



# Notice of 2018 Annual Meeting of Shareholders and Management Proxy Circular

Annual Meeting of Shareholders April 27, 2018

Imperial Oil Limited

**Imperial is committed to the responsible development of Canada's energy resources**

Learn more about our innovation story at  
[imperialoil.ca/research](http://imperialoil.ca/research)



## Notice of 2018 Annual Meeting of Shareholders

Dear Shareholder,

On behalf of the board and management, we are pleased to invite you to attend the annual meeting of shareholders of Imperial Oil Limited.

**When:** Friday, April 27, 2018 at 9:30 a.m. local time

**Where:** 505 Quarry Park Boulevard S.E., Calgary, Alberta, Canada

The meeting will be called for the following purpose:

1. to consider the consolidated financial statements for the year ended December 31, 2017, and the auditor's report,
2. to reappoint the auditor for the ensuing year,
3. to elect directors for the ensuing year,
4. to vote on two shareholder proposals contained in this management proxy circular, and
5. to consider other business that may properly be brought before the meeting or any adjournment of the meeting.

The Canadian securities regulator allow for the use of Notice and Access for delivery of the management proxy circular to both the registered and non-registered shareholders of Imperial Oil Limited. The circular is not being mailed, but rather shareholders are provided with notice for where to find the circular online or request a paper copy. The circular will provide you with additional details surrounding Notice and Access as well as provide information about the company and the business to be conducted at the meeting. Please review the circular before you cast your vote.

Holders of Imperial Oil Limited common shares of record at the close of business on March 2, 2018, are entitled to vote at the meeting and 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, email, telephone, online or using your mobile device as described on the proxy form.

Your proxy must be received prior to 5:00 p.m. (EDT) on April 25, 2018, or two days (excluding Saturdays, Sundays or statutory holidays) prior to any adjournment of the meeting. The effective date of the circular is February 7, 2018, on which date there were 831,242,307 common shares outstanding.

A webcast of the meeting will be available on our company website for those that are unable to attend in person and will also be available for viewing after the meeting. We can provide reasonable assistance to people with disabilities who wish to attend the meeting. Please contact the corporate secretary by telephone at (587) 476-3950 or fax at (587) 476-1166 at least two weeks before the meeting.

**L.H. (Lara) Pella**

Assistant general counsel and corporate secretary

March 9, 2018

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# Management Proxy Circular

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## Proxy statement summary

The summary below is intended to highlight selected information about the company and the upcoming meeting of shareholders. More detail can be found throughout the circular and we encourage you to read the entire proxy statement carefully before casting your vote.

### 2018 Annual Meeting of Shareholders

**Date and Time:** Friday, April 27, 2018  
**Location:** 505 Quarry Park Boulevard S.E., Calgary, Alberta, Canada  
**Record Date:** March 2, 2018  
**Mail Date:** March 9, 2018

### Voting Matters and Board Recommendations

Voting items	Board voting recommendation
Reappointment of the auditor (page 8)	For
Election of the directors (pages 10 through 13)	For each of the director nominees
Shareholder proposals (Appendix B starting on page 86)	Against each of the proposals

### Overview of Director Nominees

	D.W. Cornhill (a)	K.T. Hoeg	R.M. Kruger	J.M. Mintz	D.S. Sutherland	D.G. Wascom	S.D. Whittaker
<b>Gender</b>	Male	Female	Male	Male	Male	Male	Female
<b>Age</b> (as of February 7, 2018)	64	68	58	66	68	61	70
<b>Director Since</b>	November 29, 2017	May 1, 2008	March 1, 2013	April 21, 2005	April 29, 2010	July 30, 2014	April 19, 1996
<b>Citizenship</b>	Canadian	Canadian	United States	Canadian	Canadian	United States	Canadian
<b>Independent Director</b>	Yes	Yes	No	Yes	Yes	No	Yes
<b>Committee Participation in 2017 (b)</b>	AC ERC EH&S N&CG CC	AC ERC* EH&S N&CG CC	CC	AC ERC EH&S* N&CG CC	AC ERC EH&S N&CG CC*	ERC EH&S N&CG CC	AC ERC EH&S N&CG* CC
<b>Board Interlocks</b>	None	None	None	None	None	None	None
<b>2017 Meeting Attendance</b>	100%	100%	100%	100%	84%	81%	100%
<b>Met Share Ownership Guidelines</b>	Yes	Yes	Yes	Yes	Yes	n/a	Yes
<b># of other public boards</b>	1	1	0	1	2	0	0
<b>Financially Literate</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Compensation Experience</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Percentage of votes in favour at last AGM</b>	n/a	99.88%	99.28%	99.87%	99.87%	89.19%	99.31%

a) D.W. Cornhill was appointed to the board on November 29, 2017.

b) V.L. Young is currently a director and the chair of the audit committee, but is not standing for re-election at the annual meeting of shareholders.

AC – Audit Committee; ERC – Executive Resources Committee; EH&S – Environment, Health and Safety Committee;

N&CG – Nominations and Corporate Governance Committee; CC – Contributions Committee

\* indicates chair of that committee.

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## 2017 Performance Highlights

- Strong safety, operational integrity and risk management performance.
- \$490 million net income; \$1,056 million excluding upstream non-cash impairment charges.
- \$2,763 million cash flow from operations, the highest since 2014.
- \$1,151 million returned to shareholders through share purchases and dividends.
  - 23rd consecutive year of dividend growth.
  - Reinstated share buyback program.
- Strong performance across all business lines.
  - Record annual production at Cold Lake and Kearl.
  - Best-ever refining results in energy efficiency and reliability.
  - Highest petroleum product sales in more than 25 years.
  - Expanded branded fuels business with Husky conversion and introduction of Mobil brand.
  - Second highest annual chemical earnings.
  - \$190 million reduction in above-field costs; nearly \$400 million since 2015.
- Progressed opportunities to add value to high-quality asset portfolio.
  - Completed Kearl enhancements to improve reliability and reduce unit costs.
  - Approved investment to increase Kearl production beyond initial scope.
  - Approved Strathcona refinery cogeneration project to improve energy efficiency.
- Continued commitment to industry leadership in technology and innovation.
  - More than \$150 million invested in research.

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## 2017 Corporate Governance Highlights

- Five of seven of our director nominees are independent and meet the criteria for independence set by Canadian securities regulators, the SEC and the NYSE American LLC.
- The directors are highly qualified with diversity of gender, background, experience and skill.
- The company's independent directors have significant stock ownership requirements, all of which have been met.
- The independent directors regularly meet in executive sessions without management present.
- Shares of the company are listed on the TSX and trade on the NYSE American LLC and our corporate governance practices comply with applicable policies and practices of each exchange.
- The company has adopted a majority voting policy.
- Approximately 98% average vote in favour of the election of our directors at the 2017 annual meeting.
- Two of seven or 29% of the director nominees, and seven of 19 or 37% of the executive officers of the company and its major subsidiary, are women.
- The independent directors collectively have more than \$12 million in shareholdings in the company.

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## 2017 Executive Compensation Highlights

- Compensation program aligns with the company's long-term business model and supports key business strategies.
- All executives participate in common compensation programs that encourage appropriate risk assessment and risk management.
  - Equity incentive program with long vesting periods that far exceed the typical holding periods of comparator stock programs.
  - An annual bonus program linked to annual earnings with a unique delayed bonus feature.
  - Forfeiture provisions that further discourage inappropriate risk taking.
- Employees and directors are prohibited from hedging against the value of company stock.
- No employment contracts or change in control agreements.

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## Proxy information and voting instructions

### Items for voting

At this meeting you will be voting on the following items:

- the reappointment of the auditor of the company,
- the election of the directors, and
- the shareholder proposals contained in this circular.

### Solicitation

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 27, 2018. 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. The company made an application to Corporations Canada under subsection 151(1) of the *Canada Business Corporations Act* (the 'Act') to exempt the company from the solicitation requirements of section 149 and subsection 150(1) of the Act. On February 15, 2018, the Director issued Exemption No. E-020/18 exempting the company from sending the prescribed management proxy circular to each shareholder whose proxy is solicited.

### Who can vote

Shareholders as of 5:00 p.m. (EST) on March 2, 2018, 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 2, 2018. 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 notification of notice and access of the meeting materials and the proxy voting form, all of which were sent to shareholders commencing on March 9, 2018. Each common share registered in your name in the list of shareholders entitles you to one vote at the annual meeting.

### Notice and Access

The company is using the notice and access provisions of *National Instrument 54-101 — Communication with Beneficial Owners of Securities of a Reporting Issuer* and *National Instrument 51-102 — Continuous Disclosure Obligations* to provide meeting materials electronically for both registered and non-registered shareholders ("Notice and Access"). Instead of mailing meeting materials to shareholders who have not provided standing instruction, the company has posted the Notice of Annual Meeting of Shareholders, the Management Proxy Circular, the 2017 audited annual financial statements and related management discussion and analysis (the "Meeting Material") on its website at <http://www.imperialoil.ca/en-ca/company/investors/shareholder-services/annual-meetings>. In addition, the Meeting Material has also been posted at [www.meetingdocuments.com/astca/IMO](http://www.meetingdocuments.com/astca/IMO) and to the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) under the Imperial Oil Limited profile. The company has sent the notification letter and a form of proxy or voting instruction form (the "Notification Material") to shareholders informing them that this circular is available online and explaining how this circular and other Meeting Material may be accessed.

The company has elected to utilize Notice and Access because it allows for a reduction in the use of printed paper materials and has significantly reduced printing and mailing costs associated with the company's shareholder meeting. In accordance with the Notice and Access provisions, the company has set the Record Date at least 40 days before the meeting.

Registered and non-registered shareholders who have signed up for electronic delivery of the Meeting Material will continue to receive them by email and those registered and non-registered shareholders with existing instructions on their account to receive the Meeting Material (standing instructions) will continue to receive a paper copy of the Meeting Material by mail. Shareholders can receive a paper copy of the Meeting Material by using the methods provided in the Notification Material and the Meeting Material will be sent out within three business days of the request, provided the request is made prior to the meeting date or any adjournment thereof. If a request is made after the meeting and within one year of the Meeting Material being filed, the company will mail the material within 10 calendar days of any request.

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*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.*

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### **Voting information – Registered shareholders**

**Registered shareholders** hold shares in their own name and hold an actual certificate for these shares that indicates the number of shares held in the company. If you are a registered shareholder, you can vote in person at the meeting or you can use the proxy form to appoint some other person 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 form. You can return the proxy form to the company's transfer agent, AST Trust Company (Canada) 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 Wednesday, April 25, 2018. You may also cast your vote using one of the other voting methods that have been set out on the following page for registered shareholders.

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 online, as described on the proxy form and on the following page. Unless otherwise specified, shareholder votes will be conducted by ballot.

All shares represented by properly completed proxies received by AST Trust Company (Canada) prior to 5:00 p.m. (EDT) on Wednesday, April 25, 2018, 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.








Signing the enclosed proxy form gives authority to R.M. Kruger, S.D. Whittaker or J.M. Mintz, all of whom are directors of the company, to vote your shares at the meeting. **You can appoint someone other than these directors to vote your shares. 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 25, 2018.**

### **Voting information – Non-registered shareholders**

**Non-registered shareholders** purchase their shares through a broker or intermediary and the account remains with them. The shares are held in the name of the brokerage firm and there is not an actual certificate of these shares, but rather the account is recorded on an electronic system. Non-registered shareholders should follow the process outlined by their intermediaries to vote their proxies. Non-registered shareholders can vote by mail, telephone, online or using your mobile device as described on the voting information form. 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 voting information form completed in accordance with any voting instructions received by it); or (b) a voting information form executed by the intermediary but otherwise uncompleted. The non-registered shareholder may complete the voting information form and return it as described on the voting form.

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.

## Voting options

Proxy voting methods	Registered shareholders (Proxy form)	Non-registered shareholders (Voting instruction form)
 <b>Vote online</b>	Go to web site <b>www.astvotemyproxy.com</b> and follow the instructions. You will need to refer to your control number printed on your proxy voting form.	Go to web site <b>www.proxyvote.com</b> and follow the instructions. You will need to refer to your control number printed on your voting instruction form in your mailing package.
 <b>Vote by mail</b>	Complete and return your proxy voting form in the envelope provided in your mailing package or mail to AST Trust Company (Canada), Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1.	Complete and return your proxy voting form in the prepaid business reply envelope provided or mail to Data Processing Centre, P.O. Box 3700, Stn Industrial Park, Markham, Ontario, L3R 9Z9.
 <b>Vote by fax</b>	Complete your proxy voting form and fax both sides to 1-866-781-3111 (toll free) or 416-368-2502 (within the 416 area code).	
 <b>Vote with your mobile device</b>	Your proxy voting form will include a QR code that you can scan using your mobile device and follow the instructions to vote your shares.	Your voting instruction form will include a QR code that you can scan using your mobile device and follow the instructions to vote your shares.
 <b>Vote by telephone</b>	Using a touch-tone telephone, call toll free 1-888-489-7352 (Canada and the US) and follow the instructions of the "Vote Voice". You will need to refer to the control number found on the proxy voting form in your mailing package.	Using a touch-tone telephone, call toll free 1-800-474-7493 (English) or 1-800-474-7501 (French) and follow the instructions. You will need to refer to the control number found on the form in your mailing package.
 <b>Vote by email</b>	Scan both sides of your completed proxy form and send to email address: <b>proxyvote@astfinancial.com</b>	
 <b>Vote in person at the meeting</b>	Attend, register and vote.	Appoint yourself as proxy holder, attend, register and vote.

### Voting by proxy

In the absence of instructions, the shares will be voted **FOR** the reappointment of the auditor, **FOR** the election of nominated directors, and **AGAINST** each of the shareholder proposals as stated in the banner in **bold blue type** on pages 8 and 9.

### Meeting amendments

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 2018 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.



## Changing your vote

If you are a registered shareholder, you can revoke your proxy for the annual meeting or any adjournment of the meeting by sending new instructions on how you wish to vote, provided that these new instructions are received by 5:00 p.m. (EDT) on April 25, 2018. You can send a new proxy by mail, fax, email, telephone, online or using your mobile device by following the instructions above. You may also file a later dated proxy or deposit a written statement signed by you (or signed by your attorney, authorized in writing) either, (a) at the head office of the company at 505 Quarry Park Boulevard S.E., Calgary, Alberta, Canada, T2C 5N1, 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 another proxy, 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.

## Voting results

The company's transfer agent, AST Trust Company (Canada), 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. A report on the voting results of the annual meeting will be available on our website at [www.imperialoil.ca](http://www.imperialoil.ca) and will be filed with the Canadian and United States securities regulators on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml).

## Webcast

The company will be providing a live webcast of the annual meeting 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](http://www.imperialoil.ca) several days prior to the meeting. A copy of this webcast will be available on the website for one year.

## Additional details

The company is authorized to issue 1,100,000,000 common shares and as at February 7, 2018, there were 831,242,307 common shares outstanding. The quorum for the annual meeting is five shareholders.

## Questions

Please contact AST Trust Company (Canada), 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@astfinancial.com](mailto:inquiries@astfinancial.com),

**or on-line:** [www.astfinancial.com/ca-en/](http://www.astfinancial.com/ca-en/)

## Annual meeting admission and conduct

Only shareholders as of the record date (March 2, 2018) 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.

## Business of the meeting

### (i) Consolidated financial statements and auditor's report

The audited consolidated financial statements of the company for the year ended December 31, 2017 and the auditor's report thereon will be received at the meeting. The financial statements and the auditor's report are made available pursuant to the requirements of Notice and Access. Copies can also be obtained on our website at [www.imperialoil.ca](http://www.imperialoil.ca), have been reported online on SEDAR at [www.sedar.com](http://www.sedar.com) and are available in print by contacting the company's assistant general counsel and corporate secretary or the investor relations manager. Contact information can be found on page 67 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 and are located in Calgary, Alberta. PwC is a participating audit firm with the Canadian Public Accountability Board.

*Unless a proxy specifies that the shares it represents should be withheld from voting, the proxyholders named in the accompanying proxy intend to vote FOR the reappointment of PwC as the auditor of the company.*

### 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, 2017 and December 31, 2016 were as follows:

thousands of Canadian dollars	2017	2016
Audit fees	1,756	1,500
Audit-related fees	94	104
Tax fees	0	0
All other fees	0	0
Total fees	1,850	1,604

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 2017. 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 audit committee formally and annually evaluates the performance of the external auditor, recommends the external auditor to be appointed by the shareholders, recommends their remuneration and oversees their 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 have confirmed that they are independent with respect to the company within the meaning of the Rules of Professional Conduct of the Certified Professional Accountants of Alberta, the Public Company Accounting Oversight Board (United States) (PCAOB) and the rules of the U.S. Securities and Exchange Commission. The company has concluded that the auditor's independence has been maintained.

### **(iii) Election of directors**

The company currently has eight directors. Seven directors are being nominated for election. V.L. Young is currently a director and is not standing for re-election in 2018, as he will reach the company's mandatory retirement age for directors in 2018. 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: **D.W. (David) Cornhill, K.T. (Krystyna) Hoeg, R.M. (Richard) Kruger, J.M. (Jack) Mintz, D.S. (David) Sutherland, D.G. (Jerry) Wascom and S.D. (Sheelagh) Whittaker.** See the Nominees for director section on pages 10 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.

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

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### **(iv) Shareholder proposals**

You will be asked to vote on two shareholder proposals that were submitted for consideration at the annual meeting of shareholders:

- Shareholder Proposal No. 1 regarding annual disclosure by the company of lobbying-related matters, and
- Shareholder Proposal No. 2 regarding disclosure by the company of water-related risk matters.

The shareholder proposals and supporting statements, and the board and management response and recommendation for each are set out in Appendix B to this circular.

Shareholders may vote **FOR** or **AGAINST** the shareholder proposals. Approval of the shareholder proposals requires the favourable vote of a majority of the votes cast.

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*Unless a proxy specifies that the shares it represents should be voted **FOR** the shareholder proposals, the proxyholders named in the accompanying proxy intend to vote **AGAINST** the shareholder proposals.*

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### **(v) 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.

## Nominees for director

The director nominee 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 are now directors and have been since the dates indicated. V.L. Young is currently a director and is not standing for re-election in 2018 as he will reach the company's mandatory retirement age for directors in 2018.

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. The information is as of February 7, 2018, the effective date of this circular, unless otherwise indicated.

For more information on our director nominees, please see the Statement of corporate governance practice starting on page 16.

## Director nominee tables



### David W. Cornhill

Calgary, Alberta, Canada

**Nonemployee director (independent)**

**Age:** 64

**Director since:** November 29, 2017

**Skills and experience:** Leadership of large organizations, Operations/Technical, Project management, Strategy development, Audit committee financial expert, Financial expertise, Executive compensation

David Cornhill is chairman of the board of directors of AltaGas Ltd., a position he has held since AltaGas Services Inc.'s (AltaGas' predecessor) inception in 1994. Mr. Cornhill is a founding shareholder of AltaGas Services Inc., and was chief executive officer from 1994 to 2016. Prior to forming AltaGas Services Inc., Mr. Cornhill served in the capacities of vice-president, finance and administration and treasurer at Alberta and Southern Gas Co. Ltd, from 1991 to 1993 and as president and chief executive officer until 1994. Mr. Cornhill is an experienced leader in the business community and is a strong supporter of communities and community collaboration, investment and enhancement. He serves on the board of governors at Western University and is a member of the Ivey Advisory Board at Western. Mr. Cornhill holds a Bachelor of Science (Hons.) degree and a Master of Business Administration degree, both from Western, and was awarded an honorary Doctor of Laws degree by the University in 2015.

### Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	12,500 (<0.01%)	354	12,854	2,600	15,454
Total market value as at February 7, 2018 (\$)	443,750	12,567	456,317	92,300	548,617
Year over year change (#)	n/a	n/a	n/a	n/a	n/a

\*Meets the necessary share ownership requirements

Board and Committee Membership*	Meeting Attendance 2017	Public Company Directorships in the Past Five Years*
Imperial Oil Limited board	1 of 1 (100%)	- AltaGas Ltd. (2010 – present)
Audit committee	0 of 0 (n/a)	- Alterra Power Corp. (2008 – 2018)
Executive resources committee	1 of 1 (100%)	- Painted Pony Energy Ltd. (2015 – 2017)
Environment, health and safety committee	1 of 1 (100%)	- Northern Power Systems Corp. (2014 – 2015)
Nominations and corporate governance committee	1 of 1 (100%)	*no public board interlocks
Contributions committee	1 of 1 (100%)	

### Voting Results of 2017 Annual General Meeting:

n/a n/a

### Other Positions in the Past Five Years:

(position, date office held, and status of employer)

- AltaGas Ltd., Chairman of the Board (1994 – present)  
- AltaGas Ltd., Chief Executive Officer (1994 – 2016)



**Krystyna T. Hoeg**  
Toronto, Ontario, Canada

**Nonemployee director (independent)**

**Age:** 68

**Director since:** May 1, 2008

**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 New Flyer Industries Inc. and is also a director of Samuel, Son & Co. Limited and Revera Inc., privately owned corporations. Ms. Hoeg is the past chair of the board of the Michael Garron Hospital (formerly known as the Toronto East General Hospital).

**Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)**

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	0	31,141	<b>31,141</b>	11,200	<b>42,341</b>
Total market value as at February 7, 2018 (\$)	0	1,105,506	<b>1,105,506</b>	397,600	<b>1,503,106</b>
Year over year change (#)	0	3,498	<b>3,498</b>	600	<b>4,098</b>

\*Meets the necessary share ownership requirements

**Board and Committee Membership**

	Meeting Attendance 2017
Imperial Oil Limited board	7 of 7 (100%)
Audit committee	5 of 5 (100%)
Executive resources committee (Chair)	7 of 7 (100%)
Environment, health and safety committee	3 of 3 (100%)
Nominations and corporate governance committee	7 of 7 (100%)
Contributions committee	2 of 2 (100%)

**Public Company Directorships in the Past Five Years\***

- New Flyer Industries (2015 – Present)
  - Sun Life Financial Inc. (2002 – 2016)
  - Canadian Pacific Railway Limited (2007 – 2015)
  - Canadian Pacific Railway Company (2007 – 2015)
  - Shoppers Drug Mart Corporation (2006 – 2014)
- \*no public board interlocks

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

No other position held in the last five years

**Voting Results of 2017 Annual General Meeting:**

<b>Votes in Favour:</b> 754,930,036 (99.88%)	<b>Votes Withheld:</b> 882,189 (0.12%)
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**Richard M. Kruger**  
Calgary, Alberta, Canada

**Non-independent director**

**Age:** 58

**Director since:** March 1, 2013

**Skills and experience:** Leadership of large organizations, Operations/technical, Project management, Global experience, Strategy development, Financial expertise, Government relations, 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, Africa 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.

**Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)**

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	0	0	<b>0</b>	492,500	<b>492,500</b>
Total market value as at February 7, 2018 (\$)	0	0	<b>0</b>	17,483,750	<b>17,483,750</b>
Year over year change (#)	0	0	<b>0</b>	99,000	<b>99,000</b>

\*Meets the necessary share ownership requirements

**Board and Committee Membership**

	Meeting Attendance 2017
Imperial Oil Limited board (Chair)	7 of 7 (100%)
Contributions committee	2 of 2 (100%)

**Public Company Directorships in the Past Five Years\***

- No other public company directorships in the past five years
- \*no public board interlocks

**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 (2008 – 2013) (Affiliate)

**Voting Results of 2017 Annual General Meeting:**

<b>Votes in Favour:</b> 750,338,099 (99.28%)	<b>Votes Withheld:</b> 5,474,126 (0.72%)
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**Jack M. Mintz**  
*Calgary, Alberta, Canada*

**Nonemployee director (independent)**

**Age:** 66

**Director since:** April 21, 2005

**Skills and experience:** Global experience, Strategy development, Financial expertise, Government relations, Academic/research, Executive compensation

Dr. Mintz is currently the President's Fellow at the University of Calgary's School of Public Policy focusing on tax, urban and financial market regulatory policy programs and also serves as the national policy advisor for EY (formerly Ernst & Young). From 2006 to 2015, Dr. Mintz was the founding Director and Palmer Chair in Public Policy for the University of Calgary, and from 1999 to 2006, he was the president and chief executive officer of The C.D. Howe Institute. He has been a member of the board of Morneau Shepell since 2010. He has also been a professor at Queen's University Economics Department from 1978 to 1989 and the Joseph L. Rotman School of Management at the University of Toronto from 1989 to 2007. Dr. Mintz also has published widely in the fields of public economics and fiscal federalism, has been an advisor to governments throughout the world on fiscal matters, and has frequently published articles in national newspapers and magazines. Dr. Mintz received the Order of Canada in 2015.

**Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)**

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	1,000 (<0.01%)	27,023	<b>28,023</b>	11,200	<b>39,223</b>
Total market value as at February 7, 2018 (\$)	35,500	959,317	<b>994,817</b>	397,600	<b>1,392,417</b>
Year over year change (#)	0	3,433	<b>3,433</b>	600	<b>4,033</b>

\*Meets the necessary share ownership requirements

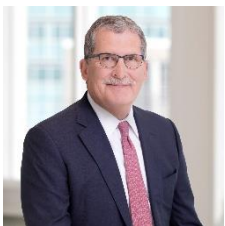
<b>Board and Committee Membership</b>	<b>Meeting Attendance 2017</b>	<b>Public Company Directorships in the Past Five Years*</b>
Imperial Oil Limited board	7 of 7 (100%)	- Morneau Shepell Inc. (2010 – Present)
Audit committee	5 of 5 (100%)	*no public board interlocks
Executive resources committee	7 of 7 (100%)	
Environment, health and safety committee ( <b>Chair</b> )	3 of 3 (100%)	
Nominations and corporate governance committee	7 of 7 (100%)	
Contributions committee	2 of 2 (100%)	

**Voting Results of 2017 Annual General Meeting:**

<b>Votes in Favour:</b> 754,860,462 (99.87%)	<b>Votes Withheld:</b> 951,763 (0.13%)
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**Other Positions in the Past Five Years:**  
 (position, date office held, and status of employer)

No other position held in the last five years



**David S. Sutherland**  
*Waterloo, Ontario, Canada*

**Nonemployee director (independent)**

**Age:** 68

**Director since:** April 29, 2010

**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 the chairman of the board of United States Steel Corporation and director of GATX Corporation. Mr. Sutherland is also chairman of Graham Group Ltd., an employee owned corporation and is a director of Steelcraft Inc., a privately owned 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.

**Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)**

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	55,000 (<0.01%)	24,449	<b>79,449</b>	11,200	<b>90,649</b>
Total market value as at February 7, 2018 (\$)	1,952,500	867,940	<b>2,820,440</b>	397,600	<b>3,218,040</b>
Year over year change (#)	10,000	3,393	<b>13,393</b>	600	<b>13,993</b>

\*Meets the necessary share ownership requirements

<b>Board and Committee Membership</b>	<b>Meeting Attendance 2017</b>	<b>Public Company Directorships in the Past Five Years*</b>
Imperial Oil Limited board	6 of 7 (86%)	- GATX Corporation (2007 – Present)
Audit committee	4 of 5 (80%)	- United States Steel Corporation, (2008 – Present)
Executive resources committee	6 of 7 (86%)	*no public board interlocks
Environment, health and safety committee	2 of 3 (67%)	
Nominations and corporate governance committee	6 of 7 (86%)	
Contributions committee ( <b>Chair</b> )	2 of 2 (100%)	

**Voting Results of 2017 Annual General Meeting:**

<b>Votes in Favour:</b> 754,853,875 (99.87%)	<b>Votes Withheld:</b> 958,350 (0.13%)
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**Other Positions in the Past Five Years:**  
 (position, date office held, and status of employer)

No other position held in the last five years



**Jerry Wascom**  
Spring, Texas, United States of America

**Non-independent director**

**Age:** 61

**Director since:** July 30, 2014

**Skills and experience:** Leadership of large organizations, Operations/technical, Project management, Global experience, Strategy development, Financial expertise, Executive compensation

Mr. Wascom is vice-president, operational excellence, safety, security, health and environment for Exxon Mobil Corporation. He is located in Dallas, Texas. Mr. Wascom has worked for ExxonMobil in a range of refining operations and management assignments, overseeing refining operations in North and Central/South America, the USA and Canada, as well as international assignments in Asia Pacific.

**Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)**

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	0	0	0	0	0
Total market value as at February 7, 2018 (\$)	0	0	0	0	0
Year over year change (#)	0	0	0	0	0

\*No share ownership guidelines apply

**Board and Committee Membership**

**Meeting Attendance 2017**

**Public Company Directorships in the Past Five Years\***

Imperial Oil Limited board	6 of 7 (86%)
Executive resources committee	6 of 7 (86%)
Environment, health and safety committee	2 of 3 (67%)
Nominations and corporate governance committee	6 of 7 (86%)
Contributions committee	1 of 2 (50%)

No other public company directorships in the past five years

\*no public board interlocks

**Voting Results of 2017 Annual General Meeting:**

<b>Votes in Favour:</b>	<b>Votes Withheld:</b>
674,075,378 (89.19%)	81,736,847 (10.81%)

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

- President, Exxon Mobil Refining & Supply Company (2014 – 2017) (Affiliate)
- Director, Refining North America, ExxonMobil Refining & Supply Company (2013 – 2014) (Affiliate)
- Director, Refining Americas, ExxonMobil Refining & Supply Company (2009 – 2013) (Affiliate)



**Sheelagh D. Whittaker**  
London, England

**Nonemployee director (independent)**

**Age:** 70

**Director since:** April 19, 1996

**Skills and experience:** Leadership of large organizations, Global experience, Strategy development, Audit committee financial expert, Financial expertise, Government relations, 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.

**Imperial Oil Limited Ownership and Value of Equity (a) (b) (c) (d)**

	IMO Common Shares (% of class)	IMO Deferred Share Units (DSU)	Total Vested Equity Holdings (Common + DSU)	Restricted Stock Units (RSU)	Total Holdings * (Common + DSU + RSU)
Holdings as at February 7, 2018 (#)	9,350 (<0.01%)	53,248	62,598	11,200	73,798
Total market value as at February 7, 2018 (\$)	331,925	1,890,304	2,222,229	397,600	2,619,829
Year over year change (#)	0	2,344	2,344	600	2,944

\*Meets the necessary share ownership requirements

**Board and Committee Membership**

**Meeting Attendance 2017**

**Public Company Directorships in the Past Five Years\***

Imperial Oil Limited board	7 of 7 (100%)
Audit committee	5 of 5 (100%)
Executive resources committee	7 of 7 (100%)
Environment, health and safety committee	3 of 3 (100%)
Nominations and corporate governance committee (Chair)	7 of 7 (100%)
Contributions committee	2 of 2 (100%)

- Standard Life Canada (2013 – 2015)  
- Standard Life plc (2009 – 2013)

\*no public board interlocks

**Voting Results of 2017 Annual General Meeting:**

<b>Votes in Favour:</b>	<b>Votes Withheld:</b>
750,579,322 (99.31%)	5,232,903 (0.69%)

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

No other position held in the last five years

### Footnotes to Director nominee tables on pages 10 through 13:

- (a) The information includes the beneficial ownership of common shares of Imperial Oil Limited, 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 31. The company's plan for deferred share units for nonemployee directors is described on page 30. The company's plan for restricted stock units for selected employees is described on page 51.
- (c) The numbers for the company's restricted stock units represent the total of the outstanding restricted stock units received in 2011 through 2017 and deferred share units received since directors' appointment.
- (d) The value for Imperial Oil Limited common shares, deferred share units and restricted stock units is based on the closing price for Imperial Oil Limited common shares on the Toronto Stock Exchange of \$35.50 on February 7, 2018.

### Director holdings in Exxon Mobil Corporation (a)

Director	XOM Common Shares (#)	XOM Restricted Stock (#)(b)	Total Common Shares and Restricted Stock (#)	Total Market Value of Common Shares and Restricted Stock (\$)(c)
R.M. Kruger	1,418	118,500	119,918	11,575,556
D.S. Sutherland	5,730	-	5,730	553,111
D.G. Wascom	18,080	207,600	225,680	21,784,648

- (a) Holdings as at February 7, 2018. The information includes the beneficial ownership of common shares of Exxon Mobil Corporation, which information not being within the knowledge of the company has been provided by the nominees individually. D.W. Cornhill, K.T. Hoeg, J.M. Mintz, S.D. Whittaker and V.L. Young do not own common shares or hold restricted stock of Exxon Mobil Corporation.
- (b) The numbers for Exxon Mobil Corporation restricted stock include outstanding restricted stock and restricted stock units granted under its restricted stock plan which is similar to the company's restricted stock unit plan.
- (c) The value for Exxon Mobil Corporation common shares and restricted stock is based on the closing price for Exxon Mobil Corporation common shares on the New York Stock Exchange of \$76.94 U.S., which is converted to Canadian dollars at the daily rate of exchange of \$1.2546 provided by the Bank of Canada for February 7, 2018.

### 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 percent of the company's shares. If Exxon Mobil Corporation's shareholdings were ever to fall below 50 percent, 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.



## Corporate governance disclosure

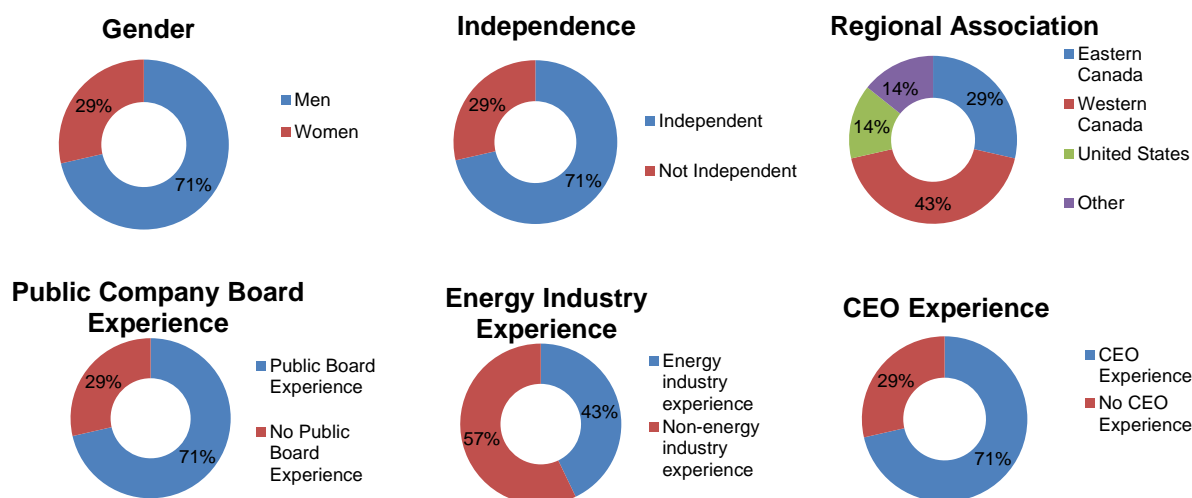
<b>Corporate governance at a glance</b>	
Controlled company	Yes
Size of current board	8
Current number of independent directors	6
Women on board	2
Average attendance of director at board and committee meetings	94%
Independent chair of the executive sessions	Yes
In camera sessions of independent directors at every board meeting	Yes
Independent status of audit committee	100%
Audit committee members financially literate	All
Independent status of executive resources committee	85%
Independent status of nominations and corporate governance committee	85%
Majority of independent directors on all committees	Yes
Individual director elections	Yes
Average tenure of director nominees	9 years
Average age of director nominees	65 years
Mandatory retirement age	72 years
Majority voting policy	Yes
Separate board chair and CEO	No
Number of board interlocks	None
No director serves on more than two boards of another reporting issuer	Yes
Share ownership requirements for independent directors	Yes
Share ownership requirements for chairman and chief executive officer	Yes
Board orientation and education program	Yes
Code of business conduct and ethics	Yes
Board and committee charters	Yes
Position descriptions for the chairman and chief executive officer and the chair of each committee	Yes
Skills matrix for directors	Yes
Annual board evaluation process	Yes
Annual advisory vote on executive compensation	No
Dual-class shares	No
Change of control agreements	No

## Statement of corporate governance practice

This section provides information pertaining to our board, the committees of the board, ethics, diversity and shareholder engagement. The company is committed to high corporate governance standards and best practices. The company's corporate governance policies and practices comply with and in most cases exceed the requirements of *National Instrument 52-110 Audit Committees (NI 52-110)*, *National Policy 58-201 Corporate Governance Guidelines (NP 58-201)* and *National Instrument 58-101 Disclosure of Corporate Governance Practices (NI 58-101)*. The company's common shares trade on the Toronto Stock Exchange and the NYSE American LLC and our corporate governance practices reflect the corporate governance standards of these exchanges.

*The company continually reviews its governance practices and monitors regulatory changes.*

### Composition of our board nominees



### Tenure of our board nominees

The board charter provides that incumbent directors will not be renominated if they have attained the age of 72, except under exceptional circumstances and at the request of the chairman. The company does not have term limits for independent directors because it values the comprehensive knowledge of the company that long serving directors possess and independent directors are expected to remain qualified to serve for a minimum of five years. The following chart shows the current years of service of the nominees for the board of directors and the year they would normally be expected to retire from the board.

Name of director nominee	Years of service on the board	Year of expected retirement from the board for independent directors
D.W. Cornhill	2 months	2025
K.T. Hoeg	10 years	2022
R.M. Kruger	5 years	-
J.M. Mintz	13 years	2023
D.S. Sutherland	8 years	2022
D.G. Wascom	4 years	-
S.D. Whittaker	22 years	2019
<b>Years of combined experience on the board: 62 years</b> <b>Average tenure on the board: 9 years</b> <b>Average age of directors: 65 years</b>		

## Skills and experience of our board members

*Our directors provide a wide range of skills, diversity and experience.*

The current directors collectively have experience and expertise required to ensure effective stewardship and governance of the company. The key areas of experience and skills for each of the nominees for election as directors can also be found in each of the nominees tables on pages 10 through 14 of this circular.

The table below sets out the diverse skill set required of the board and identifies the particular experience, qualifications, attributes, and skills of each director that led the board to conclude that such person should serve as a director of the company.

	D.W. Cornhill (a)	K.T. Hoeg	R.M. Kruger	J.M. Mintz	D.S. Sutherland	D.G. Wascom	S.D. Whittaker	Y.L. Young (b)
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	■	■	■	■	■	■	■	■

(a) D.W. Cornhill was appointed to the board and its committees on November 29, 2017.

(b) V.L. Young is currently a director, but is not standing for re-election at the annual meeting of shareholders.

## Independence of our board members

*Five out of seven of the director nominees are independent.*

The board is currently composed of eight directors, seven of whom will be standing for re-election at the annual meeting of shareholders on April 27, 2018. V.L. Young will not stand for re-election as he will reach the company's mandatory retirement age for directors in 2018. The majority of the board (six out of eight) and nominees (five out of seven) are independent. The independent directors are not employees of the company.

The board determines independence on the basis of the standards specified by *National Instrument 52-110 Audit Committees* (NI 52-110), the U.S. Securities and Exchange Commission rules and the listing standards of the NYSE American LLC. The board has reviewed relevant relationships between the company and each nonemployee director and director nominee to determine compliance with these standards.

Based on the directors' responses 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. R.M. Kruger is a director and chairman, president and chief executive officer of the company and not considered to be independent. The board believes that Mr. Kruger's extensive knowledge of the business of the company and Exxon Mobil Corporation is beneficial to the other directors and his participation enhances the effectiveness of the board.

D.G. Wascom is also a non-independent director as he is an officer of Exxon Mobil Corporation. The company believes that Mr. Wascom, 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
D.W. Cornhill (a)		■		
K.T. Hoeg		■		
R.M. Kruger	■		■	R.M. Kruger is a director and chairman, president and chief executive officer of Imperial Oil Limited.
J.M. Mintz		■		
D.S. Sutherland		■		
D.G. Wascom			■	D.G. Wascom is an officer of Exxon Mobil Corporation.
S.D. Whittaker		■		
V.L. Young (b)		■		

(a) D.W. Cornhill was appointed to the board and its committees on November 29, 2017.

(b) V.L. Young is currently a director, but is not standing for re-election at the annual meeting of shareholders.

## Committee membership of our board

*Each committee is chaired by a different independent director and all of the independent directors are members of each committee.*

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

Director	Nominations and corporate governance committee	Audit committee (b)	Environment health and safety committee	Executive resources committee	Contributions committee
D.W. Cornhill (c)	■	■	■	■	■
K.T. Hoeg (c)	■	■	■	■ Chair	■
R.M. Kruger (a)	-	-	-	-	■
J.M. Mintz	■	■	■ Chair	■	■
D.S. Sutherland (c)	■	■	■	■	■ Chair
D.G. Wascom (a)	■	-	■	■	■
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 National Instrument 52-110 Audit Committees and the listing standards of the NYSE American LLC. V.L. Young is currently the chair of the audit committee, but is not standing for re-election at the annual meeting of shareholders.*

(c) *Audit committee financial experts under U.S. regulatory requirements.*

## Number of meetings

The chart below shows the number of board, committee and annual meetings held in 2017.

Board or committee	Number of meetings held in 2017
Imperial Oil Limited board	7
Audit committee	5
Executive resources committee	7
Environment, health and safety committee	3
Nominations and corporate governance committee	7
Contributions committee	2
Annual meeting of shareholders	1

## Attendance of our board members in 2017

*94% board and committee meeting attendance from all members.*

The following chart provides a summary of the attendance record of each of the directors in 2017. The attendance record of each director nominee is also set out in his or her biographical information on pages 10 through 13. The attendance chart also provides 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
D.W. Cornhill (a)	1 of 1	n/a	1 of 1	1 of 1	1 of 1	1 of 1	n/a	5 of 5	100%
K.T. Hoeg	7 of 7	5 of 5	7 of 7 (chair)	3 of 3	7 of 7	2 of 2	1 of 1	32 of 32	100%
R.M. Kruger	7 of 7 (chair)	-	-	-	-	2 of 2	1 of 1	10 of 10	100%
J.M. Mintz	7 of 7	5 of 5	7 of 7	3 of 3 (chair)	7 of 7	2 of 2	1 of 1	32 of 32	100%
D.S. Sutherland	6 of 7	4 of 5	6 of 7	2 of 3	6 of 7	2 of 2 (chair)	1 of 1	27 of 32	84%
D.G. Wascom	6 of 7	-	6 of 7	2 of 3	6 of 7	1 of 2	1 of 1	22 of 27	81%
S.D. Whittaker	7 of 7	5 of 5	7 of 7	3 of 3	7 of 7 (chair)	2 of 2	1 of 1	32 of 32	100%
V.L. Young	6 of 7	5 of 5 (chair)	6 of 7	3 of 3	6 of 7	2 of 2	1 of 1	29 of 32	90%
<b>Percentage by committee</b>	<b>94%</b>	<b>96%</b>	<b>93%</b>	<b>89%</b>	<b>93%</b>	<b>93%</b>	<b>100%</b>	<b>189/202</b>	<b>Overall attendance 94%</b>

(a) D.W. Cornhill was appointed to the board and its committees on November 29, 2017.

## Other public company directorships of our board members

*No director serves on more than two boards of another reporting issuer.*

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

Name of director	Other reporting issuers of which director is also a director	Type of company	Stock symbol: Exchange	Committee appointments
D.W. Cornhill	AltaGas Ltd.	Diversified energy company	ALA:TSX	Chairman of the board
K.T. Hoeg	New Flyer Industries Inc.	Manufacturer of heavy duty transit buses	NFI:TSX	Human resources, compensation, and corporate governance committee and audit committee
R.M. Kruger	-	-	-	-
J.M. Mintz	Morneau Shepell Inc.	Human resources consulting	MSI:TSX	Audit committee (chair) and governance committee
D.S. Sutherland	GATX Corporation	Commercial rail vehicles and aircraft engines – shipping	GMT:NYSE	Compensation committee (chair) and governance committee
	United States Steel Corporation	Iron and steel	X:NYSE	Chairman of the board
D.G. Wascom	-	-	-	-
S.D. Whittaker	-	-	-	-
V.L. Young	-	-	-	-

## Interlocking directorships of our board members

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

## Director qualification and selection process

The nominations and corporate governance committee is responsible for identifying and recommending new candidates for board nomination. The committee identifies candidates from a number of sources, including executive search firms and referrals from existing directors. The process for selection is described in paragraph 10 (a) of the Board of Directors Charter attached as Appendix A. The committee will consider potential future candidates as required. 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 with the objective of providing for diversity among the nonemployee directors. 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 table starting on page 24)
- 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)

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;
- individual competencies in business and other areas of endeavour in contributing to the collective experience of the directors; and
- providing diversity of age, gender and regional association.

The nominations and corporate governance committee assesses the work experience and other expertise each existing director possesses and whether the candidate is able to fill any gaps in such experience, expertise and diversity of age, gender and regional association. 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 independent directors 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 an independent 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 10 (b) of the Board of Directors Charter found in Appendix A of this circular. Candidates for re-nomination are expected not to change their principal position, the thrust of their involvement or their regional association in a way that would significantly detract from their value as a director of the corporation. They are also expected to continue to be compatible with the criteria that led to their selection as nominees.

## Director orientation, education and development

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*The company regularly provides in-depth presentations to the directors on relevant and emerging issues and encourages continuing education opportunities.*

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The corporate secretary organizes an orientation program for all new directors. In a series of meetings over several days, new directors are briefed by staff and functional managers on all significant areas of the company's operations, industry specific topics, risk oversight and regulatory issues. New directors are also briefed on significant company policies, organizational structure, security, information technology management and on critical planning and reserves processes. They also receive key governance and disclosure documents and a comprehensive board manual which contains a record of historical information about the company, by-laws, company policies, the charters of the board and its committees, other relevant company business information, information on directors' duties and additional board related activities and calendars.

Continuing education is provided to board and committee members through regular presentations by management which focus on providing more in-depth information about key aspects of the 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 2017, the board visited the Calgary research centre for a tour of the facility and presentations specific to the work being performed at the centre. The board and the committees also received a number of presentations in 2017 that focused on performance, strategy and opportunities for the business. Some of these continuing education events included an asset impairment review, an investor relations review, a tax review, a review of environmental performance, a review of upstream and downstream performance and improvement plans, a competition and anti-corruption review, and an information technology and cybersecurity update.

Members of Exxon Mobil Corporation's management also provide reviews of various aspects of ExxonMobil's global business. In 2017, the directors received presentations on ExxonMobil's information technology and cybersecurity processes, an overview of ExxonMobil's production program, an overview of ExxonMobil's global business, and a presentation on ExxonMobil's audit program and processes.

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. Informational communications and other written publications or reports of interest to the directors are also forwarded routinely.

The board members are canvassed as to whether there are any additional topics relevant to the board or to a specific committee that they would like to see addressed and management schedules presentations covering these areas. In addition, at every meeting the board receives an extensive update from the chairman, president and chief executive officer on business environment trends, relevant geopolitical activities, federal government priorities, key provincial issues and competitor activities, as appropriate.

Directors are encouraged to participate in continuing education programs and events to ensure their skills and knowledge remain current.

### **Board performance assessment**

The board and its committees, as well as the performance of the directors, are assessed on an annual basis. In 2017, the directors engaged in a performance assessment with the chairman, president and chief executive officer during which the directors evaluated the board and each committee's effectiveness in various areas. The chairman, president and chief executive officer also meets regularly with directors individually to discuss any outstanding issues. The nominations and corporate governance committee discussed a summary of these assessment outcomes at its January 2018 meeting.



## Board and committee structure

### Leadership structure

The company has chosen to combine the positions of chairman, president and chief executive officer. The board believes the interests of all shareholders are best served at the present time through a leadership model with a combined chairman and chief executive officer position. 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 9 (c) of the Board of Directors Charter attached as Appendix A.

### Independent director executive sessions

The executive sessions of the board are in camera 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 seven executive sessions in 2017. The purposes of the executive sessions of the board include the following:

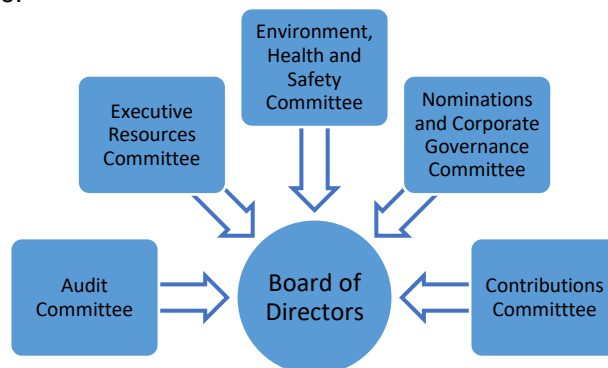
- raising substantive issues that are more appropriately discussed in the absence of management;
- discussing the need to communicate to the chairman of the board any matter of concern raised by any committee or director;
- addressing issues raised but not resolved at meetings of the board and assessing 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 independent directors are members of each committee. D.G. Wascom is also a member of each committee, with the exception of the audit committee, which is composed entirely of independent directors. R.M. Kruger is also 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 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 A of this circular. The charters are reviewed and approved by the board annually, and were revised in 2017. The charters set out the purpose, structure, position description for the chair, and the responsibility and authority of that committee.



The following table provides additional information about the board and its five committees:

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## Board of Directors

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 A of this circular.

<b>Directors</b>	<ul style="list-style-type: none"><li>• R.M. Kruger (chair)</li><li>• D.W. Cornhill</li><li>• K.T. Hoeg</li><li>• J.M. Mintz</li></ul>	<ul style="list-style-type: none"><li>• D.S. Sutherland</li><li>• D.G. Wascom</li><li>• S.D. Whittaker</li><li>• V.L. Young</li></ul>
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## Number of meetings

Seven meetings of the board of directors were held in 2017. There were no special meetings held this year. The independent directors hold executive sessions of the board in conjunction with every board meeting. These meetings are held in the absence of management. The independent directors held seven executive sessions in 2017.

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## Board highlights in 2017

- Provided oversight in support of safety and environmental performance.
- Regularly discussed industry activity and provided operational updates.
- Regularly discussed risk management and business controls environment.
- Reviewed cyber security and information technology strategies.
- Extensively discussed business trends and market factors relevant to the company.
- Regularly assessed performance of the Kearl oil sands operations and approved funding for reliability improvements.
- Discussed priorities and plans associated with market access strategy.
- Reinstated significant share buyback program to return capital to shareholders.
- Conducted a site visit of the Calgary research centre.
- Appointed new independent director.
- Discussed comprehensive company strategy for all business lines.

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## Role in risk oversight

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 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.

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## 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](http://www.imperialoil.ca).

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## Independence

The current board of directors is composed of eight directors, the majority of whom (six out of eight) are independent. The six independent directors are not employees of the company.

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## Audit Committee

The role of the audit committee includes selecting and overseeing the independent auditor, reviewing the scope and results of the audit conducted by the independent auditor, 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, approving any changes in accounting principles and practices, and reviewing the results of monitoring activity under the company's business ethics compliance program. The formal mandate of the audit committee can be found within the Audit Committee Charter in Appendix A of this circular.

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**Committee members**

- V.L. Young (chair)
- S.D. Whittaker (vice-chair)
- D.W. Cornhill
- K.T. Hoeg
- J.M. Mintz
- D.S. Sutherland

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**Number of meetings**

Five meetings of the audit committee were held in 2017. The committee members met in camera without management present at every regularly scheduled meeting and also separately with the internal auditor and the external auditor at all regularly scheduled meetings. A pre-audit meeting also occurs prior to every regularly scheduled audit committee meeting with the chair of the audit committee and the chief financial officer and both the internal and external auditors.

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**Committee highlights in 2017**

- Reviewed the interim and full year financial and operating results.
- Reviewed and assessed the results of the internal auditor's audit program.
- Reviewed and assessed the external auditor plan, performance and fees.
- Reviewed the committee's mandate and completed the committee self-assessment.
- Reviewed evolving regulations and reporting obligations.
- Reviewed asset impairment.
- Reviewed finance plan.
- Reviewed overall tax process management and tax litigation update.
- Performed external auditor performance evaluation.

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**Financial expertise**

The company's board of directors has determined that D.W. Cornhill, 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 American LLC.

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**Role in risk oversight**

The audit committee also has an important role in risk oversight. It regularly 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. The committee reviews financial statements and internal and external audit results. It oversees risks associated with financial and accounting matters, including compliance with legal and regulatory requirements, and the company's financial reporting and internal controls systems.

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**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 American LLC.

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**Executive Resources Committee**

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 A of this circular.

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**Committee members**

- K.T. Hoeg (chair)
- V.L. Young (vice-chair)
- D.W. Cornhill
- J.M. Mintz
- D.S. Sutherland
- D.G. Wascom
- S.D. Whittaker

None of the members of the executive resources committee currently serves as a chief executive officer of another company.

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**Number of meetings**

Seven meetings of the executive resources committee were held in 2017.

<b>Committee highlights in 2017</b>	<ul style="list-style-type: none"> <li>• Reviewed executive compensation program and principles.</li> <li>• Reviewed current and planned activities to address recent and upcoming legislative changes impacting the workforce.</li> <li>• Continued focus on succession planning for senior management positions.</li> <li>• Appointment of general auditor.</li> <li>• Appointment of vice president and general counsel.</li> <li>• Appointment of senior vice president, commercial and corporate development.</li> <li>• Appointment of senior vice president, upstream.</li> <li>• Appointment of three officer positions.</li> </ul>
<b>Committee members relevant skills and experience</b>	<p>D.W. Cornhill, K.T. Hoeg, D.S. Sutherland, D.G. Wascom, S.D. Whittaker and V.L. Young had 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. Mr. Cornhill, Ms. Hoeg, Dr. 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.</p>
<b>Role in risk oversight</b>	<p>The executive resources committee oversees the compensation programs and practices that are designed to encourage appropriate risk assessment and risk management.</p>
<b>Independence</b>	<p>The members of the executive resources committee are independent, with the exception of D.G. Wascom, 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 NYSE American LLC 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. Wascom as a related director and independent of management and who may participate as a member of the company's executive resources committee. Mr. Wascom'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.</p>

## Environment, Health and Safety Committee

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. The formal mandate of the environment, health and safety committee can be found within the Environment, Health and Safety Committee Charter in Appendix A of this circular.

<b>Committee members</b>	<ul style="list-style-type: none"> <li>• J.M. Mintz (chair)</li> <li>• D.S. Sutherland (vice-chair)</li> <li>• D.W. Cornhill</li> <li>• K.T. Hoeg</li> <li>• D.G. Wascom</li> <li>• S.D. Whittaker</li> <li>• V.L. Young</li> </ul>
<b>Number of meetings</b>	<p>Three meetings of the environment, health and safety committee were held in 2017.</p>
<b>Committee highlights in 2017</b>	<ul style="list-style-type: none"> <li>• Personnel and process safety review.</li> <li>• Emissions and environmental incident review.</li> <li>• Operations integrity management system review.</li> <li>• Key issue reviews on climate change, biodiversity, NAFTA, market access and Indigenous relations.</li> </ul>
<b>Role in risk oversight</b>	<p>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.</p>
<b>Independence</b>	<p>The members of the environment, health and safety committee are independent, with the exception of D.G. Wascom.</p>

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## Nominations and Corporate Governance Committee

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 A of this circular.

<b>Committee members</b>	<ul style="list-style-type: none"><li>• S.D. Whittaker (chair)</li><li>• J.M. Mintz (vice-chair)</li><li>• D.W. Cornhill</li><li>• K.T. Hoeg</li><li>• D.S. Sutherland</li><li>• D.G. Wascom</li><li>• V.L. Young</li></ul>
<b>Number of meetings</b>	Seven meetings of the nominations and corporate governance committee were held in 2017.
<b>Committee highlights in 2017</b>	<ul style="list-style-type: none"><li>• Board succession planning.</li><li>• Board and committee charter revisions.</li><li>• Approval of the statement of corporate governance practices.</li><li>• Completion of the board and committee self-assessment.</li><li>• Review of director compensation principles.</li></ul>
<b>Role in risk oversight</b>	The nominations and corporate governance committee oversees risk by implementing an effective program for corporate governance, including board composition and succession planning.
<b>Independence</b>	The members of the nominations and corporate governance committee are independent, with the exception of D.G. Wascom, 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 NYSE American LLC 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. Wascom 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. Wascom’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.

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## Contributions Committee

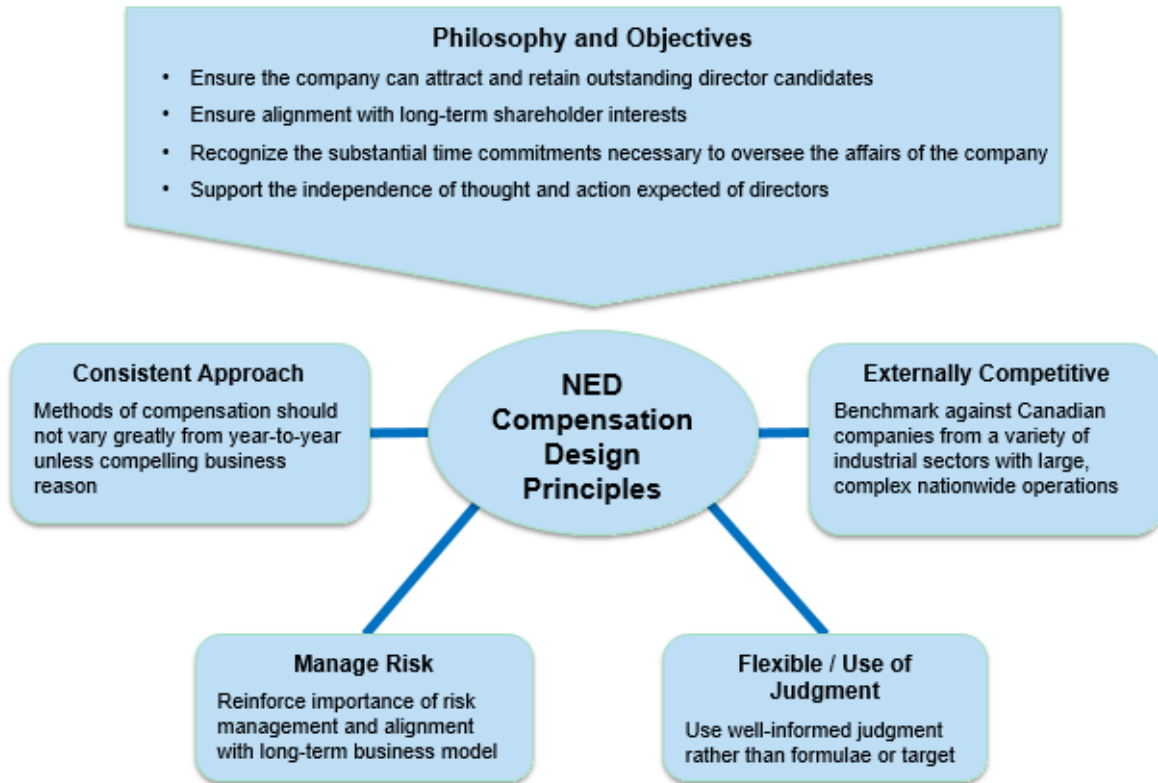
The role of the contributions committee is to oversee all of the company’s community investment activities, including charitable donations. The formal mandate of the contributions committee can be found within the Contributions Committee Charter in Appendix A of this circular.

<b>Committee members</b>	<ul style="list-style-type: none"><li>• D.S. Sutherland (chair)</li><li>• K.T. Hoeg (vice-chair)</li><li>• D.W. Cornhill</li><li>• R.M. Kruger</li><li>• J.M. Mintz</li><li>• D.G. Wascom</li><li>• S.D. Whittaker</li><li>• V.L. Young</li></ul>
<b>Number of meetings</b>	Two meetings of the contributions committee were held in 2017.
<b>Committee highlights in 2017</b>	<ul style="list-style-type: none"><li>• Reviewed London Benchmarking Group (LBG) assessment of Imperial’s overall value to the community at \$21.2 million, which was invested and leveraged with lower than industry average program management costs.</li><li>• Celebrated Canada’s sesquicentennial through the donation of 43 iconic Canadian artworks to 15 galleries at an estimated value of over \$6M.</li><li>• Realigned community investment focus areas to reflect current business needs in the areas of Innovation, Indigenous capacity building and our operating communities.</li><li>• Supported wildfire recovery efforts in British Columbia with a \$50,000 donation to the BC Cattlemen’s Association to provide fire safety training to BC livestock producers.</li><li>• Contributed \$3.5 million in 2017 to support Imperial’s United Way partners across Canada.</li></ul>
<b>Independence</b>	The majority of the members of the contributions committee are independent (six out of eight) with the exception of R.M. Kruger and D.G. Wascom.

## Director compensation

### Director compensation discussion and analysis

*Directors' compensation is intended to align the long-term financial interests of the directors with those of the shareholders.*



Nonemployee director ('NED') compensation levels are reviewed by the nominations and corporate governance committee each year, and resulting recommendations are presented to the full board for approval. The nominations and corporate governance committee decided not to use an external research firm to assemble the comparator data to determine compensation for the July 1, 2017 - June 30, 2018 period. The committee relied instead on an internally-led assessment to provide competitive compensation and market data for directors' compensation, which assisted the committee in making a compensation recommendation for the company's directors. The internal assessment maintained the compensation design philosophy, objectives and principles and was consistent with previous methodology used in this analysis.

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 30.

### **Compensation decision making process and considerations**

The nominations and corporate governance committee relies on market comparisons with a group of 19 major Canadian companies with national and international scope and complexity. The company draws its nonemployee directors from a wide variety of industrial sectors and, as such, 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 19 comparator companies included in the benchmark sample are as follows:

<b>Energy</b>	<b>Non-Energy</b>
Canadian Natural Resources Limited	Air Canada
Cenovus Energy Inc.	Bank of Nova Scotia
Encana Corporation	BCE Inc.
Enbridge Inc.	Canadian National Railway Company
Husky Energy Inc.	Potash Corporation of Saskatchewan Inc.
Parkland Fuel Corporation	Royal Bank of Canada
Suncor Energy Inc.	Sun Life Financial Inc.
TransCanada Corporation	Teck Resources Limited
	TELUS Corporation
	Thomson Reuters Corporation
	The Toronto-Dominion Bank

### **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.

For a discussion on the process by which the compensation of the company's executive officers is determined, see the Compensation discussion and analysis section starting on page 45.

### **Compensation details**

#### **Board and Committee Chair Retainer**

The compensation of the nonemployee directors is assessed annually. In July 2016, the board approved a change in the compensation paid to the nonemployee directors to better align the long-term financial interests of the directors with those of the shareholders. Effective July 1, 2016, the nonemployee directors received an annual retainer for board membership of \$110,000 per year, and also received a retainer of \$10,000 for each committee chaired. The committee membership retainer and the fee for meetings that occur outside of the regularly-scheduled meeting dates were eliminated and the grant of restricted stock units was increased from 2,000 to 2,600.

Effective July 1, 2017, the nominations and corporate governance committee recommended, and the board subsequently approved, no change to the compensation paid to the nonemployee directors.

The following table summarizes the compensation terms for the nonemployee directors in 2017:

<b>Director compensation</b>	
<b>Annual retainer terms:</b>	
Cash retainer: <sup>(a)</sup>	
Board membership	\$110,000 annually
Committee membership	None
Committee chair	\$ 10,000 annually
Unscheduled meeting fee	None
<b>Equity based compensation:</b>	
Restricted stock units	2,600 units (which vest on the 5 <sup>th</sup> and 10 <sup>th</sup> anniversary of date of grant)

(a) *The nonemployee directors may elect to take all or a portion of the cash retainer in the form of deferred share units.*

### **Equity based compensation**

#### **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 cash compensation in the form of deferred share units.

The following table shows the portion of the retainer each nonemployee director elected to receive in cash and deferred share units in 2017.

<b>Director</b>	<b>Election for 2017 director's fees in cash (%)</b>	<b>Election for 2017 director's fees in deferred share units (%)</b>
D.W. Cornhill	0	100
K.T. Hoeg	0	100
J.M. Mintz	0	100
D.S. Sutherland	0	100
S.D. Whittaker	50	50
V.L. Young	100	0

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 by the end of the calendar year following the year of 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. The restricted stock unit plan is described in more detail beginning on page 51.

An award of 2,000 restricted stock units was awarded annually up until 2015 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 could elect to receive one common share for each unit or a cash payment for the units to be vested on the seventh anniversary of the date of grant of the restricted stock units.

In 2016, in order to better align the long-term financial interests of the directors with those of the shareholders, the vesting period of the restricted stock units was increased such that 50 percent vests on the fifth anniversary of the date of grant and the remaining 50 percent vests on the tenth anniversary of the date of grant. In addition, the number of units awarded was changed to a grant of 2,600 restricted stock units. Directors may receive one common share or elect to receive a cash payment for all units to be vested. The vesting periods are not accelerated upon separation or retirement from the board, except in the event of death.

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.

Prior to vesting of the restricted stock units, the nonemployee directors receive amounts equivalent to the cash dividends paid to holders of regular common stock. The amount 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 unvested restricted stock units held by the nonemployee directors on the record date of the determination of shareholders entitled to receive payment of such cash dividend.

### ***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 in 2017.

Director	Annual retainer for board membership (\$) (a)	Annual retainer for committee chair (\$) (a)	Restricted stock units (RSU) (#)	Total fees paid in cash (\$) (b)	Total value of deferred share units (DSU) (\$) (c)	Total value of restricted stock units (RSU) (\$) (d)	All other compensation (\$) (e)	Total compensation (\$)
D.W. Cornhill	13,750	0	2,600	0	13,750	102,648	0	116,398
K.T. Hoeg	110,000	10,000 (ERC)	2,600	0	120,000	102,648	24,721	247,369
J.M. Mintz	110,000	10,000 (EH&S)	2,600	0	120,000	102,648	22,887	245,535
D.S. Sutherland	110,000	10,000 (CC)	2,600	0	120,000	102,648	20,397	243,045
S.D. Whittaker	110,000	10,000 (N&CG)	2,600	60,000	60,000	102,648	39,102	261,750
V.L. Young	110,000	10,000 (AC)	2,600	120,000	0	102,648	14,709	237,357

- (a) D.W. Cornhill was appointed to the board on November 29, 2017, and his “Annual retainer for board membership” has been pro-rated accordingly. Mr. Cornhill was not the chair of any committee.
- (b) “Total fees paid in cash” is the portion of the “Annual retainer for board membership” and “Annual retainer for committee chair” which the director elected to receive as cash. This amount is reported as “Fees earned” in the Director compensation table on page 33.
- (c) “Total value of deferred share units” is the portion of the “Annual retainer for board 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 30. This amount plus the “Total value of restricted stock units” amount is shown as “Share-based awards” in the Director compensation table on page 33.
- (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, which was \$39.48.
- (e) Amounts under “All other compensation” consist of dividend equivalent payments on unvested restricted stock units, the value of additional deferred share units granted in lieu of dividends on unvested deferred share units and security provided for certain directors. In 2017, K.T. Hoeg received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$18,239 in lieu of dividends on deferred share units. J.M. Mintz received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$15,670 in lieu of dividends on deferred share units. D.S. Sutherland received \$6,332 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$14,065 in lieu of dividends on deferred share units. S.D. Whittaker received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$32,620 in lieu of dividends on deferred share units. V.L. Young received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$8,227 in lieu of dividends on deferred share units.

## Director compensation table

The following table summarizes the compensation paid, payable, awarded or granted for 2017 to each of the nonemployee directors of the company.

Name (a)	Fees earned \$(b)	Share- based awards \$(c)	Option- based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation \$(d)	Total (\$)
D.W. Cornhill	0	116,398	-	-	-	0	116,398
K.T. Hoeg	0	222,648	-	-	-	24,721	247,369
J.M. Mintz	0	222,648	-	-	-	22,887	245,535
D.S. Sutherland	0	222,648	-	-	-	20,397	243,045
S.D. Whittaker	60,000	162,648	-	-	-	39,102	261,750
V.L. Young	120,000	102,648	-	-	-	14,709	237,357

(a) As directors employed by the company or Exxon Mobil Corporation in 2017, R.M. Kruger and D.G. Wascom did not receive compensation for acting as directors. D.W. Cornhill was appointed to the board on November 29, 2017, and his annual retainer for board membership has been pro-rated accordingly.

(b) Represents all fees awarded, earned, paid or payable in cash for services as a director, including retainer fees and committee chair fees. The nonemployee directors are able to receive all or part of their directors' fees in the form of deferred share units.

(c) Represents the value of the restricted stock units (calculated by multiplying the number of units by the closing price of the company's shares on the date of grant), plus the value of deferred share units (calculated by the portion of the "Annual retainer for board membership" and "Annual retainer for committee chair" which the director elected to receive as deferred share units as noted on page 30).

(d) Amounts under "All other compensation" consist of dividend equivalent payments on unvested 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 2017, K.T. Hoeg received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$18,239 in lieu of dividends on deferred share units. J.M. Mintz received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$15,670 in lieu of dividends on deferred share units. D.S. Sutherland received \$6,332 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$14,065 in lieu of dividends on deferred share units. S.D. Whittaker received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$32,620 in lieu of dividends on deferred share units. V.L. Young received \$6,482 in dividend equivalent payments on restricted stock units and additional deferred share units valued at \$8,227 in lieu of dividends on deferred share units.

Five-year look back at total compensation paid to nonemployee directors	
Year	Amount
2013	\$1,245,529
2014	\$1,326,687
2015	\$1,206,084
2016	\$1,342,664
2017	\$1,351,454

## 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, 2017 and does not include common shares owned by the director.

Name (a)	Number of securities underlying unexercised options (#)	Option-based awards			Share-based awards	
		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)
D.W. Cornhill	-	-	-	-	2,954	115,885
K.T. Hoeg	-	-	-	-	42,341	1,661,037
J.M. Mintz	-	-	-	-	38,223	1,499,488
D.S. Sutherland	-	-	-	-	35,649	1,398,510
S.D. Whittaker	-	-	-	-	64,448	2,528,295
V.L. Young	-	-	-	-	24,390	956,820

(a) As directors employed by the company or Exxon Mobil Corporation in 2017, R.M. Kruger and D.G. Wascom did not receive compensation for acting as directors. D.W. Cornhill was appointed to the board on November 29, 2017.

(b) Represents restricted stock units and deferred share units held as of December 31, 2017.

(c) Value is based on the closing price of the company's shares on December 31, 2017, which was \$39.23.

## 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 2017.

Name (a)	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$ (b)	Non-equity incentive plan compensation – Value earned during the year (\$)
D.W. Cornhill	-	-	-
K.T. Hoeg	-	79,290	-
J.M. Mintz	-	79,290	-
D.S. Sutherland	-	79,290	-
S.D. Whittaker	-	79,290	-
V.L. Young	-	79,290	-

(a) As directors employed by the company or Exxon Mobil Corporation in 2017, R.M. Kruger and D.G. Wascom did not receive compensation for acting as directors. D.W. Cornhill was appointed to the board on November 29, 2017.

(b) Represents restricted stock units granted in 2010 and 2014, which vested in 2017. Value is based on the average of the weighted average price (as determined by the Toronto Stock Exchange) of common shares of the company on the vesting date and the four consecutive trading days immediately prior to the vesting date.

## Share ownership guidelines of independent directors and chairman, president and chief executive officer

Independent 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. Independent 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 has separate share ownership requirements and must, within three years of his appointment, acquire shares of the company, including common shares 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 interests of board members with the interests of all other shareholders. As of the date of this circular, the independent directors currently have holdings in excess of 308,355 shares which is more than three times the required guideline.

	Minimum share ownership requirement	Time to fulfill
Chairman, president and chief executive officer	5 x base salary	Within 3 years of appointment
Independent directors	15,000 shares	Within 5 years of initial appointment

The chart below shows the shareholdings of the independent directors and the chairman, president and chief executive officer of the company as of February 7, 2018, the record date of the management proxy circular.

Director	Director since	Amount acquired since last report (February 9, 2017 to February 7, 2018) (#)	Total holdings (includes common shares, deferred share units and restricted stock units) (#)	Market value of total holdings (a) (\$)	Minimum shareholding requirement	Minimum requirement met
D.W. Cornhill	November 29, 2017	15,454	15,454	548,617	15,000	Yes
K.T. Hoeg	May 1, 2008	4,098	42,341	1,503,106	15,000	Yes
R.M. Kruger	March 1, 2013	99,000	492,500	17,483,750	Five times base salary	Yes
J.M. Mintz	April 21, 2005	4,033	39,223	1,392,417	15,000	Yes
D.S. Sutherland	April 29, 2010	13,993	90,649	3,218,040	15,000	Yes
S.D. Whittaker	April 19, 1996	2,944	73,798	2,619,829	15,000	Yes
V.L. Young (b)	April 23, 2002	808	46,890	1,664,595	15,000	Yes
<b>Total accumulated holdings (#) and value of directors' holdings (\$)</b>			<b>800,855</b>	<b>28,430,353</b>		

(a) The amount shown in the column "Value of total holdings" is equal to the "Total holdings" multiplied by the closing price of the company's shares on the proxy circular record date February 7, 2018 (\$35.50).

(b) V.L. Young is currently a director, but is not standing for re-election at the annual meeting of shareholders. Mr. Young's total holdings consist of 22,500 common shares (<0.01%), 13,190 deferred share units and 11,200 restricted stock units.

For information relating to compensation of the company's named executive officers, see the Compensation discussion and analysis section starting on page 45.

## Ethical business conduct

*The company is committed to high ethical standards through its policies and practices.*

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](http://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. There have been no material change reports filed in the past 12 months pertaining to conduct of a director or executive officer that constitute a departure from the Code. 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 independent directors and 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 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 D.G. Wascom, who is an officer 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. Seven executive sessions were held in 2017.

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.

## Restrictions on insider trading

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*Commitment to stringent safeguards with trading restrictions and reporting for company insiders.*

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Structures and processes are in place to caution, track and monitor reporting insiders, nonemployee directors and key employees with access to sensitive information with respect to personal trading in the company's shares. Nonemployee directors are required to pre-clear any trades in the company's shares. Reporting insiders are required to give advance notice to the company of any sale of the company shares and advise the company within five days of any purchase of the company's shares. Reporting insiders are required, under securities regulations, to publically disclose all transactions in the company's shares on the System for Electronic Disclosure by Insiders (SEDI).

From time to time, the company advises its directors and officers, and those of Exxon Mobil Corporation, and employees in certain positions not to trade in the company's shares. Trading bans occur in connection with the directors' pending consideration of the financial statements of the company, including the unaudited financial statements for each quarter, and in connection with undisclosed pending events that constitute material information about the business affairs of the company.

## Diversity

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*The company has a long history of diversity on the board.*

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### ***Board diversity***

The company has a longstanding commitment to diversity amongst its directors. The board nominee composition charts on page 16 show the diversity of our board nominees with respect to gender, experience and regional association. The company has had a woman on its board continuously since 1977. Today, two of the eight directors are women, representing 25 percent of the board and 33 percent of its independent directors. Two of the seven nominees for director are women, representing 29 percent of the nominees. The company has not adopted a target regarding women on its board. With the objective of fostering a diversity of expertise, viewpoint and competencies, the board charter provides that the nominations and corporate governance committee may consider a number of factors, including gender, in assessing potential nominees. The nominations and corporate governance committee assesses the work experience, other expertise, individual competencies and diversity of age, gender and regional association each existing director possesses and whether each nominee is able to fill any gaps amongst the existing directors. The company does not believe that any one of these dimensions should be considered, without due regard to all of these other factors, in determining the ability of potential directors to contribute to the work of the board of directors.

### ***Executive officer diversity***

In considering potential nominees for executive officer appointments, the executive resources committee considers diversity of gender, work experience, other expertise, individual competencies and other dimensions of diversity in addition to the other factors described on page 48. The company has not adopted a target regarding women in executive officer positions. The company does not believe that any one of these dimensions should be considered, without due regard to all of these other factors, in determining the ability of potential nominees to fill executive officers positions. Seven out of the 19 executive officers of the company and its major subsidiary are women, representing 37 percent of the group.

## Shareholder engagement

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*Shareholder engagement strategy focuses on wide-ranging dialogue between shareholders and management.*

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The company's senior management regularly meet with institutional investors and shareholders through industry conferences, roadshows and company hosted investor events. Materials from these conferences and hosted events are available on our website. For shareholders that are not able to attend our annual meeting in person, the company offers a webcast of the event. The webcast is available on the company website along with speeches and presentations from the annual general meeting and the outcome of the voting on each resolution. The company annually solicits questions and comments from registered shareholders on the proxy form. The comments received are reviewed by senior management providing them with an indication of areas of interest to our shareholders and those requiring a response are answered individually.

## Largest shareholder

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*Exxon Mobil Corporation is the majority shareholder of the company, holding 69.6% of the company's shares.*

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To the knowledge of the directors and executive officers of the company, the only shareholder who, as of February 7, 2018, 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 578,544,049 common shares, representing approximately 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 American LLC and a "majority controlled company" for purposes of the TSX Company Manual.

## Transactions with Exxon Mobil Corporation

The company has written procedures that provide that any transactions between the company and Exxon Mobil Corporation and its subsidiaries are subject to review by the chairman, president, and chief executive officer. The board of directors receive an annual review of related party transactions with Exxon Mobil Corporation and its subsidiaries.

On June 27, 2016, the company implemented a 12-month "normal course" share purchase program. Between June 27, 2016 and June 26, 2017, the company purchased the maximum 1,000,000 common shares on the open market and a corresponding 2,287,062 common shares from Exxon Mobil Corporation concurrent with, but outside of the program to maintain its shareholding at approximately 69.6 percent. On June 27, 2017, a further 12-month normal course share purchase program was implemented. Under the current program, the company may purchase up to 25,395,927 common shares (three percent of its outstanding common shares as of June 13, 2017) from the open market, less the amount purchased from Exxon Mobil Corporation concurrent with, but outside of the program to maintain its ownership percentage at approximately 69.6 percent. As of February 7, 2018, under the current program, the company purchased 3,975,250 common shares on the open market and 9,097,192 common shares from Exxon Mobil Corporation.

The amounts of purchases and sales by the company and its subsidiaries for other transactions in 2017 with Exxon Mobil Corporation and affiliates of ExxonMobil were \$2,648 million and \$4,080 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 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 affiliates of ExxonMobil 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 ExxonMobil 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 ExxonMobil and one of its affiliated companies that provide for the delivery of management, business and technical services to Syncrude Canada Ltd. by ExxonMobil. In 2017, the company entered into an agreement whereby ExxonMobil enters into derivative agreements on the company's behalf.

As at December 31, 2017, the company had an outstanding loan of \$4,447 million under an existing agreement with an affiliated company of ExxonMobil that provides for a long term, variable rate loan from ExxonMobil to the company of up to \$7.75 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. Additionally, the company had outstanding short-term loans of \$75 million from an affiliated company of ExxonMobil. This loan is borrowed under an arrangement with ExxonMobil that provides for a non-interest bearing, revolving demand loan from ExxonMobil to the company of up to \$75 million and represents ExxonMobil's share of a working capital facility required to support purchasing, marketing and transportation arrangements for crude oil and diluent products undertaken by the company on behalf of ExxonMobil.

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## Company executives and executive compensation

### Named executive officers of the company

The named executive officers of the company at year end 2017 were:

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#### Richard M. Kruger, 58

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Chairman, president and chief executive officer  
(2013 - Present)

**Other positions in the past five years (position, date office held and status of employer):**

Vice-president, Exxon Mobil Corporation  
(2008 - 2013) (Affiliate)

President, ExxonMobil Production Company  
(2008 - 2013) (Affiliate)

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#### Beverley A. Babcock, 56

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Senior vice-president, finance and administration, and controller  
(2015 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

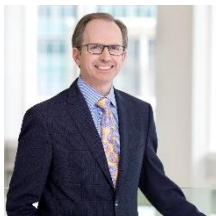
Vice-president, corporate financial services, Exxon Mobil Corporation  
(2013 - 2015) (Affiliate)

Assistant controller, corporate accounting services, Exxon Mobil Corporation  
(2011 - 2013) (Affiliate)

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#### John R. Whelan, 52

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Senior vice-president, upstream  
(2017 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Vice-president production, upstream  
(2016 – 2017)

Production manager, mining, upstream  
(2013 – 2015)

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#### Theresa B. Redburn, 56

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Senior vice-president, commercial and corporate development  
(2017 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Vice-president, upstream commercial  
(2014 – 2016)

Commercial manager, upstream ventures, Exxon Mobil Corporation  
(2011 - 2014), (Affiliate)

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#### Peter M. Dinnick, 53

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Vice-president and general counsel  
(2017 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Assistant general counsel, upstream  
(2012 - 2016)

## Other executive officers of the company

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### Jonathan R. Wetmore, 45

Calgary, Alberta, Canada



**Current position (date office held):**

Vice-president, Imperial Oil Downstream and Manager, western Canada fuels  
(2018 - Present)

**Position held at the end of 2017 (date office held):**

Manager, supply and manufacturing  
(June 2017 – December 2017)

**Other positions in the past five years (position, date office held and status of employer):**

Refinery manager, Fawley UK, UK Esso Petroleum Company Ltd  
(2013 - 2017) (Affiliate)

Refinery manager, Port Jerome, France, France Esso Raffinage S.A.S.  
(2012 - 2013) (Affiliate)

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### Glenn R. Peterson, 57

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Treasurer  
(2017 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Senior business advisor, Treasurer's  
(2000 - 2017)

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### Jim E. Burgess, 43

Calgary, Alberta, Canada



**Position held at the end of 2017 (date office held):**

Assistant controller  
(2016 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Lead controller and financial accounting process manager, Thailand business support centre,  
ExxonMobil Limited  
(2014 – 2016), (Affiliate)

Senior financial advisor, Exxon Mobil Corporation  
(2012 - 2014), (Affiliate)

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### Barry J. Murphy, 49

Calgary, Alberta, Canada



**Current position (date office held):**

Director, fuel sales  
(2018 - Present)

**Position held at the end of 2017 (date office held):**

Manager, Americas industrial & commercial sales  
(2016 – 2017)

**Other positions in the past five years (position, date office held and status of employer):**

Manager, fuels national account sales  
(2015 – 2016)

Manager, project office, retail support  
(February 2015 – August 2015)

Manager, customer service Americas  
(2013 – 2015)

## Other executive officers of the company

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**Denise H. Hughes, 50**  
*Calgary, Alberta, Canada*



**Position held at the end of 2017 (date office held):**

Vice-president, human resources  
(2013 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Manager, executive development, education compensation and benefits  
(2010 - 2013)

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**Marvin E. Lamb, 62**  
*Calgary, Alberta, Canada*



**Position held at the end of 2017 (date office held):**

Director, corporate tax  
(2001 – 2018)

**Other positions in the past five years (position, date office held and status of employer):**

No other positions held in the last five years

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**Lara H. Pella, 48**  
*Calgary, Alberta, Canada*



**Position held at the end of 2017 (date office held):**

Assistant general counsel, downstream and corporate departments, and Corporate secretary  
(2013 – Present)

**Other positions in the past five years (position, date office held and status of employer):**

Assistant general counsel, corporate departments, and Corporate secretary  
(2013 – 2016)

Assistant general counsel, upstream  
(2010 - 2013)

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## 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, key senior executives and officers of the company. In exercising this responsibility, the committee views long-term orientation and the management of risk as 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 that supports the company’s objective to attract, develop and retain key talent needed to achieve its strategic objectives.

The compensation discussion and analysis (“CD&A”) section that follows describes the compensation program for the company’s named executive officers and how the program supports the business goals of the company. The company’s compensation program is designed to:

- align the interests of its executives with long-term shareholder interests;
- encourage executives to manage risk and take a long-term view when making investments and managing the assets of the business;
- reinforce the company’s philosophy that the experience, skill and motivation of the company’s executives are significant determinants of future business success; and
- promote career orientation and strong individual performance.

The compensation program 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 vesting periods, risk of forfeiture and alignment 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 of comparator companies, appropriate risk assessment and risk management practices, sound governance principles, and support of 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.

### 2017 business performance results

The committee considers both business results and individual performance in its decisions. In 2017, financial performance continued to be affected by low global crude prices. Notwithstanding the difficult business environment, the committee evaluated the company’s performance relative to its proven business model and strategies to deliver long-term shareholder value. Key 2017 business results include:

- Strong safety, operational integrity and risk management performance
- \$490 million net income; \$1,056 million excluding upstream non-cash impairment charges
- \$2,763 million cash flow from operations, the highest since 2014
- \$1,151 million returned to shareholders through share purchases and dividends
  - 23rd consecutive year of dividend growth
  - Reinstated share buyback program
- Strong performance across all business lines
  - Record annual production at Cold Lake and Kearl
  - Best-ever refining results in energy efficiency and reliability
  - Highest petroleum product sales in more than 25 years
  - Expanded branded fuels business with Husky conversion and introduction of Mobil brand
  - Second highest annual chemical earnings
  - \$190 million reduction in above-field costs; nearly \$400 million since 2015

- Progressed opportunities to add value to high-quality asset portfolio
  - Completed Kearn enhancements to improve reliability and reduce unit costs
  - Approved investment to increase Kearn production beyond initial scope
  - Approved Strathcona refinery cogeneration project to improve energy efficiency
- Continued commitment to industry leadership in technology and innovation
  - More than \$150 million invested in research

Collectively these factors had an impact on 2017 compensation decisions for the named executive officers. The individual committee members, through their experience in stewarding compensation programs 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 of the company's compensation policies and practices to the business model.

The committee's assessment is that the company's compensation program is working as intended and has been effectively integrated over the long term with the company's business model. The committee has recommended to the board that the CD&A be included in the company's management proxy circular for the 2018 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  
D.W. Cornhill  
J.M. Mintz  
D.S. Sutherland  
S.D. Whittaker  
D.G. Wascom

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# Compensation discussion and analysis

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## Overview

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*The company takes a long-term view to managing its business.*

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Providing energy to help meet the demands of both Canada and the rest of North America 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 outlook and supports key business strategies as outlined below:

### Canadian business environment

- Large, accessible upstream resources
- Mature, competitive downstream markets
- Evolving environmental and fiscal policies impacting global competitiveness
- Market access limitations, uncertainties

### Business model

- Long-life, competitively advantaged assets
- Disciplined investment and cost management
- Value-chain integration and synergies
- High-impact technologies and innovation
- Operational excellence and responsible growth

### Key business strategies

- Personnel safety and operational excellence
- Grow profitable production and sales volumes
- Disciplined and long-term focus on improving the productivity of the company's asset mix
- Best-in-class cost structure to support industry-leading returns on capital and superior cash flow

These key business strategies are the primary focus and support 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 model and support key business strategies are:

- long-term career orientation with high individual performance standards (see page 49);
- base salary that rewards individual performance and experience (see page 50);
- annual bonus grants to eligible executives based on company performance, as well as individual performance and experience (see page 50);
- payment of a large portion of executive compensation in the form of restricted stock units with long vesting periods and risk of forfeiture (see pages 51 through 54); and
- retirement benefits (pension and savings plans) that provide for financial security after employment (see pages 54 through 55).

### Management of risk

The company operates in an industry environment in which effective risk management is critical. For this reason, the company places a high premium on managing risks, including safety, security, health, environmental, financial, operational and reputational risks. The company's success in managing risk over time has been achieved through emphasis on execution of a disciplined management framework, which has been in place since the early 1990's. This framework establishes common expectations for addressing risks inherent in our business and takes priority over other business and financial objectives. The company also has strong controls and compliance programs to manage other types of risk, including fraud, regulatory compliance and litigation risks.



The company's long-term orientation and compensation program design encourage the highest performance standards and discourage inappropriate risk taking. The compensation program design features described below work together to ensure executives have a clear and strong financial incentive to:

- protect the safety and security of our employees, the communities and the environment in which we operate;
- manage risk and operate the business with effective business controls;
- create value for company shareholders by increasing shareholder return, net income, return on capital employed; and
- advance the long-term strategic direction of the company.

#### *Compensation components*

A substantial portion of total compensation (excluding compensatory pension value) to senior executives is in the form of an annual bonus and restricted stock units. In the judgment of the committee, the mix of short, medium 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 incentives, ensure continued relevance of this mix and applicability for the company.

#### *Annual bonus*

- Delayed payout – Payout of 50 percent of the annual bonus is delayed. 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.
- Recoupment ("claw-back") and forfeiture – The entire annual bonus is subject to recoupment ("claw-back") and the delayed portion of the annual bonus is subject to forfeiture 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. Claw-back and forfeiture provisions also apply if an executive resigns or engages in detrimental activity.
- The company's annual bonus program is described in more detail on pages 50 and 53.

#### *Restricted stock units*

- Long holding periods – 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 periods that far exceed the typical holding periods of comparator stock programs. The 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.
- The company's restricted stock unit program is described in more detail on pages 51 through 54.

#### *Common programs*

- All executives of the company, including the named executive officers, participate in common programs (the same salary, incentive and retirement programs). Similar compensation design features and allocation of awards within the programs discourage inappropriate risk taking. The compensation of executives is differentiated based on individual performance assessment, level of responsibility and individual experience.
- All executives on assignment from an affiliate of the company, including the named executive officers on assignment from Exxon Mobil Corporation, Esso Australia Pty Ltd. and ExxonMobil Canada Ltd., also participate in common programs, which are administered by Exxon Mobil Corporation or such affiliates. The named executive officers on assignment receive the company's restricted stock units.
- The executive resources committee reviews and approves compensation recommendations for each named executive officer prior to implementation.

#### *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 financial planning for senior executives and the selective use of club memberships which are largely tied to building business relationships.
- Tax assistance is provided for employees on expatriate assignment. This assistance consists primarily of a tax equalization component designed to maintain the employees' overall income tax burden at approximately the same level it would have otherwise been, had they remained in their home country. The expatriate 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 relevant business performance measures and objectives, including the means by which performance is achieved. These business performance measures may include:

- safety, health and environmental performance;
- risk management;
- total shareholder return;
- net income;
- return on capital employed;
- cash flow from operations and asset sales;
- operating performance of the upstream, downstream and chemical segments; and
- progress on advancing government relations and long-term strategic interests.

The appraisal process includes a comparative assessment of employee performance using a standard approach throughout the organization and at all levels. It is integrated with the compensation program, which results in significant pay differentiation between higher and lower 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. Decision-making 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. This approach strengthens continuity of leadership and supports ongoing alignment with our long-term business model. 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 Exxon Mobil Corporation and its affiliates. This is an in-depth review of succession plans, which includes the consideration of various aspects of diversity as well as plans to address gaps, if any, for key executives. For example, the company has a long-standing practice to regularly review with senior management the progress of women, which includes topics such as recruitment, attrition, relocation, training and development. The representation of female company executives is approximately one third. The chairman, president and chief executive officer also discusses the strengths, progress and development needs of key succession candidates each year. This provides the board an opportunity to confirm a pipeline of key and diverse 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

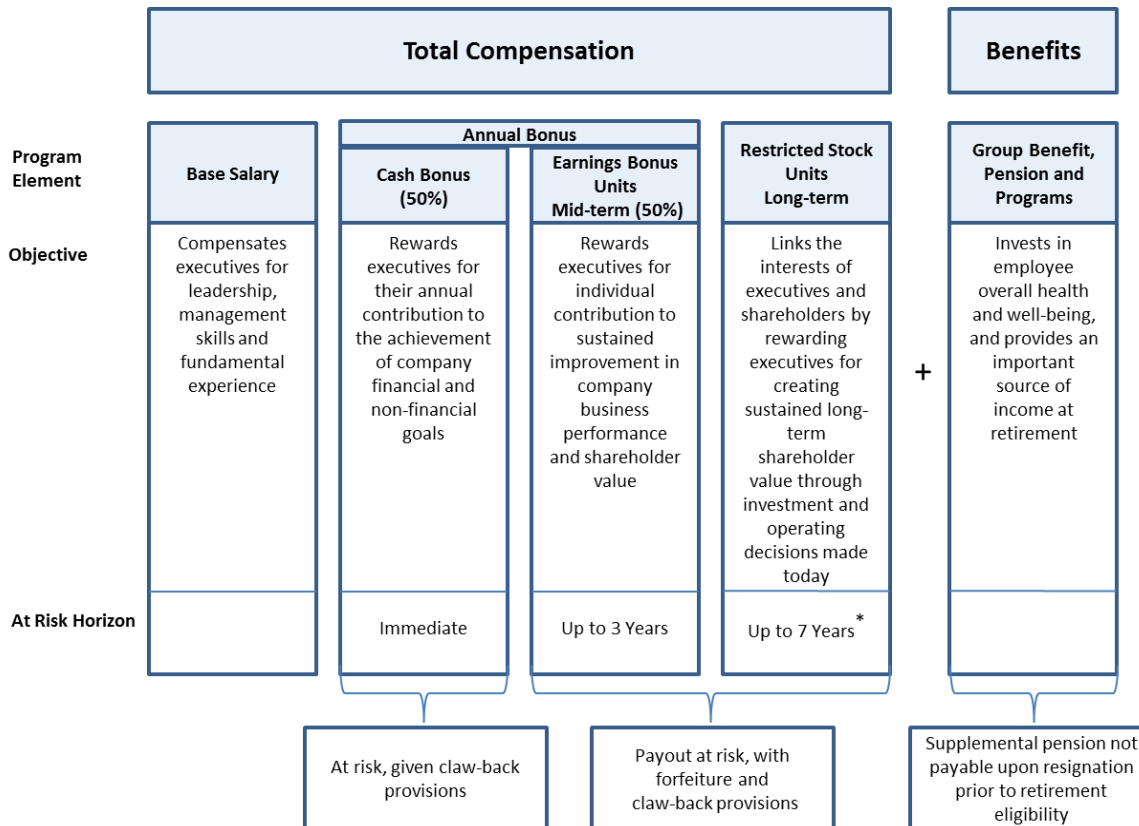
*The company's compensation program is designed to reward performance, promote retention, and encourage long-term business decisions.*

### 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 ranges from approximately 31 to 33 years and reflects this on-going career orientation strategy.

The compensation program emphasizes individual experience and sustained performance; executives holding similar positions may receive substantially different levels of compensation. Consistent with the company's long-term career orientation, high-performing executives typically earn substantially higher levels of compensation in the later years of their careers. This pay practice reinforces the importance of a long-term focus on making decisions that are key to business success.

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.



\* For the chairman, president and chief executive officer, at risk horizon is up to 10 years or retirement, whichever is later

## 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. 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 benefits calculation. Thus, the level of retirement benefits is also performance-based, like other elements of compensation. The salary program in 2017 maintained the company's desired competitive orientation in the marketplace.

## Annual bonus

The bonus program is established annually by the executive resources committee based on earnings, and can be highly variable depending on these results.

In establishing the annual bonus program, the executive resources committee:

- considers input from the chairman, president and chief executive officer on performance of the company and from the company's internal compensation advisors regarding compensation trends as obtained from external consultants;
- considers its linkage to majority shareholder bonus program given the company's working interest is included in Exxon Mobil Corporation earnings;
- considers annual net income of the company; 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 annual bonus program incorporates unique elements to further reinforce retention and recognize performance. Awards under this program are generally delivered as:



- 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.
- The cash component is intended to be a short-term incentive, while the earnings bonus unit is intended to be a medium-term incentive. Earnings bonus units are generally equal to and granted in tandem with cash bonuses. Individual bonus awards vary depending on each executive's performance assessment.
- 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 (or trigger) is achieved or in three years at a reduced level. The trigger is intentionally set at a level that is expected to be achieved within the three-year period and reinforces the company's principle of sustained improvement in the company's business performance and aligns the interests of executives with those of long-term shareholders.
- If cumulative earnings per share do not reach the trigger within three years, the payment with respect to the earnings bonus units will be reduced to an amount equal to the number of units times the actual cumulative earnings per share over the three-year period. The amount of the award, once vested, will never exceed the original grant value. The delayed portion for the earnings bonus unit portion of the annual bonus puts part of the annual bonus at risk of forfeiture and thus reinforces the performance basis of the annual bonus grant.

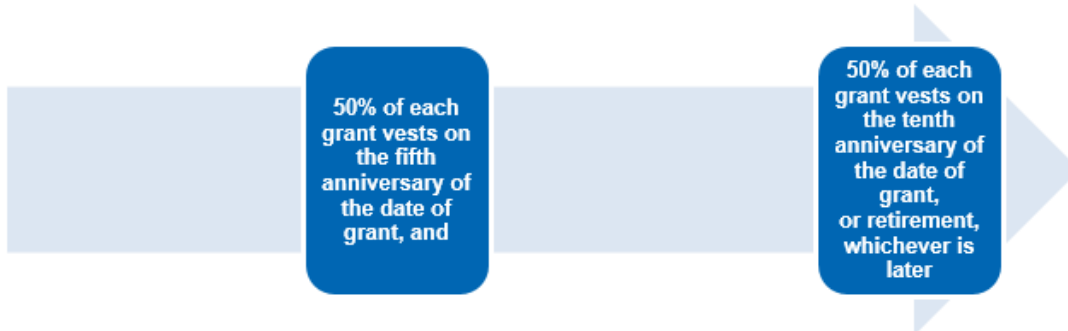
In 2017, an annual bonus was granted to approximately 50 executives to reward their contributions to the business during the past year. The cost of the 2017 annual bonus program was \$3.4 million versus \$3.0 million in 2016. For earnings bonus units granted in 2017, the maximum settlement value (trigger) or cumulative earnings per share required for payout remained at \$3.50.

## Restricted stock units

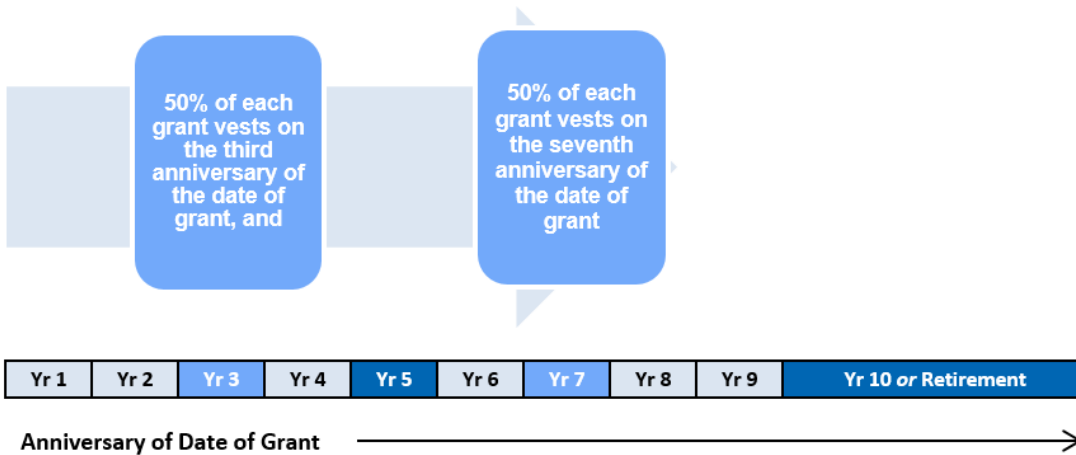
*The vesting periods of the company's long-term incentive program are greater than those in use by comparator companies.*

The company's only long-term incentive compensation plan is a restricted stock unit plan, in place since December 2002. Restricted stock units are granted to selected employees of the company, selected employees of a designated affiliate and nonemployee directors of the company. The current plan's vesting periods for employees are as follows:

- for the chairman, president and chief executive officer:



- for all other employees:



Granting compensation in the form of restricted stock units with long vesting periods as described above is aligned with the long-term nature of the company's business. This stock program design 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 basis for the grant includes an annual assessment of individual performance including a review of business performance results as noted on page 56. The amount granted is intended to provide an incentive to promote individual contribution to the company's performance and to remain with the company. Grant level guidelines for the restricted stock unit program award the same number of shares for the same level of individual performance and classification or level of responsibility, and may be adjusted periodically based on an assessment of the program's competitive orientation. An individual's grant amount may be reduced at time of grant, if recent performance is deemed to have changed significantly at that time. As a matter of principle, 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. Restricted stock units are not included in pension calculations.

The vesting periods, which are typically greater than those in use by 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 value of the company's stock. 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 after retirement. The value of this compensation is at risk in the event that their decisions 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. This type of compensation design removes employee discretion in the timing of exercising restricted stock units, reinforces retention objectives, and supports alignment with the long-term interests of shareholders.

In 2017, after a review of the competitive orientation of the company's restricted stock unit program, it was determined that current levels of restricted stock units were appropriate and that the program continues to align with the design of the majority shareholder's program. In 2017, 415 recipients, including 55 executives, were granted 758,990 restricted stock units.

#### ***Vesting of restricted stock units***

Restricted stock units vest pursuant to the vesting provisions described in the previous section. Restricted stock units cannot be assigned. The vesting period for restricted stock unit awards is not subject to acceleration, except in the case of death.

Upon vesting, each restricted stock unit entitles the recipient to the right to receive an amount equal to the value of one common share of the company, based on the five day average closing price of the company's shares on the vesting date and the four preceding trading days. For units granted to senior executives other than the chairman, president and chief executive officer, 50 percent of the units vest as a cash payment on the third and seventh anniversary of the grant date, with the following exception: for units granted to Canadian residents, the recipient may receive one common share of the company per unit or elect to receive a cash payment for the units that vest on the seventh anniversary. For all units granted to the chairman, president and chief executive officer, upon vesting, the recipient may receive one common share of the company per unit or elect to receive a cash payment for the units. During the restricted period, the recipient will also receive cash payments equivalent to the cash dividends paid to holders of regular common stock.

The company's directors, officers and vice-presidents as a group hold approximately 21 percent of the unvested restricted stock units that give the recipient the right to receive common shares that represent about 0.08 percent of the company's outstanding common shares. Currently, the maximum number of common shares that any one person may receive from the vesting of restricted stock units is 492,500 common shares, which is about 0.06 percent of the outstanding common shares. 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.

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. R.M. Kruger holds Exxon Mobil Corporation restricted stock granted in 2012 and previous years, as well as the company's restricted stock units granted since 2013. J.R. Whelan and P.M. Dinnick also hold Exxon Mobil Corporation restricted stock granted in 2016 and previous years, as well as the company's restricted stock units granted in 2017.

### ***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:

- In addition to the existing three and seven year vesting provisions, 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 vested. The choice of which vesting period provision to use will be at the discretion of the company.
- Set a vesting price based on the weighted average price of the company's shares on the vesting date and the four consecutive trading days immediately prior to the vesting date.
- Set out which amendments in the future will require shareholder approval, and which amendments will only require board of directors approval. The board of directors may amend the plan without shareholder approval for RSUs previously issued or to be issued in the future, unless the amendment is with respect to:
  - increasing the shares served for issuance;
  - increasing the vesting price;
  - extending eligibility to participate in the plan to persons not included in the plan;
  - extending the right of a grantee to transfer or assign RSUs; or
  - adjusting the vesting date for any RSUs previously granted.

In 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.

In 2016, the restricted stock unit plan was amended to update provisions regarding forfeiture of restricted stock units in the event of detrimental activity and to provide a new vesting option in addition to the existing vesting options previously described, such that the second 50 percent of the restricted stock units may vest on the tenth anniversary following the grant date.

### **Forfeiture and claw-back risk**

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***The company's incentive plans include forfeiture and claw-back provisions that discourage employees from taking inappropriate risks and engaging in detrimental activities.***

---

The annual bonus is subject to forfeiture and claw-back if:

- An executive retires or employment with the company terminates (for any reason, whether at initiative of employee, the company or otherwise).
  - The company has indicated its intention not to forfeit outstanding awards of employees who retire at age 65. In other circumstances, where a recipient retires or terminates employment, the company may determine that awards shall not be forfeited.
  - Risk of forfeiture and claw-back continues to exist for detrimental activity.
- An executive, without the consent of the company, engages in any activity, during employment or after retirement or the termination of employment, which is detrimental to the company, including working for a competitor.
  - In 2016, the plan was amended to extend the forfeiture period for detrimental activity from two years to the life of the award.
- There is a material negative restatement of the company's reported financial or operating results. For executive officers of the company, some or all of any unvested earnings bonus units granted in the three years prior to the restatement are subject to forfeiture. In addition, any cash amounts received from bonus or earnings bonus units that were paid out up to five years prior to the restatement are subject to claw-back.

Restricted stock units are subject to forfeiture and claw-back if:

- A recipient retires or employment with the company terminates (for any reason, whether at initiative of employee, the company or otherwise).
  - 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.
  - Risk of forfeiture and claw-back continues to exist for detrimental activity.
- A recipient, without the consent of the company, engages in any activity, during employment or after retirement or termination of employment, which is detrimental to the company, including working for a competitor.
  - With respect to executives, at any time prior to vesting of the outstanding awards.
  - With respect to all other employees, for a period of up to three years after retirement or the termination of employment.
  - In 2016, the plan was amended to extend the forfeiture period for detrimental activity from two years to the periods noted above.

### **Retirement benefits**

Named executive officers participate in the same pension plan, including supplemental pension arrangements outside the registered plan, as other employees, except for R.M. Kruger, J.R. Whelan and P.M. Dinnick who participate in Exxon Mobil Corporation or respective affiliates' pension plans.

### **Pension plan benefits**

The company has provided defined benefit pension plans to its employees since 1919. The current plan provides a 1.5 percent accrual formula to all employees hired on and after September 1, 2015. All plan participants employed prior to the date of the change will continue to accrue pension benefits based on accrual formulae in place prior to September 1, 2015.

All named executive officers, except those who are a participant in the Exxon Mobil Corporation or affiliate pension plans (R.M. Kruger, J.R. Whelan and P.M. Dinnick), are participants in a historic 1.6 percent provision of the company's plan that was closed to new participants at the end of 1997. Key features of this historic plan include:

- An annual benefit equal to 1.6 percent x final average earnings x years of service, with a partial offset for applicable government pension benefits. Final average earnings consists of base salary over the highest 36 consecutive months in the 10 years of service prior to retirement.
- An option to forego a portion of the company's matching contributions to the savings plan to receive an additional 0.4 percent of final average earnings.

The company's supplemental pension arrangements address any portions of the defined benefit 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.

For executive officers who receive an annual bonus, the company's supplemental pension arrangements can also provide an annual benefit of 1.6 percent of final average bonus earnings times years of service. Final average bonus earnings include the average annual bonus for the three highest grants of the last five awarded prior to retirement for eligible executives, but do not include restricted stock units. Limiting the timeframe to the five years prior to retirement provides a strong incentive for executives to continue to perform at a high level. Annual bonus includes the cash amounts that are paid at grant and the maximum settlement value of any earnings bonus units received, as described on page 50. The value of the earnings bonus units are expected to pay out, subject to forfeiture provisions, and are therefore included for supplemental pension arrangement purposes in the year of grant rather than the year of payment.

The estimated benefits that would be payable upon retirement to each named executive officer under the company's pension plan and the supplemental pension arrangements can be found in the pension plan benefits table beginning on page 65. The company does not grant additional pension service credit.

R.M. Kruger, J.R. Whelan and P.M. Dinnick are not participants in the company's pension plan, but are participants in the Exxon Mobil Corporation or respective affiliates' pension plans. R.M. Kruger participates in the Exxon Mobil Corporation defined benefit plan. Under this plan, the pension is payable in U.S. dollars and



is calculated 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 of the last five awarded prior to retirement. J.R. Whelan participates in the ExxonMobil Canada Ltd. defined contribution plan. Under this plan, the pension is payable in Canadian dollars and the contribution to the plan is calculated based on average base salary. P.M. Dinnick participates in the Esso Australia Pty Ltd. defined benefit plan. Under this plan, the pension is payable in Australian dollars and is calculated based on final average base salary over the highest 12 consecutive months in the 10 years of service 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 eligible to receive a company matching contribution of up to six percent, except for R.M. Kruger, J.R. Whelan and P.M. Dinnick, who participate in their respective affiliates' savings plan, where applicable.

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). Employee contributions can be redirected from the tax-paid account to a tax-free savings account (TFSA). Both the RRSP and TFSA accounts are subject 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. 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 converted into an eligible form of retirement income by the end of the calendar 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 22 major Canadian companies whose revenues (or the revenues of their parent companies) exceed \$1 billion a year.

### Comparator companies

The following criteria are used to select comparator companies:

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

The 22 companies benchmarked are as follows:

Energy	Non-Energy
Agrium Inc.	BCE Inc.
BP Canada Energy Group ULC	Canadian Pacific Railway Limited
Cenovus Energy Inc.	Canadian Tire Corporation Limited
Chevron Canada Limited	General Electric Canada
ConocoPhillips Canada	IBM Canada Ltd.
Devon Canada Corporation	Proctor & Gamble Inc.
Enbridge Inc.	Royal Bank of Canada
Encana Corporation	
Husky Energy Inc.	
Nexen Energy ULC	
NOVA Chemicals Corporation	
Repsol	
Shell Canada Limited	
Suncor Energy Inc.	
TransCanada Corporation	

The company is a national employer drawing from a wide range of disciplines. It is important to understand its competitive orientation relative to a variety of energy and non-energy employers. Compensation trends across industries, based on survey data, are prepared annually by an independent external consultant 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. The focus is on a broader and more flexible orientation, generally a range around the median of the comparator energy companies' compensation. 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 the majority shareholder 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 in order to assist in assessing total value of long-term compensation grants. As a result, grant level guidelines may be adjusted periodically to maintain the program's competitive orientation. As a matter of principle, 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.

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.

Details of the compensation assessment for the named executive officers are outlined below and on page 57.

#### **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 and respective affiliates' compensation programs for R.M. Kruger, J.R. Whelan and P.M. Dinnick, including salary and annual bonus and equity (long-term) compensation considerations, are generally similar to those of the company. The data used for long-term compensation determination for R.M. Kruger, J.R. Whelan and P.M. Dinnick is as described above, as they received company restricted stock units in 2017. The executive resources committee reviews and approves recommendations for each named executive officer prior to implementation. R.M. Kruger's compensation determination is described in more detail beginning on page 57.

#### **2017 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 2017 salary and incentive compensation.

#### ***Business performance results for consideration***

The operating and financial performance results 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 2017. The executive resources committee considered the results over multiple years, relative to the company's proven business model and strategies, to deliver long-term shareholder value.

- Strong safety, operational integrity and risk management performance
- \$490 million net income; \$1,056 million excluding upstream non-cash impairment charges
- \$2,763 million cash flow from operations, the highest since 2014
- \$1,151 million returned to shareholders through share purchases and dividends
  - 23rd consecutive year of dividend growth
  - Reinstated share buyback program

- Strong performance across all business lines
  - Record annual production at Cold Lake and Kearl
  - Best-ever refining results in energy efficiency and reliability
  - Highest petroleum product sales in more than 25 years
  - Expanded branded fuels business with Husky conversion and introduction of Mobil brand
  - Second highest annual chemical earnings
  - \$190 million reduction in above-field costs; nearly \$400 million since 2015
- Progressed opportunities to add value to high-quality asset portfolio
  - Completed Kearl enhancements to improve reliability and reduce unit costs
  - Approved investment to increase Kearl production beyond initial scope
  - Approved Strathcona refinery cogeneration project to improve energy efficiency
- Continued commitment to industry leadership in technology and innovation
  - More than \$150 million invested in research

#### *Performance assessment considerations*

The preceding 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 46 and results noted on page 56 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.

#### **2017 chief executive officer compensation assessment**

R.M. Kruger was appointed chairman, president and chief executive officer of the company on March 1, 2013. Mr. Kruger has worked for Exxon Mobil Corporation and its predecessor companies since 1981. 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 \$29,000 U.S. to \$899,000 U.S., effective January 1, 2018.

Mr. Kruger's 2017 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. Kruger'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 leaving the company before normal retirement.

The executive resources committee has determined that the total compensation of Mr. Kruger is appropriate based on the company's financial and operating performance, and its assessment of his effectiveness in leading the organization relative to the business performance measures outlined on page 48. 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.

#### **Pay awarded to other named executive officers**

Within the context of the compensation program structure and performance assessment processes previously described, the value of 2017 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 60.

#### **Independent consultant**

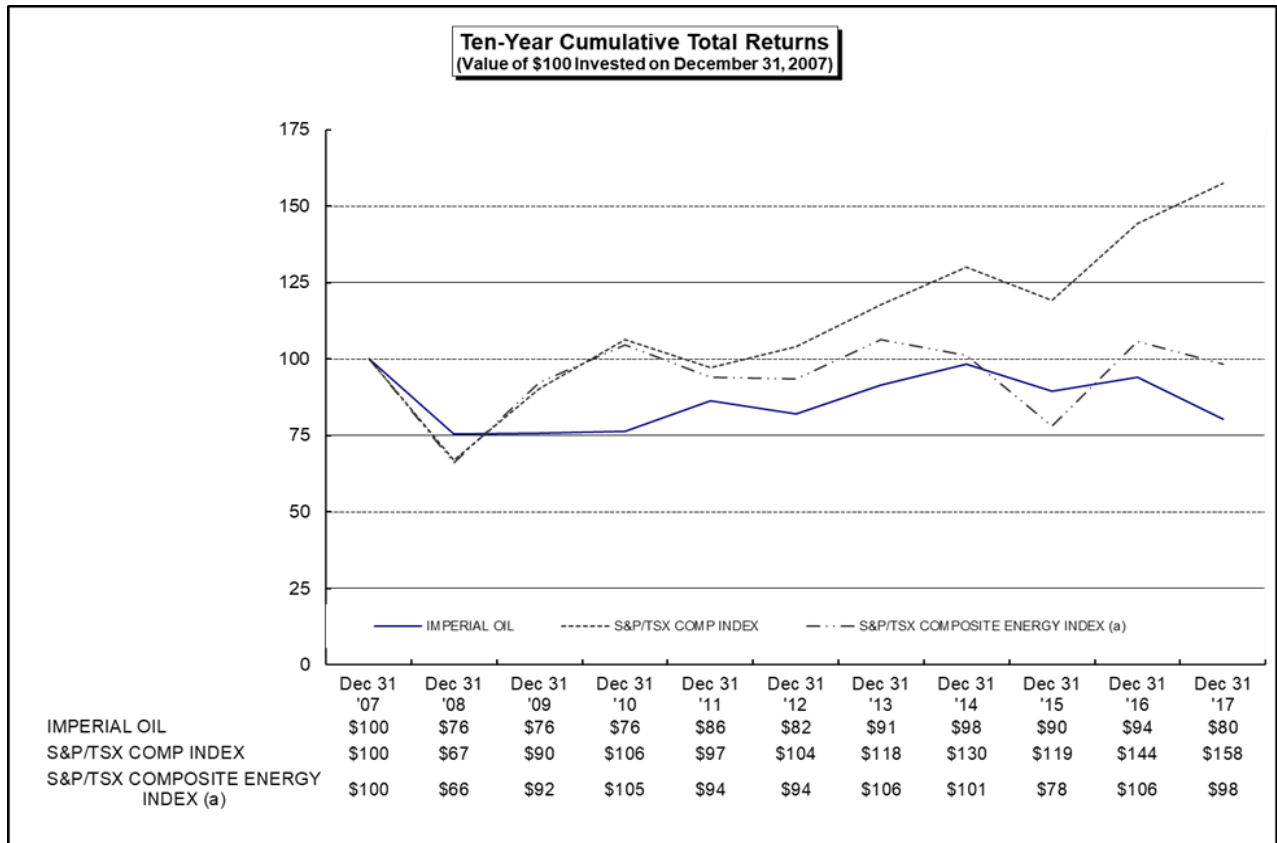
In fulfilling its responsibilities during 2017, the executive resources committee did not retain an independent consultant or advisor in determining compensation for any of the company's officers or any other senior executives. The company's management retained an independent consultant to provide an assessment of competitive compensation and market data for all salaried levels of employees of the company. While providing this data, they did not provide individual compensation recommendations or advice for the compensation of the chairman, president and chief executive officer or other 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 50 oil and gas companies including integrated oil companies, oil and gas producers and oil and gas service companies.

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 negative 20 percent, for an average annual return of negative 2 percent. Over the past five years, the cumulative total shareholder return was negative 2 percent. Total direct compensation for named executive officers generally reflects the trend in total shareholder returns as the largest single component of executive compensation is awarded in the form of restricted stock units with long holding periods. This design reinforces the long-term linkage between executive compensation and the shareholding net worth of executives to the return on the company's stock realized by shareholders. Total direct compensation includes salary, the annual bonus (cash and earnings bonus unit awards), and the grant date fair value of the restricted stock unit award which is equal to the price for the company's stock on the date of grant.



(a) Effective December 21, 2012, S&P discontinued the S&P/TSX Equity Energy Index. This was 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 2017. 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. Amounts in the Summary compensation table pertain to the named executive officers' respective periods of assignment with the company.

Name and principal position at the end of 2017	Year	Salary (\$) (b)	Share-based awards (\$) (c)	Option-based awards (\$) (d)	Non-equity incentive plan compensation (\$)		Pension value (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Annual incentive plans (e)	Long-term incentive plans (f)			
	2017	1,129,782	3,908,520	-	488,923	620,727	(1,159,234)	1,850,506	6,839,224
<b>R.M. Kruger (a)</b> Chairman, president and chief executive officer	2016	1,139,328	4,979,700	-	356,371	0	(379,289)	1,481,708	7,577,818
	2015	1,062,600	4,224,365	-	444,348	611,219	(353,857)	3,022,231	9,010,906
<b>B.A. Babcock</b> Senior vice-president, finance and administration, and controller (since September 1, 2015)	2017	502,250	868,560	-	89,400	166,597	204,300	116,802	1,947,909
	2016	495,750	995,940	-	74,700	0	(12,700)	113,294	1,666,984
	2015	163,333	922,900	-	106,900	0	(656,200)	80,770	617,703
<b>J.R. Whelan (a)</b> Senior vice-president, upstream	2017	476,583	868,560	-	103,758	153,810	72,751	178,832	1,854,294
	2016	458,250	936,806	-	58,159	0	79,929	169,591	1,702,735
	2015	438,667	848,070	-	79,535	139,434	29,849	150,055	1,685,610
<b>T.B. Redburn</b> Senior vice-president, commercial and corporate development	2017	458,000	868,560	-	99,000	128,566	549,400	55,817	2,159,343
	2016	444,167	733,374	-	57,600	0	(136,000)	60,241	1,159,382
	2015	427,167	679,590	-	82,500	0	(589,100)	55,689	655,846
<b>P.M. Dinnick (a)</b> Vice-president and general counsel	2017	437,167	410,592	-	39,997	29,163	182,213	546,595	1,645,727
	2016	397,757	439,489	-	21,594	0	105,426	437,998	1,402,264
	2015	367,276	355,980	-	20,459	27,292	95,361	351,073	1,217,441

## Footnotes to the Summary compensation table for named executive officers

- (a) R.M. Kruger has been on expatriate assignment from Exxon Mobil Corporation, an affiliate in the U.S., since 2013. P.M. Dinnick has been on expatriate assignment from Esso Australia Pty Ltd., an affiliate in Australia, since 2012. J.R. Whelan has been on domestic loan assignment from ExxonMobil Canada Ltd., an affiliate in Canada, since 2013. Their compensation is paid directly by Exxon Mobil Corporation and respective affiliates, with the exception of the compensation related to the vesting of the company's restricted stock units and dividend equivalents on outstanding restricted stock units. They also receive employee benefits under their respective affiliates' employee benefit plans, and not under the company's employee benefit plans. The company reimburses the respective affiliates for applicable compensation paid and employee benefits provided to them. The company does not reimburse Exxon Mobil Corporation for the cost of incentive awards granted by Exxon Mobil Corporation.
- (b) The amounts listed in the "Salary" column for each named executive officer on expatriate assignment (R.M. Kruger and P.M. Dinnick) are paid in their local currency, but disclosed in Canadian dollars. R.M. Kruger's salary is paid in U.S. dollars and was converted to Canadian dollars at the average 2017 exchange rate of 1.2986. In 2016 and 2015 the average exchange rate was 1.3248 and 1.2787 respectively. P.M. Dinnick's salary is paid in Australian dollars and was converted to Canadian dollars at the average 2017 exchange rate of 0.9951. In 2016 and 2015 the average exchange rate was 0.9852 and 0.9604, respectively.
- (c) 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 2017 was \$39.48, 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 2016 was \$45.27 and in 2015 was \$41.95, 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. In 2016 and 2015, J.R. Whelan and P.M. Dinnick participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. The closing price of Exxon Mobil Corporation stock on the grant date in 2016 was \$87.30 U.S. and in 2015 was \$81.88 U.S. and is converted to Canadian dollars at the annual average exchange rate of 1.3248 and 1.2787 respectively.
- (d) The company has not granted stock options since 2002. The stock option plan expired in 2012.
- (e) The amounts listed in the "Annual incentive plans" column for each named executive officer represent their 2017 cash bonus. R.M. Kruger, J.R. Whelan and P.M. Dinnick participate in Exxon Mobil Corporation's annual cash bonus program, which is similar to the company's plan, and is paid in U.S. dollars, but disclosed in Canadian dollars. Amounts paid in U.S. dollars were converted to Canadian dollars at the average 2017 exchange rate of 1.2986. In 2016 and 2015 the average exchange rate was 1.3248 and 1.2787 respectively.
- (f) The amounts listed in the "Long-term incentive plans" column represent earnings bonus unit payouts related to prior year grants. 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 earnings bonus unit program is described on page 50. R.M. Kruger, J.R. Whelan and P.M. Dinnick participate in Exxon Mobil Corporation's earnings bonus unit program, which is similar to the company's plan, and is paid in U.S. dollars, but disclosed in Canadian dollars. Amounts paid in U.S. dollars were converted to Canadian dollars at the average 2017 exchange rate of 1.2986. In 2016 and 2015 the average exchange rate was 1.3248 and 1.2787 respectively. Their payouts are also subject to a maximum settlement value (trigger) or cumulative earnings per share.
- (g) "Pension value" is the "Compensatory change" in pensions as of December 31, 2017 as set out in the "Pension plan benefits" table on page 65.
- (h) The amounts listed in the "All other compensation" column include dividend equivalent payments on restricted stock units granted, savings plans contributions, expatriate assignment costs, parking and the cost of perquisites including financial planning and business club memberships, as well as security costs and costs associated with participation in Exxon Mobil Corporation's executive life insurance benefit plan, as applicable.
- For each named executive officer, the aggregate value of perquisites received in 2017 was not greater than \$50,000 or 10 percent of the named executive officer's base salary.
  - It is noted that in 2017, the actual dividend equivalent payments on the company restricted stock units were \$227,470 for R.M. Kruger, \$69,205 for B.A. Babcock and \$47,432 for T.B. Redburn. The dividend equivalent payments on Exxon Mobil Corporation restricted stock granted in previous years were \$561,685 for R.M. Kruger, \$146,431 for J.R. Whelan and \$64,374 for P.M. Dinnick; these amounts were converted to Canadian dollars at the average 2017 exchange rate of 1.2986.
  - For the named executive officers on expatriate assignment (R.M. Kruger and P.M. Dinnick), "All other compensation" also includes expatriate assignment costs which consist of expatriate allowances and the net effect of tax equalization costs in the year. Tax equalization costs include the net effect of taxes paid by the companies to local taxing authorities on behalf of the named executive officer offset by a withholding from their income that approximates the amount of tax they would pay if they had not gone on expatriate assignment. Tax equalization is an integral part of the expatriate relocation program and is designed to maintain an individual's overall tax burden at approximately the same level it would have otherwise been, had they remained in their home country. Tax equalization amounts vary from one year to the next and the net impact may be positive or negative in the year.
- (i) "Total compensation" 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 for each named executive officer of the company as at December 31, 2017.

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 (\$) (d)
R.M. Kruger <b>(a)</b>	-	-	-	-	492,500	19,320,775	-
B.A. Babcock	-	-	-	-	111,000	4,354,530	-
J.R. Whelan <b>(b)</b>	-	-	-	-	22,000	863,060	-
T.B. Redburn	-	-	-	-	83,850	3,289,436	-
P.M. Dinnick <b>(c)</b>	-	-	-	-	10,400	407,992	-

- (a) R.M. Kruger was granted restricted stock units from 2013 to 2017 under the company's plan. With respect to previous years, R.M. Kruger participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, R.M. Kruger held 118,500 Exxon Mobil Corporation restricted stock whose value on December 31, 2017 was \$12,433,776 based on a closing price for Exxon Mobil Corporation shares on December 31, 2017 of \$83.64 U.S., which was converted to Canadian dollars at the December 31, 2017 close rate of 1.2545 provided by the Bank of Canada.
- (b) J.R. Whelan was granted restricted stock units in 2017 under the company's plan. With respect to previous years, J.R. Whelan participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, J.R. Whelan held 30,200 Exxon Mobil Corporation restricted stock whose value on December 31, 2017 was \$3,168,777 based on a closing price for Exxon Mobil Corporation shares on December 31, 2017 of \$83.64 U.S., which was converted to Canadian dollars at the December 31, 2017 close rate of 1.2545 provided by the Bank of Canada.
- (c) P.M. Dinnick was granted restricted stock units in 2017 under the company's plan. With respect to previous years, P.M. Dinnick participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, P.M. Dinnick held 13,200 Exxon Mobil Corporation restricted stock whose value on December 31, 2017 was \$1,385,028 based on a closing price for Exxon Mobil Corporation shares on December 31, 2017 of \$83.64 U.S., which was converted to Canadian dollars at the December 31, 2017 close rate of 1.2545 provided by the Bank of Canada.
- (d) Represents the total of the outstanding restricted stock units received from the company plan in 2011 through 2017. The value is based on the closing price of the company's shares on December 31, 2017 of \$39.23.



### 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 in the year for each named executive officer of the company.

Name	Option-based awards – Value vested during the year (\$) (b)	Share-based awards – Value vested during the year (\$) (d)	Non-equity incentive plan compensation – Value earned during the year (\$) (e)
R.M. Kruger (a)	-	-	-
B.A. Babcock	-	892,013	255,997
J.R. Whelan (b)	-	-	-
T.B. Redburn	-	598,617	227,566
P.M. Dinnick (c)	-	-	-

- (a) Although R.M. Kruger received restricted stock units under the company's plan from 2013 to 2017, these restricted stock units have not vested. In previous years, R.M. Kruger participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. In 2017, restrictions were removed on 22,850 Exxon Mobil Corporation restricted stock having a value as at December 31, 2017 of \$2,397,568 based on the closing price of Exxon Mobil Corporation common shares of \$83.64 U.S., which was converted to Canadian dollars at the December 31, 2017 close rate of 1.2545 provided by the Bank of Canada. R.M. Kruger received an annual bonus from Exxon Mobil Corporation in 2017 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. R.M. Kruger \$1,109,650 with respect to the annual cash bonus received in 2017 and earnings bonus units granted in 2014 and paid out in 2017, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2017 exchange rate of 1.2986.
- (b) Although J.R. Whelan received restricted stock units under the company's plan in 2017, these restricted stock units have not vested. In previous years, J.R. Whelan participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. In 2017, restrictions were removed on 6,650 Exxon Mobil Corporation restricted stock having a value as at December 31, 2017 of \$697,760 based on the closing price of Exxon Mobil Corporation common shares of \$83.64 U.S., which was converted to Canadian dollars at the December 31, 2017 close rate of 1.2545 provided by the Bank of Canada. J.R. Whelan received an annual bonus from Exxon Mobil Corporation in 2017 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. J.R. Whelan received \$257,568 with respect to the annual cash bonus in 2017 and earnings bonus units granted in 2014 and paid out in 2017, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2017 exchange rate of 1.2986.
- (c) Although P.M. Dinnick received restricted stock units under the company's plan in 2017, these restricted stock units have not vested. In previous years, P.M. Dinnick participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. In 2017, restrictions were removed on 3,000 Exxon Mobil Corporation restricted stock having a value as at December 31, 2017 of \$314,779 based on the closing price of Exxon Mobil Corporation common shares of \$83.64 U.S., which was converted to Canadian dollars at the December 31, 2017 close rate of 1.2545 provided by the Bank of Canada. P.M. Dinnick received an annual bonus from Exxon Mobil Corporation in 2017 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. P.M. Dinnick received \$69,160 with respect to the annual cash bonus in 2017 and earnings bonus units granted in 2014 and paid out in 2017, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2017 exchange rate of 1.2986.
- (d) These values show restricted stock units granted by the company that vested in 2017. The value is based on the five day average closing price of the company's shares, which includes the vesting date and the four preceding trading days. For B.A. Babcock and T.B. Redburn the value represents restricted stock units granted in 2010 and 2014, which vested in 2017.
- (e) These values include amounts paid by the company with respect to the 2017 annual cash bonus and earnings bonus unit granted in 2014 which paid out in 2017.

## 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 2017 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)	3,213,880	-	7,270,632
<b>Total</b>	<b>3,213,880</b>		<b>7,270,632</b>

(a) The company's stock option plan expired in 2012.

(b) This is a restricted stock unit plan, which is described starting on page 51.

(c) The number of securities to be issued represents the total number of restricted stock units issued since 2008 and still outstanding (5,859,050) minus the outstanding restricted stock units that are only eligible for cash (and not common shares) upon vesting (2,645,170). The number of securities remaining available for future issuance represents the restricted stock units not yet granted (4,625,462) plus the number of outstanding restricted stock units that are only eligible for cash (and not common shares) upon vesting (2,645,170).

## Restricted stock units as a percentage of outstanding shares

The following table provides information on the restricted stock unit plan, expressed as a number and as a percentage of the common shares of the company as of the end of 2017.

	Maximum number of restricted stock units issuable under the plan (#) (b)	Total number of restricted stock units awarded and outstanding (#)	Total number of restricted stock units available for grant (#)
<b>Number</b>	10,484,512	5,859,050	4,625,462
<b>Percent of outstanding common shares (a)</b>	1.26%	0.70%	0.56%

(a) As of December 31, 2017, the number of common shares outstanding was 831,242,307.

(b) The maximum number of restricted stock units issuable under the company plan is the number as of December 31, 2016 (10,486,262) minus the common shares issued in 2017 pursuant to the vesting of restricted stock units under the plan (1,750 common shares).

### Annual burn rate

The following table provides the annual burn rate associated with the restricted stock unit plan for each of the company's three most recent fiscal years.

	Number of restricted stock units granted under the plan (#) (a)	Weighted average number of securities outstanding (#) (b)	Annual burn rate (%) (c)
2017	758,990	842,943,735	0.09%
2016	815,870	847,599,011	0.10%
2015	884,080	847,599,011	0.10%

- (a) The Number of restricted stock units granted under the plan in the applicable fiscal year.  
 (b) The Weighted average number of securities outstanding during the period is the number of securities outstanding at the beginning of the period, adjusted by the number of securities bought back or issued during the period multiplied by a time-weighting factor.  
 (c) The Annual burn rate percent is the Number of restricted stock units granted under the plan divided by the Weighted average number of securities outstanding.

### Status of prior long-term incentive compensation plans

The company's only long-term incentive compensation plan is the restricted stock unit plan described on pages 51 through 54. There are no units outstanding for any historical plan.

### Pension plan benefits

The following table provides information for each named executive officer of the company participating in a defined benefit pension plan. Information for named executive officers on assignment from affiliates of the company who participate in a plan provided by such affiliates is disclosed in the footnotes.

Name	Number of years credited service (as of December 31, 2017) (#) (a)	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$) (d)	Compensatory change (\$) (e)	Non-compensatory change (\$) (f)	Closing present value of defined benefit obligation (\$) (d)
		At year-end (b)	At age 65 (c)				
R.M. Kruger	-	-	-	-	-	-	-
B.A. Babcock	30.7	380,200	480,100	6,372,900	204,300	497,600	7,074,800
J.R. Whelan (g)	-	-	-	-	-	-	-
T.B. Redburn	32.6	363,400	475,600	5,921,300	549,400	401,100	6,871,800
P.M. Dinnick (g)	-	-	-	-	-	-	-

- (a) *R.M. Kruger participates in the Exxon Mobil Corporation defined benefit pension plan including tax-qualified and non-qualified plans. Benefits under this plan are payable in U.S. dollars and have been converted to Canadian dollars at the average 2017 exchange rate of 1.2986. Under this plan, R.M. Kruger had 36.5 years of credited service. J.R. Whelan participates in the ExxonMobil Canada Ltd. defined contribution plan. Benefits under this plan are payable in Canadian dollars. Under this plan, J.R. Whelan had 21.4 years of credited service. P.M. Dinnick participates in the Esso Australia Pty Ltd. defined benefit and defined contribution pension plans. Benefits under these plans are payable in Australian dollars and have been converted to Canadian dollars at the average 2017 exchange rate of 0.9951. Under these plans, P.M. Dinnick had 23.4 years of credited service.*
- (b) *For members of the company's pension plan, the annual benefits include the amount of the accrued annual lifetime pension from the company's registered pension plan and supplemental pension arrangement. For members of the Exxon Mobil Corporation pension plan, the annual benefits include the accrued annual lifetime pension from the tax-qualified and the annual amount calculated under the non-qualified plans. For R.M. Kruger this value was \$1,304,583. Non-qualified plan benefits are payable only as a lump sum equivalent upon retirement. For members of the Esso Australia Pty Ltd. pension plan, benefits are payable only as a lump sum equivalent upon retirement. For P.M. Dinnick this lump-sum value was \$2,184,309.*
- (c) *For members of the company's pension plan, the annual benefits include the amount of the accrued annual lifetime pension from the company's registered pension plan and supplemental pension arrangement that would be earned to age 65 assuming final average earnings as at December 31, 2017. For members of the Exxon Mobil Corporation pension plan, the annual benefits include the annual lifetime pension from the tax-qualified and the annual amount calculated under the non-qualified plans that would be earned to age 65 assuming final average earnings as at December 31, 2017. For R.M. Kruger this value was \$1,527,785. Non-qualified plan benefits are payable only as a lump sum equivalent upon retirement. For members of the Esso Australia Pty Ltd. pension plan, benefits are payable only as a lump sum equivalent upon retirement. For P.M. Dinnick the lump-sum value that would be earned to age 65 assuming final average earnings as of December 31, 2017 was \$3,738,396.*
- (d) *For members of the company's pension plan, the opening and closing defined benefit obligation is defined under U.S. generally accepted accounting principles (GAAP) and values are calculated on a basis that is consistent with the valuation that was performed for accounting purposes for the company's plans. The value is calculated based on estimated 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. 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 at the date of valuation, projected to retirement. For members of the Exxon Mobil Corporation and the Esso Australia Pty Ltd. pension plan respectively, the opening and closing defined benefit obligation is defined under GAAP and values are consistent with the valuation performed for accounting purposes for the applicable affiliate plan. The values are calculated based on estimated earnings eligible for pension as described previously. For R.M. Kruger the opening value was \$18,534,731 and the closing value was \$18,554,823. For P.M. Dinnick the opening value was \$2,100,946 and the closing value was \$2,331,550.*
- (e) *The value for "Compensatory change" includes service cost for 2017 and the impact of change in earnings on the projected benefit obligation. For members of the company's plan, these values are calculated using the individual's additional pensionable service in 2017 and the actual salary and bonus received in 2017. For members of the Exxon Mobil Corporation and Esso Australia Pty Ltd. pension plans, these values are calculated using the individual's additional pensionable service in 2017 and earnings as described previously. For R.M. Kruger this value was (\$1,159,234). For P.M. Dinnick this value was \$178,099.*
- (f) *The value for "Non-compensatory change" includes the 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 2017 decreased to 3.40 percent, from 3.75 percent at the end of 2016, which had a positive impact on the non-compensatory change element. For members of the Exxon Mobil Corporation and Esso Australia Pty Ltd. 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 3.80 percent at the end of 2017, down from 4.25 percent at the end of 2016. For R.M. Kruger this value was \$1,179,326. For P.M. Dinnick this value was \$52,505.*
- (g) *J.R. Whelan participates in the ExxonMobil Canada Ltd. defined contribution plan. Under this plan, the affiliate contributes a percent of base pay to the fund monthly, subject to regulatory limits. The "Accumulated value at start of year" was \$516,811, the "Compensatory value" was \$72,751 reflecting affiliate contribution and investment earnings, and the "Accumulated value at year-end" was \$589,562. P.M. Dinnick is a member of the Esso Australia Pty Ltd. defined contribution plan. Contribution limits under this plan have been reached. The "Accumulated value at start of year" was \$51,022, the "Compensatory value" was \$4,114 reflecting investment earnings, and the "Accumulated value at year-end" was \$55,136.*

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## Other important information

### Effective date

The effective date of this management proxy circular is February 7, 2018.

### If you have a shareholder proposal for the 2019 annual meeting

Any shareholder's proposal that meets the provisions of the *Canada Business Corporations Act*, and is intended to be presented at the 2019 annual meeting of shareholders, must be received by the company no later than December 10, 2018. The proposal can then be included in the management proxy circular and the proxy for the 2019 annual meeting.

### Financial statements

For **registered shareholders**, if you do not wish to receive a copy of the financial statements next year you must waive receipt directly on the proxy form enclosed with this package, otherwise a copy of the financial statements will be sent to you.

For **non-registered shareholders**, if you wish to receive a copy of the financial statements 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.

### Interim reports and electronic delivery

If you are a **registered shareholder** and wish to receive our quarterly reports, please make this request directly on the proxy form. All registered shareholders may also consent to the electronic delivery of documents by providing consent and an email address directly on the proxy form or you can simply go to Delivery of Investor Materials in the Investor Services section of our transfer agent's website to sign up for electronic delivery. Go to **[www.canstockta.com](http://www.canstockta.com)** to enroll.

If you are a **non-registered shareholder** and you wish to receive quarterly reports, please fill out the yellow form in the notice package. All non-registered shareholders may consent to the electronic delivery of documents by following the instructions on the 'Go Paperless' insert in the notice package.

### Additional information

A copy of this management proxy circular, the company's latest Form 10-K and quarterly reports can be obtained on request and without charge by writing to the investor relations manager or to the 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](http://www.sedar.com)** and on the company website at **[www.imperialoil.ca](http://www.imperialoil.ca)**.

Company head office address: 505 Quarry Park Boulevard S.E., Calgary, Alberta, Canada, T2C 5N1.

Information is also available by writing to the investor relations manager at the company's head office, or by telephone at 587-476-4743.

For all other shareholder services related inquiries, please contact:  
Lara H. Pella, Assistant general counsel and corporate secretary  
Telephone: 587-476-3950

### Directors' approval

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

*Original signed by*

**L.H. Pella**

Assistant general counsel and corporate secretary

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## Appendix A – Board of director and committee charters

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### Board of Directors Charter

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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**

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 guidelines 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) annually review and 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) determine appropriate measures are in place for receiving feedback from stakeholders;
- (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 and the corporation provide each board committee with sufficient funds to discharge its responsibilities in accordance with its charter;
- (o) determine membership of each committee, including its chair and vice-chair, after receiving the recommendation of the nominations and corporate governance committee;
- (p) direct the distribution to the board 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 section 5;
- (q) review the corporation's process in respect of employee conflicts of interest and directorships in non-affiliated commercial, financial and industrial organizations and the disclosures thereof;
- (r) review the mandates of the board and of the committees and their effectiveness at least annually; and
- (s) undertake such additional activities within the scope of its responsibilities as it may deem appropriate.

#### **4. Range of items to be considered by the board**

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

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**

Material shall be distributed to directors through the office of the corporate secretary. Corporate policies, board calendars, contact information and other company processes, are updated on the board portal site and accessible to all directors.

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:

##### **Organization/legal**

- 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**

#### **6. Meetings of the board**

- (a) The board normally holds seven (7) regular meetings per year. Additional meetings may be scheduled as required to consider the range of items charged for consideration by the board.
- (b) An agenda for each board meeting and briefing materials will, to the extent practicable in light of the timing of matters that require board attention, be distributed to each director approximately five to seven days prior to each meeting. The chairman, in consultation with the chair of the executive sessions will normally set the agenda for board meetings. Any director may request the inclusion of specific items.
- (c) It is expected that each director will make every effort to attend each board meeting and each meeting of any committee on which he or she sits. Attendance in person is preferred but attendance by teleconference is permitted if necessary.
- (d) Each director should be familiar with the agenda for each meeting, have carefully reviewed all other materials distributed in advance of the meeting, and be prepared to participate meaningfully in the meeting, and to discuss all scheduled items of business.
- (e) The proceedings and deliberations of the board and its committees are confidential. Each director will maintain the confidentiality of information received in connection with his or her service as a director, and the chief executive officer, or those whom he or she has designated, will speak for the corporation.



## **7. Independent directors**

- (a) The board shall be composed of a majority of independent directors. The board may also include one or more directors who are not independent, but who, as officers of the majority shareholder, may be viewed as independent of the company's management.
- (b) 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 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.
- (c) The term "independent", shall have the meaning as set out in applicable law, including on the basis of the standards specified by Multilateral Instrument 52-110 Audit Committees, the US. Securities and Exchange Commission rules and the listing standards of the NYSE MKT LLC.
- (d) Independent directors will have full access to senior management of the corporation and other employees on request to discuss the business and affairs of the corporation. The board expects that there will be regular opportunities for directors to meet with the chief executive officer, and other members of management in board and committee meetings and in other formal or informal settings.
- (e) Compensation for independent directors will be determined by the board on the recommendation of the nominations and corporate governance committee and will be reviewed annually. Non-employee director compensation will be set at a level that is consistent with market practice, taking into account the size and scope of the corporation's business and the responsibilities of its directors. A substantial portion of the compensation paid to independent directors for service on the board will be paid in restricted stock units of the corporation.

## **8. Independent legal or other advice**

It is normally expected that information regarding the corporation's business and affairs will be provided to the board by the corporation's management and staff and by its independent auditors. However, the board and, with the approval of the board, any director, may engage independent counsel and other advisors at the expense of the corporation. The fees and expenses of any such advisor will be paid by the corporation.

## **9. Meetings of the independent directors in the absence of members of management**

- (a) Meetings of the independent directors ("executive sessions of the board") shall be held in conjunction with all board meetings including unscheduled telephonic board meetings. Additional executive sessions may be convened by the chair of the executive sessions at his or her discretion and will be convened if requested by any other director. Any independent director may raise issues for discussion at an executive session.
- (b) The chair of the executive sessions of the board shall be chosen by the independent directors.
- (c) The chair of the executive sessions of the board, or in the chair's absence an independent director chosen by the independent directors, shall
  - (i) preside at executive sessions of the board;
  - (ii) ensure that meetings of the independent directors are held in accordance with this charter;
  - (iii) 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; and
  - (iv) act as a liaison with the chairman, including providing feedback from the executive sessions to the chairman, provided that each director will also be afforded direct and complete access to the chairman at any time as such director deems necessary or appropriate.
- (d) The purposes of the executive sessions of the board shall include the following:
  - (i) to raise substantive issues that are more appropriately discussed in the absence of management;

- (ii) to discuss the need to communicate to the chairman of the board any matter of concern raised by any committee or any director;
- (iii) to address issues raised but not resolved at meetings of the board and assess any follow-up needs with the chairman of the board;
- (iv) to discuss 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 advise the chairman of the board of any changes required; and
- (v) to seek feedback about board processes.

## **10. Selection and tenure of directors**

The nominations and corporate governance committee shall recommend to the board a slate of director candidates for election at each annual meeting of shareholders and shall recommend to the board directors to fill vacancies, including vacancies created as a result of any increase of the size of the board.

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 with the objective of providing for diversity among non-employee directors. 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;
- individual competencies in business and other areas of endeavour in contributing to the collective experience of the directors; and
- providing diversity in 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*;
- will not adversely affect the corporation's status as a foreign private issuer under U.S. securities legislation;
- 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;
- will serve on the boards of other public companies only to the extent that such services do not detract from the director's ability to devote the necessary time and attention as a director;
- 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;
- if an independent director, is, or will become within a period of five years of becoming a director, the beneficial owner, directly or indirectly, of not less than 15,000 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 chairman, 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, including an officer of the corporation ceasing to hold that position, 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*;
- has made a change in citizenship or residency that adversely affects the corporation's status as a foreign private issuer under U.S. securities legislation;
- 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.

**11. Election of Directors**

All directors will stand for election at the annual meeting of shareholders. If the majority shareholder's holdings were ever to fall below 50% for any non-contested elections 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 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 and, if applicable, the reasons for rejecting the tendered resignation.

## **12. Director Orientation and Continuing Education**

### **(a) Orientation**

New non-employee directors will receive a comprehensive orientation from appropriate executives regarding the corporation's business and affairs.

### **(b) Continuing Education**

Reviews of aspects of the corporation's operations will be presented by appropriate employees from time to time as part of the agenda of regular board meetings. The board will also normally conduct an on-site visit to a location other than the corporation's headquarters in conjunction with one or more regular board meetings every year.

## **13. Chairman and chief executive officer**

The board currently believes that it is appropriate and efficient for the corporation's chief executive officer to also act as chairman of the board. However, the board retains the authority to separate those functions if it deems such action appropriate in the future.

### **(a) Position description**

The chairman and chief executive officer shall:

- plan and organize all activities of the board of directors;
- ensure that the board receives sufficient, timely information on all material aspects of the corporation's operations and financial affairs;
- chair annual and special meetings of the shareholders;
- conduct the general management and direction of the business and affairs of the corporation;
- 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;
- 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;
- 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;
- 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;
- ensure compliance with the corporation's code of ethics and business conduct so as to foster a culture of integrity throughout the company; and
- 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 and restricted stock units, of a value no less than five times his base salary.

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## Audit Committee Charter

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### 1. Purpose of the Committee

The primary purpose of the audit committee (the "committee") is oversight. The committee shall assist the board of directors (the "board") in fulfilling its responsibility to oversee:

- management's conduct of the corporation's financial reporting process,
- the integrity of the financial statements and other financial information provided by the corporation to Canadian securities regulators, the United States Securities and Exchange Commission (the "SEC") and the public,
- the corporation's system of internal accounting and financial controls,
- the corporation's compliance with legal and regulatory requirements,
- the performance of the corporation's internal audit function,
- the independent auditors' qualifications, performance, and independence, and
- the annual independent audit of the corporation's financial statements.

The corporation's management is responsible for preparing the corporation's financial statements. The independent auditors are responsible for auditing those financial statements. Management, including the internal audit function, and the independent auditors, have more time, knowledge, and detailed information about the corporation than do committee members. Consequently, in carrying out its oversight responsibilities, the committee is not providing any expert or special assurance as to the corporation's financial statements, or any professional certification as to the independent auditors' work, including with respect to auditor independence. Each member of the committee shall be entitled to rely on the integrity of people and organizations from whom the committee receives information and the accuracy of such information, including representations by management and the independent auditors regarding non-audit services provided by the independent auditors.

### 2. Committee Membership

The committee shall consist of no fewer than three members. Committee members shall be appointed by the board from among its independent members who shall serve at the pleasure of the board, but only so long as he or she continues to be a directors of the corporation and is independent. Each member of the committee must satisfy such criteria of independence as the board may establish and such additional regulatory or listing requirements as the board may determine to be applicable or appropriate. Each member of the committee shall serve only so long as he or she continues to be a director of the corporation and is independent. The actual number of members shall be determined from time to time by resolution of the board.

Accordingly, each member of the committee shall be financially literate within a reasonable period of time after appointment to the committee; must be "independent" as defined in the board charter; and may not serve on more than two other public company audit committees unless the board determines that such simultaneous service would not impair the ability of the member to serve effectively on the committee. In addition, at least one member of the committee shall be an "audit committee financial expert" as defined by applicable laws.

### 3. Committee Structure and Operation

The chair and vice-chair of the committee shall be designated by the board from among the members of the committee. The committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the committee. In addition to the regular meeting schedule established by the committee, the chair of the committee may call a special meeting at any time.

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 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.

A majority of the members of the committee shall constitute a quorum thereof. Every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote.

The committee shall designate its secretary.

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.

The external auditors and the internal auditor of the corporation shall report directly to the audit committee.

The committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

The committee may establish sub-committees to carry out such duties as the committee may assign.

#### **4. Committee Activities**

The following shall be the common recurring activities of the committee in carrying out its purposes. These activities are set forth as a guide with the understanding that the committee may diverge from this guide as appropriate given the circumstances.

The committee shall:

- (a) recommend the external auditors to be appointed by the shareholders, review and recommend their remuneration to the board, approve advances on such remuneration, which shall be paid by the corporation, and oversee their work, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (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) maintain hiring policies for employees and former employees of the independent auditors.
- (f) 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.
- (g) approve the proposed current year audit program of the internal auditors and assess the results of the program after the end of each quarter.

- (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 quarterly news release of financial and operating results, the annual and quarterly financial statements of the corporation, any 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 news release and financial statements by the board of directors.
- (l) review the results of the corporation's business ethics compliance program.
- (m) review annually a summary of senior management expense accounts.
- (n) evaluate, along with the other members of the board, management, the controller, and the general auditor, the qualifications, performance and independence of the independent auditors, including the performance of the lead audit partner.
- (o) require attendances at its meetings by members of management, as the committee may direct.
- (p) undertake such additional activities within the scope of its responsibilities as it may deem appropriate.

#### **5. Committee Evaluation**

The committee will annually complete a self-evaluation of the committee's own performance and effectiveness and will consider whether any changes to the committee's charter are appropriate.

#### **6. Resources and Authority of the Committee**

The committee has exclusive authority with respect to the retention of the independent auditors described in section 4 of this charter. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the corporation. The committee also has the authority to retain outside advisors, including legal counsel, auditors, or other experts, as it deems appropriate; to approve the fees and expenses of such advisors; and to incur such other ordinary administrative expenses as are necessary or appropriate in carrying out its duties.

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## **Environment, Health and Safety Committee Charter**

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### **1. Purpose of the Committee**

The primary purpose of the safety, health and environment committee (the 'committee') is to review and provide advice, as the committee deems appropriate, regarding the corporation's policies, programs and practices on public issues of significance including their effects on safety, health and the environment.

### **2. Committee Membership**

The committee shall consist of no fewer than three members, to be appointed by the board of directors from among (a) the independent directors; and (b) the non-independent directors who are not members of the corporation's management, who shall serve at the pleasure of the board, but only so long as he or she continues to be a director of the corporation. The actual number of members shall be determined from time to time by resolution of the board. Members of the committee should be suitably knowledgeable in matters pertaining to public issues.

### **3. Committee Structure and Operation**

The chair and vice-chair of the committee shall be designated by the board from among the members of the committee. The committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution 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 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.

A majority of the members of the committee shall constitute a quorum thereof. Every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote.

The committee shall designate its secretary.

Meetings of the committee may be called by any member.

The committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

The committee may establish subcommittees consisting of one or more members to carry out such duties as the committee may delegate.

#### **4. Committee Activities**

The following shall be the common recurring activities of the committee in carrying out its purpose. These activities are set forth as a guide with the understanding that the committee may diverge from this guide as appropriate given the circumstances.

The committee shall:

- (a) review and monitor the effectiveness of the corporation's policies, programs and practices on safety, health and environment, and make such recommendations to the board with respect thereto as it may deem advisable.
- (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) undertake such additional activities within the scope of its responsibilities as it may deem appropriate.

#### **5. Committee Evaluation**

The committee will annually complete a self-evaluation of the committee's own performance and effectiveness and will consider whether any changes to the committee's charter are appropriate.

#### **6. Resources and Authority of the Committee**

The committee has the authority to retain such outside advisors, including legal counsel or other experts, as it deems appropriate, and to approve the fees and expenses of such advisors.

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## Executive Resources Committee Charter

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### 1. Purpose of the Committee

The primary purpose of the executive resources committee (the “committee”) is to discharge the board of directors' (the “board”) responsibilities relating to the evaluation and compensation of the corporation's chief executive officer (the “CEO”) and certain other key senior executive management positions reporting directly to the CEO, including all officers of the corporation, and to discharge the responsibilities of the committee under applicable rules and regulations. The committee also makes recommendations to the board regarding succession planning and development for senior executives and positions as needed.

### 2. Committee Membership

The committee shall consist of no fewer than three members, to be appointed by the board of directors from among (a) the independent directors; and (b) the non-independent directors who are not members of the corporation's management, who shall serve at the pleasure of the board, but only so long as he or she continues to be a director of the corporation. The actual number of members shall be determined from time to time by resolution of the board. Members of the committee should be suitably knowledgeable in matters pertaining to executive compensation.

### 3. Committee Structure and Operation

The chair and vice-chair of the committee shall be designated by the board from among the members of the committee. The committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution 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 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.

A majority of the members of the committee shall constitute a quorum thereof. Every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote.

The committee shall designate its secretary.

Meetings of the committee may be called by any member.

The committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

The committee may establish subcommittees consisting of one or more members to carry out such duties as the committee may delegate.

### 4. Committee Activities

The following shall be the common recurring activities of the committee in carrying out its purposes. These activities are set forth as a guide with the understanding that the committee may diverge from this guide as appropriate given the circumstances.

The committee shall:

- (a) review and approve the corporate goals and objectives relevant to the compensation of the CEO.
- (b) review data on competitive compensation practices and review and evaluate policies and programs through which the corporation compensates its employees.

- (c) at least annually evaluate the CEO's performance as measured against the goals and objectives outlined above.
- (d) approve salaries and other compensation (including supplemental compensation such as cash bonuses and incentive bonus units, long-term incentive compensation such as restricted stock units, and any other payments for service), for the CEO and other key senior executive management positions reporting directly to the CEO, including all officers of the corporation.
- (e) at least annually review succession planning and development strategies for the CEO and key senior executive management positions reporting directly to the CEO, including all officers of the corporation.
- (f) review the executive development system to ensure that it foresees the corporation's senior management requirements and provides for early identification and development of key resources.
- (g) review and approve an annual report on compensation for inclusion in the corporation's management proxy circular in accordance with applicable legal requirements.
- (h) make recommendations to the board with respect to incentive compensation plans and equity-based plans.
- (i) review proposed terms of any new incentive program and any major amendment of an existing program, and make such recommendations to the board with respect thereto as it may deem advisable.
- (j) review and report on risks arising from the corporation's compensation policies and practices for employees as required by Canadian securities regulators and stock exchanges on which the corporation's stock trades.
- (k) consider factors that could affect the independence or represent a conflict of interest on the part of any compensation consultant, independent legal counsel, or other adviser the committee may retain and report thereon as required by Canadian securities regulators and stock exchanges on which the corporation's stock trades.
- (l) require attendances at its meetings by members of management, as the committee may direct.
- (m) undertake such additional activities within the scope of its responsibilities as it may deem appropriate.

## **5. Committee Evaluation**

The committee will annually complete a self-evaluation of the committee's own performance and effectiveness and will consider whether any changes to the committee's charter are appropriate.

## **6. Resources and Authority of the Committee**

The committee and, with the approval of the committee, any member, may engage independent counsel, compensation consultants or other advisors at the expense of the corporation. The committee shall be directly responsible for the appointment, compensation and oversight of the work of any independent legal counsel, compensation consultant or other advisor retained by the committee. The committee may select outside legal counsel, a compensation consultant or other advisor (an "Advisor") to the committee only after taking into consideration all factors relevant to the Advisor's independence from management, including the following:

- the provision of other services to the corporation by the person that employs the Advisor;
- the amount of fees received from the corporation by the person that employs the Advisor as a percentage of such that person's total revenue;
- the policies and procedures of the person that employs the Advisor that are designed to prevent conflicts of interest;
- any business or personal relationship of the Advisor with a member of the committee;
- any stock of the corporation owned by the Advisor; and
- any business or personal relationship of the Advisor or the person employing the Advisor with an executive officer of the corporation.

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## Nominations and Corporate Governance Committee Charter

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### 1. Purpose of the Committee

The primary purpose of the nominations and corporate governance committee (the 'committee') is to monitor compliance with good corporate governance standards; to identify individuals qualified to become board members; to recommend to the board director nominees for election at the annual meeting of shareholders or for election by the board to fill open seats between annual meetings; to recommend to the board committee appointments for directors, including appointments as chair and vice chair of such committees; to review and make recommendations to the board regarding non-employee director compensation; and to develop and recommend to the board corporate governance guidelines applicable to the corporation.

### 2. Committee Membership

The committee shall consist of no fewer than three members, to be appointed by the board of directors from among (a) the independent directors; and (b) the non-independent directors who are not members of the corporation's management, who shall serve at the pleasure of the board, but only so long as he or she continues to be a director of the corporation. The actual number of members shall be determined from time to time by resolution of the board. Members of the committee should be suitably knowledgeable in matters pertaining to corporate governance.

### 3. Committee Structure and Operation

The chair and vice-chair of the committee shall be designated by the board from among the members of the committee. The committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution 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 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.

A majority of the members of the committee shall constitute a quorum thereof. Every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote.

The committee shall designate its secretary.

Meetings of the committee may be called by any member.

The committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

The committee may establish subcommittees consisting of one or more members to carry out such duties as the committee may delegate.

### 4. Committee Activities

The following shall be the common recurring activities of the committee in carrying out its purpose. These activities are set forth as a guide with the understanding that the committee may diverge from this guide as appropriate given the circumstances.

The committee shall:

- (a) oversee issues of corporate governance as they apply to the corporation, including the effectiveness of the system of corporate governance, and the board's relationship with management, and report to the board on such matters.

- (b) oversee the annual assessment of the effectiveness and contribution of the board, its committees and each individual director.
- (c) make recommendations to the board as to the appropriate size of the board with a view to facilitating effective decision-making.
- (d) review and recommend to the board of directors any modifications to the charters of the board or any of its committees.
- (e) review qualifications of existing directors and individuals suggested as potential candidates for director of the corporation, including candidates suggested by shareholders, and consider for nomination any of such individuals who are deemed qualified pursuant to the provisions of the board charter.
- (f) recommend to the board the nominees to be proposed by the board for election as directors of the corporation at the annual meeting of shareholders.
- (g) recommend to the board candidates for election as directors of the corporation to fill open seats on the board between annual meetings, including vacancies created by an increase in the authorized number of directors.
- (h) consider resignations tendered by directors in the event of:
  - (i) the majority shareholder's holdings falling below 50%, for any non-contested election of directors in the event a nominee standing for election by shareholders in a non-contested election receives a greater number of votes withheld from his or her election than votes for such election and, in any such case, refer the matter to the board with the committee's recommendation whether such resignation should be accepted, or
  - (ii) a change of circumstance as described in section 10(b)(ii) of the board charter.
- (i) review the remuneration of independent directors and make such recommendations to the board with respect thereto as it may deem advisable.
- (j) review present plans, programs or arrangements, and any proposed terms of any new plans, programs or arrangements, for the benefit of independent directors, and make such recommendations to the board with respect thereto as it may deem advisable.
- (k) review and recommend to the board guidelines to be adopted relating to tenure of independent directors.
- (l) provide recommendations to the board concerning committee structure of the board, committee operations, committee member qualifications, and committee member appointment.
- (m) review any allegation that an executive officer or director may have violated the corporation's Standards of Business Conduct and report its findings to the board and the general auditor.
- (n) require attendances at its meetings by members of management, as the committee may direct.
- (o) undertake such additional activities within the scope of its responsibilities as it may deem appropriate.

### **5. Committee Evaluation**

The committee will annually complete a self-evaluation of the committee's own performance and effectiveness and will consider whether any changes to the committee's charter are appropriate.

### **6. Resources and Authority of the Committee**

The committee has the authority to retain such outside advisors, including legal counsel or other experts, as it deems appropriate, and to approve the fees and expenses of such advisors. Without limiting the foregoing, the committee will have sole authority to retain and terminate any search firm to be used by the committee to identify director candidates and any consultant used by the committee to evaluate non-employee director compensation.

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## Contributions Committee Charter

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### 1. Purpose of the Committee

The primary purpose of the contributions committee (the 'committee') is to review and provide advice on the corporation's overall contributions objectives, policies and programs.

### 2. Committee Membership

The committee shall consist of no fewer than three members to be appointed by the board from among its members who shall serve at the pleasure of the board, but only so long as he or she continues to be a director of the corporation. The actual number of members shall be determined from time to time by resolution of the board. Members of the committee should be suitably knowledgeable in matters pertaining to issues relating to corporate contributions and community investment.

### 3. Committee Structure and Operation

The chair and vice-chair of the committee shall be designated by the board from among the members of the committee. The committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the committee. In addition to the regular meeting schedule established by the committee, the chair of the committee may call a special meeting at any time.

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 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.

A majority of the members of the committee shall constitute a quorum thereof. Every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote.

The committee shall designate its secretary.

Meetings of the committee may be called by any member.

The committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

The committee may establish subcommittees consisting of one or more members to carry out such duties as the committee may delegate.

### 4. Committee Activities

The following shall be the common recurring activities of the committee in carrying out its purpose. These activities are set forth as a guide with the understanding that the committee may diverge from this guide as appropriate given the circumstances.

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,
  - (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 section 4(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.
  - (c) approve the proposed budget for charitable contributions and local community contributions, as described in sections 4(a)(i) and (ii) above, of the corporation and its consolidated affiliates, 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 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 sections 4(a)(i) and (ii) above, in excess of \$300,000.
  - (f) require attendances at its meetings by members of management, as the committee may direct.
  - (g) undertake such additional activities within the scope of its responsibilities as it may deem appropriate.

#### **5. Committee Evaluation**

The committee will annually complete a self-evaluation of the committee's own performance and effectiveness and will consider whether any changes to the committee's charter are appropriate.

#### **6. Resources and Authority of the Committee**

The committee has the authority to retain such outside advisors, including legal counsel or other experts, as it deems appropriate, and to approve the fees and expenses of such advisors.

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## Appendix B – Shareholder proposals

The company is required by applicable law to set forth the shareholder proposals and related supporting statements in its management proxy circular. The following shareholder proposals and supporting statements represent the views of the shareholders submitting them.

**For the reasons set forth below, the Board recommends that shareholders vote AGAINST each shareholder proposal.**

### Proposal No. 1 – Report on Lobbying

The following shareholder proposal was submitted by OceanRock Investments Inc., for consideration at the annual meeting of shareholders:

Whereas, full disclosure of our company's direct and indirect lobbying activities and expenditures will allow investors to assess whether the Company's lobbying is consistent with the company's expressed goals and in the best interests of the shareholders;

Resolved, shareholders request the Board prepare a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments or dues paid by the Company that may be used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. The Company's membership in and/or payments to any tax-exempt organization in Canada or the USA that writes and endorses model legislation or advocates for policy change.
4. Description of the decision making process and oversight by management and the board for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation, regulation, or government policy (b) reflects a view on the legislation, regulation or policy and (c) encourages the recipient of the communication to take action with respect to the legislation, regulation or policy. "Indirect lobbying" is lobbying engaged in by a trade association or other organization for which the Company is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include lobbying at the local, provincial, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

**The Board recommends voting AGAINST this proposal for the following reasons:**

It is Imperial's policy to communicate information and views on issues of public concern that have an important impact on the company. In doing so, Imperial complies with all provincial and federal lobbying statutes in the jurisdictions in which it lobbies. The associated lobby registries where Imperial's activities are reported are publicly available. The company has a rigorous compliance program and approval process in place with respect to communications with government officials. For more details refer to Imperial's Political Activities Policy in its *Standards of Business Conduct* at Imperialoil.ca.

Imperial does not engage in direct grassroots lobbying communications. The company is a member of various trade and business associations that may engage in the regulatory or public policy process, as appropriate. The company's support is predicated on each association's expert contribution to the public debate to develop sound policy that supports a competitive business environment in Canada.



Historically, the company has made nominal political contributions in jurisdictions where the company has operated. More recently, as legislation has evolved, the company has discontinued its political contributions.

Imperial's efforts with respect to lobbying comply fully with the spirit and letter of all disclosure requirements. The company believes these existing laws are appropriately broad and provide the necessary transparency.

## Proposal No. 2 – Report on Water - Related Risks

The following shareholder proposal was submitted by Fonds de Solidarité des Travailleurs du Québec (FTQ) for consideration at the annual meeting of shareholders:

### WHEREAS:

Managing and reporting on water-related risks and opportunities helps companies compete in a business environment characterized by finite natural resources, a changing climate, regulatory development and heightened public expectations of corporation behavior.

The World Economic Forum Global Risk Report consistently names water as a top risk to the global economy. Unpredictable weather patterns and increasing agricultural and industrial demands are expected to exacerbate regional water security. A recent study warns that Canada's watersheds are facing serious threats from pollution and climate change.<sup>1</sup> The United Nations Sustainable Development Goals, adopted in 2015, call for substantial increases in water use efficiency across all sectors to ensure sufficient supplies of clean water. Water increasingly poses risks to long-term shareholder value, and without proper disclosure, investors cannot ascertain whether a company is managing its exposure to these risks.

As one of the largest integrated oil companies in Canada, Imperial Oil could face exposure to physical, regulatory and reputational water-related risks across its business segments. Risks could include, for example, drought that limits access to freshwater and results in operational delays or tailing pond failures that contaminate nearby water bodies and result in significant cleanup costs.

CDP Water provides a comprehensive framework for companies to analyze and report on water risks in their business operations. CDP's water information request is backed by 643 investors with over US\$67 trillion in assets. In 2017, many of the company's peers responded to the CDP water questionnaire, including Cenovus Energy and Husky Energy. Imperial lags behind, having declined to answer the CDP water questionnaire since 2010. The company currently provides very limited information to investors describing the company's water risks and water risk management. The process of risk assessment and disclosure to investors will help the company to identify and take action against emerging risks and opportunities and gain strategic value from its existing efforts.

### RESOLVED:

That Imperial Oil Limited ("Imperial") respond to the CDP Water information request in 2018 or issue a stand-alone report to shareholders (at a reasonable cost and omitting proprietary information) detailing the company's assessment of its water related-risks and its mitigation plan related to those risks.

### *Supporting statement*

The report should include the following elements:

- Facility level data on water withdrawals, discharges and sources of water;
- The company's water-related risk assessment procedure, coverage, scale, frequency, and timeframe considered;
- The company's exposure to water risks that could generate a substantive change in its business, operations, revenue or expenditure and the proportion this represents of total operations company-wide;
- The highest level of direct responsibility for water within the company;
- How the company has integrated water into its business strategy;
- The company's water policy that sets out clear goals and guidelines for action;
- Company-wide targets (quantitative) or goals (qualitative) related to water.

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<sup>1</sup> WWF Canada. (2017). Watershed Reports: A national assessment of Canada's freshwater.

**The Board recommends voting AGAINST this proposal for the following reasons:**

Imperial takes water use and conservation seriously in all aspects of its operations. The company's water management principles are to protect human health and the environment, consider local water needs when addressing operational requirements, continuously improve capabilities and performance, and engage stakeholders in the development of sustainable water solutions. The company identifies and manages water resource risks through its Operations Integrity Management System (OIMS), which provides a systematic, structured and disciplined approach to manage and mitigate those risks and to hold management accountable across business lines, facilities and projects.

Imperial supports provincial initiatives like Alberta's "Water for Life" strategy, as well as industry initiatives such as COSIA's water intensity goals for in situ and mining operations. The company has industry leading subject matter experts and actively participates in Canadian Association of Petroleum Producers, COSIA, and the Alberta Water Council advocating for risk based evaluations using sound science. It also conducts research through its dedicated research facilities to find innovative ways to reduce its environmental footprint, including water conservation initiatives.

Imperial has regulatory-imposed water limits, and regularly reports water withdrawals, discharges and water use limits to regulatory bodies and trade associations. The company also includes information on water resource management on its website and within the company's Corporate Citizenship Report. Further, the Alberta Energy Regulator reports on industry water use, and is finalizing the second phase of its water reporting initiative to include company-specific water intensities for oil and gas activities in Alberta.

Imperial believes its management and disclosure with respect to water resources and risk provides the necessary transparency.



Imperial



Esso<sup>™</sup> Mobil<sup>™</sup>