Suncor Energy’s goal is to be Canada’s premier integrated energy company. Suncor’s operations include oil sands development and upgrading, conventional and offshore oil and gas production, petroleum refining, and product marketing under the Petro-Canada brand. While working to develop petroleum resources responsibly, Suncor is also developing a growing renewable energy portfolio.

**About Suncor’s 2012 Report on Sustainability**

Suncor’s 2012 report includes consolidated social, economic and environmental data on our operated assets. For more information on assets refer to the Performance Measures section in the online version of our report. Economic data that align with Suncor’s 2011 annual report are reported in a consistent manner. The following report on sustainability was created using the Global Reporting Initiative (GRI) G3 Guidelines to the GRI checked A+ application level. GRI’s Application Level Check Statement can be found online in the About Suncor section. Selected performance indicators for the year 2011 were independently reviewed using the Global Reporting Initiative G3 guidelines. The results of this review can be found on the online version of our report within the Third Party Assurance section.

Stakeholder feedback is also an integral part of developing this report. As in previous years, Suncor enlisted the guidance of Ceres, a network of investors, labour, environmentalists and other public interest groups to help ensure our report is relevant and meaningful. We thank Ceres and the participating stakeholders for their assistance in creating the 2012 Report on Sustainability.

For a full report including performance data, as well as a discussion of challenges and opportunities, visit suncor.com/sustainability.
Perspectives: Creating our energy future together

2011 was certainly a notable year for Suncor. As we implement our strategic growth plan, Suncor intends to remain true to its long-standing vision of a triple bottom line. That means we will continue to manage our business in ways that enhance social and economic benefits, while striving to minimize the environmental impacts associated with energy development.

Suncor’s Report on Sustainability documents our progress on a wide range of environmental and social issues. The report focuses on how we’re striving to make Suncor a sustainability leader in the energy sector.
Performance at a glance

As a responsible energy developer, Suncor strives for excellence in economic, social and environmental performance. Below is a snapshot of our priorities in 2011 and how we performed.

Pursue zero injuries

The frequency of employee lost time injuries and recordable injuries continued to decline as employees and contractors embraced our Journey to Zero safety culture. 2011 was a peak year for implementing a set of clear and consistent Process Safety standards across Suncor’s operations, a program we expect to complete by 2013. Process Safety is targeted at the prevention of incidents that can result in significant injuries or fatalities, as well as environmental, health and property damage.

Reduce our environmental footprint

Suncor made progress on each of its four environmental performance goals to improve energy efficiency, achieve absolute reductions in fresh water consumption and air emissions, and increase land reclaimed by 2015. We continued to implement our TRO™ tailings management approach that is expected to dramatically accelerate the reclamation of tailings ponds and mined lands and reduce the need for future tailings ponds. We also made significant advances in our Oil Sands Water Strategy –
a systems-wide approach aimed at reducing our water withdrawal, increasing recycling of wastewater and tailings water and limiting overall tailings containment.

**Address the climate change challenge**

Absolute greenhouse gas (GHG) emissions at Suncor’s mineable Oil Sands stayed relatively stable in 2011, while emissions intensity declined by 13 per cent compared to 2010. Achieving these results in a year when Oil Sands posted record production reflects improved reliability and productivity of our operations – key objectives of our corporate-wide operational excellence strategy.

Suncor completed a $120 million expansion of our ethanol production facility and brought two additional wind power projects on stream in 2011 as part of our ongoing commitment to invest in renewable energy.

Suncor sponsored a series of public workshops in 2011 to advance energy literacy and a systems-based approach to addressing energy and environmental challenges, including climate change.
Promote social responsibility

Suncor launched a bold new approach to investing in communities that will be phased in over the next five years. The focus of our strategy is to target investments to help communities near Suncor's operations grow, thrive and become sustainable. We also developed and adopted a new strategy to provide a more co-ordinated approach to working with Aboriginal businesses and communities to advance mutually beneficial economic development.

Suncor adopted and began implementing a new Human Rights Policy across our operations. We also participated in a United Nations Global Compact pilot project that helped us identify and address gaps in our stakeholder relations and community investment practices, particularly as these related to operating in high-risk and conflict-affected areas.

Generate prosperity and opportunity

In 2011, royalties paid by Suncor totalled approximately $2.27 billion, including $779 million directed to Alberta government oil sands royalties. Suncor also paid more than $900 million in taxes to governments in Canada.

Suncor is aiming to reduce fresh water consumption by 12 per cent by 2015.
and internationally, and spent $10.9 billion* on goods and services. Our supply chain spending showed we had vendors in all 10 Canadian provinces as well as the Northwest Territories and the Yukon.

**Advance collaboration**

As part of the Oil Sands Leadership Initiative (OSLI), Suncor worked closely with five like-minded companies to advance new technologies aimed at improving industry’s environmental and social performance. This collaboration continued with the formation of Canada’s Oil Sands Innovation Alliance (COSIA) earlier this year. For details on COSIA, please see page 16 of this report.

* Excludes spend on goods and services in Libya and Syria.

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On the web: For our full report on our performance, including performance data, visit suncor.com/sustainability.
## 2012 environment progress report

<table>
<thead>
<tr>
<th><strong>FOCUS AREA</strong></th>
<th><strong>2011–12 GOALS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td><strong>Environmental excellence plan</strong></td>
</tr>
<tr>
<td>[ ] Continue EEP development.</td>
<td></td>
</tr>
<tr>
<td>[ ] Provide numerical updates on progress toward environmental excellence goals.</td>
<td></td>
</tr>
<tr>
<td>[ ] Integrate growth into the EEP plan.</td>
<td></td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Reduce fresh water consumption by 12% by 2015*</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Increase reclamation** of disturbed land area by 100% by 2015*</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Improve energy efficiency*** by 10% by 2015*</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td>[ ] Develop an oil sands regional water strategy implementation plan.</td>
<td></td>
</tr>
<tr>
<td>[ ] Assess potential for using EIMS to capture retail site, office building water data.</td>
<td></td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Reduce air emissions (nitrogen oxides, sulfur oxides and volatile organic compounds) by 10% by 2015*</td>
</tr>
<tr>
<td><strong>Land and biodiversity</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td>[ ] Plant five millionth tree on reclaimed lands.</td>
<td></td>
</tr>
<tr>
<td>[ ] Assess potential for using EIMS to capture land use data.</td>
<td></td>
</tr>
<tr>
<td><strong>Renewable energy</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td>[ ] Bring Wintering Hills, Kent Breeze projects on stream.</td>
<td></td>
</tr>
<tr>
<td>[ ] Use EIMS to track the carbon amounts displaced from wind projects.</td>
<td></td>
</tr>
<tr>
<td><strong>Tailings</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td>[ ] Complete commercial implementation across existing operations.</td>
<td></td>
</tr>
<tr>
<td>[ ] Work toward fluid tailings reduction targets.</td>
<td></td>
</tr>
<tr>
<td>[ ] Advance tailings management through collaboration.</td>
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</tbody>
</table>

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* The base year for the planned improvements is 2007. The goals were established in 2009. Goals are for operated assets only.

** Reclaimed oil sands lands have not been certified as such by government regulators. For further details on definition of reclaimed, see legal notice at the end of this publication.

*** Suncor has developed a 2015 energy efficiency performance target and a complementary longer-term energy intensity goal. For further details please visit the website below.

On the web, suncor.com: Further details on each goal and the associated performance metrics:
About Suncor/What Guides Us/Environmental Performance Goals and Progress.
These progress reports provide details on Suncor's environmental and social performance. For detailed information about Suncor's economic performance visit suncor.com and read our 2011 Annual Report.

<table>
<thead>
<tr>
<th>2011–12 RESULTS</th>
<th>2012–13 GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• First progress report on environmental performance goals included in 2011 Report on Sustainability.</td>
<td>• Continue EEP development and implementation.</td>
</tr>
<tr>
<td>• Oil Sands Ventures representatives added to Environmental Excellence Leadership steering team.</td>
<td>• Execute projects identified to support environmental performance goals.</td>
</tr>
<tr>
<td>• Increased utilization of the Environmental Excellence Fund (EEF) in 2011.</td>
<td>• Begin process to develop next round of environmental performance goals.</td>
</tr>
<tr>
<td>• Projects supporting environmental performance goals identified.</td>
<td>• Considered Water Principles implementation in the context of company-wide water strategy.</td>
</tr>
<tr>
<td>• Identified water risks, opportunities at oil sands.</td>
<td>• Develop an oil sands regional water strategy implementation plan.</td>
</tr>
<tr>
<td>• Expanded recycling treated wastewater to reduce fresh water use at oil sands.</td>
<td>• EIMS implementation continuing, with all sites slated for water module completion by end of Q1 2013.</td>
</tr>
<tr>
<td>• EIMS implementation of water module deferred to 2012.</td>
<td>• Implement energy management system at Montreal and Edmonton refineries.</td>
</tr>
<tr>
<td>• Successfully marked planting of five millionth tree on oil sands site using local seed stock.</td>
<td>• Revisit future growth project designs to evaluate GHG reduction opportunities.</td>
</tr>
<tr>
<td>• Wildlife observed returning to reclaimed lands include red fox, mule deer, sharp tailed grouse, black bear and Canadian Toad.</td>
<td>• Advance work on GHG abatement technologies through CMC, ICO2N, CCP3 and other groups.</td>
</tr>
<tr>
<td>• Implemented energy management system at Commerce City refinery.</td>
<td>• Schedule the assessment of using EIMS for GHG forecasting.</td>
</tr>
<tr>
<td>• Active on CMC board – and placed industry representative on research management committee.</td>
<td>• EIMS implementation continuing with remaining sites slated for completion by Q1 2013.</td>
</tr>
<tr>
<td>• EIMS implementation of air emissions module completed at most sites.</td>
<td>• Continue to invest in equipment and technology to achieve emissions reductions.</td>
</tr>
<tr>
<td></td>
<td>• Continue to improve air emissions inventory.</td>
</tr>
<tr>
<td>• Completed ethanol plant expansion.</td>
<td>• Evaluate new opportunities to build renewables portfolio, with projects in various states of development.</td>
</tr>
<tr>
<td>• Wintering Hills, Kent Breeze wind power projects brought online.</td>
<td>• On track to complete more than $1 billion of infrastructure work to implement TRO™ process at oil sands.</td>
</tr>
<tr>
<td>• EIMS tool leveraged to track wind project carbon displacements.</td>
<td>• Approach has enabled cancellation of plans for five additional tailings ponds.</td>
</tr>
<tr>
<td></td>
<td>• Shared some proprietary rights to TRO™ process with OSLI.</td>
</tr>
<tr>
<td></td>
<td>• Continue work toward fluid tailings reduction targets, and advance tailings management through collaboration with groups like OSTC, OSLI and COSIA.</td>
</tr>
</tbody>
</table>
## 2012 social progress report

### FOCUS AREA

<table>
<thead>
<tr>
<th>Social</th>
<th>2011–12 GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety, health and security</td>
<td></td>
</tr>
<tr>
<td>• Continue to implement, sustain Journey to Zero through networks, leading/lagging metrics and governance.</td>
<td></td>
</tr>
<tr>
<td>• Continue to implement, sustain PSM through networks, leading/lagging metrics and governance.</td>
<td></td>
</tr>
<tr>
<td>• Implement sustainability employee engagement plans.</td>
<td></td>
</tr>
<tr>
<td>Social responsibility</td>
<td></td>
</tr>
<tr>
<td>• SIMS implementation across all businesses.</td>
<td></td>
</tr>
<tr>
<td>• Implementation of Aboriginal affairs strategy with a focus on human resources, business development.</td>
<td></td>
</tr>
<tr>
<td>• Complete sustainable development and human rights policy, frameworks.</td>
<td></td>
</tr>
<tr>
<td>• Implement external issues management process.</td>
<td></td>
</tr>
<tr>
<td>Community investment</td>
<td></td>
</tr>
<tr>
<td>• Implement new community investment strategy internally, externally.</td>
<td></td>
</tr>
<tr>
<td>• Implement key action plans for the Wood Buffalo Capacity Building Initiative in conjunction with University of Waterloo and Wood Buffalo community leadership.</td>
<td></td>
</tr>
<tr>
<td>• Facilitate collaborative community dialogues in at least two key focus areas.</td>
<td></td>
</tr>
</tbody>
</table>
These progress reports provide details on Suncor’s environmental and social performance. For detailed information about Suncor’s economic performance visit suncor.com and read our 2011 Annual Report.

### 2011–12 RESULTS

- The lost time injury frequency among Suncor employees and contractors declined from a rate of 0.11 in 2010 to a rate of 0.06 in 2011 – an improvement of 45%.
- The recordable injury frequency rate also declined, from 0.85 in 2010 to 0.73 in 2011 – a 14% improvement.
- Suncor’s Process Safety program hit its peak in 2011 as the first site completed its implementation and the final three sites ramped up their plans for 2012.
- Continued implementation of Stakeholder Information Management System (SIMS) in business units.
- In 2011, Suncor began implementing a new Aboriginal Relations policy and also developed a new Aboriginal Economic Collaboration strategy.
- Adopted a new Human Rights policy and began implementing it across operations as part of a broader Human Rights framework and Sustainability framework.
- Participated in a United Nations Global Compact pilot project that helped identify gaps in existing human rights, stakeholder relations and community investment policies and procedures.
- Stakeholder training modules and Stakeholder Relations guidelines developed.
- Worked with Sustainable Development to align an external issues management process.
- Launched new approach to investing in communities in 2011 (for further information, including more examples of projects already being funded under our five priority areas, visit our website at suncor.com/community).
- The SunCares Employee Grants program provided more than 1,900 grants to help 990 organizations by distributing nearly $1.03 million.
- In 2011, Suncor’s United Way campaign raised more than $6.2 million, including contributions from the Suncor Energy Foundation.
- Suncor’s contribution to humanitarian relief efforts in 2011 totalled more than $258,000.

### 2012–13 GOALS

- Seek to eliminate all workplace incidents.
- Continue to implement, sustain Journey to Zero through networks, leading/lagging metrics and governance.
- Develop separate guidelines to address the challenges of implementing Suncor’s Human Rights policy in conflict-affected areas.
- Create formal grievance mechanism within Stakeholder Relations framework.
- Continue to develop and refine an effective tool for assessing social risks.
- Develop and launch Aboriginal training programs.
- Develop Aboriginal employment strategy.
- Develop an implementation plan and pilot the Aboriginal Economic Collaboration strategy.
- Participate in the development of an end-to-end process for issues management.
- Conduct stakeholder research.
- Continued implementation of the new community investment strategy in Suncor’s business units and key communities.
- Strengthen communities by cultivating community leaders.
- Support building skills and knowledge for the current and future workforce.
- Foster the ability to think creatively through inspiring innovation.
- Build employee and volunteer capability by engaging citizens in community activities.
Suncor’s latest *Report on Sustainability* arrives at a pivotal moment. Rarely have the challenges – and opportunities – of energy development been as clear-cut as they are today. Yet the debate over our shared energy future has never been so polarized. Clearly, it’s time for fresh perspective.

Global energy demands are rising, but constructive, fact-based dialogue about meeting those demands seems sorely lacking. Whether the subject is climate change policy, pipelines or preferred energy sources, everyone is so busy taking sides we forget that, when it comes to responsibly developing tomorrow’s energy mix, we all need to be on the same team.

All of us – industry, governments, researchers, consumers, environmental and social advocates and other stakeholders – have a role to play in mapping our energy future. What’s required is a renewed commitment to serious engagement, improved collaboration and mutual respect as we seek common solutions to shared challenges.

As a starting point, I believe we need to get “back to the basics” by focusing on sustainable development, namely the triple bottom line.

Sustainable development – the visionary concept that advocates resources being produced and used in ways that generate economic growth, create social benefits and minimize the impact on the environment – has guided decision-making at Suncor for almost two decades.

A lot has changed during that time, as Suncor grew into Canada’s largest integrated energy company. But through it all, a sustainability vision served us well, encouraging early and proactive moves on climate change and renewable energy; investment in technology to improve operational reliability and environmental performance; and firm commitments to stakeholder engagement, community investment, and respecting human rights wherever we operate.

The genius of sustainable development is that it forces everyone to consider energy challenges and opportunities from multiple perspectives. That’s because the model is a three-legged stool: cut any of those legs short and the balance required to support it is gone.

So if too much emphasis is put on short-term economic gain at the expense of promoting strong communities or a healthy environment, long-term economic costs are almost certain to occur. Frankly, our industry flirted with this kind of imbalance in the middle part of the last decade when oil sands producers, along with the rest of the Alberta economy, got caught up in a period of hyper-inflated, unsustainable growth.
Similarly, if we look at energy development solely through an environmental lens, other untenable implications emerge. For example, if calls to severely curtail oil sands development were heeded, it could have unintended consequences. The economic wealth generated by responsibly developing this resource base provides today’s social benefit of good jobs and government revenues – while also generating the investment capital needed to help realize tomorrow’s environmental technologies and new energy sources.

So if the sustainability model is our strongest tool for achieving a more sustainable energy future, how do we best wield that tool? In one word: collaboration.

It’s so easy to remain in our respective silos, defending our own interests. It’s much harder to imagine what true progress looks like and build the bridges that will allow us to move forward together.

One important level of collaboration in relation to the environment is with industry peers. The recent formation of Canada’s Oil Sands Innovation Alliance (COSIA) is an outstanding example.

COSIA brings together 12 of the largest companies involved in Canada’s oil sands with a direct focus on performance improvements on four key environmental challenges: tailings, water, land and greenhouse gas emissions. Member companies have agreed to break down some of the barriers of funding, intellectual property and human resources that sometimes impede the discovery and implementation of breakthrough technologies in these areas.

COSIA is building and expanding on the progress made in recent years by several industry research and development organizations. By setting clear environmental goals, and working together to achieve real solutions, this new and larger alliance is taking collaboration and sustainable development to the next level.

But collaboration on our shared energy future must go well beyond industry alliances. That’s why Suncor participates in a number of multi-stakeholder organizations focused on continuous improvements in environmental and social performance. It’s also why our company remains a proactive advocate of developing a Canadian sustainable energy strategy – one that assesses the nation’s long-term energy requirements and identifies the mix of proven and potential energy sources that can best meet those demands.

For such a strategy to succeed, we will need to engage every sector of our economy and all of our citizens in an informed dialogue about the role responsible energy development can play in supporting the kind of society we want to create. How can our energy strengths today – including the massive potential of the oil sands – bridge us to a stronger energy future? And in addition to making all forms of energy production more sustainable, how can we use energy more wisely as we plan our cities, heat our homes and offices and operate our transportation vehicles?

Suncor’s continued support for the United Nations Global Compact (UNGC) and the implementation of the UNGC’s 10 principles led to another kind of collaboration in 2011 as we participated in the Global Compact’s pilot project on Responsible Business to ensure we are meeting the guideline principles in the most robust way possible. The pilot project also helped inform Suncor’s new Human Rights policy, which we adopted and began implementing in 2011.

While we explore avenues for improved collaboration, Suncor will continue to lead by example. Our annual Report on Sustainability is a thorough and candid account of Suncor’s performance and the challenges we continue to face. It also updates Suncor’s progress on our own performance goals to achieve “beyond compliance” reductions by 2015 in four key areas: water use, land disturbance, energy efficiency and air emissions.

At Suncor, we’ve always seen this report as more than just a corporate document; our hope is that it can also stimulate constructive dialogue on the challenges and choices associated with energy development. To that end, we’ve taken steps to make this year’s report more interactive so you can give us your feedback and keep the discussion going.

I’ve always believed the best conversations start by listening to the other person’s point of view. And though we may not agree on everything, we must agree on this: no one has a monopoly on good ideas. With a commitment to excellence and innovation, together we can build the sustainable energy future we all desire.

Steve Williams
President and chief executive officer
Environmental performance

Responsible energy development means minimizing our impact on precious water, land and air resources.
Suncor’s environmental performance goals

In 2009, we committed to a series of strategic environmental performance goals. All of the proposed reductions are absolute, except for energy efficiency, which is intensity-based. These performance goals are challenging and will require significant resources (capital investments and people) and focus. Our approach will be to assign the right resources at the right time. Projects and initiatives supporting the goals have and will continue to be identified. Project execution and operational excellence is key to closing gaps and achieving the goals.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Environmental performance goal*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>Reduce fresh water consumption by 12% by 2015</td>
</tr>
<tr>
<td>Land</td>
<td>Increase reclamation of disturbed land area by 100% by 2015</td>
</tr>
<tr>
<td>Energy efficiency**</td>
<td>Improve energy efficiency by 10% by 2015</td>
</tr>
<tr>
<td>Air emissions</td>
<td>Reduce air emissions by 10% by 2015</td>
</tr>
</tbody>
</table>

* The base year for the planned improvements is 2007. The goals were established in 2009 and our business units address them in the annual business and capital allocation planning cycles.

** Suncor has developed a 2015 energy efficiency performance target and a complementary longer term energy intensity goal. For further details please visit the website below.

Emerging climate change policies indicate that our goal of improving energy efficiency at our facilities remains a relevant and appropriate goal. Advancement in technology is essential to making larger improvements in the long term. Suncor is working with industry partners through organizations such as COSIA to accelerate the pace of improvement in environmental performance.

On the web: Further details on each goal and the associated performance metrics: About Suncor/What Guides Us/Environmental Performance Goals and Progress.

Water

Water affects every aspect of Suncor’s business. We use water to separate the bitumen from the oil sands in our mining operations. In some cases, we use ground water and treated wastewater to help provide steam at our in situ oil sands facilities. Our refineries draw on various water sources – including, in the case of our Edmonton refinery, recycled municipal wastewater from a nearby treatment plant. Our offshore operations rely almost entirely on seawater.

Suncor is committed to using water wisely and well. We recycle, reuse and look for alternative water sources whenever possible. About 75 per cent of the water used at our oil sands mining operations is recycled tailings water. More than 90 per cent of the water at our in situ facilities is recycled, and we use mostly saline groundwater or recycled wastewater from our oil sands mining operations as makeup sources.

Oil sands mining represents Suncor’s biggest draw on fresh water resources. But we’ve made significant progress in reducing our water demand. Suncor’s gross fresh water withdrawal from the Athabasca River has declined by 50 per cent since 2004. Water withdrawal is below 1998 levels, even though bitumen production has nearly tripled. In 2011 alone, Suncor’s fresh water withdrawal from the Athabasca River decreased 22 per cent from 2010.

A key benchmark of progress is the amount of water consumed for each barrel of oil produced – or water consumption intensity. Water consumed is the quantity of water used and not returned to its proximate source or no longer available for use. In 2011, Suncor’s oil sands mining operations consumed 1.25 cubic metres of river water and groundwater to produce one cubic metre of oil – a 70 per cent reduction in water consumption intensity since 2003. Suncor’s water consumption intensity in 2011 was 39 per cent lower than in 2010.

(continued on next page)
In 2011, Suncor made significant progress in advancing our Oil Sands Water Strategy, aimed at achieving continuous improvements in water use across our mining, in situ and upgrading operations. In particular, we are working to further reduce freshwater withdrawal; increase recycling of wastewater and tailings water; and limit tailings water containment. We are beginning to execute a suite of projects to help us achieve those objectives.

For example, in 2011 we commissioned a project to take wastewater from our upgrading ponds and reuse it as makeup water in a delayed coker. A second project recycled water from our upgrading ponds for utility water. The next step is to build the infrastructure to send treated tailings water from our oil sands mine for reuse in our Firebag operation – a project slated for implementation in 2013. That same year, we expect to begin operating a new $150 million wastewater treatment facility that will allow us to take wastewater from our upgrading pond and reuse it in our operations or return it to the environment. At that point, we expect to have reduced our river water withdrawal by about 75 per cent compared to 2007.

We also took positive steps in 2011 toward developing a regional approach to optimize water management practices well beyond our plant gates. In particular, we worked with other oil sands producers to advance opportunities to recycle tailings water from a number of oil sands mining operations to replace groundwater currently used as makeup water to generate steam at most of the region’s in situ operations.

**Air**

Suncor is committed to managing air quality near our operations and is working on achieving a 10 per cent absolute reduction in air emissions (nitrogen oxides, sulphur oxides and volatile organic compounds) by 2015 as compared to 2007. Overall, total reported air emissions in 2011 decreased by 17 per cent compared to 2010 levels. This was primarily due to the full effect of the 2010, and partial realization of the 2011, divestments of non-core assets within our Exploration & Production business unit, as well as the installation of a key air pollution control technology within our In Situ business unit – and an improved methodology update for a significant emissions source within our oil sands business.
Land and biodiversity

Since oil sands production began in 1967, Suncor has disturbed 20,023 hectares of land through our mining operations. As of the end of 2011, we had reclaimed* 1,439 hectares, or about seven per cent of the total. Our goal is to return all disturbed lands to as close to a natural state as possible.

Between 2010 and the end of 2012, Suncor expects to have spent more than $1 billion to implement our new TRO™ process, which is expected to significantly accelerate the rate of land and tailings reclamation, eliminate the need for new tailings ponds at existing mine operations and, in the years ahead, reduce the number of tailings ponds at the present mine site. Suncor is targeting a 100 per cent increase in land area reclaimed* by 2015.

In September 2011, Suncor marked the planting of the five millionth tree on our oil sands site.

Canada’s boreal forest is home to the oil sands, and Suncor strives to protect this valuable ecosystem. We work with the Alberta Conservation Association to voluntarily conserve environmentally sensitive boreal habitats. Suncor is also a member of the Boreal Leadership Council, comprised of conservation groups, First Nations, resource companies and financial institutions with a stake in the future of Canada’s boreal forest. Council members are signatories to the Boreal Forest Conservation Framework – a groundbreaking national conservation vision.

In 2011, Suncor continued to work collaboratively with the other five member companies of the Oil Sands Leadership Initiative (OSLI) to address the cumulative impacts of development. OSLI continued to refine a new database and modelling tool to better understand how today’s reforestation and reclamation work will affect the health of tomorrow’s boreal forest. We also participated in several initiatives to address forest fragmentation, which is caused by linear disturbances such as seismic lines and pipeline corridors, and affects the habitat of woodland caribou and other wildlife. In 2011, OSLI strategically planted 600,000 trees in disturbed areas across the oil sands region.

* Reclaimed lands have not been certified as such by government regulators. For further details on definition of reclaimed, see legal notice at the end of this publication.
Collaboration
Creating our energy future together

As Suncor prepared its latest Report on Sustainability, it was impossible to ignore the increasingly polarized nature of the public debate over energy policy. At a time of significant energy and environmental challenges, collaboration often seemed to be taking a back seat to confrontation. As a result, we decided to focus on the theme of “Creating our energy future together.”

In this print edition of our 2012 Report on Sustainability – and in much greater detail in the website version of the same report – readers will find several examples of how energy companies are collaborating with each other, and with stakeholders, to improve environmental and social performance. There has been significant progress, but much more needs to be done, particularly in terms of engaging industry, governments, consumers and everyone else with a stake in our energy future in a reasonable, fact-based dialogue on the path forward.

The good news is that, at the industry level, the momentum toward positive collaboration on the environment has never been stronger. This was reinforced by the March 2012 formation of Canada’s Oil Sands Innovation Alliance (COSIA), an alliance of 12 companies representing 80 per cent of Canadian oil sands production. COSIA will build on the work of other environmental collaborative industry organizations, including the Oil Sands Leadership Initiative, which Suncor helped found in 2010. But we believe COSIA involves a level of collaboration that’s unprecedented anywhere in the global energy industry.

Why do we think that? First, there’s the potential to share research and best practices. Then there’s the commitment to set and meet specific environmental performance goals – until now, Suncor has been the only oil sands company to do that. Finally, oversight of COSIA will, for the first time, come directly from the CEOs of the member companies – people with a knack for getting things done.

Significantly, COSIA is also expected to draw on the input and knowledge of governments, scientists, academics and Aboriginal and community groups, among others. This is critical because, in recent years, there’s actually been a decline in effective multi-stakeholder engagement in the energy policy sphere – an unfortunate casualty of the polarization that sometimes sees short-term tactical considerations prevail over what makes sense in the longer term.

Whether you are an oil sands producer or a Greenpeace activist, we all basically want the same things – to build a strong society with vibrant communities, a healthy environment and educational and job opportunities for our kids. When it comes to our shared energy future, we need to get beyond our differences to what unites us. We need to build bridges rather than walls.

Gord Lambert
Suncor’s vice president, Sustainability
What’s still largely missing is broad public engagement in the debate over our shared energy future. That’s why, for example, Suncor has been such a strong proponent of a national discussion on a long-term sustainable energy strategy for Canada. What we all have in common is that we use energy in various forms every minute and every day. Therefore, we should all have a say in mapping our energy future.

Suncor has a strong track record of engaging with the communities where we operate and with all our stakeholders, including critics of the oil sands industry. We believe no one has a monopoly on good ideas and that a big part of our job is to listen closely to stakeholders’ concerns and respond in a timely and appropriate manner. But engagement is a two-way street.

“I’m concerned so much recent public discourse has taken a negative tone,” says Suncor’s Gord Lambert, vice president, Sustainability. “It’s so easy to stay in our silos, lobbing verbal grenades at each other. It’s much harder to work on real solutions to our energy and environmental challenges and have a positive vision of what the future can look like. It’s harder – but it’s also essential.”

“I also firmly believe that having a positive, optimistic vision of what the future can look like really helps when working to solve difficult challenges.”

Gord Lambert

An integrated approach to climate change

Suncor believes addressing the climate change challenge is both a corporate and a societal responsibility. We work within our plant gates to improve energy efficiency, invest in renewable energy and better manage our greenhouse gas (GHG) emissions.
Increasingly, we also collaborate with industry peers, governments, researchers, academics and other stakeholders on emissions-reducing technologies and opportunities. We understand that making meaningful progress on climate change involves fundamental choices about how societies produce, use and distribute energy.

Suncor’s climate change action plan

Suncor recognized early on that climate change would be an important issue for our company and our stakeholders. That’s why we introduced a seven-point action plan in 1997. Guided by this plan, we’ve made substantial progress in reducing the overall carbon intensity of our operations (i.e., the amount of carbon emitted for each barrel or cubic metre of oil produced). We’ve also made significant investments in renewable energy and in research on potential long-term solutions to deal with increases in absolute GHG emissions associated with industry growth.

A snapshot of our progress on the seven-point plan in 2011:

1. **Manage our own emissions:** Continued improvements in reliability and productivity, particularly in our Oil Sands operations, produced further emissions intensity reductions (for details see the 2011 GHG Performance section).

2. **Develop renewable sources of energy:** Suncor opened two new wind power farms in 2011; we now operate six wind projects in three provinces. We also doubled the capacity of our ethanol production plant near Sarnia, Ont.

3. **Invest in environmental and economic research:** Suncor continued to work through organizations like the Integrated CO₂ Network (ICO₂N), Carbon Management Canada (CMC) and the CO₂ Capture Project (CCP) to advance potential long-term climate change solutions, including carbon capture and storage (CCS).

4. **Use domestic and international offsets:** Suncor’s wind farm joint ventures continued to generate offset credits, and we remained involved in a number of emissions trading initiatives.

5. **Collaborate on policy development:** Suncor continued to consult with provincial, state and federal governments on energy and climate change policy (for details see the Public Policy Participation section below).

6. **Educate employees and the public:** Suncor sponsored a series of Pollution Probe workshops designed to advance energy literacy and a systems-based approach to thinking about energy.

7. **Measure and report our progress:** Suncor files annually on our GHG emissions to provincial, state and federal authorities. We continue to report our overall progress on managing GHG emissions to all stakeholders through our annual Report on Sustainability and the Carbon Disclosure Project.

Public policy participation

As Canada’s largest energy company – and the fifth largest in North America – Suncor is an active participant, and engaged stakeholder, in public policy discussions on energy and the environment.

In advocating on energy policy issues, Suncor seeks to balance our role in providing a safe, affordable and secure supply of energy to society with the need to produce and use energy in a more sustainable manner – as well as remaining economically competitive as an industry and recognizing our fiduciary duty to our shareholders. We strive to be a responsible partner in the energy system and we seek out opportunities to promote constructive dialogue on transforming that energy system and improving sustainability.

Suncor believes strongly in the promise of technology and innovation to mitigate the environmental impact of both producing and using fossil fuel-based energy, as well as enabling alternative energy. Suncor also supports initiatives and policies to promote energy efficiency and conservation – key leverage points for reducing energy-related greenhouse gas emissions.

Suncor continues to be a strong advocate of a national sustainable energy strategy for Canada. We believe that, as a nation, we should assess our likely energy requirements 10, 20 and even 50 years down the road, and determine the mix of proven and potential energy resources that can best meet those requirements.
Targets and goals for reducing GHG emissions would be an integral part of such a national strategy – and it would need to look at how energy is both produced and used. Improved vehicle efficiency, better building construction standards and more mass transit could all be key elements. In this way, a sound national energy strategy would also serve as a national climate change strategy.

In 2011, Suncor advanced this discussion through the Energy Policy Institute of Canada and several other forums. This work resulted in engaging the provincial Energy Ministers in a dialogue at Kananaskis, Alta., in July and a commitment to develop several ideas for the 2012 Energy Ministers meeting.

Suncor continued to be a participant in a consultation process with Environment Canada on sector-specific climate change regulation. We believe setting a carbon price through a technology fund is a key mechanism to promote the long-term competitiveness of Canada’s energy industry.

Suncor participated in a public consultation process in 2011 that led to Quebec approving new regulations on a cap-and-trade system for GHG emission allowances. We also provided input on amendments and reviews related to low carbon fuel standard (LCFS) initiatives in British Columbia and California.

Tackling the mobility challenge

One of the biggest single emissions-producing components of the energy system is the transportation sector. In Canada, approximately 29 per cent of GHG emissions come from the transportation sector, and just over half of that is personal transportation. Reducing emissions from this sector is, therefore, a critical piece of any national climate change and energy strategy. It’s also the toughest sector to tackle as mobility is at the core of our economy and quality of life.

Real progress can only be realized if all three aspects of emissions are addressed – namely fuel properties, vehicle efficiency and total demand for transport.

As an energy producer, Suncor can directly address the issue of fuel properties – or more specifically, fuel carbon intensity. Approximately 20 to 25 per cent of the full life cycle emissions of transportation fuels occur during the extraction, upgrading and refining, and transportation of the fuel. That is why Suncor places a high priority on energy efficiency. Blending biofuels into transportation fuel also reduces its carbon intensity. Suncor has been a supporter of biofuels since 1992 and is currently the largest biofuel producer in Canada.

But to make a step change in reducing production-end GHG emissions will require game-changing technologies. Suncor continues to investigate research in potential solutions around in situ recovery, steam generation, geothermal energy and gasification.

A second key lever is improving the efficiency of fuel use of vehicles. Approximately 75 to 80 per cent of the life cycle emissions of gasoline or diesel occur when the fuel is combusted in the vehicle engine. Driven by government regulation, vehicle manufacturers are steadily optimizing fuel use efficiency. At the same time, Suncor continually invests in improving the quality of its fuels so that, by burning cleaner, they will help maintain the overall efficiency of vehicle engines.

The third critical element is reducing the total distance that vehicles travel. Good public transit and urban planning are both key. Suncor is a supporter of QUEST, an organization that promotes an integrated, community-based approach to resolving energy and environmental challenges.

Tackling mobility emissions will be perhaps the biggest single energy challenge of the coming decades. Few other sectors rely so heavily on personal choices. As a partner in our shared energy future, Suncor actively supports advancing energy literacy and a systems-based approach to designing, planning and developing mobility in the future.
2011 GHG performance

Our Report on Sustainability provides an annual accounting of Suncor’s greenhouse gas (GHG) emissions, both in terms of absolute emissions and emissions intensity. The latter is calculated by using full-year net production and the carbon dioxide equivalent (CO₂e) emitted.

Production
As reported in our 2011 Annual Report, total upstream production averaged 546,000 barrels of oil equivalent (boe) through the course of 2011, compared to 615,000 boe in 2010. The decrease was primarily due to dispositions of non-core natural gas and international assets. Oil Sands production (excluding Syncrude) averaged a record 304,700 barrels per day in 2011.

Production numbers in Suncor’s Annual Report are for upstream volumes only, and include production from non-operated assets. This differs from production numbers used in Suncor’s Report on Sustainability, which include only operated facilities, but also include downstream volumes. For the purposes of our sustainability report, total production in 2011 was approximately 49 million cubic metres (300 million boe), compared to 51 million cubic metres (320 million boe) in 2010.

Please note: the sum of the Suncor facilities production will not equal the reported net corporate production. Inter- and intra-business unit product transfers (hydrocarbon streams that pass through more than one Suncor facility) are removed from the corporate and business unit totals to give the net production. This is done to prevent double-counting of hydrocarbon streams sent for further processing within the company. Individual facility intensities are calculated based on gross facility production; business unit intensities are calculated based on gross production totals minus intra-business unit material transfers, and the corporate GHG intensity is calculated based on net corporate production, which also removes inter-business unit transfers.
Absolute emissions and emissions intensity

Absolute full-year CO\textsubscript{2}e emissions in 2011 totalled 18.7 million tonnes, compared to 19.3 million tonnes in 2010 – a 2.7 per cent or 520-kilotonne decrease. This was mainly due to asset dispositions in Exploration & Production, improved performance and reliability at Oil Sands and decreases at some Refining & Marketing facilities. These factors helped offset emissions increases due to the commissioning of the Firebag 3 and St. Clair Ethanol plant expansion projects.

Using globally accepted GRI protocols, Suncor’s reported corporate GHG emissions intensity increased by 1.5 per cent in 2011 from 2010. Intensity increases at our In Situ operations due to the commissioning of Firebag 3 were partially offset by intensity decreases at Oil Sands and North American Onshore.

### Oil Sands

Absolute emissions at Suncor’s mineable Oil Sands operations decreased by three per cent in 2011. Emissions intensity decreased by 13 per cent compared to 2010. The intensity reductions were primarily due to improved reliability and productivity. In sum: a reliable, highly utilized plant is much more energy efficient than an unreliable, under-utilized plant.

### In Situ

Both absolute emissions and emissions intensity at our in situ oil sands operations increased by 26 per cent and 20 per cent respectively in 2011 due to the commissioning of our Firebag 3 expansion project. The rise in absolute emissions reflects extra steaming to warm the new reservoirs that had only increased production by five per cent at year end; this is expected to improve to historical intensity levels in subsequent years.

(continued on page 24)

### Suncor Energy GHG emissions actual (1990 – 2011) and estimates (2012 – 2016)

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### Suncor Energy GHG emissions intensity actual (1990 – 2011) and estimates (2012 – 2016)

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(1) Estimates are based on current production forecasts and methodologies. The tables contain forward-looking estimates and users of this information are cautioned that the actual GHG emissions and emission intensity may vary materially from the estimates contained in the table.

(2) Data from 1990 to 2000 does not include Suncor’s U.S. operations.

(3) Data includes direct and indirect CO\textsubscript{2}e emissions.

(4) Data and estimates for 2007 forward include the St. Clair ethanol plant.

(5) Data and estimates have changed from previous years’ reports due to Oil Sands methodology changes that reflect the inclusion of biomass, a methodology change in the calculation of fugitive emissions using LDAR data, and revisions to emissions factors based upon AENi’s request. These changes are also consistent with the methodology used for SGER Bill 3 reporting.

(6) Data for 2009 and future years includes the full-year emissions for all Petro-Canada operated properties acquired in the 2009 merger, even though the merger did not close until August 1, 2009. This is to allow for a consistent comparison to past and future years. For certain business units (BU), combined Suncor / Petro-Canada data is provided for some years prior to 2009 but this is not reflected in the Suncor-wide roll-up.

(7) The Business-As-Usual (BAU) line shown in previous years has been removed as it is no longer applicable to the merged company. A new BAU line may be added in the future once a new baseline has been developed.

(8) The Suncor-wide emissions intensity uses Net Production, which is the sum of Gross Facility Production minus all internal intra- and inter-BU product transfers, to remove any double counting. The sum of the BU intensities will therefore not equal the Suncor-wide intensity.

(9) The 2010 number reported in 2012 is different from the 2010 number reported in 2011; emissions from purchased hydrogen have been reclassified from Scope 2 to Scope 3 on the recommendation of our external third party verifier.

Definitions:

**Direct GHG emissions**: Emissions from sources that are owned or controlled by the reporting company.

**Indirect GHG emissions**: Emissions that are a consequence of the operations of the reporting company, but occur at sources owned or controlled by another company (e.g., purchased electricity, steam, or hydrogen).

**Absolute (total) emissions**: The total GHG emissions (direct and indirect emissions) of a facility or reporting company.

**Emission intensity**: Ratio that expresses GHG impact per unit of physical activity or unit of economic value (e.g., here it is tonnes of CO\textsubscript{2}e emissions per unit of gross processed volume in cubic metres).

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(1) Estimates are based on current production forecast and methodologies. The tables contain forward-looking estimates and users of this information are cautioned that the actual GHG emissions and emission intensity may vary materially from the estimates contained in the table.

(2) Data includes direct and indirect CO\(_2\) emissions.

(3) Data and estimates have changed from previous year’s report due to Oil Sands methodology changes that reflect the inclusion of biomass, a methodology change in the calculation of fugitive emissions using LIDAR data, and revisions to emission factors based upon AEVN’s request. These changes are also consistent with the methodology used for SGER Bill 3 reporting.

(4) Historical Environment data for Oil Sands from 2005 to 2008 includes our Firebag in situ operation, where appropriate, as well as our mining operations. In 2009 In Situ (Firebag and MacKay) began reporting as its own business unit. Data for 2009 and 2010 includes only Oil Sands base plant mining / extraction / upgrading and cogen operations. The Poplar Creek cogen is owned and operated by a third party but is part of the Suncor operating agreement and air licence, and therefore all cogen emissions count toward our total direct emissions.

(5) The GHG volumes from 2009 have been restated due to a change in hydrogen plant allocation and diesel emission methodology.

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Suncor strongly believes in the promise of technology and innovation to mitigate environmental impact.

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2012 summary report on sustainability 23
In 1997, Suncor introduced a seven-point action plan to help us reduce the overall carbon intensity of our operations.

(continued from page 22)

The rise in emissions intensity is due to the fact that, during the initial months of a new in situ plant, significant steaming is required to condition the “cold” reservoir, but production rates are limited. As production ramps up, emissions intensity should decline. Reported MacKay River emissions have increased somewhat due to a change in reporting methodology for indirect offsite emissions; direct emissions dropped slightly.

Both absolute emissions and emissions intensity rates at Firebag 1 and Firebag 2 remained relatively stable in 2011.

**Exploration & Production**

Terra Nova emissions were essentially unchanged over 2010, but production was lower due to natural reservoir declines and 27 days of planned downtime for maintenance; therefore, the emissions intensity per cubic metre of oil increased by 47 per cent. As oil fields mature, the total amount of fluid produced is often roughly stable but the water fraction increases; oil production decreases but the equipment needed to move the total fluid still has to work as hard as ever to accommodate the extra water.

North American Onshore emissions dropped mainly due to asset sales of older properties, and improved performance at Hanlan Robb gas plant. Absolute emissions dropped by 39 per cent and intensity improved 21 per cent over the previous year.

**Refining & Marketing**

Emissions in 2011 at our R&M facilities decreased by 2.8 per cent compared to 2010, while GHG intensity decreased by less than three per cent.

*On the web:* For more information on Suncor’s GHG performance see: our web report at Environment / Climate Change.
Climate change crossroads

The United Nations Durban Conference of the Parties in late 2011 made surprising progress toward an international climate change treaty to succeed the Kyoto Protocol. Whereas only 37 countries agreed to binding targets under Kyoto, the Durban agreement saw all 194 countries agreeing to formally commit to a “bottom up” approach, whereby each country may set its own policies to reach their respective greenhouse gas (GHG) emissions reduction targets.

It will take a lot of negotiations between now and 2015 to put in place, by 2020, a new legally binding treaty. It is not yet clear that the major economies are really on board – a necessity if the United States is to participate.

China and India are concerned about the impact of emission reduction targets on economic growth. Executing climate change strategies fair to the developed and developing worlds alike remains a critical challenge.

So where to from here? Much of the frustration at the failure of Kyoto arose from the assumption that climate change is simply an environmental problem. It’s time to seek a new perspective.

Climate change is largely an energy problem, and one of the keys to managing this issue is transforming the energy system – the way we produce, use and distribute energy. Complicating the transition is what Suncor has often described as “the energy dilemma” – the fact global energy demand is rising while supply of conventional crude oil is increasingly restricted. How do we responsibly produce and use the energy our economies require while also mitigating environmental concerns, including climate change?

Resolving the energy dilemma begins with looking through a systems-wide lens and making some tough, yet critical, choices. So, for example, it’s not as simple as saying, “Let’s get rid of coal in favour of wind power.” You have to weigh the trade-offs involved and the impact on end users – in other words, all of us. At the end of the day, we need our cities to function and the lights to go on when the switch is flicked.

As Canada’s largest integrated energy company, Suncor recognizes it’s part of the problem when it comes to the climate change challenge, but we also firmly believe we can be part of the solution. We see a positive role for the oil sands industry to play in providing much-needed energy, economic growth and social benefits for today while generating the investment revenue and tax revenues required to develop tomorrow’s alternative energy sources and progressive environmental technologies.

But a company like Suncor represents just one end of the energy system spectrum. A much broader societal consensus will be required to transform the energy system in ways that significantly affect climate change.

We will also need to unleash the innovation that’s at the heart of the proposed Durban process – each nation leveraging its respective energy strengths to protect competitive advantages while also addressing social and environmental shortfalls. By making progress on many fronts, we have the opportunity to make progress where it really counts.

“We need to move beyond seeing climate change simply as an environmental issue; it’s about transforming an energy system that links us all. The challenges are complex, but the good news is that progress is possible.”

Fiona Jones
Suncor’s director, Energy and Climate Change Policy
Social performance

Suncor strives to be a good corporate citizen. That includes ensuring workplace safety, respecting human rights, investing in strong communities and working constructively with our Aboriginal neighbours.
Safety

Suncor always ranks safety as our top priority, and safety leadership is one of the six core Suncor values. We believe all workplace incidents are preventable and no job is too urgent or routine that it cannot be done safely. Suncor seeks to eliminate all workplace incidents – a goal summed up in the title of our "Journey to Zero" safety program.

Suncor continues to make progress on reaching our safety goals. The lost time injury frequency among employees and contractors declined from a rate of 0.11 in 2010 to a rate of 0.06 in 2011, an improvement of 45 per cent. The recordable injury frequency rate declined from 0.85 in 2010 to 0.73 in 2011, an improvement of 14 per cent. However, the death of an FT Services employee at Suncor’s Firebag in situ site in August 2011 reminds us that our Journey to Zero is far from complete.

2011 was a peak year in the implementation of Suncor’s comprehensive Process Safety program, part of our corporate-wide operational excellence strategy. Process Safety is targeted at the prevention of incidents that can result in significant fatalities and injuries as well as environmental, health and property damage. By the end of 2013, all of Suncor’s major facilities will have implemented action plans for improved performance based on a set of consistent Process Safety standards. As this four-year program nears completion, focus is shifting to sustaining safety gains over the long term.

Our stakeholders

2011 was a pivotal year for Suncor in terms of how we engage and interact with our stakeholders. It marked the culmination of a series of policy and strategy reviews that began in the wake of the 2009 merger between Suncor and Petro-Canada. In 2011, we began to implement new Stakeholder Relations and Aboriginal Relations policies. We also developed and adopted a new Community Investment strategy and a new Human Rights policy.

This was all part of a concerted effort to ensure that, wherever we operate, our stakeholder, community and human rights practices reflect consistent values and complement and reinforce each other.

Community investment

After much reflection, research and consultation, Suncor and the Suncor Energy Foundation (SEF) launched a bold new approach to investing in communities in 2011. The focus of our strategy is to target investments in ways intended to help communities near Suncor’s operations grow, thrive and become sustainable.

Since 1998, Suncor Energy and the company’s charitable foundation, the SEF, have contributed more than $130 million to communities. But Suncor’s 2009 merger with Petro-Canada created a unique opportunity to re-evaluate our existing community investment strategy and consider how we might work collaboratively with key communities and partners to have the most positive long-term impact.

Suncor’s new Community Investment Strategy defines a sustainable community as a place where there is a high quality of life that attracts people and keeps them there; an abundance of clean, natural resources; and ample economic opportunity.

By leveraging Suncor’s strengths as an integrated energy company, we believe we can be an effective partner in supporting sustainable communities. That’s why, going forward, Suncor will focus its investments in five key areas to support integrated initiatives that:

- strengthen communities by cultivating community leaders
- support building skills and knowledge for the current and future workforce
- foster the ability to think creatively through inspiring innovation
- build employee and volunteer capability by engaging citizens in community activities
- actively engage employees and communities in collaborating on our shared energy future.

Collaboration is at the heart of our new approach. Working collaboratively will help us find and realize possibilities together for pursuing long-term solutions that can positively affect communities, future generations and our company. It will also ensure we continue to understand each other’s interests, issues, needs and concerns.

We expect it could take upwards of five years to fully shift the focus of our community investments in this new direction. All existing commitments to charitable and not-for-profit groups will be honoured; however, renewal requests and new funding requests will be assessed to ensure they align with the five priority areas described above.
Aboriginal relations

Many of Suncor’s operations are located on or near the traditional lands of Aboriginal peoples. As a responsible energy developer, Suncor takes into account Aboriginal issues and concerns about the effects, positive and negative, of energy development on communities and current uses of land and resources. We are committed to working closely with Aboriginal peoples and communities to build and maintain effective, long-term and mutually beneficial relationships.

In 2011, Suncor began implementing a revised Aboriginal Relations policy that is guided by the following principles: respect for the unique legal and constitutional rights of Aboriginal peoples as well as for their history, customs, beliefs and traditions; timely communication and consultation; sharing the economic and social benefits of energy development; and a strong commitment to environmental responsibility.

Since 1992, Suncor has spent more than $1.9 billion on goods and services from Aboriginal companies that serve the Wood Buffalo region. But we recognize that supporting Aboriginal economic development is about more than purchasing goods and services. That’s why, in December 2011, we developed a new Aboriginal Economic Collaboration strategy that focuses on four key objectives: increasing procurement and commercial activities with established, capable and competitive Aboriginal businesses; becoming a leader in capability development with emerging Aboriginal businesses; investing Suncor resources in community-driven Aboriginal economic development; and establishing strategic alliances with external organizations.

Human rights

In 2011, Suncor adopted a new Human Rights policy and began implementing it across our operations. Our policy recognizes Suncor has a responsibility to respect human rights and to ensure we are not complicit in human rights abuses. Our responsibility to respect human rights applies to all of our activities and to our business relationships with others.

Suncor participated in 2011 in a United Nations Global Compact pilot project that helped us identify and address gaps in our stakeholder relations and community investment policies and procedures, particularly as these related to operating in high-risk and conflict-affected areas.
Recommendations flowing from the pilot project helped inform the drafting of our Human Rights policy and are being implemented as we move forward on refining and standardizing our social responsibility practices in politically sensitive jurisdictions.

In February 2011, we suspended our oil operations in Libya and evacuated all of our expatriate staff, due to growing conflict in that country. We began a gradual return to the country during the fourth quarter following a change in the political regime and the lifting of sanctions.

Through much of 2011, we responded to escalating conflict in Syria by working though a number of safety and security protocols, while also maintaining a strong focus on corporate social responsibility. Ultimately, we suspended our natural gas and oil operations in Syria to comply with sanctions announced in December.

In both countries, we will continue to closely monitor the situation, and ensuring the safety of our employees remains our top priority. We have been consistent in our position that we will not operate in either country, unless we can do so safely, responsibly and in compliance with international law.

Our employees

Our 13,000-plus employees are an important part of our journey to become Canada’s integrated energy company, focused on operational excellence and growth – with the assets, people and financial strength to compete globally.

Building a culture and workplace where employees take pride in their success is an important part of our journey; our employees continue to play a central role by living the values and behaviours we need to achieve Suncor’s business goals and ensure we continue to be a great place to work.

On the web: François Langlois, senior vice president, Exploration & Production, talks about the challenges of operating in higher-risk jurisdictions: Social/Social Responsibility/Operating Internationally. Also: more features and details on Suncor’s new Stakeholder Relations, Aboriginal Relations, Community Investment and Human Rights policies and strategies.
Economic performance

A vibrant energy industry acts as an engine for the larger economy, creating well-paying jobs, promoting economic growth and providing governments and suppliers with valuable revenues. In Suncor’s case, economic success also allows us to make significant investments in our renewable energy business and in new technologies to improve environmental performance.
In 2011, Suncor’s integrated business model demonstrated its full value. Our capacity to upgrade bitumen and refine crude oil in-house allowed us to maximize the margin on the barrels of oil we produce, contributing to record annual operating earnings and cash flow from operations. In the last two years, Suncor has reduced its net debt by nearly half, to just below $7 billion. Going forward, our strengthened balance sheet positions us to fund base operations and capital growth primarily through internally generated revenues.

Suncor continued to invest in its renewable energy portfolio in 2011, adding two new wind power projects and doubling the capacity of our ethanol production facility. By the end of 2012, we expect our existing and planned investments in renewable energy to total about $750 million. By the same point, we expect to have spent more than $1 billion over two years to implement new technologies to rapidly accelerate the reclamation of oil sands mine tailings.

2011 also marked the first full year of Suncor’s 10-year growth strategy to increase our total production to more than one million barrels of oil equivalent per day by 2020. Of that planned production, it’s expected approximately four of every five barrels will flow from the oil sands.

By sharing and sequencing the investment on some major projects with joint venture owners, and by staging our stand-alone projects in manageable pieces, we are setting the stage for a period of disciplined, lower-risk growth. As we grow, Suncor will remain focused on safe, reliable and environmentally responsible energy production that delivers value to our shareholders.

Here is a snapshot of Suncor’s corporate performance, as well as the contribution to the economy from our operations in 2011:

**Corporate performance**

- Total upstream production averaged 546,000 barrels of oil equivalent per day (boe/d) in 2011, compared to 615,000 boe/d in 2010. The decrease was primarily due to dispositions of non-core natural gas assets in Western Canada and the U.S. Rockies, non-core North Sea assets, and Trinidad and Tobago assets. Oil Sands production (excluding Syncrude) averaged a record 304,700 barrels per day in 2011, reflecting improved reliability and increased bitumen feedstock from mining and in situ operations. Production results included the impacts of the largest planned maintenance event in the company’s history, which was completed safely and on schedule.

- Suncor reported net earnings of $4.304 billion in 2011, compared to $3.829 billion in 2010. Operating earnings were $5.674 billion, compared to $2.634 billion in 2010, while cash flow from operations was $9.746 billion, compared to $6.656 billion in 2010. These record financial results were primarily due to higher upstream price realizations and downstream refining margins, as well as increased production from Oil Sands.

- Suncor’s common share price closed at $29.38 on the Toronto Stock Exchange on December 31, 2011. Our focus remains on building long-term shareholder value.

**Contribution to economy**

- In 2011, royalties paid by Suncor totalled $2.271 billion, including $799 million directed to the Alberta government related to oil sands royalties. As well, Suncor paid income taxes of approximately $900 million to governments in Canada and internationally.

- Capital spending in 2011 totalled $6.9 billion, compared to $6.0 billion in 2010.

- Suncor spent $10.9 billion* on goods and services in 2011. A look at our supply chain spending shows we had more than 11,000 Canadian vendors spanning all 10 provinces as well as the Northwest Territories and the Yukon. The United States was our next biggest supplier (more than 2,000 vendors), although we also purchased from 43 other countries. The range of goods and services is extensive and includes: heavy equipment, drilling, construction, engineering, environmental services, trucking, chemicals, steel, electrical, catering, pipes and tires.

- Whenever possible, Suncor prefers to use local vendors. In 2011, we spent $290 million on goods and services from Aboriginal businesses serving the Wood Buffalo region, home to our oil sands business. Since 1992, Suncor has directed more than $1.9 billion in goods and services spending to Aboriginal businesses.

* Excludes spend on goods and services in Libya and Syria.
Looking ahead

Suncor entered 2012 with a plan for disciplined, but significant growth.

In November 2011, Suncor’s Board of Directors approved a $7.5 billion capital spending plan for 2012, with approximately $3.6 billion expected to go toward growth projects. While about 60 per cent of the growth funding in 2012 is focused on the company’s core oil sands resource base, more than $1.1 billion is targeted for growth projects in Suncor’s Exploration & Production business. Over half of this amount is expected to advance new developments like Golden Eagle in the U.K. sector of the North Sea, Hebron on Canada’s East Coast and exploration and delineation in Norway.

The company also plans to continue growing its renewable energy portfolio.

Have you met OSQAR?

We’ve heard from our stakeholders that you want more information about the oil sands and overall industry performance, especially given increasing public concern and media attention.

As the company with the greatest production in the oil sands, we are taking the approach that we need to do a much better job of sharing information. And that’s why we’re pleased to offer Oil Sands Question and Response, or OSQAR, to support constructive dialogue about the oil sands.

Each edition of OSQAR addresses a topical, timely subject often providing references and links to both positive and not-so-positive third-party commentary. Through its conversational tone, OSQAR is intended to support constructive, balanced conversations about Suncor and the industry.

OSQAR began as an email newsletter subscription for people interested in our company, the oil sands and other energy issues. It has since evolved to include a blog – another venue for healthy discussion.

You can access OSQAR in two ways:

1. Visit the blog at: http://osqar.suncor.com
2. Subscribe to the email newsletter at: http://osqar.suncor.com
Legal notice

Forward-looking statements – Certain statements contained in this publication contain forward-looking statements and other information based on Suncor’s current expectations, estimates, projections and assumptions that were made by the company in light of information available at the time the statement was made and consider Suncor’s experience and its perception of historical trends, including expectations and assumptions concerning: the accuracy of reserves and resources estimates; commodity prices and interest and foreign exchange rates; capital efficiencies and cost savings; applicable royalty rates and tax laws; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the receipt, in a timely manner, of regulatory and third-party approvals. In addition, all other statements and other information that address expectations or projections about the future, and other statements and information based on Suncor’s strategy for growth, expected and future expenditures or investment decisions, commodity prices, costs, schedules, production volumes, operating and financial results, future financing and capital activities, and the expected impact of future commitments are forward-looking statements.

Some of the forward-looking statements and information may be identified by words like “expects”, “anticipates”, “estimates”, “plans”, “scheduled”, “intends”, “believes”, “projects”, “indicates”, “could”, “focus”, “vision”, “goal”, “outlook”, “proposed”, “target”, “objective”, “continue” and similar expressions. Forward-looking statements in the publication include references to: Suncor’s goal to be Canada’s premier integrated energy company; Suncor’s environmental goals to be achieved by 2015 (as compared to a baseline year of 2007), including improving energy efficiency by 10 per cent, achieving absolute reductions in fresh water consumption by 12 per cent and air emissions by 10 per cent and increasing land reclaimed by 100 per cent; Suncor’s TROM tails management approach, which is expected to, among other things, dramatically accelerate the reclamation of tailings ponds and mined lands and reduce the need for future tailings ponds; Suncor’s environmental and social goals for 2012-2013; Suncor’s expectation that it will begin operating a new $150 million wastewater treatment facility that will allow Suncor to take wastewater from its upgrading pond and reuse it in its operations or return it to the environment by 2013 (at which point, Suncor expects to have reduced its river water withdrawal by about 75 per cent compared to 2007); Suncor’s expectation that between 2010 and the end of 2012, it will have spent over $1 billion to implement its new TROM tails management approach; plans to be undertaken by organizations Suncor is involved with, including COSIA and OSLI, anticipated future GHG emissions and intensities; planned investments in renewable energy by Suncor, which are expected to be completed by the end of 2012 to total $750 million; Suncor’s 10-year growth plan announced in 2010, which is expected to boost Suncor’s total production to more than one million barrels of oil equivalent per day by 2020; and Suncor’s $7.5 billion capital spending plan for 2012, with approximately $3.6 billion expected to go toward growth projects and the plan that 60 per cent of growth funding in 2012 will be focused on the company’s core oil sands resource base, with more than $1.1 billion targeted for growth projects in Suncor’s Exploration & Production business.

Forward-looking statements and information are not guarantees of future performance and involve a number of risks and uncertainties, some of which are similar to other oil and gas companies and some that are unique to Suncor. Suncor’s actual results may differ materially from those expressed or implied by its forward-looking statements, so readers are cautioned not to place undue reliance on them. The financial and operating performance of Suncor may be affected by a number of factors.

Risks, uncertainties and other factors that could influence financial and operating performance of all of Suncor’s operating segments and activities include, but are not limited to, changes in general economic, market and business conditions, such as commodity prices, interest rates and currency exchange rates, fluctuations in supply and demand for Suncor’s products, the successful and timely implementation of capital projects, including growth projects and regulatory projects; competitive actions of other companies, including increased competition from other oil and gas companies or companies that provide alternative sources of energy; labour and material shortages, actions by government authorities, including the imposition of taxes or changes to fees and royalties, and changes in environmental and other regulations; the ability and willingness of parties with whom we have material relationships to perform their obligations to us; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Suncor or other parties whose operations or assets directly or indirectly affect Suncor; the potential for security breaches of Suncor’s information systems by computer hackers or cyberterrorists, and the unavailability or failure of such systems to perform as anticipated as a result of such breaches; our ability to find new oil and gas reserves that can be developed economically; the accuracy of Suncor’s reserves, resources and future production and assessment estimates; market instability affecting Suncor’s ability to borrow in the capital debt markets at acceptable rates; maintaining an optimal debt to cash flow ratio; the success of Suncor’s risk management activities using derivatives and other financial instruments; the cost of compliance with current and future environmental laws; risks and uncertainties associated with closing a transaction for the purchase or sale of an oil and gas property, including estimates of the final consideration to be paid or received, the ability of counterparties to comply with their obligations in a timely manner and the receipt of any required regulatory or other third-party approvals outside of Suncor’s control that are customary to transactions of this nature; and the accuracy of cost estimates, some of which are provided at the conceptual or other preliminary stage of projects and prior to commencement or conception of the detailed engineering that is needed to reduce the margin of error and increase the level of accuracy. The foregoing important factors are not exhaustive.

Many of these risk factors and other assumptions related to Suncor’s forward-looking statements and information are discussed in further detail throughout Suncor’s Management’s Discussion and Analysis (MD&A). Suncor’s Annual Information Form and Form 40-F for the year ended December 31, 2011, on file with the Canadian securities commissions at www.sedar.com and the United States Securities and Exchange Commission at www.sec.gov. Readers are also referred to the risk factors and assumptions described in other documents that Suncor files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the company.

Non-GAAP measures – Certain financial measures in this publication – namely cash flow from operations and operating earnings – are not prescribed by Canadian generally accepted accounting principles (GAAP). All non-GAAP measures presented herein do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. Therefore, these non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. All non-GAAP measures are included because management uses the information to analyze operating performance, leverage and liquidity and therefore may be considered useful information by investors. Cash flow from operations and operating earnings for 2011 are defined and reconciled in the Non-GAAP Financial Measures Advisory Section of Suncor’s MD&A for the year ended December 31, 2011.

Reclamation – Reclamation at Suncor is a carefully monitored process with two distinct components: (i) transformation of the area, including tailings ponds, into a solid material that can support vegetation, wildlife and landscape restoration, which includes landform design and oil placement; and (ii) re-vegetation in a way that the reclaimed landscape can support vegetation and wildlife as a self-sustaining ecosystem. When Suncor claims that it has reclaimed land or plans to reclaim land, the reclaimed land will have met or is intended to meet the two distinct components identified in this paragraph.

BOEs – Certain natural gas volumes in this publication have been converted to barrels of oil equivalent (BOE) on the basis of one barrel to six thousand cubic feet. BOEs may be misleading, particularly if used in isolation. A conversion rate of one barrel of crude oil or natural gas liquids to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent value equivalency at the well tip.

Suncor is proud of our involvement with the following organizations:

Ceres
In 2007, Suncor became the first Canadian energy company to join Ceres, a coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges.

Suncor is a member of the Canadian Association of Petroleum Producers (CAPP). CAPP’s stewardship initiative is a commitment to responsible resource development and continuous improvement that all CAPP members uphold.

Dow Jones Sustainability Indexes
The Dow Jones Sustainability Index (DJSI) follows a best-in-class approach comprising the sustainability leaders from each industry. Suncor has been part of the index since the DJSI was launched in 1999.

FTSE4Good

Socially Responsible Corporations - 2012

CARBON DISCLOSURE PROJECT

CARBON DISCLOSURE PROJECT

CARBON DISCLOSURE PROJECT
Suncor is working hard to generate economic growth, minimize environmental impacts and create community well-being.

$1.9 billion in goods and services spending with Aboriginal businesses

50% decline in Suncor's water withdrawal from the Athabasca River since 2004*

$130 million invested in communities by Suncor and Suncor Energy Foundation since 1998

Tell us what you think

If you have comments or questions about this report, contact:

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*As at December 31, 2011.
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