012, there was \$204 million of total before-tax unrecognized compensation expense related to non-vested restricted stock units based on the company's share price at the end of the current reporting period. The weighted average vesting period of nonvested restricted stock units is 3.7 years. All units under the deferred share programs have vested as of December 31, 2012.

Incentive stock options

In April 2002, incentive stock options were granted for the purchase of the company's common shares. For units exercised subsequent to the company's May 2006 three-for-one split, the company gave the option holders the right to purchase three shares for each original stock option granted. The exercise price was \$15.50 per share (adjusted to reflect the three-for-one share split). All options had been exercised as of December 31, 2012. The company has not issued incentive stock options since 2002 and has no plans to issue incentive stock options in the future.

Notes to consolidated financial statements (continued)

Since incentive stock option awards vested prior to the effective date of current authoritative guidance relating to accounting for stock-based compensation, they were accounted for under the prior prescribed method. Under this method, compensation expense of incentive stock option awards was not recognized, as the exercise price of the option is equal to the market price of the stock on the date of grant.

The company has purchased shares on the market to fully offset the dilutive effects from the exercise of stock options.

The following table summarizes information about stock options for the year ended December 31, 2012:

	Units	Exercise price (dollars)	Remaining contractual term (years)
Incentive stock options			
Outstanding at January 1, 2012	2,775,708	15.50	0.3
Granted	-		
Exercised	(2,775,708)	15.50	
Forfeited and cancelled	-		
Outstanding at December 31, 2012	-		

8. Investment and other income

Investment and other income includes gains and losses on asset sales as follows:

millions of dollars	2012	2011	2010
Proceeds from asset sales	226	314	144
Book value of assets sold	132	117	49
Gain/(loss) on asset sales, before tax (a)	94	197	95
Gain/(loss) on asset sales, after tax (a)	72	153	80

(a) 2011 included gains of \$104 million (\$76 million, after tax) from the sale of the company's interests in shallow gas properties in the Medicine Hat, Alberta area, the Coleville-Hoosier natural gas producing property in Saskatchewan and the Rainbow Lake producing property in Alberta. 2011 also included a gain of \$55 million (\$40 million, after tax) from an exchange of oil sands leases with a third party.

9. Litigation and other contingencies

A variety of claims have been made against Imperial Oil Limited and its subsidiaries in a number of lawsuits. Management has regular litigation reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies. The company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavourable outcome is reasonably possible and which are significant, the company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of the company's contingency disclosures, "significant" includes material matters as well as other matters which management believes should be disclosed. Based on a consideration of all relevant facts and circumstances, the company does not believe the ultimate outcome of any currently pending lawsuits against the company will have a material adverse effect on the company's operations, financial condition, or financial statements taken as a whole.

Additionally, the company has other commitments arising in the normal course of business for operating and capital needs, all of which are expected to be fulfilled with no adverse consequences material to the company's operations or financial condition. Unconditional purchase obligations, as defined by accounting standards, are those long-term commitments that are non-cancelable or cancelable only under certain conditions and that third parties have used to secure financing for the facilities that will provide the contracted goods and services.

Notes to consolidated financial statements (continued)

millions of dollars	Payments due by period						After 2017	Total
	2013	2014	2015	2016	2017	2017		
Unconditional purchase obligations (a)	77	55	54	54	54	54	176	470

(a) Undiscounted obligations of \$470 million mainly pertain to pipeline throughput agreements. Total payments under unconditional purchase obligations were \$86 million (2011 - \$73 million, 2010 - \$78 million). The present value of these commitments, excluding imputed interest of \$97 million, totaled \$373 million.

10. Common shares

thousands of shares	As at Dec. 31 2012	As at Dec. 31 2011
Authorized	1,100,000	1,100,000

From 1995 through 2011, the company purchased shares under seventeen 12-month normal course issuer bid share repurchase programs, as well as an auction tender. On June 25, 2012, another 12-month normal course issuer bid program was implemented with an allowable purchase of up to about 42 million shares, including shares purchased from Exxon Mobil Corporation and shares purchased by the employee savings plan and company pension fund. The results of these activities are as shown below.

Year	Purchased shares (thousands)	Millions of dollars
1995 to 2010	902,503	15,521
2011	1,262	59
2012	2,776	128
Cumulative purchases to date	906,541	15,708

Exxon Mobil Corporation's participation in the above maintained its ownership interest in Imperial at 69.6 percent.

The excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of earnings reinvested.

Notes to consolidated financial statements (continued)

The company's common share activities are summarized below:

	Thousands of shares	Millions of dollars
Balance as at January 1, 2010	847,599	1,508
Issued under employee share-based awards	208	3
Purchases at stated value	(208)	-
Balance as at December 31, 2010	847,599	1,511
Issued under employee share-based awards	1,262	19
Purchases at stated value	(1,262)	(2)
Balance as at December 31, 2011	847,599	1,528
Issued under employee share-based awards	2,776	43
Purchases at stated value	(2,776)	(5)
Balance as at December 31, 2012	847,599	1,566

The following table provides the calculation of basic and diluted earnings per share:

	2012	2011	2010
Net income per common share – basic			
Net income (millions of dollars)	3,766	3,371	2,210
Weighted average number of common shares outstanding (millions of shares)	847.7	847.7	847.6
Net income per common share (dollars)	4.44	3.98	2.61
Net income per common share - diluted			
Net income (millions of dollars)	3,766	3,371	2,210
Weighted average number of common shares outstanding (millions of shares)	847.7	847.7	847.6
Effect of employee share-based awards (millions of shares)	3.4	5.9	6.6
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	851.1	853.6	854.2
Net income per common share (dollars)	4.42	3.95	2.59

11. Miscellaneous financial information

In 2012, net income included an after-tax gain of \$45 million (2011 – \$10 million gain, 2010 – \$38 million gain) attributable to the effect of changes in last-in, first-out (LIFO) inventories. The replacement cost of inventories was estimated to exceed their LIFO carrying values at December 31, 2012 by \$1,769 million (2011 – \$2,196 million). Inventories of crude oil and products at year-end consisted of the following:

millions of dollars	2012	2011
Crude oil	473	448
Petroleum products	284	247
Chemical products	60	57
Natural gas and other	10	10
Total inventories of crude oil and products	827	762

Net research and development costs charged to expenses in 2012 were \$147 million (2011 – \$120 million, 2010 – \$97 million). These costs are included in expenses due to the uncertainty of future benefits.

Cash flow from operating activities included dividends of \$1 million received from equity investments in 2012 (2011 – \$3 million, 2010 – \$9 million).

Accounts payable and accrued liabilities included accrued taxes other than income taxes of \$377 million at December 31, 2012 (2011 - \$540 million).

Notes to consolidated financial statements (continued)

12. Financing costs

millions of dollars	2012	2011	2010
Debt-related interest	20	16	6
Capitalized interest	(20)	(16)	(6)
Net interest expense	-	-	-
Other interest	(1)	3	7
Total financing costs (a)	(1)	3	7

(a) Cash interest payments in 2012 were \$20 million (2011 – \$16 million, 2010 – \$12 million). The weighted average interest rate on short-term borrowings in 2012 was 1.1 percent (2011 – 1.0 percent).

13. Leased facilities

At December 31, 2012, the company held non-cancelable operating leases covering office buildings, rail cars, service stations and other properties with minimum undiscounted lease commitments totaling \$511 million as indicated in the following table:

millions of dollars	Payments due by period						Total
	2013	2014	2015	2016	2017	After 2017	
Lease payments under minimum commitments (a)	180	144	107	32	23	25	511

(a) Net rental cost under cancelable and non-cancelable operating leases incurred in 2012 was \$271 million (2011 – \$226 million, 2010 – \$173 million). Related rental income was not material.

14. Long-term debt

millions of dollars	As at Dec. 31 2012	As at Dec. 31 2011
Long-term debt (a)	1,040	820
Capital leases (b)	135	23
Total long-term debt	1,175	843

- (a) Borrowed under an existing agreement with an affiliated company of Exxon Mobil Corporation (ExxonMobil) that provides for a long-term, variable-rate loan from ExxonMobil to the company of up to \$5 billion (Canadian) at interest equivalent to Canadian market rates. The agreement is effective until July 31, 2020, cancelable if ExxonMobil provides at least 370 days advance written notice. Average effective rate for the loan was 1.3 percent in 2012.
- (b) Capitalized lease obligations primarily relate to capital leases for pipeline transportation and marine services agreements. The average imputed rate was 9.6 percent in 2012 (2011 – 11.4 percent). Total capitalized lease obligations also include \$7 million in current liabilities (2011 - \$4 million). Principal payments on capital leases of approximately \$7 million a year are due in each of the next four years after December 31, 2013.

In the third quarter of 2012, the company increased the amount of its existing stand-by long-term bank credit facility from \$200 million to \$300 million and extended the maturity date to August 2014. Subsequent to year-end, in February 2013, this long-term bank credit facility was increased by an additional \$200 million to \$500 million with the maturity date unchanged. The company has not drawn on the facility.

In February 2013, the company increased its long-term debt by \$1.3 billion by drawing on an existing facility with an affiliated company of Exxon Mobil Corporation and increased short-term debt by \$0.5 billion by issuing additional commercial paper. The majority of the increased debt was used to finance the acquisition of a 50-percent interest in Celtic's assets and liabilities.

Notes to consolidated financial statements (continued)

15. Accounting for suspended exploratory well costs

The company continues capitalization of exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. The term “project” as used in this report does not necessarily have the same meaning as under SEC Rule 13q-1 relating to government payment reporting. For example, a single project for purposes of the rule may encompass numerous properties, agreements, investments, developments, phases, work efforts, activities and components, each of which we may also informally describe as a “project”.

The following two tables provide details of the changes in the balance of suspended exploratory well costs as well as an aging summary of those costs.

Change in capitalized suspended exploratory well costs:

millions of dollars	2012	2011	2010
January 1 balance	163	120	45
Additions pending the determination of proved reserves	16	43	75
Charged to expense	-	-	-
Reclassification to wells, facilities and equipment based on the determination of proved reserves	(12)	-	-
December 31 balance	167	163	120

Period end capitalized suspended exploratory well costs:

millions of dollars	2012	2011	2010
Capitalized for a period of one year or less	16	43	75
Capitalized for a period of between one and five years	151	120	45
Capitalized for a period of greater than one year	151	120	45
Total	167	163	120

Exploration activity often involves drilling multiple wells, over a number of years, to fully evaluate a project. The table below provides a numerical breakdown of the number of projects with suspended exploratory well costs which had their first capitalized well drilled in the preceding 12 months and those that have had exploratory well costs capitalized for a period greater than 12 months.

	2012	2011	2010
Number of projects with first capitalized well drilled in the preceding 12 months	-	1	-
Number of projects that have exploratory well costs capitalized for a period of greater than 12 months	1	1	1
Total	1	2	1

The project with exploratory well costs capitalized for a period greater than 12 months as of December 31, 2012 has drilling in the preceding 12 months.

Notes to consolidated financial statements (continued)

16. Transactions with related parties

Revenues and expenses of the company also include the results of transactions with Exxon Mobil Corporation and affiliated companies (ExxonMobil) in the normal course of operations. These were conducted on terms as favourable as they would have been with unrelated parties and primarily consisted of the purchase and sale of crude oil, petroleum and chemical products, as well as technical, engineering and research and development costs. Transactions with ExxonMobil also included amounts paid and received in connection with the company's participation in a number of upstream activities conducted jointly in Canada.

In addition, the company has existing agreements with ExxonMobil to:

- a) provide computer and customer support services to the company and to share common business and operational support services that allow the companies to consolidate duplicate work and systems;
- b) operate certain Western Canada production properties owned by ExxonMobil as well as provide for the delivery of management, business and technical services to ExxonMobil in Canada. These agreements are designed to provide organizational efficiencies and to reduce costs. No separate legal entities were created from these arrangements. Separate books of account continue to be maintained for the company and ExxonMobil. The company and ExxonMobil retain ownership of their respective assets, and there is no impact on operations or reserves;
- c) provide for the delivery of management, business and technical services to Syncrude Canada Ltd. by ExxonMobil; and
- d) provide for the option of equal participation in new upstream opportunities.

Certain charges from ExxonMobil have been capitalized; they are not material in the aggregate.

As at December 31, 2012, the company had outstanding loans of \$1,040 million (2011 – \$820 million) from ExxonMobil (see note 14, long-term debt, on page A47 for further details).

As at December 31, 2012, the company had outstanding loans of \$4 million (2011 - \$18 million) to Montreal Pipe Line Limited, in which the company has an equity interest, for financing of the equity company's capital expenditure programs and working capital requirements.

Notes to consolidated financial statements (continued)

17. Subsequent event

Description of the Transaction: On February 26, 2013, ExxonMobil Canada acquired Celtic Exploration Ltd. ("Celtic"). Immediately following the acquisition, Imperial acquired a 50-percent interest in Celtic's assets and liabilities from ExxonMobil Canada for \$1.6 billion, financed by a combination of related party and third party debt (see note 14 for further details). Concurrently, a general partnership was formed to hold and operate the assets of Celtic. Celtic is involved in the exploration for, production of, and transportation and sale of natural gas and crude oil, condensate and natural gas liquids.

Recording of Assets Acquired and Liabilities Assumed: Imperial used the acquisition method of accounting to record its pro-rata share of the assets acquired and liabilities assumed. This method requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Due to the proximity of the acquisition date to the 2012 Form 10-K filing date, the fair values of the assets acquired and liabilities assumed could not be finalized by the filing date. They will be disclosed in the company's first quarter 2013 Form 10-Q.

Pro Forma Impact of the Acquisition: Unaudited pro forma revenues, earnings and basic and diluted earnings per share information as if the acquisition had occurred at the beginning of 2012 is not presented, since the effect on Imperial's consolidated 2012 financial results would not have been material.

Supplemental information on oil and gas exploration and production activities (unaudited)

The information on pages A51 to A52 excludes items not related to oil and natural gas extraction, such as administrative and general expenses, pipeline operations, gas plant processing fees and gains or losses on asset sales. The company's 25 percent interest in proved synthetic oil reserves in the Syncrude joint-venture and 70.96 percent interest in proved bitumen reserves in the Kearl project are included as part of the company's total proved oil and gas reserves in accordance with U.S. Securities and Exchange Commission (SEC) and U.S. Financial Accounting Standards Board (FASB) rules. Similarly, the company's share of proved synthetic oil reserves from Syncrude and proved bitumen reserves from Kearl are included in the calculation of the standardized measure of discounted future cash flows. Results of operations, costs incurred in property acquisitions, exploration and development activities, and capitalized costs include the company's share of Syncrude, Kearl and other unproved mineable acreages in the following tables.

Results of operations

millions of dollars	2012	2011	2010
Sales to customers (a)	2,074	2,185	2,094
Intersegment sales (a)(b)	3,534	3,828	3,165
	5,608	6,013	5,259
Production expenses	2,589	2,352	2,225
Exploration expenses	83	90	190
Depreciation and depletion	498	530	521
Income taxes	584	718	591
Results of operations	1,854	2,323	1,732

Costs incurred in property acquisitions, exploration and development activities

millions of dollars	2012	2011	2010
Property costs (c)			
Proved	-	-	-
Unproved	33	114	70
Exploration costs	109	133	260
Development costs	5,125	3,792	3,515
Total costs incurred in property acquisitions, exploration and development activities	5,267	4,039	3,845

The amounts reported as costs incurred in property acquisitions, exploration and development activities include both capitalized costs and costs charged to expense during the year. Costs incurred also include new asset retirement obligations established in the current year, as well as increases or decreases to the asset retirement obligation resulting from changes in cost estimates or abandonment.

Capitalized costs

millions of dollars	2012	2011
Property costs (c)		
Proved	2,974	2,984
Unproved	616	636
Producing assets	13,322	12,735
Incomplete construction	13,062	8,876
Total capitalized cost	29,974	25,231
Accumulated depreciation and depletion	(10,140)	(9,740)
Net capitalized costs	19,834	15,491

- (a) Sales to customers or intersegment sales do not include the sale of natural gas and natural gas liquids purchased for resale, as well as royalty payments. These items are reported gross in note 2 in "operating revenues", "intersegment sales" and in "purchases of crude oil and products".
- (b) Sales of crude oil to consolidated affiliates are at market value, using posted field prices. Sales of natural gas liquids to consolidated affiliates are at prices estimated to be obtainable in a competitive, arm's-length transaction.
- (c) "Property costs" are payments for rights to explore for petroleum and natural gas and for purchased reserves (acquired tangible and intangible assets such as gas plants, production facilities and producing-well costs are included under "producing assets"). "Proved" represents areas where successful drilling has delineated a field capable of production. "Unproved" represents all other areas.

Supplemental information on oil and gas exploration and production activities (unaudited) (continued)

Standardized measure of discounted future cash flows

As required by the U.S. Financial Accounting Standards Board (FASB), the standardized measure of discounted future net cash flows is computed by applying first-day-of-the-month average prices, year-end costs and legislated tax rates and a discount factor of 10 percent to net proved reserves. The standardized measure includes costs for future dismantlement, abandonment and remediation obligations. The company believes the standardized measure does not provide a reliable estimate of the company's expected future cash flows to be obtained from the development and production of its oil and gas properties or of the value of its proved oil and gas reserves. The standardized measure is prepared on the basis of certain prescribed assumptions, including first-day-of-the-month average prices, which represent discrete points in time and therefore may cause significant variability in cash flows from year to year as prices change.

Standardized measure of discounted future net cash flows related to proved oil and gas reserves

millions of dollars	2012	2011	2010
Future cash flows	227,253	224,130	158,835
Future production costs	(83,600)	(82,903)	(62,051)
Future development costs	(31,051)	(27,259)	(16,920)
Future income taxes	(25,902)	(26,671)	(18,765)
Future net cash flows	86,700	87,297	61,099
Annual discount of 10 percent for estimated timing of cash flows	(61,864)	(61,277)	(39,848)
Discounted future cash flows	24,836	26,020	21,251

Changes in standardized measure of discounted future net cash flows related to proved oil and gas reserves

Balance at beginning of year	26,020	21,251	13,375
Changes resulting from:			
Sales and transfers of oil and gas produced, net of production costs	(3,116)	(3,764)	(3,130)
Net changes in prices, development costs and production costs	(6,810)	2,845	4,217
Extensions, discoveries, additions and improved recovery, less related costs	2,698	1,694	(2)
Development costs incurred during the year	5,086	3,583	3,360
Revisions of previous quantity estimates	(805)	165	4,085
Accretion of discount	997	1,725	998
Net change in income taxes	766	(1,479)	(1,652)
Net change	(1,184)	4,769	7,876
Balance at end of year	24,836	26,020	21,251

Supplemental information on oil and gas exploration and production activities (unaudited) (continued)

Net Proved Reserves (a)

	Liquids (b) millions of barrels	Natural gas billions of cubic feet	Synthetic oil millions of barrels	Bitumen millions of barrels	Total oil-equivalent basis (c) millions of barrels
Beginning of year 2010	63	590	691	1,661	2,513
Revisions	2	80	14	96	125
Improved recovery	-	-	-	-	-
(Sale)/purchase of reserves in place	-	(2)	-	-	-
Discoveries and extensions	-	1	-	-	-
Production	(8)	(93)	(24)	(42)	(89)
End of year 2010	57	576	681	1,715	2,549
Revisions	4	11	(4)	36	38
Improved recovery	-	-	-	-	-
(Sale)/purchase of reserves in place	-	(103)	-	-	(17)
Discoveries and extensions	-	21	-	706	709
Production	(6)	(83)	(24)	(44)	(88)
End of year 2011	55	422	653	2,413	3,191
Revisions	5	98	(29)	239	231
Improved recovery	-	-	-	-	-
(Sale)/purchase of reserves in place	-	(7)	-	-	(1)
Discoveries and extensions	-	47	-	234	242
Production	(7)	(72)	(25)	(45)	(89)
End of year 2012	53	488	599	2,841	3,574

Net Proved Developed Reserves included above, as of

January 1, 2010	62	526	691	468	1,309
December 31, 2010	56	507	681	519	1,340
December 31, 2011	55	360	653	519	1,287
December 31, 2012	52	373	599	543	1,256

Net Proved Undeveloped Reserves included above, as of

January 1, 2010	1	64	-	1,193	1,204
December 31, 2010	1	69	-	1,196	1,209
December 31, 2011	-	62	-	1,894	1,904
December 31, 2012	1	115	-	2,298	2,318

(a) Net reserves are the company's share of reserves after deducting the shares of mineral owners or governments or both. All reported reserves are located in Canada. Reserves of natural gas are calculated at a pressure of 14.73 pounds per square inch at 60°F.

(b) Liquids include crude, condensate and natural gas liquids (NGLs). NGL proved reserves are not material and are therefore included under liquids.

(c) Gas converted to oil-equivalent at 6 million cubic feet per one thousand barrels.

The information above describes changes during the years and balances of proved oil and gas reserves at year-end 2010, 2011 and 2012. The definitions used are in accordance with the U.S. Securities and Exchange Commission's (SEC) Rule 4-10 (a) of Regulation S-X.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations – prior to the time at which contracts providing the right to operate expire. In some

Supplemental information on oil and gas exploration and production activities (unaudited) (continued)

cases, substantial new investments in additional wells and other facilities will be required to recover these proved reserves.

In accordance with SEC rules, the year-end reserves volumes as well as the reserves change categories shown in the proved reserves tables were calculated using average prices during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period. These reserves quantities were also used in calculating unit-of-production depreciation rates and in calculating the standardized measure of discounted net cash flow.

Revisions can include upward or downward changes in previously estimated volumes of proved reserves for existing fields due to the evaluation or revaluation of already available geologic, reservoir or production data; new geologic, reservoir or production data; or changes in prices and costs that are used in the determination of reserves. This category can also include significant changes in either development strategy or production equipment/facility capacity.

In 2012, the quantities shown in the discoveries and extensions category under proved reserves were due to the initial booking of the approved Nabiye expansion project at Cold Lake. Upward revisions of proved bitumen and natural gas reserves were primarily a result of increased development scope at Cold Lake. Bitumen revisions also include the impact of royalty costs at Kearl.

Net proved reserves are determined by deducting the estimated future share of mineral owners or governments or both. For liquids and natural gas, net proved reserves are based on estimated future royalty rates as of the date the estimate is made incorporating the applicable governments' oil and gas royalty regimes. For bitumen, net proved reserves are based on the company's best estimate of average royalty rates over the life of each of the Cold Lake and Kearl projects, and they incorporate the Alberta government's revised oil sands royalty regime. For synthetic oil, net proved reserves are based on the company's best estimate of average royalty rates over the life of the project, and they incorporate amendments to the Syncrude Crown Agreement. In all cases, actual future royalty rates may vary with production, price and costs.

Net proved developed reserves are those volumes that are expected to be recovered through existing wells and facilities with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well or facility. Net proved undeveloped reserves are those volumes that are expected to be recovered as a result of future investments to drill new wells, to recomplete existing wells and/or to install facilities to collect and deliver the production from existing and future wells and facilities.

No independent qualified reserves evaluator or auditor was involved in the preparation of the reserves data.

Quarterly financial and stock trading data ^(a)

	2012 three months ended				2011 three months ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Financial data (millions of dollars)								
Total revenues and other income	7,533	7,515	8,336	7,804	6,871	7,774	7,945	8,124
Total expenses	6,181	6,675	6,949	6,390	5,820	6,815	6,813	6,860
Income before income taxes	1,352	840	1,387	1,414	1,051	959	1,132	1,264
Income taxes	337	205	347	338	270	233	273	259
Net income	1,015	635	1,040	1,076	781	726	859	1,005
Segmented net income (millions of dollars)								
Upstream	542	360	498	488	528	624	534	771
Downstream	455	232	536	549	276	64	272	272
Chemical	35	49	37	44	38	36	37	11
Corporate and other	(17)	(6)	(31)	(5)	(61)	2	16	(49)
Net income	1,015	635	1,040	1,076	781	726	859	1,005
Per-share information (dollars)								
Net earnings – basic	1.20	0.75	1.22	1.27	0.92	0.86	1.01	1.19
Net earnings – diluted	1.19	0.75	1.22	1.26	0.91	0.85	1.01	1.18
Dividends (declared quarterly)	0.12	0.12	0.12	0.12	0.11	0.11	0.11	0.11
Share prices (dollars) (b)								
Toronto Stock Exchange								
High	49.26	46.68	48.32	46.25	54.00	52.67	46.23	45.52
Low	43.72	39.77	41.43	41.44	39.06	42.79	35.56	34.15
Close	45.32	42.59	45.25	42.73	49.54	44.92	37.64	45.39
NYSE MKT (U.S. dollars) (b)								
High	49.32	47.36	50.00	47.02	55.63	55.00	48.09	44.73
Low	43.72	38.16	40.50	42.06	39.32	43.49	34.51	32.18
Close	45.39	41.72	46.03	43.00	51.07	46.59	36.11	44.48
Shares traded (thousands) (c)	64,643	66,394	52,065	44,615	86,357	76,970	79,786	74,744

(a) Quarterly data has not been audited by the company's independent auditors.

(b) Imperial's shares are listed on the Toronto Stock Exchange. The company's shares also trade in the United States of America on the NYSE MKT LLC. Imperial has unlisted privileges on the NYSE MKT LLC, a subsidiary of NYSE Euronext. The symbol on these exchanges for Imperial's common shares is IMO. Share prices were obtained from stock exchange records. U.S. dollar share price presented is based on consolidated U.S. market data.

(c) The number of shares traded is based on transactions on the above stock exchanges.

Appendix B - Board of Director and Committee Charters

Table of contents

Board of Directors Charter.....	B2
Audit Committee Charter.....	B10
Environment, Health and Safety Committee Charter.....	B12
Executive Resources Committee Charter.....	B13
Nominations and Corporate Governance Committee Charter.....	B15
Contributions Committee Charter.....	B17

Board of Directors Charter

The structure, process and responsibilities of the board of directors of the corporation shall include the following items and matters:

1. Responsibility

The directors shall be responsible for the stewardship of the corporation.

2. Duty of care

The directors, in exercising their powers and discharging their duties, shall:

- (a) act honestly and in good faith with a view to the best interests of the corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3. Stewardship process

- 1) In order to carry out their responsibility for stewardship within their duty of care, the directors shall, directly or through one or more committees of directors,
 - (a) contribute to the formulation of and approve strategic plans on at least an annual basis;
 - (b) identify the principal risks of the corporation's business where identifiable and oversee the implementation of appropriate systems to manage such risks;
 - (c) oversee succession planning for senior management, including the appointing, training and monitoring thereof;
 - (d) approve the corporate disclosure policy and monitor the external communications of the corporation;
 - (e) monitor the integrity of the corporation's internal control and management information systems;
 - (f) consider management's recommendations regarding major corporation decisions and actions, which have significant societal implications;
 - (g) monitor compliance with major corporate policies;
 - (h) charge the chief executive officer of the corporation with the general management and direction of the business and affairs of the corporation;
 - (i) monitor the performance of the chief executive officer;
 - (j) satisfy itself as to the integrity of the chief executive officer and other executive officers and ensure that the chief executive officer and the other executive officers create a culture of integrity throughout the company;
 - (k) approve the corporation's code of ethics and business conduct;
 - (l) monitor compliance with the code of ethics and business conduct, provided that any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board only;

- (m) meet with the frequency necessary to consider the range of items listed below;
- (n) by appropriate charter resolutions, establish the audit, executive resources, nominations and corporate governance, environment, health and safety, and contributions committees of the board with specific duties defined;
- (o) direct the distribution to them by management of information that will enhance their familiarity with the corporation's activities and the environment in which it operates, as set out in clause 5;
- (p) review the mandates of the board and of the committees and their effectiveness at least annually; and,
- (q) undertake such additional activities within the scope of their responsibilities as may be deemed appropriate in their discretion.

4. Range of items to be considered by the board

- 1) The following categories and specific items shall be referred to the board for information or decision on a regularly scheduled basis, to the extent appropriate:

Organization/legal

- fixing of the number of directors
- director appointments to fill interim vacancies
- director slate for election by the shareholders
- officer appointments
- board governance processes
- by-laws and administrative resolutions
- changes in fundamental structure of the corporation
- shareholder meeting notice and materials
- nonemployee director compensation
- policies adopted by the board
- investigations and litigation of a material nature

Financial

- equity or debt financing
- dividend declarations
- financial statements and the related management discussion and analysis, annual and quarterly
- status of the corporation's retirement plan and employee savings plan

Strategic/investment/operating plans/performance

- near-term and long-range outlooks
- capital, lease, loan and contributions budgets annually
- budget additions over \$250 million individually
- quarterly updates of actual and projected capital expenditures
- capital expenditures or dispositions in excess of \$250 million individually
- entering into any venture that is outside of the corporation's existing businesses
- financial and operating results quarterly
- Canadian and world economic outlooks
- regional socio-economic reviews

- 2) In addition to the items which are specific to the categories identified above, the chief executive officer shall refer to the board for information or decision all other items of corporate significance; and any member of the board may request a review of any such item. Items to be referred to the committees of the board are specified in their respective charters.

5. Information to be received by the board

- 1) Material under the following general headings, including the specific items listed below and only other similar items, shall be distributed to directors on a regular basis:

Information manual (Directors' Digest)

- articles of incorporation, by-laws and administrative resolutions
- corporate policies
- corporate data
- board and management processes
- financial and operating report
- organization outline

Social/political/economic environment

- public issues updates
- economic outlook
- external communications packages

Major announcements

- press releases
- speeches by management
- organization changes

Communications to shareholders

Other significant submissions, studies and reports

- 2) All material distributed to employee directors shall be through normal corporation channels. All material distributed to nonemployee directors shall be through the office of the corporate secretary.

6. Unrelated and independent directors

- 1) Subject to occasions when there is a temporary vacancy in respect of a director who is unrelated and independent or when there is a need to accommodate succession for one or more senior executives who are directors, the board intends to be composed of a majority of unrelated and independent directors.
- 2) In respect of each director to be appointed to fill a vacancy and each director to be nominated for election or re-election by the shareholders, the board shall make an express determination as to whether he or she is an unrelated or an independent director and, for a director who may become a member of the audit committee, whether he or she is an audit committee financial expert or financially literate.
- 3) The term "unrelated director", as defined by the Toronto Stock Exchange, means a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.
- 4) The term "independent", within the meaning of applicable law, means that the director may not, other than in his or her capacity as a member of the board of directors, or any other board committee,
 - (i) accept any consulting, advisory, or other compensatory fee from the issuer; or
 - (ii) be an affiliated person of the issuer or any subsidiary thereof.

7. Independent legal or other advice

The board and, with the approval of the board, any director, may engage independent counsel and other advisors at the expense of the corporation.

8. Meetings of the unrelated and independent directors in the absence of members of management

- 1) Meetings of the unrelated and independent directors ("executive sessions of the board") shall be held in conjunction with all board meetings including unscheduled telephonic board meetings.
- 2) The chair of the executive sessions of the board shall be chosen by the unrelated and independent directors.
- 3) The chair of the executive sessions of the board, or in the chair's absence an unrelated and independent director chosen by the unrelated and independent directors, shall
 - (a) preside at executive sessions of the board;
 - (b) ensure that meetings of the unrelated and independent directors are held in accordance with this charter; and
 - (c) review, and modify if necessary the agenda of the meetings of the board in advance to ensure that the board may successfully carry out its duties.
- 4) The purposes of the executive sessions of the board shall include the following:
 - (a) to raise substantive issues that are more appropriately discussed in the absence of management;
 - (b) to discuss the need to communicate to the chairman of the board any matter of concern raised by any committee or any director;
 - (c) to address issues raised but not resolved at meetings of the board and assess any follow-up needs with the chairman of the board;
 - (d) to discuss the quality, quantity, and timeliness of the flow of information from management that is necessary for the unrelated and independent directors to effectively and responsibly perform their duties, and advise the chairman of the board of any changes required; and
 - (e) to seek feedback about board processes.

9. Selection and tenure of directors

The guidelines for selection and tenure of directors shall be as follows:

(a) Selection

In considering the qualifications of potential nominees for election as directors, the nominations and corporate governance committee considers the work experience and other areas of expertise of the potential nominees. The following key criteria are considered to be relevant to the work of the board of directors and its committees:

Work Experience

- Experience in leadership of businesses or other large organizations (Leadership of large organizations)
- Operations/technical experience (Operations/technical)
- Project management experience (Project management)
- Experience in working in a global work environment (Global experience)
- Experience in development of business strategy (Strategy development)

Other Expertise

- Audit committee financial expert
- Expertise in financial matters (Financial expertise)
- Expertise in managing relations with government (Government relations)
- Experience in academia or in research (Academic/research)
- Expertise in information technology (Information technology)
- Expertise in executive compensation policies and practices (Executive compensation)

In addition, the nominations and corporate governance committee may consider the following additional factors:

- possessing expertise in any of the following areas: law, science, marketing, administration, social/political environment or community and civic affairs; and
- providing diversity of viewpoint, individual competencies in business, other areas of endeavour in contributing to the collective experience of the directors, age, gender or regional association.

The nominations and corporate governance committee shall then assess what work experience and other expertise each existing director possesses. The nominations and corporate governance committee shall identify individuals qualified to become new board members and recommend to the board the new director nominees. In making its recommendations, the nominations and corporate governance committee shall consider the work experience and other expertise that the board considers each existing director to possess and which each new nominee will bring. The nominations and corporate governance committee may also consider the additional factors noted above and any other factors which it believes to be relevant.

A candidate may be nominated for directorship after consideration has been given as to his or her degree of compatibility with the following criteria, i.e., as to whether he or she:

- will not adversely affect the requirements with respect to citizenship and residency for the directors imposed by the Canada Business Corporations Act;
- possesses the ability to contribute to the broad range of issues with which the directors and any one or all of the committees of directors must deal;
- is able to devote the necessary amount of time to prepare for and attend all meetings of the directors and committees of directors, and to keep abreast of significant corporate developments;
- is free of any present or apparent potential legal impediment or conflict of interest, such as:
 - serving as an employee or principal of any organization presently providing a significant level of service to the corporation or which might so provide to the corporation, for example, institutions engaged in commercial banking, underwriting, law, management consulting, insurance, or trust companies; or of any substantial customer or supplier of the corporation;

- serving as an employee or director of a competitor of the corporation, such as petroleum or chemical businesses, or of a significant competitor of corporations represented by a director of this corporation;
- serving as the chief executive officer or a top administrator of an organization that has the chief executive officer or a top administrator of this corporation serving as director;
- is expected to remain qualified to serve for a minimum of five years;
- will not, at the time that he or she stands for election or appointment, have attained the age of 72;
- is, or will become within a period of five years of becoming a director, the beneficial owner, directly or indirectly, of not less than 15000 common shares, deferred share units or restricted stock units of the corporation.

(b) Tenure

(i) Re-nomination

An incumbent director shall be supported for re-nomination as long as he or she:

- does not suffer from any disability that would prevent the effective discharge of his or her responsibilities as a director;
- makes a positive contribution to the effective performance of the directors;
- regularly attends directors' and committee meetings;
- has not made a change with respect to principal position or thrust of involvement or regional association that would significantly detract from his or her value as a director of the corporation;
- is not otherwise, to a significant degree, incompatible with the criteria established for use in the selection process;
- in a situation where it is known that a director will become incompatible with the criteria established for use in the selection process within a three-month period of election, such as retirement from principal position at age 65, this information would be included in the management proxy circular, and where possible, information regarding the proposed replacement would also be included;
- will not, at the time that he or she stands for re-election, have attained the age of 72; however, under exceptional circumstances, at the request of the chief executive officer, the nominations and corporate governance committee may continue to support the nomination.

(ii) Resignation

An incumbent director will resign in the event that he or she:

- experiences a change in circumstances such as a change in his or her principal occupation, but not merely a change in geographic location;
- displays a change in the exercise of his or her powers and in the discharge of duties that, in the opinion of at least 75 percent of the directors, is incompatible with the duty of care of a director as defined in the Canada Business Corporations Act;
- has made a change in citizenship or residency that will adversely affect the requirements for directors with respect to those areas imposed by the Canada Business Corporations Act;
- develops a conflict of interest, such as
 - assuming a position as an employee or principal with any organization providing a significant level of service to the corporation, for example, institutions engaged in commercial banking, underwriting, law, management consulting, insurance, or trust companies; or with any substantial customer or supplier of the corporation;
 - assuming a position as an employee or director of any competitor of the corporation, such as petroleum or chemical businesses, or of a competitor of corporations represented by a director of this corporation;
 - assuming the position of chief executive officer or a top administrator of an organization that has the chief executive officer or a top administrator of this corporation serving as a director;
 - becomes unable to devote the necessary amount of time to prepare for and regularly attend meetings of the directors and committees of directors, and to keep abreast of significant corporate developments,

and the nominations and corporate governance committee will make a recommendation to the board as to whether to accept or reject such resignation.

10. Chairman and chief executive officer

(a) Position description

The chairman and chief executive officer shall

1. Plan and organize all activities of the board of directors;
2. Ensure that the Board receives sufficient, timely information on all material aspects of the corporation's operations and financial affairs;
3. Chair annual and special meetings of the shareholders;
4. Conduct the general management and direction of the business and affairs of the corporation;
5. Recommend to the board of directors a strategic plan for the corporation's business and, when approved by the board of directors, implement this strategic plan and report to the board of directors on the implementation of this strategic plan;
6. Develop and implement operational policies to guide the corporation within the limits prescribed by the corporation's by-laws and the directions adopted by the board of directors;

7. Identify, for review with the board of directors, the principal risks of the corporation's business, where identifiable, and develop appropriate systems to manage such risks;
 8. Under the oversight of the board of directors, develop plans for succession planning for senior management, including the appointing, training and monitoring thereof, and implement those plans;
 9. Ensure compliance with the corporation's code of ethics and business conduct so as to foster a culture of integrity throughout the company; and
 10. Ensure effective internal controls and management information systems are in place.
- (b) Minimum shareholding requirements. The chairman and chief executive officer shall hold, or shall, within three years after his appointment as chairman and chief executive officer, acquire shares of the corporation, including common shares, deferred share units and restricted stock units, of a value no less than five times his base salary.

Audit Committee Charter

The structure, process and responsibilities of the audit committee shall include the following items and matters:

1.
 - (1) The committee shall consist of five members, to be appointed by the board of directors from among the unrelated and independent directors, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation and are unrelated and independent.
 - (2) The committee shall, if possible, have one or more members who is an "audit committee financial expert" within the meaning of applicable law.
 - (3) Each member of the committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement.
 - (4) No committee member shall serve on the audit committee of more than two other public companies, unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the audit committee.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
 - (a) preside at committee meetings;
 - (b) ensure that meetings of the audit committee are held in accordance with this charter; and
 - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member or by the external auditors of the corporation, and notice of every meeting shall be given to the external auditors.
6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
7. The external auditors and the internal auditor of the corporation shall report directly to the audit committee.
8. The committee shall:
 - (a) recommend the external auditors to be appointed by the shareholders, fix their remuneration, which shall be paid by the corporation, and oversee their work.
 - (b) approve the proposed current year audit program of the external auditors and assess the results of the program after the end of the program period.
 - (c) approve in advance any non-audit services that are permitted by applicable law to be performed by the external auditors after considering the effect of such services on their independence.

- (d) receive from the external auditors a formal written statement delineating all relationships between the external auditor and the corporation consistent with Independence Standards Board Standard 1, and shall actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and shall recommend that the board take any appropriate action to oversee the independence of the external auditor.
- (e) establish procedures for the receipt, retention and treatment of complaints received by the corporation regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the corporation of concerns regarding questionable accounting or auditing matters.
- (f) approve the proposed current year audit program of the internal auditors and assess the results of the program after the end of each quarter.
- (g) review annually the adequacy of the corporation's liability and property insurance program.
- (h) review the adequacy of the corporation's system of internal controls and auditing procedures.
- (i) review the accounting and financial reporting processes of the corporation.
- (j) approve changes proposed by management in accounting principles and practices, and review changes proposed by the accounting profession or other regulatory bodies which impact directly on such principles and practices.
- (k) review the annual and quarterly financial statements of the corporation, accounting items affecting the statements and the overall format and content of the statements, and the related management discussion and analysis, prior to approval of such financial statements by the board of directors.
- (l) review the results of the monitoring activity under the corporation's business ethics compliance program.
- (m) review annually a summary of senior management expense accounts.
- (n) require attendances at its meetings by members of management, as the committee may direct.
- (o) review its mandate and its effectiveness at least annually.
- (p) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.

Environment, Health and Safety Committee Charter

The structure, process and responsibilities of the environment, health and safety committee shall include the following items and matters:

1. The committee shall consist of no fewer than five members, to be appointed by the board of directors from among (a) the unrelated and independent directors; and (b) the non-independent directors who are not members of the corporation's management, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
 - (a) preside at committee meetings;
 - (b) ensure that meetings of the environment health and safety committee are held in accordance with this charter; and
 - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member.
6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
7. The committee shall:
 - (a) review and monitor the corporation's policies and practices in matters of the environment, health and safety.
 - (b) monitor the corporation's compliance with legislative, regulatory and corporation standards for environmental, health and safety practices and matters, and advise the directors on the results and adequacy thereof.
 - (c) monitor trends and review current and emerging public policy issues in matters of the environment, health and safety as they may impact the corporation's operations.
 - (d) review the impact of proposed legislation in matters of the environment, health and safety on the operations of the corporation and advise the directors and management as to the appropriate response of the corporation thereto.
 - (e) recommend to the directors and management desirable policies and actions arising from its review and monitoring activity.
 - (f) require attendances at its meetings by members of management, as the committee may direct.
 - (g) review its mandate and its effectiveness at least annually.
 - (h) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.

Executive Resources Committee Charter

The structure, process and responsibilities of the executive resources committee shall include the following items and matters:

1. The committee shall consist of no fewer than five members, to be appointed by the board of directors from among the (a) unrelated and independent directors; and (b) the non-independent members who are not members of the corporation's management, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
 - (a) preside at committee meetings;
 - (b) ensure that meetings of the executive resources committee are held in accordance with this charter; and
 - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member.
6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
7. The committee shall:
 - (a) monitor the performance of the chief executive officer.
 - (b) review and approve corporate goals and objectives relevant to compensation of the chief executive officer and evaluate his performance in light of those goals and objectives.
 - (c) review data on competitive compensation practices and review and evaluate policies and programs through which the corporation compensates its employees.
 - (d) approve salaries and other compensation (including supplemental compensation such as cash bonuses and IEBU's, long-term incentive compensation such as RSU's, and any other payments for service), for the chief executive officer and other key senior executive management positions reporting directly to the chief executive officer, including all officers of the corporation.
 - (e) produce an annual report on compensation for inclusion in the corporation's management proxy circular in accordance with applicable legal requirements.
 - (f) review the executive development system to ensure that it:
 - i. foresees the company's senior management requirements;
 - ii. provides for early identification and development of key resources.

- (g) approve specific succession plans for the chief executive officer and other key senior executive management positions reporting directly to the chief executive officer, including all officers of the corporation.
- (h) review the company's process in respect of employee conflicts of interest and directorships in non-affiliated commercial, financial and industrial organizations and the disclosures thereof.
- (i) require attendance at its meetings by members of management, as the committee may direct.
- (j) review its mandate and its effectiveness at least annually.
- (k) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.

Nominations and Corporate Governance Committee Charter

The structure, process and responsibilities of the nominations and corporate governance committee shall include the following items and matters:

1. The committee shall consist of no fewer than five members, to be appointed by the board of directors from among (a) the unrelated and independent directors; and the (b) the non-independent directors who are not members of the company's management, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
 - (a) preside at committee meetings;
 - (b) ensure that meetings of the nominations and corporate governance committee are held in accordance with this charter; and
 - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member.
6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
7. The committee shall:
 - (a) oversee issues of corporate governance as they apply to the corporation, including the effectiveness of the system of corporate governance, the evaluation of the overall performance of the board, and the board's relationship with management, and to report to the board on such matters.
 - (b) make recommendations to the board as to the appropriate size of the board with a view to facilitating effective decision-making.
 - (c) review and recommend to the board of directors the procedure for identifying potential nominees for directorships, including guidelines to be used in the selection process.
 - (d) review and recommend to the board of directors any modifications to the charters of the board or any of its committees.
 - (e) review and recommend to the board of directors guidelines to be adopted relating to tenure of directors.
 - (f) assist the chief executive officer to assess potential candidates for directorships and recommend to the board of directors proposed candidates for board membership to fill anticipated vacancies.

- (g) apply guidelines for board membership to incumbent directors and recommend to the chief executive officer and to the board of directors the slate of director candidates to be proposed for election by the shareholders at the annual meeting.
- (h) review and recommend the nonemployee directors' compensation.
- (i) require attendances at its meetings by members of management, as the committee may direct.
- (j) review its mandate and its effectiveness at least annually.
- (k) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.
- (l) make a recommendation to the board of directors as to whether to accept or reject any resignation tendered by a director as provided in subclause 9(b)(ii) of the board of directors charter.

Contributions Committee Charter

The structure, process and responsibilities of the contributions and community investment committee shall include the following items and matters:

1. The committee shall consist of no fewer than five members, to be appointed by the board of directors from among the directors, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
 - (a) preside at committee meetings;
 - (b) ensure that meetings of the contributions and community investment committee are held in accordance with this charter; and
 - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member.
6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
7. The committee shall:
 - (a) review and monitor the corporation's policies and practices in matters relating to "Community Investment", which Community Investment shall consist of:
 - (i) charitable contributions, including those made by means of the Imperial Oil Foundation;
 - (ii) local community contributions by business units on community-serving projects that also benefit the corporation, which are charitable in nature;
 - (iii) the corporation's share of community-serving projects described in subparagraph 7(a)(ii) above by joint ventures operated by other companies;
 - (iv) funding for public policy groups;
 - (v) university research awards;
 - (vi) sponsorships whose primary purpose is to promote brand recognition, product sales or business development; and
 - (vii) expenditures required under socio-economic agreements to gain access to resources;
 - (b) review each year, prior to the development of the following year's budget for Community Investment, proposed overall contributions objectives, policies and programs, including, as appropriate, goals and criteria, the level of corporate contributions, the subject areas to which contributions are to be made and the relative weighting thereof, and the need to make such contributions to gain access to

resources or otherwise advance the business objectives of the company, and make such recommendations to the Board with respect thereto as it may deem advisable;

- (c) approve the proposed budget for charitable contributions and local community contributions, as described in subparagraphs 7(a)(i) and (ii), of the corporation and its consolidated affiliates, and review the proposed budget for charitable contributions for the Imperial Oil Foundation prior to the meeting of the Imperial Oil Foundation to approve such budget, and to review such budgets for charitable contributions and local community contributions as to the consistency of such budgets with the contributions objectives, policies and programs established in respect of each year;
- (d) review the proposed budget for Community Investment other than as described in subparagraphs 7(a)(i) and (ii) of the corporation and its consolidated affiliates, as to the consistency of such budgets with the contributions objectives, policies and programs established in respect of each year, and possible contributions of an unusual amount;
- (e) approve all grants or contributions for charitable contributions and local community contributions as described in subparagraphs 7(a)(i) and (ii) above \$100,000;
- (f) require attendances at its meetings by members of management, as the committee may direct;
- (g) review its mandate and its effectiveness at least annually; and
- (h) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.