

TRUSTED ENERGY FOR THE FUTURE



MESSAGE TO SHAREHOLDERS

Mark Little

President and Chief Executive Officer

The energy industry continued to live through tumultuous times in 2019 with questions about the role of fossil fuels in meeting the world's energy needs through this century. What's certain is that Canada has a significant strategic resource in the oil sands that will continue to play an important role in the energy mix for the foreseeable future. What is also certain is that, collectively, we need to reduce greenhouse gas (GHG) emissions quickly. Suncor took significant, strategic actions in 2019 to respond to these concerns, to help shape the future of energy supply, and to be part of the solution to reduce GHG emissions. Enabled by investments in technology and innovation, we moved closer to our overarching economic and environmental goals of a \$2 billion increase in annual free funds flow by 2023 and a 30 per cent reduction in GHG emissions intensity by 2030.

Our integrated oil sands business continued to be a critical contributor to our strong cash generation of over \$10 billion in funds from operations for the second year in a row, which enabled continued investment in our future, all despite a very challenging business environment. We were, and continue to be, well positioned despite continued volatility from commodity and refined product prices, and mandatory production curtailment in the province of Alberta. Thanks to our integrated business model – which proved once again to be a competitive advantage – we were able to focus on value over volume to maximize returns, leveraging our oil sands production with our upgrading, refining and marketing assets to realize the highest value possible for our produced barrels. Our secured committed pipeline capacity, along with additional rail capacity, supported getting those barrels to markets where they captured global pricing, maximizing the value of the barrels we produce.

A \$1.4 billion investment in a new cogeneration facility at our Oil Sands Base will replace coke-fired boilers with more energy

\$1.4 BILLION
investment in a new
cogeneration facility

efficient, natural gas-fired cogeneration units. Expected to provide reliable steam generation and return 800 megawatts (MW) of lower carbon natural gas-fired electricity to the Alberta grid, this investment will not only make Suncor the third largest producer of electricity in the province, it will also reduce Alberta GHG emissions by approximately 2.5 megatonnes per year – the equivalent of taking 550,000 cars off the road.

We also sanctioned and began construction of the Forty Mile Wind Power Project in southern Alberta, a 200 MW renewable power project with an estimated total capital spend of \$300 million. Forty Mile is expected to go into commercial service at the end of 2021 and generate double-digit economic returns through zero-carbon power generation while retaining the carbon credits to offset costs elsewhere in Suncor's business.

These actions are evidence of our commitment to our shareholders and the environment and are part of the reason why I look to the future with confidence and optimism. Whether working to continually improve the performance of our core business, contributing to global emissions reduction efforts by providing consumers with options to reduce their footprint, or investing in the future of energy through new technologies and

innovative thinking, we continue to take actions that reflect our aspirational purpose: to provide trusted energy that enhances people's lives, while caring for each other and the earth.

OUR PURPOSE

To provide trusted energy that enhances people's lives, while caring for each other and the earth

GROWTH AMIDST CURTAILMENT: BROAD AND FLEXIBLE ASSET BASE CREATES OPPORTUNITIES

In 2019, we generated a record \$10.8 billion of funds from operations and \$4.4 billion in operating earnings. Our oil sands business delivered record funds from operations of \$6.1 billion as a result of record synthetic crude oil production and strong production from Fort Hills in its first full-year of operations. In addition, Syncrude recorded its second best production year in its history. These results represent an increase in funds from operations of 6.4 per cent over 2018, despite the impacts of the Government of Alberta's mandatory production curtailment program.

Although fundamentally we are opposed to market intervention, the Government of Alberta's mandatory production curtailment program afforded Suncor the opportunity to demonstrate the breadth and flexibility of our asset base and strength of our business model: with integration across the value chain, we generate higher value per barrel, enabling us to thrive under a variety of market conditions. During 2019, we demonstrated the value of our asset integration and flexibility through our focus on value over volume, optimizing our product mix and transferring production allotments among our assets to offset the impacts of the mandatory production curtailment. This unique competitive advantage meant we were able to realize the highest value possible for our produced barrels – focusing

on higher value but higher cost SCO production instead of lower margin and lower cost bitumen barrels to maximize returns.

Continued operational excellence and solid reliability at our refineries, which averaged 95 per cent utilization rates over the course of 2019, proved Suncor's downstream operations remain a stable bedrock of our overall performance. With crude throughput averaging 438,900 barrels per day (bbls/d) and refined product sales of 539,400 bbls/d for the year, an increase of 1.9 per cent and 2.3 per cent, respectively, over the previous year, our downstream operations continue to set new records – including record funds from operations of \$3.9 billion – and achieve year-over-year gains in efficiency and profitability.

In Exploration and Production (E&P), the ramp up of Hebron as well as continued investment in near-field developments of existing assets leave us well positioned for the future. These offshore assets, with access to tidewater, attract global-based pricing and provide portfolio diversity. In 2019, Hebron reached nameplate capacity ahead of schedule, White Rose returned to full operations, and we completed planned maintenance at Terra Nova. We also sanctioned the Terra Nova asset life extension project, which is expected to extend the life of Terra Nova by approximately a decade. This project is expected to allow the facility to produce an additional 80 million barrels of oil from the Terra Nova field.



Pipes outside at the Edmonton refinery

RETURNING VALUE TO SHAREHOLDERS

The resilient nature of our cash flow provided by operating activities, combined with disciplined capital management, resulted in \$4.9 billion returned to shareholders through dividends and share buybacks over the course of 2019. In fact, 2019 saw our 17th consecutive year of dividend growth, with a 17 per cent increase in our dividend to \$0.42 per share. We also repurchased \$2.3 billion in common shares, representing 3.6 per cent of total

common shares outstanding, and repaid \$425 million in debt. Since recommencing the share repurchase program in May 2017, Suncor has repurchased approximately \$6.7 billion or 153 million shares, over 9 per cent of our total common shares outstanding.

Our dividend growth, share repurchase program and debt repayment reflect our continued capital allocation discipline and ability to create substantial free cash flow – thanks to our integrated model – across various market conditions.

STRONGER TOGETHER: COLLECTIVE ACTION FOR A NEW ENERGY FUTURE

Speaking of integration, in August we celebrated the 10-year anniversary of Suncor becoming Canada's leading integrated energy company through the Suncor/Petro-Canada™ merger. Collaboration and integration remain at the heart of our business to this day as we consistently seek new ways to partner to advance the transformation of the energy system.

INCREASING OPTIONS FOR PARTICIPATION

An area of collaboration I'm particularly passionate about is our work with Indigenous communities. At Suncor and as the first co-chair of the Canadian Council for Aboriginal Business Aboriginal Procurement Champions Initiative, I'm constantly challenging us and others to look for meaningful, creative and progressive ways to partner. Our engagement with Mississauga-based Kiya Maka Consultants for software testing is a good example of finding ways to engage Indigenous businesses across the country to increase opportunities and enhance Indigenous business competitiveness going well beyond the traditional service and maintenance business model.

Innovative business arrangements, such as opportunities for equity participation in planned development projects, are critical, because they provide long-term sustainable cash flow to Indigenous communities so that these communities can make long-term decisions and provide education, health care, infrastructure and

more. These arrangements, such as our joint venture with Fort McKay and Mikisew Cree First Nations on the East Tank Farm Development, require mutual respect and an investment of time and energy to listen and learn from one another and build trusting relationships.

\$826 MILLION
spent with Indigenous-owned
businesses and suppliers,
representing 8% of our company's
total supply chain spend



An attendee at our annual Inspire Indigenous youth event which took place in Calgary



// Transitioning the energy system requires all of us – suppliers, consumers, industry peers and governments – to make changes that will position Canada for success in a low-carbon environment

In 2019, Suncor spent \$826 million on goods and services with Indigenous-owned businesses and suppliers. This represents eight per cent of our company's total supply chain spend. We also increased the number of First Nations-owned Petro-Canada™ stations. Our first Petro-Canada™ gas station with a First Nation was in Saskatchewan in 2000; today, there are 39 First Nations-owned Petro-Canada™ stations across the country.

TRANSITIONING THE ENERGY SYSTEM

In addition to increasing opportunities for Indigenous communities, transitioning the energy system requires all of us – suppliers, consumers, industry peers and governments – to make changes that will position Canada for success in a low-carbon environment.

Because our business touches many aspects of Canada's economy, Suncor is in a unique position to influence the value chain at all levels. The installation of a cross-Canada network of more than 50 fast-charging electric vehicle (EV) chargers at Petro-Canada™ stations is one way we are doing this. These stations are positioned no further than 250 kilometres apart ensuring that an EV charging station is within range on this electric highway and eliminating one of the significant barriers to EV adoption. We know our customers want options to reduce their carbon footprint, and Canada's Electric Highway™ is one way that Suncor, through its Petro-Canada™ brand, can support reducing emissions by providing Canadians with choices for their energy needs.

Suncor is also making changes, with investments in new technologies and renewable energy that lower our emissions, provide new sustainable energy sources, and support achieving our sustainability goal of a reduction of GHG emissions intensity by 30 per cent by 2030. Our investment in low-carbon power, such as our cogeneration facility at our Oil Sands Base and the Forty

Mile Wind Power Project, is expected to bring us approximately a third of the way toward meeting our GHG emissions intensity reduction targets. With another third or a 10 per cent reduction in emissions intensity already achieved since 2014, by 2023 we expect to have achieved a 20 per cent reduction – two-thirds of our 30 per cent emissions intensity reduction target. Other strategic investments and actions that supported our GHG emissions intensity reduction efforts in 2019 included:

- \$73 million equity investment in Quebec-based Enerkem Inc., a biofuels company that turns household waste into methanol, ethanol and other widely used chemicals, supporting the movement toward low-carbon fuel. We've also seconded a number of experts from the Suncor team to support the operation of Enerkem's plant in Edmonton.
- Energy efficiency and continuous improvement projects such as operation performance management (OPM) dashboards at Firebag to measure, review and make real-time decisions that improve reliability, reduce energy intensity, and lower cost and GHG emissions.

Launched Canada's first coast-to-coast network of fast-charging electric vehicle stations



We will continue to focus on investing in high-return projects that are largely independent of pipeline constraints and commodity price volatility

- Developing and deploying new technologies enabled through our founding membership with the Clean Resource Innovation Network (CRIN), which facilitates connections between the energy industry, innovators, investors, incubators, policy-makers, researchers, and students to advance technologies for the production of clean hydrocarbon technology targeting the entire value chain-from source to end consumer.

The sheer amount of innovation projects directly and indirectly supported by Suncor continues to grow and, in 2019, we spent \$830 million in technology development and deployment,

including \$263 million in digital transformation spend. Some of these initiatives have contributed to reducing our own GHG emissions intensity and others are expected to contribute to lowering the overall energy intensity of the power grid in Alberta or the energy required to refine our products elsewhere in North America. We continue to report on and track our progress annually, recognizing that transparency and disclosure are important to shareholders and many others. This year I am proud to say we built on a quarter century of sustainability disclosure, releasing our 25th Report on Sustainability and our third Climate Risk and Resilience report.

OPERATIONAL DISCIPLINE: INCREASING RELIABILITY, CREATING EFFICIENCIES

Beyond lowering the carbon intensity of our business, we are also pushing to drive efficiencies across all aspects of our operations. With minimal exploration risk and cost in our oil sands business, we can instead focus our efforts and resources on improving asset reliability and lowering cash operating costs per barrel to drive returns, while continuously improving environmental and social performance.

Improved reliability across our oil sands business was a key factor in production growth in 2019, with upgrader utilization at Syncrude averaging 85 per cent, despite curtailment. We've been on a multi-year journey to get Syncrude reliability above 90 per cent, leveraging our own experience at Suncor's oil sands operations, which again achieved 90 per cent utilization. We also continue to invest in strategic initiatives that support continuous improvement across our operations and drive step changes in existing processes, such as value chain optimization in supply and trading, and further optimization and automation of mining and upgrading through autonomous haul systems (AHS), which are now fully deployed at our Steepbank mine and expected to be fully deployed at Fort Hills in 2020. Planned bi-directional

pipelines to connect our Oil Sands Base and Syncrude (completion planned for the second half of 2020) are also expected to increase reliability and utilization rates moving forward.

We continue to target cost reductions across our operations, without compromising our core value of safety. Opportunities to reduce safety risks are always a priority and harnessing digital technologies, such as robotics, artificial intelligence and remote sensing technologies (such as drones and wireless employee monitors), provide solutions that are safe, quick and cost-effective.

Record SCO production of
485.6 mbbbls/d
across our Oil Sands assets

LOOKING AHEAD TO 2020 AND BEYOND: PROFITABLE CASH FLOW GROWTH AT LOW CAPITAL COST

With our large capital projects behind us, Suncor is planning for profitable growth at a low capital cost in the medium term. While many long-term production growth opportunities exist in our portfolio, our current focus is on increasing incremental free funds flow by leveraging and generating returns from existing assets, without significant production increases that would require large capital investments. Our target is to grow annual free funds flow by \$2 billion by 2023. 75 per cent of this target is currently in execution through sanctioned projects, many of which are not impacted by crude market conditions – like cogeneration at our Oil Sands Base. We expect the remainder of the target to come from debottlenecking and leveraging technology and data to improve performance, reliability and operational excellence.

We will continue to focus on value over volume, investing in high-return projects that are largely independent of pipeline constraints and commodity price volatility – driving long-term value creation, increasing shareholder returns, and lowering the carbon intensity of our production.

And although there continues to be uncertainty on the impact and duration of the Government of Alberta's mandatory production curtailments, curtailment has been factored into our 2020 production outlook, as has the utilization of crude by rail special production allowances.



// Building on our century-long tradition of being part of the energy solution in Canada and around the globe, Suncor has the scale, financial strength, and expertise to lead the transformation of Canada's energy sector

Randy and Chris climb the stairs of a holding tank at our Edmonton refinery

SUNCOR 4.0: MAKING TODAY'S ENERGY BETTER AND TOMORROW'S ENERGY POSSIBLE

Building on our century-long tradition of being part of the energy solution in Canada and around the globe, Suncor has the scale, financial strength and expertise to lead the transformation of Canada's energy sector. Our own journey has been one of continuous transformation – whether that was pioneering bucket and wheel to truck and shovel in oil sands mining, implementing in situ projects, or advancing tailings reclamation. As a company, we have gone from Suncor 1.0 (figuring out how to get the bitumen out of the ground), to Suncor 2.0 (making money at it), to Suncor 3.0 (merging with Petro-Canada™, which provided integration and an opportunity to access value across the entire value chain).

Our next phase is Suncor 4.0: characterized by being a purpose-driven organization, realizing the full potential of our people as we play a leadership role in sustainability and transforming the energy system and harnessing innovation, while using data and digital technology to improve our business.

What I've seen in my 11 years with this company, and in my first year as President and CEO, tells me our purpose – to provide trusted energy that enhances people's lives, while caring for each

other and the earth – is within reach. Thank you to Suncor's Board of Directors, our shareholders and our stakeholders for your continued confidence and support. And to our approximately 13,000 employees in Canada and internationally, know that your bright minds, curiosity and willingness to try new things make everything possible as we navigate the evolving energy future together to deliver the energy our world needs – with integrity and with care. As the calendar turns on a new decade, I am confident and optimistic about what we will achieve.



Mark Little
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